

INTERIM REPORT

FIRST QUARTER 2005



Recordati, established in 1926, is a European pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy and operating subsidiaries in France, Germany, Ireland, Spain, Switzerland and the United States.

HIGHLIGHTS

FIRST QUARTER 2005

- › ACQUISITION OF MERCKLE'S BRANDED PHARMACEUTICAL BUSINESS IN GERMANY
- › REVENUE UP 16.8%, OR 13.2% ON A LIKE-FOR-LIKE BASIS
- › PHARMACEUTICAL SALES UP 18.4%, OR 14.4% ON A LIKE-FOR-LIKE BASIS
- › INTERNATIONAL SALES UP 29.9%
- › LERCANIDIPINE SALES UP 18.2%
- › OPERATING INCOME UP 32.7 %
(BEFORE GOODWILL AMORTIZATION)
- › NET INCOME UP 31.8 %

KEY CONSOLIDATED DATA

<i>(thousands of €)</i>	First Quarter 2005	% of Revenue	First Quarter 2004*	% of Revenue	Change	Change %
Revenue	150,018	100.0	128,471	100.0	21,547	16.8
EBITDA	32,591	21.7	25,558	19.9	7,033	27.5
Operating Income	27,273	18.2	19,387	15.1	7,886	40.7
Net Income	16,622	11.1	12,611	9.8	4,011	31.8
Shareholders' Equity	279,530		238,938		40,592	17.0

**Restated for comparison purposes following the introduction of new IAS/IFRS*

EXCELLENT ORGANIC SALES GROWTH

In the first quarter consolidated revenue is € 150.0 million, an increase of 16.8% over the same period of the preceding year. On a like-for-like basis, that is excluding Merckle Recordati and Sophartex (sold in April 2004), revenues increased by 13.2%.

Pharmaceutical sales are € 137.2 million, an increase of 18.4% over the first quarter of last year. On a like-for-like basis pharmaceutical sales grow by 14.4% due to the remarkable increase in sales volumes (+22.1%) driven by both high lercanidipine sales as well as the good performance of the other main products, which also benefited from a particularly virulent flu season. Sales volumes easily offset the negative 7.6% price effect resulting from the public healthcare cost containment measures in Italy and in Spain and the price reduction of Elopram® to maintain sales in the face of generic competition. Pharmaceutical chemicals sales went from € 12.6 million to € 12.9 million, an increase of 2.1% thanks to a 6.0% growth in volumes. This business is now focused on the production and sale of active pharmaceutical ingredients, mainly verapamil and acyclovir, for the generics market.

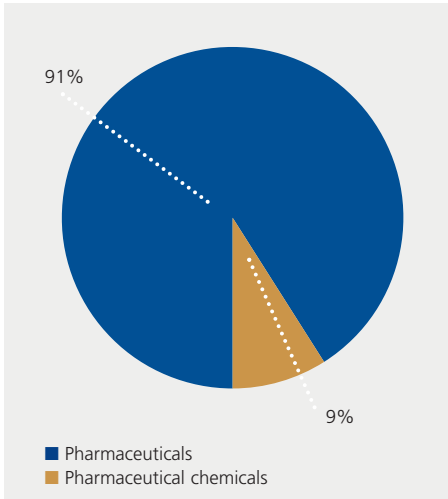
International sales went from € 69.6 million to € 90.4 million, an increase of 29.9% which includes the effect of the consolidation of Merckle Recordati.

COMPOSITION OF SALES

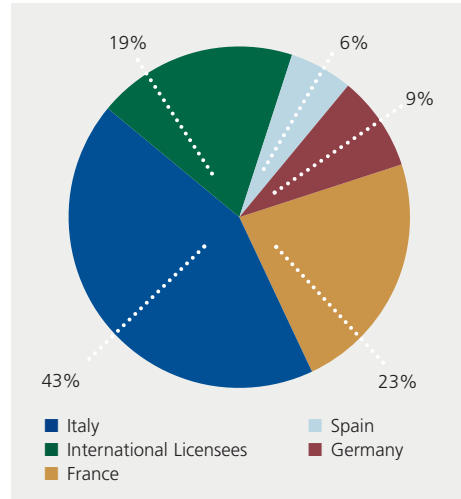
<i>(thousands of €)</i>	First Quarter 2005	First Quarter 2004	Change	Change %
Pharmaceuticals Italy	58,346	57,229	1,117	2.0
Pharmaceuticals France	31,823	24,830	6,993	28.2
Pharmaceuticals Germany	12,450	-	12,450	n.s.
Pharmaceuticals Spain	8,759	5,919	2,840	48.0
International Licensees	25,779	20,997	4,782	22.8
Sophartex	-	6,905	(6,905)	n.s.
Total Pharmaceuticals	137,157	115,880	21,277	18.4
Pharmaceutical Chemicals	12,861	12,591	270	2.1
TOTAL SALES	150,018	128,471	21,547	16.8

Includes other income related to license agreements

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first quarter of 2005 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.

LERCANIDIPINE SALES

(thousands of €)	First Quarter 2005	First Quarter 2004	Change	Change %
Italy	11,170	10,907	263	2.4
France	6,616	4,940	1,676	33.9
Spain	1,318	1,245	73	5.9
Direct Sales	19,104	17,092	2,012	11.8
Sales to Licensees	14,797	11,594	3,203	27.6
Total Sales	33,901	28,686	5,215	18.2

Direct sales in Italy of Zanedip® and Lercadip® were up 2.4% over last year's first quarter despite the price reduction imposed as from January and the mandatory 6.8% discount applied as from June 2004 and extended to the whole of 2005, with an overall negative effect of € 1.3 million.

Direct sales of Zandip® in France continue to grow and increased by 33.9%. On the Spanish market Zandip® sales increased slightly compared to the first quarter of 2004 as a result of the gradual growth of the 20mg dosage form.

Sales of lercanidipine to licensees increased by 27.6% with growth trends continuing in the major markets. Lercanidipine is now being sold on 69 markets and the new 20mg formulation has to date been launched on 11 of these.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 2.0% over the first quarter of 2004 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 performance of Entact® (escitalopram), an antidepressant under license from Lundbeck. Sales of antibiotics benefited from the strong flu season.

Pharmaceutical sales in France were up by 28.2% mainly due to the remarkable performance of Zandip® and the growth of those products indicated for the treatment of flu related symptoms.

First quarter 2005 sales in Germany by the new subsidiary Merckle Recordati were € 12.5 million and represent 9.1% of the group's pharmaceutical sales. Its main products are Claversal® (mesalazine), indicated for the treatment of ulcerative colitis and Suplasyn® (hyaluronic acid) used for treating osteoarthritis of the joints.

Sales in Spain increased by 48.0% mainly thanks to the relaunch of Cidine®(cinitapride), a drug for the treatment of chronic dyspepsia under license from Almirall Prodesfarma. Sales of Dermatrans®, a nitroglycerine transdermal patch, and Alergoliber® (rupatadine), a last generation treatment for allergies under license from Uriach are developing well.

Sales to international licensees grew significantly (+22.8%) due to the success of lercanidipine in markets abroad and to the increase of Bouchara Recordati's foreign sales.

COMPANY DEVELOPMENT NEWS

On 22 February the acquisition of Merckle GmbH's branded pharmaceutical business was successfully concluded for a total price of € 62.5 million. At closing € 45 million were paid and the remainder will be due over the next three years contingent upon certain favourable future developments in relation to some products. The results of the new German subsidiary Merckle Recordati, which has headquarters in Ulm, are consolidated as from 1 January 2005.

Merckle Recordati's portfolio comprises prescription and OTC products mainly in the field of gastroenterology and rheumatology. Its marketing activities are conducted by an organization of around 50 people, and a field force of over 130 medical representatives covers the entire German market. The acquired business generated revenues of around € 50 million in 2004 and is profitable.

With this acquisition the group gains access to the largest pharmaceutical market in Europe and the third largest worldwide. A direct presence in Germany is fundamental to our strategy of strengthening our position as a European specialty pharmaceutical company. Thanks to this transaction we will now have marketing operations in over two thirds of the European market. We intend to contribute to the growth of Merckle Recordati by strengthening its portfolio with new Recordati products such as Zanipress®, a fixed combination of lercanidipine and enalapril indicated for hypertension which was recently filed for approval in Germany, rupatadine (for allergies), silodosin (for the treatment of symptoms associated with benign prostatic hyperplasia) and others which are currently being negotiated.

Recordati España acquired the rights to market and sell Yoduk® (potassium iodide) from the pharmaceutical company Stada. Yoduk® is indicated in situations of iodine deficiency and it was launched in March. Yoduk® is the first product in the Spanish market which contains potassium iodide as a single component. The Spanish Ministry of Health and various scientific societies, mainly those dedicated to obstetrics, neonatology, and endocrinology, are preparing awareness campaigns directed at health professionals and the public to promote the full understanding of iodine deficiency disorders.

The biochemical plant in Opera, which had ceased operations, was sold effective 1 April 2005. The price was substantially in line with its carrying value.

REMARKABLE EARNINGS PERFORMANCE

P&L

<i>(thousands of €)</i>	First Quarter 2005	% of Sales	First Quarter 2004*	% of Sales	Change	Change %
Revenue	150,018	100.0	128,471	100.0	21,547	16.8
Cost of sales	(54,255)	(36.2)	(49,319)	(38.4)	(4,936)	10.0
Gross profit	95,763	63.8	79,152	61.6	16,611	21.0
Selling expenses	(51,249)	(34.2)	(43,104)	(33.6)	(8,145)	18.9
R&D expenses	(10,845)	(7.2)	(9,403)	(7.3)	(1,442)	15.3
G&A expenses	(6,413)	(4.3)	(5,830)	(4.5)	(583)	10.0
Other income (expense), net	17	0.0	(260)	(0.2)	277	n.s.
Operating income (before goodwill amortization)	27,273	18.2	20,555	16.0	6,718	32.7
Amortization of goodwill	-	-	(1,168)	(0.9)	1,168	(100.0)
Operating income	27,273	18.2	19,387	15.1	7,886	40.7
Financial income (expense), net	(738)	(0.5)	(776)	(0.6)	38	(4.9)
Other investments gain (loss), net	0	0.0	2,059	1.6	(2,059)	(100.0)
Pretax income	26,535	17.7	20,670	16.1	5,865	28.4
Provision for income taxes	(9,913)	(6.6)	(8,059)	(6.3)	(1,854)	23.0
Net income	16,622	11.1	12,611	9.8	4,011	31.8

* Restated for comparison purposes following the introduction of new IAS/IFRS

Gross profit is € 95.8 million with a margin on sales of 63.8%, significantly better than that of the same period of last year thanks to the increased weight of pharmaceutical sales, a favorable product mix and the disposal of Sophartex which had lower gross margins.

Selling expenses increased by 18.9% mainly due to the consolidation of the new German company whose operating costs are principally incurred by marketing and sales. R&D expenses at € 10.8 million, an increase of 15.3%, include the expenditure related to new development activities. G&A expenses are € 6.4 million and at 4.3% of sales represent a slight improvement over the same period of the preceding year.

As prescribed by IFRS 3, as of 2005 goodwill is subject to periodic impairment testing and is no longer amortized. At 31 March 2005 no loss of value emerged.

REVENUE & OPERATING INCOME BY BUSINESS AREA

(thousands of €)	PHARMACEUTICALS				PHARMACEUTICAL CHEMICALS ⁽¹⁾			
	First Quarter 2005		First Quarter 2004		First Quarter 2005		First Quarter 2004	
Revenue	137,157	100.0%	115,880	100.0%	12,861	100.0%	12,591	100.0%
Operating income	27,020	19.7%	20,699 ⁽²⁾	17.9%	253	1.5%	(144) ⁽²⁾	(0.9)%

(1) Pharmaceutical chemicals percent margins are calculated on a basis which includes inter-company sales
(2) Restated as per IAS/IFRS and before goodwill amortization

Operating income, at 18.2% of sales, is € 27.3 million, an increase of 40.7%. The first quarter 2004 results have been restated in accordance with the IAS/IFRS in effect as from the 2005 accounts. First quarter 2005 operating income increased by 32.7% over first quarter 2004 operating income before goodwill amortization. The pharmaceutical business generated an operating income of € 27.0 million, an increase of 30.5% mainly due to gross margin improvement. The operating income of the pharmaceutical chemicals business in the first quarter is € 0.3 million confirming the positive trend of the previous quarters although it includes some residual costs related to the Opera biochemical plant which was sold effective April 2005.

Net financial charges during the quarter were € 0.7 million in line with those of the same period of the preceding year. Gains from other investments refer to that realized on the sale of the office building in Paris in the first quarter 2004. The effective tax rate during the period was 37.4%, an improvement over the whole year 2004.

Net income at 11.1% of sales went from € 12.6 million in the first quarter of 2004 to € 16.6 million, an increase of 31.8%.

A STRONG NET FINANCIAL POSITION

NET FINANCIAL POSITION

<i>(thousands of €)</i>	31 March 2005	31 December 2004	Change	Change %
Cash and cash equivalents	184,740	232,229	(47,489)	(20.4)
Bank overdrafts	(7,094)	(3,478)	(3,616)	n.s.
Loans – due within one year	(24,649)	(25,166)	517	(2.1)
Net liquid assets	152,997	203,585	(50,588)	(24.8)
Loans – due after one year	(120,266)	(131,448)	11,182	(8.5)
Net financial position	32,731	72,137	(39,406)	(54.6)

The € 39.4 million decrease is to be attributed to the Merckle acquisition for which an initial payment of € 45 million was made and a liability for the remaining installments was booked. Excluding this acquisition € 2.8 million were invested during the period in new property, plant and equipment and € 4.0 million in intangible assets. Net working capital for operations increased by € 12.0 million due to the increased sales volume.

Further details are provided in the consolidated financial statements and in the notes to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED
31 MARCH 2005

INCOME STATEMENT

(thousands of €)	First Quarter 2005	First Quarter 2004
Revenue	150,018	128,471
Cost of sales	(54,255)	(49,319) *
Gross profit	95,763	79,152
Selling expenses	(51,249)	(43,104) *
R&D expenses	(10,845)	(9,403) *
G&A expenses	(6,413)	(5,830) *
Other income (expense), net	17	(260) *
Operating income (before goodwill amortization)	27,273	20,555
Amortization of goodwill	-	(1,168)
Operating income	27,273	19,387
Financial income (expense), net	(738)	(776)
Other investments gain (loss), net	0	2,059 *
Pretax income	26,535	20,670
Provision for income taxes	(9,913)	(8,059)
Net income	16,622	12,611
Earnings per share	€ 0.338	€ 0.257
Earnings per share after 4:1 stock split	€ 0.084	€ 0.064

* Restated following the introduction of new IAS/IFRS

As from 18 April 2005 each share outstanding was replaced by four new shares as resolved by the Extraordinary Shareholders' Meeting held on 6 April 2005.

Earnings per share (EPS) are based on average shares outstanding during each year, 49,239,123 (196,956,492 after the stock split) in 2005 and 49,044,748 (196,178,992 after the stock split) in 2004, net of average treasury stock which amounted to 1,199,666 (4,798,664 after the stock split) shares for both years. EPS calculated on a fully diluted basis are € 0.323 (€ 0.081 after the stock split) in 2005 and € 0.249 (€ 0.062 after the stock split) in 2004.

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET AT 31 MARCH 2005

ASSETS

<i>(thousands of €)</i>	31 March 2005	31 December 2004
Non-current assets		
Property, plant and equipment	78,683	78,577
Intangible assets	46,110	26,566
Goodwill	94,505	45,775
Other investments	905	905
Other non-current assets	1,984	1,911
Deferred tax assets	15,653	16,946
Total non-current assets	237,840	170,680
Current assets		
Inventories	71,679	61,566
Trade receivables	121,751	99,862
Other receivables	10,838	13,055
Other current assets	2,716	1,550
Cash and cash equivalents	184,740	232,229
Total current assets	391,724	408,262
Total assets	629,564	578,942

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET AT 31 MARCH 2005

EQUITY AND LIABILITIES

<i>(thousands of €)</i>	31 March 2005	31 December 2004
Shareholders' equity		
Share capital	25,219	25,219
Additional paid-in capital	52,882	52,882
Treasury stock	(20,410)	(20,410)
Hedging reserve (cash flow hedge)	(3,023)	(3,185)
Translation reserve	343	(421)
Other reserves	21,734	21,521*
Retained earnings	186,163	132,931*
Net income for the year	16,622	53,232*
Group shareholders' equity	279,530	261,769
Minority interest	0	0
Shareholders' equity	279,530	261,769
Non-current liabilities		
Loans – due after one year	118,569	128,346
Staff leaving indemnities	23,538	22,410
Deferred tax liabilities	5,819	193
Other non-current liabilities	11,011	0
Total non-current liabilities	158,937	150,949
Current liabilities		
Trade payables	81,904	77,166
Other payables	30,528	24,248
Tax liabilities	34,209	22,344
Other current liabilities	1,927	1,711
Provisions	6,066	5,824
Fair value of hedging derivatives (cash flow hedge)	3,023	3,185
Fair value of hedging derivatives (fair value hedge)	1,697	3,102
Loans – due within one year	24,649	25,166
Bank overdrafts	7,094	3,478
Total current liabilities	191,097	166,224
Total equity and liabilities	629,564	578,942

* Restated following the introduction of new IAS/IFRS

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS
 ENDED 31 MARCH 2004 AND 31 MARCH 2005

(thousand €)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the year	Total
Balance at 31 December 2003	25,122	50,442	(20,410)	(2,289)*	681	20,789*	127,576*	23,747*	225,658
Allocation of 2003 net income:									
- Retained earnings							23,747	(23,747)	
Net income for the period								12,663	12,663
Changes in fair value of hedging derivatives				(51)*					(51)
Application of new IAS/IFRS						52*		(52)*	
Translation Adjustment					668				668
Balance at 31 March 2004	25,122	50,442	(20,410)	(2,340)	1,349	20,841	151,323	12,611	238,938
Balance at 31 December 2004	25,219	52,882	(20,410)	(3,185)	(421)	21,521*	132,931*	53,232*	261,769
Allocation of 2004 net income:									
- Retained earnings							53,232	(53,232)	
Net income for the period								16,622	16,622
Changes in fair value of hedging derivatives				162					162
Application of new IAS/IFRS							213		213
Translation Adjustment					764				764
Balance at 31 March 2005	25,219	52,882	(20,410)	(3,023)	343	21,734	186,163	16,622	279,530

* Restated following the introduction of new IAS/IFRS

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS
 ENDED 31 MARCH 2005

(thousands €)	31 March 2005	31 March 2004
Operating activities		
Cash flow		
Net Income	16,622	12,611 *
Depreciation of property, plant and equipment	3,013	3,522
Amortization of intangible assets	2,306	2,650
Total cash flow	21,941	18,783
(Increase)/decrease in deferred tax assets	2,345	1,021
Staff leaving indemnities:		
Provision	982	1,091
Payment	(1,126)	(1,282)
Increase/(decrease) in other non-current liabilities	11,707	(2,829)
	35,849	16,784
Changes in working capital		
Trade and other receivables	(18,495)	(1,072)
Inventories	(4,783)	(11,014)
Other current assets	(1,166)	(878)
Trade and other payables	6,837	1,663 *
Tax liabilities	11,127	7,819 *
Other current liabilities	216	(454)
Provisions	(15)	16
Changes in working capital	(6,279)	(3,920)
Net cash from operating activities	29,570	12,864
Investing activities		
Net (investments)/disposals in property, plant and equipment	(2,791)	13,685
Net (investments)/disposals in intangible assets	(3,760)	(1,282)
Net (increase)/decrease in equity investments	(63,329) ***	0
Net (increase)/decrease in other non-current receivables	(73)	(187)
Net cash used in investing activities	(69,953)	12,216
Financing activities		
Effect of application of new IAS/IFRS	213	52 *
Transfer of current portion of medium and long-term debt to current liabilities	(11,182)	(11,496)
Changes in current portion of medium and long-term debt	(517)	(31)
Change in translation reserve	764	668
Net cash from/(used in) financing activities	(10,722)	(10,807)
Changes in short-term financial position	(51,105)	14,273
Short-term financial position at beginning of year **	228,751	81,082
Short-term financial position at end of period **	177,646	95,355

* Reclassified following the introduction of new IAS/IFRS

** Includes cash and cash equivalents net of bank overdrafts

*** Acquisition of Merckle Recordati:

Working capital	(1,331)
Property, plant, equipment and intangible assets	(18,417)
Goodwill	(48,731)
Deferred tax assets	(1,052)
Deferred tax liabilities	5,695
Provisions & other liabilities	507
	(63,329)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2005

1. GENERAL

The consolidated financial statements at 31 March 2005 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, their percentage of ownership and a description of their activity are set out in attachment 1. Merckle Recordati, 100% owned by Recordati España, is consolidated in the first quarter 2005 with effect as from 1 January 2005. As allowed under IFRS 3, the initial accounting of the acquisition of Merckle Recordati was determined on a provisional basis, and its effect is disclosed in the comments to each balance sheet account.

These financial statements are presented in euro (€) and all amounts are rounded to the nearest thousand euro unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and in particular as per IAS 34 requirements for interim reporting.

IAS/IFRS were already applied in the preparation of the financial statements for a number of years. The consolidated accounts at 31 December 2004, prepared in accordance with IAS/IFRS, were subject to a full audit and include the reconciliation between consolidated shareholders' equity and net income determined according to Italian GAAP and that determined according to IAS/IFRS.

The same accounting policies applied in the preparation of the consolidated financial statements at 31 December 2004 and at 31 March 2004 were used in the preparation of the financial statements for the three months ended 31 March 2005. In addition, the new IAS/IFRS which apply to the financial

statements for the annual period beginning on 1 January 2005 have been adopted as follows:

- IAS 1 (revised Dec 2003) "Presentation of Financial Statements"

As per this standard no items of income and expense are to be presented as extraordinary items. Accordingly, the line "Non-operating income (expense), net" has been eliminated from the income statement and the amounts stated therein for the 2004 accounting period have been reclassified to the relative revenue or expense lines by function (IAS 8 – retrospective application of changes in accounting policies).

- IFRS 2 "Share-based Payment"

The transitional provisions for this standard require that it be retrospectively applied to share options granted after 7 November 2002 and not yet vested at the effective date of this IFRS. Therefore, the cost of stock options granted and not yet vested was calculated and recognized in staff costs for the portion pertaining to 2005. In addition, the 2004 comparative period was restated to include the portion of stock option cost pertaining to that year.

- IFRS 3 "Business Combinations"

This IFRS applies to the accounting for business combinations agreed on or after 31 March 2004 and prescribes that goodwill acquired be tested for impairment on an annual basis and not amortized. This IFRS is to be applied prospectively, from the beginning of the first annual period beginning on or after 31 March 2004, to goodwill acquired in a business combination agreed before 31 March 2004. Accordingly, as from 1 January 2005 the amortization of previously recognized goodwill was discontinued and the accounting for business combinations agreed during 2005 was done as prescribed by the new rules.

3. REVENUE

Net revenue for the first quarter 2005 is € 150.0 million (€ 128.5 million in the same period of the preceding year) and can be broken down as follows:

<i>(thousands €)</i>	First quarter 2005	First quarter 2004	Change 2005/2004
Net sales	148,064	127,751	20,313
Royalties	635	195	440
Other revenue	1,319	525	794
Total revenue	150,018	128,471	21,547

4. OPERATING EXPENSES

Overall operating expenses in the first quarter 2005 are € 122.7 million, compared to € 107.9 million in the same period of the preceding year and are analyzed by function. Staff costs in the first quarter 2005 are € 37.9 million and include a cost for stock options of € 0.4 million. Total depreciation and amortization charges are € 5.3 million.

In accordance with the new standards – IFRS 2 and IAS 1 revised – which are effective as from the annual period beginning 1 January 2005, first quarter 2004 results have been restated to include, in operating income, the cost of stock options pertinent to the period (€ 0.1 million) and expenses previously recognized as non-operational. The latter included the accrued portion of profits that the French companies share with their employees (participation au résultat) which was € 0.4 million and other income (expense), net, of € 0.3 million. The capital gain of € 2.1 million arising from the sale of the Paris office building is included under Other investments gain (loss), net.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter 2005 and in the same period of 2004 financial items recorded a net expense of € 0.7 million and € 0.8 million respectively which are comprised as follows:

<i>(thousands €)</i>	First quarter 2005	First quarter 2004	Change 2005/2004
Exchange gains/(losses)	232	309	(77)
Interest expense on loans	(1,681)	(1,198)	(483)
Net interest on short-term financial position	711	113	598
Change in fair value of hedging derivatives	1,405	0	1,405
Change in fair value of hedged item	(1,405)	0	(1,405)
Total financial income (expense), net	(738)	(776)	38

6. GAIN OR LOSS ON OTHER INVESTMENTS

The gain on other investments during the first quarter 2004 is related to the capital gain arising from the sale of the office building in Paris.

7. PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment at 31 March 2005 is in line with that at 31 December 2004. During the first quarter 2005 new investments amount to € 2.8 million and depreciation for the period is € 3.0 million. The consolidation of Merckle Recordati accounts for an increase of € 0.3 million.

8. INTANGIBLE ASSETS

At 31 March 2005 the net book value of intangible assets significantly increased over that at 31 December 2004 due mainly to the acquisition of the Merckle branded pharmaceuticals business in Germany. € 18.1 million were allocated to the brands acquired which are estimated to have a useful life of 10 years. In addition, the marketing and sales rights to Yoduk® in Spain were acquired during the first quarter 2005. Amortization for the period is € 2.3 million.

9. GOODWILL

Goodwill at 31 March 2005 is € 94.5 million, an increase of € 48.7 million, to be attributed entirely to the excess of the cost of the acquisition in Germany after recognition of the net fair value of the identifiable assets, liabilities and contingent liabilities. In compliance with IFRS 3, as from 2005 goodwill is no longer amortized. Instead, it shall be tested, at least annually, for impairment. At 31 March 2005 no loss in the value of goodwill on the balance sheet was identified.

10. DEFERRED TAX ASSETS AND LIABILITIES

At 31 March 2005 deferred tax assets decreased by € 1.3 million as compared to those at 31 December 2004. The consolidation of Merckle Recordati determined an increase of € 1.1 million.

Deferred tax liabilities increased by € 5.6 million almost entirely due to the deferred taxes arising from the allocation of part of the cost of the Merckle Recordati acquisition to intangible assets (€ 5.7 million).

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2005 is € 279.5 million, an increase of € 17.8 million over that at 31 December 2004 for the following reasons:

- net income for the first quarter 2005 (increase of € 16.6 million)
- cost of stock option plans (increase of € 0.4 million)
- costs recognized directly in equity arising from changes in share capital (decrease of € 0.2 million)
- change in the fair value of hedging derivatives (increase of € 0.2 million)
- translation adjustments (increase of € 0.8 million).

12. LOANS

Overall, medium and long-term loans decreased by € 10.3 million compared to those at 31 December 2004. The measurement at fair value of the cross-currency interest rate swap covering the guaranteed senior notes issued and privately placed in 2004, generated a liability of € 1.7 million, an amount equivalent to the reduction in the fair value of the underlying debt. The change in fair value of the derivative instrument and the underlying debt are recognized in the income statement and have a combined zero effect as the transaction is perfectly hedged. The change in fair value of the loan is recognized as a reduction of debt and the change in fair value of the cross-currency interest rate swap is stated as a current liability. At 31 December 2004 this amount was € 3.1 million.

The measurement at fair value of the interest rate swaps covering variable interest rate loans and fixing a range within which the interest rate linked to the guaranteed senior notes can fluctuate (which qualify as a cash flow hedges) is recognized directly in equity (€ 3.0 million) and stated as a current liability. At 31 December 2004 this amount was € 3.2 million.

13. STAFF LEAVING INDEMNITIES

The increase during the period is mainly related to the € 1.3 million consolidation effect of Merckle Recordati.

14. OTHER LIABILITIES (INCLUDED IN NON-CURRENT LIABILITIES)

These refer to the amounts due after one year for the acquisition of Merckle Recordati and are stated at their present value as required by IAS/IFRS. At 31 March 2005 the present value adjustment is € 0.7 million.

15. CURRENT ASSETS

Inventories increased by € 10.1 million as a result of the increase in sales volumes and the € 5.3 million effect of the consolidation of Merckle Recordati. Trade receivables increased by € 21.9 million as a result of the increase in sales volumes. Average days of sales outstanding are 77, unchanged from 31 December 2004. Merckle Recordati's consolidation effect is € 1.0 million. Other receivables decreased by € 2.2 million and the consolidation effect is an increase of € 0.2 million. Other current assets increased by € 1.7 million and include the residual value of the Opera biochemical plant, which was sold in April 2005, for € 1.0 million.

16. CURRENT LIABILITIES

Trade payables, which include invoices to be received, increased by € 4.7 million, with a consolidation effect of € 2.1 million. Other payables increased by € 6.3 million mainly due to the amount due within one year related to the acquisition of Merckle Recordati (€ 5.7 million). The consolidation effect is of € 2.1 million. Tax liabilities increased by € 11.9 million as a result of the provision for income tax for the period. The effect of the Merckle Recordati consolidation on this line is € 0.7 million. Provisions remained substantially unchanged. The slight increase can be attributed to the consolidation of Merckle Recordati (€ 0.3 million).

17. FAIR VALUE OF HEDGING DERIVATIVES

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a € 3.0 million liability at 31 March 2005. This amount represents the unrealized benefit of paying the current expected future rates instead of the rates agreed. Of this liability € 1.2 million relate to the interest rate swaps covering the medium and long-term loans at variable interest rates in Recordati S.p.A., Bouchara Recordati S.a.s. and Recordati España S.L.. The remaining € 1.8 million refer to an interest rate swap defining a collar which limits the fluctuation of the interest rates payable on the guaranteed senior notes issued by Recordati S.A. Chemical & Pharmaceutical Company.

18. SEGMENT REPORTING

The Group has two reportable segments: pharmaceuticals and pharmaceutical chemicals. The segments are determined based on the nature of the products developed, manufactured and marketed and reflect the management structure of the organization and the internal reporting system.

The main profit and loss items relative to the two segments for the three month period ended 31 March 2005 are the following:

<i>(thousands €)</i>	Pharmaceuticals	Pharmaceutical Chemicals	Unallocated	Total
Revenue	137,157	12,861	0	150,018
Intercompany revenue	0	3,930	0	3,930
Operating income	27,020	253	0	27,273

The following table presents net revenues by geographic area:

<i>(thousands €)</i>	First quarter 2005	First quarter 2004	Change 2005/2004
Europe	132,257	113,018	19,239
<i>of which Italy</i>	59,653	58,904	749
Asia	5,980	5,734	246
North America	3,338	3,195	143
Latin America	2,147	2,329	(182)
Other areas	6,296	4,195	2,101
Total revenue	150,018	128,471	21,547

19. INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

Intergroup sales and services recorded during the first quarter 2005 are € 26.7 million. During the period, Recordati Ireland Ltd. declared a dividend of € 15.0 million and Laboratoires Bouchara Recordati declared a dividend of € 8.0 million. The Swiss company Recordati S.A. declared and paid to Recordati S.A. Chemical & Pharmaceutical Company a dividend of CHF 2,8 million.

At 31 March 2005, intercompany accounts amount to € 220.7 million, the most significant of which are:

- loans from Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A. of € 99.6 million;
- loans from the parent Recordati S.p.A. to the subsidiary Recordati España S.L. of € 30.0 million;
- receivables by Recordati S.p.A. from its subsidiaries for the supply of goods and services totaling € 24.0 million;
- receivables by Recordati S.A. Chemical & Pharmaceutical Company from Recordati Ireland Ltd. for the € 15.0 million dividend declared;
- loans from Bouchara Recordati S.a.s. to Recordati S.p.A. of € 10.0 million;
- receivables by Bouchara Recordati S.a.s. from Laboratoires Bouchara Recordati for the € 8.0 million dividend declared.

To our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant, in value or conditions, or which could in any way materially affect the accounts.

Other receivables include an amount of € 0.1 million receivable from the controlling company Fimeis S.p.A. mainly relative to a tax credit arising from adherence to the tax consolidation laws in Italy.

20. SUBSEQUENT EVENTS

The biochemical plant in Opera, which had ceased operations, was sold effective 1 April 2005. The price was substantially in line with its carrying value.

RECORDATI S.P.A. AND SUBSIDIARIES
 SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS
 AT 31 MARCH 2005

ATTACHMENT I.

	PERCENTAGE OF OWNERSHIP					Total
	Recordati S.p.A. (parent)	Innova Pharma S.p.A.	Recordati S.A.	Bouchara Recordati S.a.s.	Recordati España S.L.	
Recofarma S.r.l. , Italy <i>Sales of pharmaceutical chemicals</i>	100.00%					100.00%
Innova Pharma S.p.A. , Italy <i>Marketing and sales of pharmaceuticals</i>	100.00%					100.00%
Recordati España S.L. , Spain <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	90.70%		9.30%			100.00%
Vectorpharma International Corporation , U.S.A. <i>Dormant</i>		100.00%				100.00%
Recordati S.A. Chemical and Pharmaceutical Company , Luxembourg <i>Holding company</i>	100.00%					100.00%
Bouchara Recordati S.a.s. , France <i>Development, production, marketing and sales of pharmaceuticals</i>	99.94%		0.06%			100.00%
Recordati Portuguesa Lda , Portugal <i>Marketing and sales of pharmaceuticals</i>	98.00%		2.00%			100.00%
Farmarecord Ltda. , Brazil <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>			100.00%			100.00%
Recordati Corporation , U.S.A. <i>Sales Agent for pharmaceutical chemicals</i>			100.00%			100.00%
Sophartex S.A.* , France <i>Manufacturing of pharmaceutical dosage forms</i>				100.00%		100.00%

	PERCENTAGE OF OWNERSHIP					Total
	Recordati S.p.A. (parent)	Innova Pharma S.p.A.	Recordati S.A.	Bouchara Recordati S.a.s.	Recordati España S.L.	
Recordati Ireland Ltd. , Ireland <i>Marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>			100.00%			100.00%
Recordati S.A. , Switzerland <i>Marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>			100.00%			100.00%
Laboratoires Bouchara Recordati S.a.s. , France <i>Development, production, marketing and sales of pharmaceuticals</i>				100.00%		100.00%
Merckle Recordati G.m.b.H.** , Germany <i>Marketing and sales of pharmaceuticals</i>					100.00%	100.00%

* Sold in April 2004

** Acquired during the period

Statements contained in this report, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements. All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.

RECORDATI

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