

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 Six 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

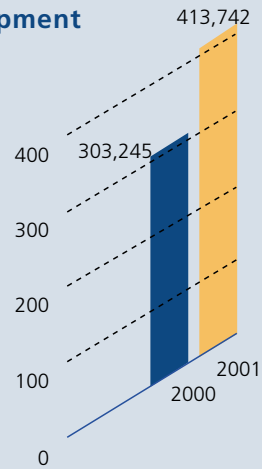
Fax +39 02 40074767

e-mail: comimagen@recordati.it



Sales Development (millions of lire)

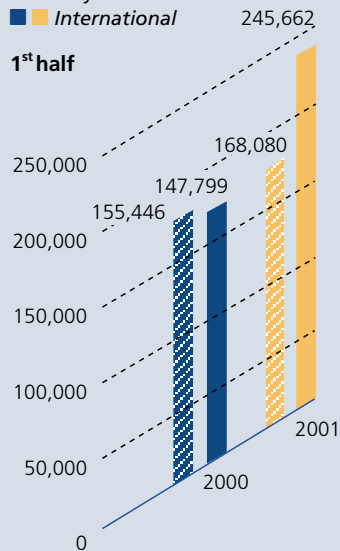
1st half



Composition of sales (millions of lire)

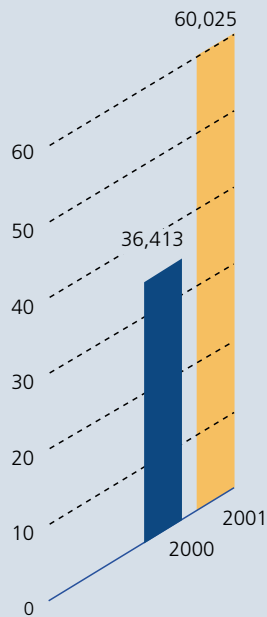
Italy
International

1st half



Ebit (millions of lire)

1st half



Highlights

First Half 2001

- ▶ INTERNATIONAL PHARMACEUTICAL SALES UP 141.7%
- ▶ SUCCESSFUL ROLL-OUT OF LERCANIDIPINE
- ▶ FURTHER INCREASE IN PROFITABILITY:
EBITDA +68.2%
EBIT +64.8%
- ▶ DEBT/EQUITY RATIO REDUCED TO 0.35

Key Consolidated Data

<i>(millions of lire)</i>	1st half 2001	% of Sales	1st half 2000	% of Sales	Change	Change %
Net Sales	413,742	100.0%	303,245	100.0%	110,497	36.4%
EBITDA	91,129	22.0%	54,184	17.9%	36,945	68.2%
Operating Income (EBIT)	60,025	14.5%	36,413	12.0%	23,612	64.8%
Net Income	33,999	8.2%	23,565	7.8%	10,434	44.3%
Shareholders' Equity	372,990		232,040		140,950	60.7%

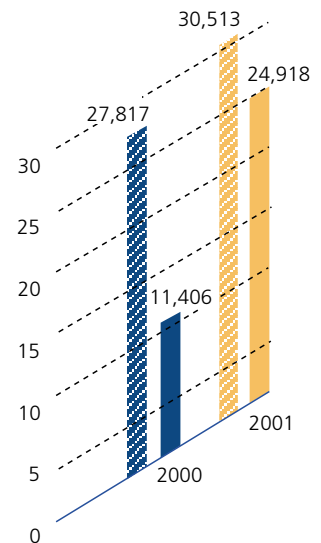
The driving force of international pharmaceuticals

Consolidated net sales at 413.7 billion lire were up 36.4% over the first half 2000, 11.1% of which due to organic growth and 25.3% to the Bouchara companies' results, consolidated as from 1 July 2000. Growth was due mainly to pharmaceuticals sales which increased by 50.3% reaching 326.3 billion lire, and in particular international sales which grew by 141.7% representing more than half those of this segment. Excluding the consolidation of Bouchara sales, the growth of pharmaceuticals was due mainly to volume increase both in Italy (+5.1%) and internationally (+32.5%). Pharmaceutical chemicals sales at 87.5 billion lire were up by 1.5% over the same period of last year due mainly to volume increase (+2.1%).

Lercanidipine sales *(millions of lire)*

▨ Direct Sales
▨ Sales to licenses

1st half



Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, performed well during the first half of 2001 especially in the sizeable markets where it has been recently launched. Zanidip® (Zanedip® in Italy) is sold directly through our marketing organizations in Italy, Spain and France. First half 2001 sales in Italy were 24.6 billion lire as opposed to 25.9 billion lire during the same period last year when the launch of the new 28 tablets pack involved additional stock-ins. Zanedip® maintains its third place in the Italian calcium channel blocker market. Sales of the drug in Spain, where it was launched in 1998, were of 342 million pesetas, up 106.5%. During March 2001 Zanidip® was launched in France where it is co-marketed with Pierre Fabre and preliminary sales are very encouraging.

Lercanidipine is also sold through licensees both in the countries where it is marketed directly by us as well as in other world markets. As of 30 June 2001 it is marketed in 25 countries which represent about 30% of the world market. Sales of lercanidipine to



licensees were 24.9 billion lire with an increase of over 100% due both to the success of the new launches as well as its good performance in existing markets. Sales in Germany, where the launch took place in the last quarter of 2000, are growing significantly reaching a market share of over 2% after only eight months.

Sales of prescription pharmaceuticals in Italy (including Zanedip®) were up 8.2%. Elopram® (citalopram) sales increased by 111.0% thereby confirming its strong development trend. Toradol® (ketorolac) remains market leader of its class. In the anti-infective area Isocef® (ceftibuten) shows increased sales and market share while Diezime® (cefodizime) suffered from the contraction of the injectable antibiotics market.

Lercanidipine sales

<i>(millions of lire)</i>	1st half 2001	% of Sales	1st half 2000	% of Sales	Change	Change %
Direct sales	30,513	55.0%	27,817	70.9%	2,696	9.7%
Sales to licensees	24,918	45.0%	11,406	29.1%	13,512	118.5%
Total sales	55,431	100.0%	39,223	100.0%	16,208	41.3%

Sales of self-medication products decreased slightly by 1.9% due to low disease incidence during the winter months.

Sales in France by Bouchara-Recordati, resulting from the merger of Doms-Recordati and Bouchara, were 86.1 billion lire (+268.3%) due mainly to the consolidation of Bouchara's sales. The proforma increase, if Bouchara's sales during the first half 2000 are included, was 8.5%. The main performers were Hexaspray® and Hexapneumine®, based on the proprietary drug biclotimol, and Exomuc®, all within the respiratory area (50% of total sales). Recordati España's sales during the first half 2001 were 19.7 billion lire, an increase of 18.3% over 2000 due mainly to the growth of Zanidip® and the development of Ulcotenol® (pantoprazole).

Sales to international licensees were 63.0 billion lire, up 111.4% over the first half 2000. Growth was due to the performance of Zanidip® and the consolidation of Bouchara-Recordati's foreign sales. Amongst the other proprietary products, sales of flavoxate, an antispasmodic for the treatment of urinary incontinence, were in line with the preceding year while those of fenticonazole, an antimycotic for dermatological and gynecological use, increased by 9.2%. Included is other income from licensing activities as well as 3.1 billion lire from Pharmacia under the urological research agreement.

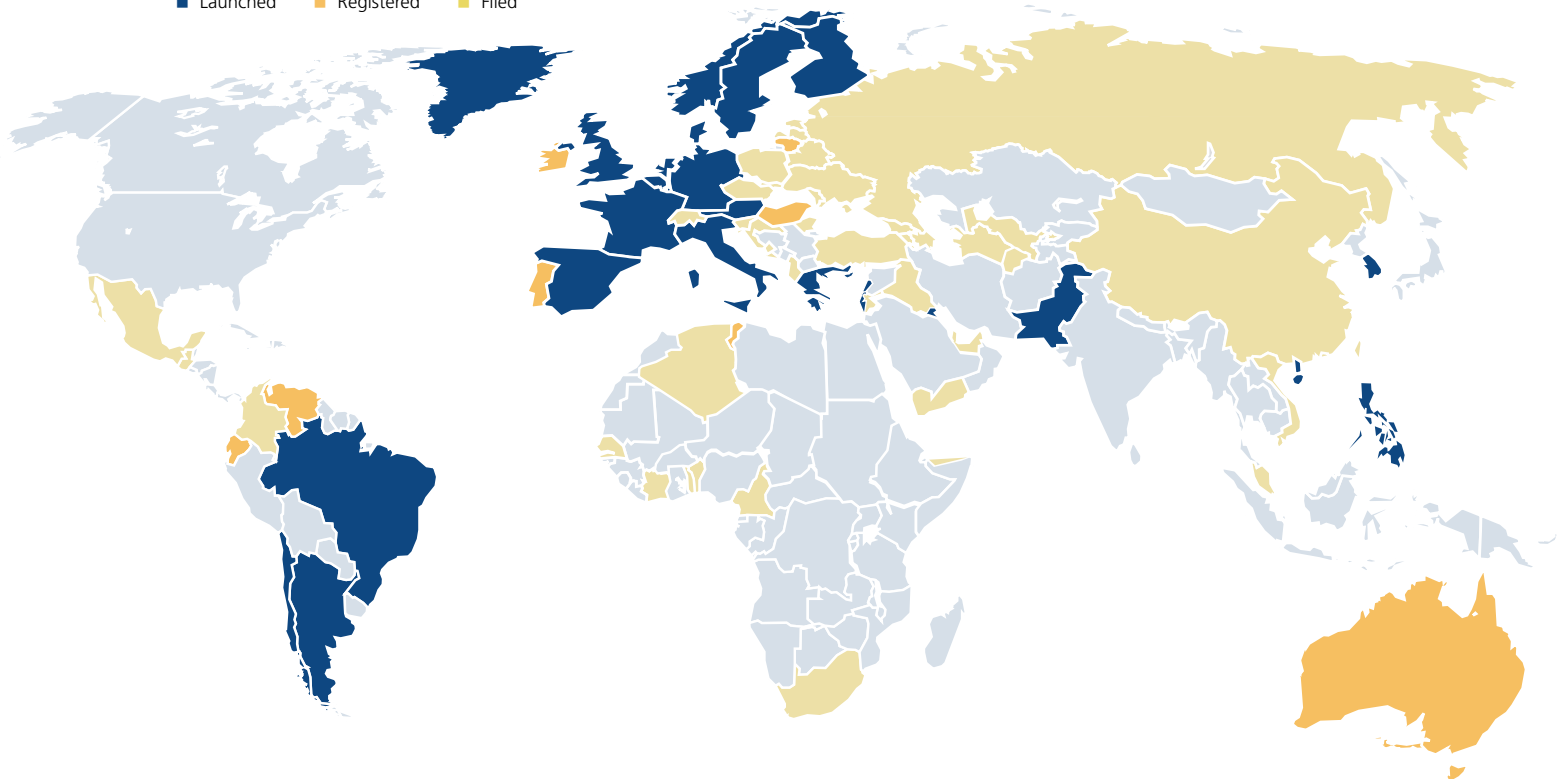
The roll-out of Zanidip® and other main events

In the first half 2001 Zanidip® (lercanidipine) was launched in France, Argentina and Hong Kong. Marketing approval was obtained in Australia where a licensing agreement was signed with Solvay which plans to launch the product within the end of 2001. An important agreement was entered into with Fournier Pharma for its registration and sale in Canada. Fournier expects to file for approval by the end of this year. Zanidip® was also licensed out for the Mexican market to Laboratorios Sanfer. Regulatory activity, in collaboration with our licensee Forest Laboratories, continued with the objective of filing the application for registration with the Food and Drug Administration in the second half 2001. As of 30 June lercanidipine has been approved in 33 countries and is under approval in a further 40. Licensing agreements currently in place cover almost the entire world pharmaceutical market and include 19 of the top 20 markets.



Lercanidipine Worldwide

■ Launched ■ Registered ■ Filed



An important double blind randomized controlled clinical study, which assessed the tolerability of lipophilic and non-lipophilic calcium channel blockers of the dihydropyridine family in over 800 elderly hypertensive patients, was completed. Results showed that lipophilic calcium channel blockers, and so lercanidipine, while just as efficacious, cause less leg edema, less leg swelling and less drop-outs due to any adverse event or to leg edema than the leading non-lipophilic calcium channel blocker amlodipine.

Regarding the research and development alliance with Pharmacia, a number of new molecules have been synthesized and tested in order to identify candidates for potential drugs for the treatment of overactive bladder and urinary incontinence. Some of these are in the lead optimization phase in order to identify those candidates with the best activity and selectivity characteristics.

A licensing-in agreement was signed with Mylan Technologies for the sale in France and

Portugal of a nitroglycerin transdermal patch based on their proprietary technology. This agreement is an extension of that signed previously for the Italian market and strengthens Recordati's position in the cardiovascular field. The product, indicated for the treatment of angina, is expected to be launched in Italy in 2002 and in France in 2003.

The reorganization of the companies acquired in France is being finalized. Their marketing organization was reinforced and a leaner central operation was implemented to create synergies and cost savings.

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



Composition of pharmaceutical sales

<i>(millions of lire)</i>	1st half 2001	% of Total	1st half 2000	% of Total	Change	Change %
Pharmaceuticals Italy	157,441	48.3%	147,204	67.8%	10,237	7.0%
Pharmaceuticals France	86,124	26.4%	23,387	10.8%	62,737	268.3%
Pharmaceuticals Spain	19,722	6.0%	16,677	7.7%	3,045	18.3%
International Licensees	62,985	19.3%	29,799	13.7%	33,186	111.4%
International Pharmaceuticals	168,831	51.7%	69,863	32.2%	98,968	141.7%
TOTAL	326,272	100.0%	217,067	100.0%	109,205	50.3%

Composition of pharmaceutical chemicals sales

<i>(millions of lire)</i>	1st half 2001	% of Total	1st half 2000	% of Total	Change	Change %
Italy	10,639	12.2%	8,242	9.6%	2,397	29.1%
International	76,831	87.8%	77,936	90.4%	(1,105)	(1.4%)
TOTAL	87,470	100.0%	86,178	100.0%	1,292	1.5%

Profitability continues to increase

Gross profit increased by 39.7% to 244.5 billion lire and now stands at 59.1% of sales. The improvement of the margin as percent of sales was due to the increased weight of pharmaceutical sales. Selling expenses increased by 40.5% due mainly to the reinforcement of sales forces and the promotional effort related to the launch of Zanidip® in France. G&A expenses at 18.5 billion lire further improved as a percentage of sales to 4.5%, lower than both the first half and whole year 2000, due to the creation of synergies, mainly in France, and monitoring of costs. R&D expenses were 29.2 billion lire as compared to 33.9 billion lire in the first half 2000 due to the reduced clinical and regulatory expenditure related to the NDA filing of lercanidipine in the U.S.A. and Canada.

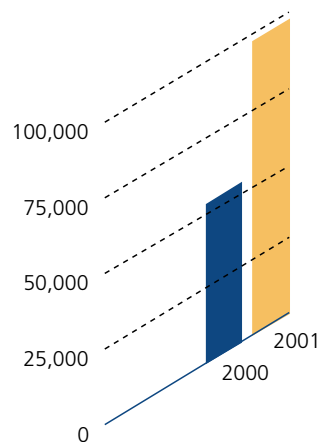
These expenses are now mostly borne by our licensees Forest Laboratories and Fournier Pharma. Pharmaceutical R&D activity is mainly related to the further development of lercanidipine and urological research under the agreement with Pharmacia. Pharmaceutical chemicals R&D is dedicated to the development of new processes for the production of active ingredients for generics.

Goodwill amortization was 10.4 billion lire over that of the same period in 2000 due to the acquisition of Bouchara.

EBITDA, at 22.0% of sales, increased by 68.2% to 91.1 billion lire. The growth of the pharmaceutical segment drove its EBITDA to 69.4 billion lire with an increase of over 100%,

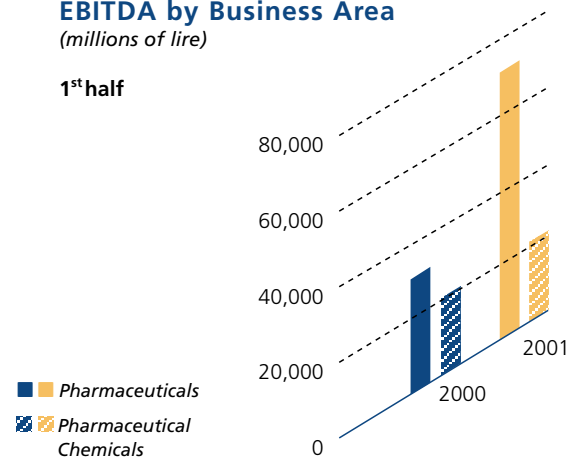
EBITDA
(millions of lire)

1st half



EBITDA by Business Area
(millions of lire)

1st half



climbing from 15.3% to 21.3% of sales due mainly to international expansion. Zanidip®, in fact, continues to perform well in foreign markets and the companies recently acquired in France contribute positively as do the existing operations in France and Spain. The profitability of pharmaceutical chemicals remains good with an EBITDA of 21.7 billion lire or 22.5% of sales, up 3.7% over last year.

EBIT increased by 64.8% to 60.0 billion lire, 14.5% of sales, due mainly to the improved gross profit which benefited from the consolidation of Bouchara. The increase in financial charges of 1.3 billion lire is due to servicing of the debt incurred for the acquisition of Bouchara which was in part offset by foreign exchange gains. Net Income, at 8.2% of sales, grew from 23.6 billion lire to 34.0 billion lire, an increase of 44.3%. If we exclude extraordinary income realized in the first half 2000, the increase would have been 68.9%.

The composition of capital employed and the source of financing are set out in the enclosed

statements. The increase in net working capital of 4.8 billion lire is attributable to operational growth. Other current assets includes the non-consolidated holding in Sophartex (32.5 billion lire). The reduction of net intangible and financial assets (8.1 billion lire) is mainly due to the goodwill amortization charge. Goodwill booked following the acquisition of Bouchara was increased by 9.4 billion lire to conform with that arising out of the French merger, and its amortization period was extended by six months to 31 December 2005. The increase in long-term provisions of 12.3 billion lire is due 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 250.2 billion lire to 132.3 billion lire thanks to cash flow generated in the period and funds raised through the conversion of all savings shares into ordinary (common) shares. The debt/equity ratio was thus greatly improved and now stands at 0.35.

Sales & EBITDA by Business Area

(millions of lire)

	Pharmaceuticals				Pharmaceutical Chemicals*			
	1st half 2001		1st half 2000		1st half 2001		1st half 2000	
Sales	326,272	100.0%	217,067	100.0%	87,470	100.0%	86,178	100.0%
EBITDA	69,397	21.3%	33,221	15.3%	21,732	22.5%	20,963	22.4%

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

Statement of Income

<i>(millions of lire)</i>	2nd quarter 2001	% of sales	1st half 2001	% of sales	1st half 2000	% of sales	Change	Change %
Net Sales	206,273	100.0%	413,742	100.0%	303,245	100.0%	110,497	36.4%
Cost of Sales	(83,360)	(40.4)%	(169,241)	(40.9)%	(128,249)	(42.3)%	(40,992)	(32.0)%
Gross Profit	122,913	59.6%	244,501	59.1%	174,996	57.7%	69,505	39.7%
Selling Expenses	(62,654)	(30.4)%	(123,839)	(29.9)%	(88,169)	(29.1)%	(35,670)	(40.5)%
R&D Expenses	(13,368)	(6.5)%	(29,221)	(7.1)%	(33,895)	(11.2)%	4,674	13.8%
General and Administrative Expenses	(8,945)	(4.3)%	(18,521)	(4.5)%	(14,024)	(4.6)%	(4,497)	(32.1)%
Amortization of Goodwill	(6,392)	(3.1)%	(12,895)	(3.1)%	(2,495)	(0.8)%	(10,400)	n.s.
Operating Income	31,554	15.3%	60,025	14.5%	36,413	12.0%	23,612	64.8%
Financial Income (Expense), Net	(2,187)	(1.1)%	(4,814)	(1.2)%	(3,481)	(1.1)%	(1,333)	(38.3)%
Other Non-Op.Income (Expense), Net	(1,162)	(0.6)%	(1,667)	(0.4)%	5,021	1.7%	(6,688)	n.s.
Pretax Income	28,205	13.7%	53,544	12.9%	37,953	12.5%	15,591	41.1%
Provision for Income Taxes	(10,372)	(5.0)%	(19,545)	(4.7)%	(14,388)	(4.7)%	(5,157)	(35.8)%
Net Income	17,833	8.6%	33,999	8.2%	23,565	7.8%	10,434	44.3%

Capital Employed

<i>(millions of lire)</i>	June 30 2001	%	December 31 2000	%	Change	Change %
Trade Accounts Receivable	217,530	43.1%	208,119	40.4%	9,411	4.5%
Inventories	118,294	23.4%	111,233	21.6%	7,061	6.3%
Other Current Assets	82,762	16.4%	87,436	17.0%	(4,674)	(5.3)%
Total Current Assets	418,586	82.8%	406,788	78.9%	11,798	2.9%
Trade Accounts Payable	139,209	27.6%	135,336	26.3%	3,873	2.9%
Accrued Liabilities and Prepayments	17,920	3.6%	15,469	3.0%	2,451	15.8%
Short-Term Provisions	7,595	1.5%	8,207	1.6%	(612)	(7.5)%
Other Current Liabilities	66,838	13.2%	65,556	12.7%	1,282	2.0%
Total Current Liabilities	231,562	45.8%	224,568	43.6%	6,994	3.1%
Net Working Capital	187,024	37.0%	182,220	35.3%	4,804	2.6%
Net Intangible and Financial Assets	184,905	36.6%	192,960	37.4%	(8,055)	(4.2)%
Net Tangible Assets	188,769	37.4%	183,494	35.6%	5,275	2.9%
Net Non-current Assets	373,674	74.0%	376,454	73.0%	(2,780)	(0.7)%
Long-term Provisions	(55,415)	(11.0)%	(43,133)	(8.4)%	(12,282)	(28.5)%
CAPITAL EMPLOYED	505,283	100.0%	515,541	100.0%	(10,258)	(2.0)%
Net Current Financial Position	(122,687)	(24.3)%	1,631	0.3%	(124,318)	n.s.
Medium and Long-Term Loans	254,980	50.5%	248,542	48.2%	6,438	2.6%
Net Financial Debt	132,293	26.2%	250,173	48.5%	(117,880)	(47.1)%
Shareholders' Equity	372,990	73.8%	265,368	51.5%	107,622	40.6%
FINANCING OF CAPITAL EMPLOYED	505,283	100.0%	515,541	100.0%	(10,258)	(2.0)%