

INTERIM REPORT

First Half 2004

HIGHLIGHTS

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Recordati, established in 1926, is a European pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003074447), dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy and operating subsidiaries in France, Ireland, Spain, Switzerland and the United States.

PHARMACEUTICAL SALES UP 5.7% ,
OR 9% EXCLUDING SOPHARTEX

INTERNATIONAL PHARMACEUTICAL
SALES UP 15.7%

LERCANIDIPINE SALES UP 31.7%

EBIT UP 16.4% AND NET INCOME UP 38.2 %

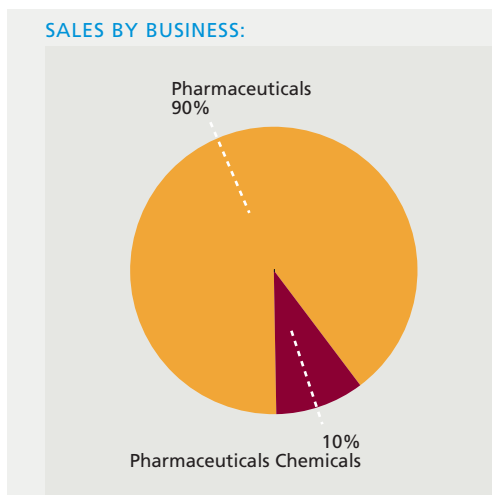
SOPHARTEX SOLD IN APRIL

Key Consolidated Data

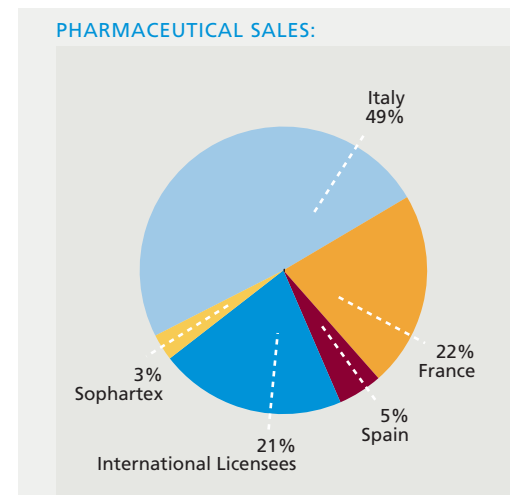
€ (thousands)	First Half 2004	% of Sales	First Half 2003	% of Sales	Change	Change %
Net Sales	252,356	100.0	247,159	100.0	5,197	2.1
EBITDA	54,531	21.6	51,077	20.7	3,454	6.8
Operating Income (EBIT)	43,202	17.1	37,103	15.0	6,099	16.4
Net Income	27,440	10.9	19,855	8.0	7,585	38.2
Shareholders' Equity	239,292		224,543		14,749	6.6

Volumes drive pharmaceutical sales

Consolidated net sales were € 252.4 million compared to € 247.2 million during the same period of last year, an increase of 2.1% thanks to the growth of the pharmaceutical business. Sales in the second quarter 2004 were € 123.9 million, an increase of 3.0% over the second quarter 2003.



Pharmaceutical sales were € 226.0 million, an increase of 5.7% over the first half of last year. Excluding Sophartex, which was sold in April 2004, pharmaceutical sales would have been € 219.1 million in the first half 2004 and € 201.1 million in the first half 2003, an increase of 9.0% which includes volume growth of 10.1%. Growth was thanks to the success of Zanidip®, in all markets (+31.7%) and to the performance of the group's international pharmaceutical business which was up 15.7%. In the second quarter 2004 pharmaceutical sales were



€ 110.1 million compared to € 104.4 million in the same period of the preceding year. Excluding Sophartex pharmaceutical sales increased by 11.3% in the quarter.

Pharmaceutical chemicals sales, on the other hand, decreased by 20.8% in the first half going from € 33.3 million to € 26.4 million due, mostly, to a negative volume effect (-17.2%) following the decision to rationalize the product portfolio focusing on the more profitable and competitive products. To this must be added a negative currency effect of 3.2% deriving mainly from the lower dollar value versus the euro. During the second quarter 2004 pharmaceutical chemicals sales were down 13.0%.

Overall international sales went from € 135.0 million to € 138.0 million in the first half 2004, an increase of 2.2%.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first half 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 16.8% over the first six months of last year. In addition to lercanidipine's continuing success, first half sales also benefited from the launch of the 20mg formulation in February. Direct sales of Zanidip® in France continue to grow and increased by close to 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 grew slightly compared to the first half of 2003.

Sales of lercanidipine to licensees increased by 36.4% 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. Lercanidipine is now being sold on 63 markets and the new 20mg formulation has to date been launched on 9 of these.

Lercanidipine sales

€ (thousands)	First Half 2004	First Half 2003	Change	Change %
Italy	19,627	16,798	2,829	16.8
France	10,856	6,531	4,325	66.2
Spain	2,451	2,376	75	3.2
Direct Sales	32,934	25,705	7,229	28.1
Sales to Licensees	27,118	19,881	7,237	36.4
TOTAL SALES	60,052	45,586	14,466	31.7

Composition of sales

€ (thousands)	First Half 2004	First Half 2003	Change	Change %
Pharmaceuticals Italy	110,782	107,482	3,300	3.1
Pharmaceuticals France	49,666	43,910	5,756	13.1
Pharmaceuticals Spain	11,822	10,801	1,021	9.5
International Licensees	46,805	38,877	7,928	20.4
Sophartex	6,905	12,801	(5,896)	(46.1)
Total Pharmaceuticals	225,980	213,871	12,109	5.7
Pharmaceutical Chemicals	26,376	33,288	(6,912)	(20.8)
TOTAL SALES	252,356	247,159	5,197	2.1

Includes other income related to license agreements

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 3.1% over the first half 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 Lundbeck. The sales of some products, and in particular the antibiotics, were affected by the relatively weak flu season.

Pharmaceutical sales in France were up by 13.1% over the same period of the preceding year thanks to the remarkable performance of Zanidip®. Other good performers were Epinitril®, a nitroglycerine transdermal patch which was launched in 2003, and Abufene®, a beta-alanine based drug indicated for the treatment of menopausal symptoms.

First half sales in Spain increased by 9.5% 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 latest generation treatment for allergies under license from Uriach.

Sales to international licensees grew significantly (+20.4%) 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.

Company development news

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 since last year. As regards the

status of lercanidipine in the U.S., our licensee Forest Laboratories is proceeding with 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.

Another step was taken in our licensing-in strategy with the signing of an agreement with Almirall Prodesfarma S.A., the leading Spanish pharmaceutical company, for the marketing and sale in Spain of Cidine®, (cinitapride), a drug for the treatment of chronic dyspepsia. As a part of the agreement Recordati granted Almirall's Italian subsidiary the right to market and sell Synflex®, (naproxen sodium), an analgesic drug, and Theo-dur®, (theophylline), a respiratory drug.

In line with the strategy of expanding its pharmaceutical operations in Europe, over April and May Recordati acquired almost 25% of the share capital of the Polish pharmaceutical company Polfa Kutno with the declared intention to increase its holding to just under 50%. At the same time the U.S. pharmaceutical company IVAX announced its intention to acquire 100% of the same company. Following declarations from the main Polfa Kutno shareholders of their willingness to sell all of their holdings at a take out premium, Recordati, not interested in acquiring the entire company at the resulting multiples, decided to sell its holding to IVAX. Overall a capital gain of € 2 million, net of all expenses, was realized.

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 ca. € 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 improves significantly

Gross profit for the first half 2004 was € 158.5 million with a margin on sales of 62.8%, significantly better than that of the same period of last year thanks to the increased weight of pharmaceutical sales and a favorable product mix, in addition to the disposal of Sophartex which had lower gross margins.

Selling expenses increased by 9.1% mainly due to the promotional support of new product launches. R&D expenses at € 18.1 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 € 10.8 million and 4.3% of sales were substantially in line with those of the same period of the preceding year.

Goodwill amortization was € 1.9 million and is associated with the acquisition of the French companies. The decrease compared to the first half 2003 is mainly due to the sale of Sophartex.

EBIT, at 17.1% of sales, went from € 37.1 million to € 43.2 million in the first half 2004, an increase of 16.4%. The pharmaceutical business generated EBIT of € 42.1 million, or 18.6% of sales, an improvement over the first half of the preceding year due to increased sales volumes and a more favorable product mix. EBIT generated by the pharmaceutical chemicals business during the first half was € 1.1 million thanks to the reorganization process implemented in 2004.

During the second quarter 2004 pharmaceutical EBIT was € 22.0 million, a 20.0% margin on sales and an increase of 8.3% over the second quarter of last year. The pharmaceutical chemicals EBIT of € 1.1 million in the second quarter compares with the € 1.4 million loss booked in the same period of the preceding year.

Net financial charges during the first six months were € 2.1 million and include net exchange gains of € 0.1 million. Non-operating revenues of € 3.1 million, net of expenses, include the capital gain of € 2.1 million arising from the sale of the Paris office building and that realized on the sale of Polfa Kutno shares of approximately € 2.0 million. Non-operating expenses comprise

Sales & EBIT by business area

€ (thousands)	Pharmaceuticals				Pharmaceutical Chemicals*			
	First Half 2004		First Half 2003		First Half 2004		First Half 2003	
Sales	225,980	100.0%	213,871	100.0%	26,376	100.0%	33,288	100.0%
EBIT	42,142	18.6%	38,924	18.2%	1,060	3.1%	(1,821)	(4.7)%

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

mainly the accrued portion of profits that the French companies share with their employees (participation au résultat). The effective tax rate during the period was 38.0%, in line with the whole year 2003.

Net income at 10.9% of sales went from € 19.9 million in the first half of 2003 to € 27.4 million in the first half 2004, an increase of 38.2% also thanks to the abovementioned capital gains. Net income for the second quarter was € 14.8 million, a significant increase over that of the same period of the preceding year, and includes the capital gain on the sale of the Polfa Kutno shares.

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 cash received from the sale of both the office building in Paris and of Sophartex.

Net working capital decreased by € 6.7 million compared to year-end 2003, of which € 1.9 million are due to the deconsolidation of Sophartex at 31 March 2004. Net of the variation attributable to the deconsolidation of

Sophartex, inventories increased due to production seasonality factors (€ 8.9 million) and trade accounts payable decreased mostly due to lower investments in fixed assets and shorter payment terms (€ 8.5 million). These events were more than offset by lower trade accounts receivable and other current assets (€ 4.0 million) together with a net increase in other current liabilities of € 18.2 million mostly due to taxes payable.

Net non-current assets decreased by € 37.2 million essentially due to the sale of the Paris office building (€ 18.0 million) and of Sophartex which accounted for an overall reduction of € 18.5 million. New fixed asset investments in plant were € 9.7 million of which € 6.4 million in the Irish production site currently under construction. New investments in intangible assets were € 3.0 million. The € 10.7 million decrease in long-term provisions is substantially accounted for by long-term tax debts and deferred tax liabilities which have become payable (€ 8.6 million).

The group's net financial position improved by € 44.6 million and at 30 June 2004 was positive by € 23.2 million. Medium-long term debt stands at € 62.5 million and the associated interest rate is essentially fixed at an average annual rate of 5.1%. Net liquid funds increased significantly as compared to 31 December 2003 due to the disposals mentioned above and were € 85.7 million which are invested short term in euros, dollars and Swiss francs at market rates. Shareholders' equity at 30 June 2004 was € 239.3 million, a net increase of € 11.4 million over year-end 2003 as a result of net income for

the period of € 27.4 million, positive translation differences of € 0.9 million, share capital increase of € 1.5 million, and dividends paid in the amount of €18.4 million.

Subsequent events

During July the decree issued by the Italian government at the end of June imposing cost containment measures to recover the higher than expected public pharmaceutical expenditure

became law. Accordingly, as from the 26th of June a mandatory extra discount of 6.8% must be applied by pharmaceutical companies to the sale of reimbursable pharmaceutical specialties until public spending is in line with the healthcare budget. The effect on Recordati's second half sales will be of around € 5 million.

Consolidated sales for the month of July are in line with the growth trend reported in the first part of 2004. Thanks to the good performance of the international pharmaceutical business we are able to confirm the group's full year targets announced in May, ie. sales of € 475 million, EBIT of € 85 million and net income of € 50 million.

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.

Statement of Income

€ (thousands)	Second Quarter 2004	% of Sales	First Half 2004	% of Sales	First Half 2003	% of Sales	Change	Change %
Net Sales	123,885	100.0	252,356	100.0	247,159	100.0	5,197	2.1
Cost of Sales	(44,848)	(36.2)	(93,891)	(37.2)	(102,607)	(41.5)	8,716	(8.5)
Gross Profit	79,037	63.8	158,465	62.8	144,552	58.5	13,913	9.6
Selling Expenses	(41,426)	(33.4)	(84,418)	(33.4)	(77,367)	(31.3)	(7,051)	9.1
R&D Expenses	(8,705)	(7.0)	(18,092)	(7.2)	(17,067)	(6.9)	(1,025)	6.0
G&A Expenses	(5,032)	(4.1)	(10,823)	(4.3)	(10,603)	(4.3)	(220)	2.1
Amortization of Goodwill	(762)	(0.6)	(1,930)	(0.8)	(2,412)	(1.0)	482	(20.0)
Operating Income	23,112	18.7	43,202	17.1	37,103	15.0	6,099	16.4
Financial Income (Expense), Net	(1,333)	(1.1)	(2,109)	(0.8)	(3,683)	(1.5)	1,574	(42.7)
Other Non-Operating Income (Expense), Net	1,732	1.4	3,140	1.2	(927)	(0.4)	4,067	n.s.
Pretax Income	23,511	19.0	44,233	17.5	32,493	13.1	11,740	36.1
Provision for Income Taxes	(8,734)	(7.1)	(16,793)	(6.6)	(12,638)	(5.1)	(4,155)	32.9
Net Income	14,777	11.9	27,440	10.9	19,855	8.0	7,585	38.2

Capital Employed

€ (thousands)	30 June 2004	%	31 Dec. 2003	%	Change	Change %
Trade Accounts Receivable	109,932	50.9	116,086	46.5	(6,154)	(5.3)
Inventories	65,479	30.3	62,257	25.0	3,222	5.2
Other Current Assets	12,610	5.8	17,123	6.9	(4,513)	(26.4)
Total Current Assets	188,021	87.0	195,466	78.4	(7,445)	(3.8)
Trade Accounts Payable	65,179	30.2	78,338	31.5	(13,159)	(16.8)
Accrued Liabilities, Deferred Income	3,694	1.7	1,559	0.6	2,135	136.9
Short-Term Provisions	4,104	1.9	5,564	2.2	(1,460)	(26.2)
Other Current Liabilities	50,100	23.2	38,341	15.4	11,759	30.7
Total Current Liabilities	123,077	56.9	123,802	49.7	(725)	(0.6)
Net Working Capital	64,944	30.0	71,664	28.7	(6,720)	(9.4)
Deferred Tax Assets	19,884	9.2	22,754	9.1	(2,870)	(12.6)
Net Intangible and Financial Assets	77,114	35.7	89,185	35.8	(12,071)	(13.5)
Net Tangible Assets	76,874	35.6	99,113	39.8	(22,239)	(22.4)
Net Non-current Assets	173,872	80.5	211,052	84.7	(37,180)	(17.6)
Long-Term Provisions	(22,710)	(10.5)	(33,395)	(13.4)	10,685	(32.0)
CAPITAL EMPLOYED	216,106	100.0	249,321	100.0	(33,215)	(13.3)
Net Current Financial Position	(85,709)	(39.6)	(53,529)	(21.4)	(32,180)	60.1
Medium and Long-Term Loans	62,523	28.9	74,903	30.0	(12,380)	(16.5)
Net Financial Position	(23,186)	(10.7)	21,374	8.6	(44,560)	n.s.
Shareholders' Equity	239,292	110.7	227,947	91.4	11,345	5.0
FINANCING OF CAPITAL EMPLOYED	216,106	100.0	249,321	100.0	(33,215)	(13.3)

RECORDATI

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