INTERIM REPORT

First Half 2005

RECORDATI

*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 operations in France,Germany, Ireland, Italy,
Spain, Switzerland, the United Kingdom
and the United States.*

HIGHLIGHTS
First Half 2005

- Recordati enters the German and British pharmaceutical markets
- Revenue up 17.4%, or 9.9% on a like-for-like basis
- Pharmaceutical sales up 20.5%, or 12.2% on a like-for-like basis
- International sales up 30.5%
- Lercanidipine sales up 19.6%
- Operating income up 24.2% before goodwill amortization and 29.9% overall
- Net income up 23.9%

Key consolidated data

(thousands of €)	First Half 2005	% of Revenue	First Half 2004*	% of Revenue	Change	Change %
Revenue	296,366	100.0	252,356	100.0	44,010	17.4
EBITDA	65,450	22.1	53,518	21.2	11,932	22.3
Operating Income	54,805	18.5	42,189	16.7	12,616	29.9
Net Income	33,712	11.4	27,214	10.8	6,498	23.9
Shareholders' Equity	281,724		237,543		44,181	18.6

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

Revenues growing strongly

In the first half consolidated revenue is € 296.4 million, an increase of 17.4% 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 9.9%. Revenue in the second quarter 2005 is € 146.3 million, an increase of 18.1%, or 6.8% excluding Merckle Recordati sales.

Pharmaceutical sales are € 272.4 million, an increase of 20.5% over the first half of last year. On a like-for-like basis pharmaceutical sales grow by 12.2% due to the strong increase in sales volumes (+19.3%) driven by both high lercanidipine sales as well as the good performance of the other main products. Sales volumes easily offset the negative 7.0% 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, which represent 8.1% of total revenue, went from € 26.4 million to € 24.0 million, a decrease of 9.0% of which 5.3% attributable to lower volumes due to a slowdown in purchases by some important customers who are reducing stocks. This business is now focused on the production and sale of active pharmaceutical ingredients, mainly verapamil and acyclovir, for the generics market.

In the second quarter pharmaceutical sales grew by 22.8% (10.0% on a like-for-like basis) and pharmaceutical chemical sales decreased by 19.2%.

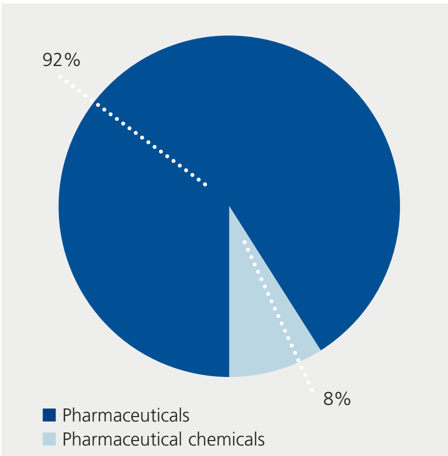
International sales went from € 138.0 million to € 180.1 million, an increase of 30.5% which includes the effect of the consolidation of Merckle Recordati.

Composition of sales

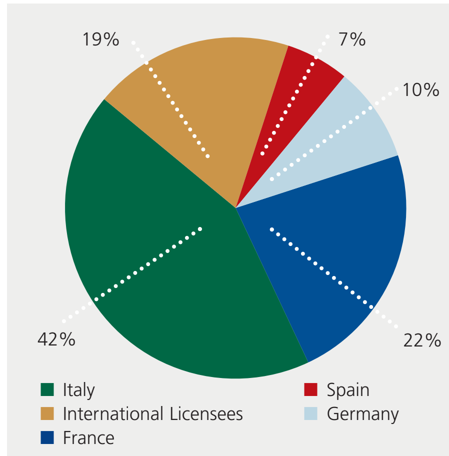
(thousands of €)	First Half 2005	First Half 2004	Change	Change %
Pharmaceuticals Italy	113,509	110,782	2,727	2.5
Pharmaceuticals France	60,826	49,666	11,160	22.5
Pharmaceuticals Germany	26,519	-	26,519	n.s.
Pharmaceuticals Spain	18,666	11,822	6,844	57.9
International Licensees	52,843	46,805	6,038	12.9
Sophartex	-	6,905	(6,905)	(100.0)
Total Pharmaceuticals	**272,363**	**225,980**	**46,383**	**20.5**
Pharmaceutical Chemicals	**24,003**	**26,376**	**(2,373)**	**(9.0)**
TOTAL SALES	296,366	252,356	44,010	17.4

Includes other income related to license agreements

Sales by business:



Pharmaceutical sales:



Sources of growth

Change as % of revenue, first half 2005 over first half 2004	Volume Effect	Price Effect	Currency Effect	Total Change
Pharmaceuticals (like-for-like)	19.3%	(7.0)%	(0.1)%	12.2%
Merckle Recordati	100.0%	-	-	100.0%
Sophartex	(100.0%)	-	-	(100.0)%
Pharmaceutical chemicals	(5.3)%	(2.0)%	(1.7)%	(9.0)%
Total change	**23.9%**	**(6.3)%**	**(0.2)%**	**17.4%**

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first half 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 Half 2005	First Half 2004	Change	Change %
Italy	22,625	19,627	2,998	15.3
France	14,187	10,856	3,331	30.7
Spain	3,137	2,451	686	28.0
Direct Sales	39,949	32,934	7,015	21.3
Sales to Licensees	31,850	27,118	4,732	17.4
Total Sales	**71,799**	**60,052**	**11,747**	**19.6**

Direct sales in Italy of Zanedip® and Lercadip® were up 15.3% over last year's first half despite the price reduction imposed as from January and the mandatory 6.8% discount applied as from June 2004 to all reimbursed drugs and extended to the whole of 2005. Direct sales of Zanidip® in France continue to grow and increased by 30.7%. On the Spanish market Zanidip® sales also grew significantly compared to the first half of 2004 as a result of the growth of the 20mg dosage form.

Sales of lercanidipine to licensees increased by 17.4% with growth trends continuing in the major markets. Lercanidipine is now being sold on 72 markets and the new 20mg formulation has to date been launched in 13 of these.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 2.5% over the first half of 2004, a lower growth rate than in other countries due to cost containment measures to reduce public healthcare spending, and is attributable, besides lercanidipine, 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.

Pharmaceutical sales in France were up by 22.5% mainly due to the outstanding performance of Zanidip® and the growth of those products indicated for the treatment of flu related symptoms, particularly in the first quarter.

First half 2005 sales in Germany by the new subsidiary Merckle Recordati were € 26.5 million, in line with the preceding year, and represent 9.7% of the group's pharmaceutical sales. Its main products, Claversal® (mesalazine), indicated for the treatment of ulcerative colitis and Suplasyn® (hyaluronic acid) used for treating osteoarthrosis of the joints, are performing well.

Sales in Spain increased by 57.9% 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 by 12.9% 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 product portfolio of the new German subsidiary Merckle Recordati, which has headquarters in Ulm, comprises prescription and OTC products mainly in the field of gastroenterology and rheumatology. The results of Merckle Recordati are consolidated as from 1 January 2005.

In June an agreement was reached with the former licensee Napp Pharmaceuticals Ltd., to buy back the sales and marketing rights of Zanidip® (lercanidipine), Recordati's original antihypertensive calcium channel blocker, for a price close to £ 15 million which was paid in July. At the same time, a subsidiary was formed in the United Kingdom, Recordati Pharmaceuticals Ltd., which will sell Zanidip® directly in this market as from the second half of 2005. The new organization will be built up during the year in preparation for the launch of the 20mg strength in 2006.

With the acquisition in Germany and the establishment of the British subsidiary Recordati gains access to two of the largest pharmaceutical markets in Europe. A direct presence in Germany and in the United Kingdom is fundamental to our strategy of strengthening our position as a European specialty pharmaceutical company. Thanks to these operations we will now have marketing operations in over 75% of the European market. We intend to contribute to the growth of the new subsidiaries by launching, over the medium term, the new products currently in our pipeline such as Zanipress®, a fixed combination of lercanidipine and enalapril for the treatment of hypertension, rupatadine (a treatment for allergies), silodosin (a treatment for the symptoms of benign prostatic hyperplasia), stannsoporfin (a treatment for neonatal hyperbilirubinemia) and others which are currently being negotiated.

Recordati España acquired the rights to market and sell Yoduk® (potassium iodide) in Spain 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.

A license agreement was entered into with InfaCare Pharmaceuticals Corp., for the development and marketing in Europe and other Mediterranean countries, of stannsoporfin (Stanate®, tin-mesoporphyrin), a compound discovered at Rockefeller University which inhibits the production of bilirubin in cases of hyperbilirubinemia of different origin. The drug is currently under development by InfaCare for the treatment of neonatal hyperbilirubinemia (jaundice). Jaundice occurs in many newborns, and in some infants, severe hyperbilirubinemia, if untreated, can lead to substantial brain damage. In these cases infants not responding to phototherapy require exchange transfusion, a complex and risky procedure. Stannsoporfin was demonstrated to be efficacious in the prevention and treatment of neonatal jaundice and the new guidelines released by the American Academy of Pediatrics indicate that, if approved, the compound could find immediate application in infants who are not responding to phototherapy. The drug is currently in clinical development in the U.S.A. and to date more than 800 infants worldwide have been successfully treated. Under this agreement Recordati will complete the clinical development of stannsoporfin, in accordance with the requirements of the European Medicines Evaluation Agency (EMEA) and, following approval, will have exclusive marketing rights for the whole of Europe (45 countries) and for 19 Middle East and North African countries.

Recordati regained the sales and marketing rights of lercanidipine in Japan as a consequence of the termination of the license agreements with Tsumura and Dainippon following the change in business strategy and the corporate actions in which the two Japanese pharmaceutical companies have been respectively involved.

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.

Increasing profit margins

P&L

(thousands of €)	Second Quarter 2005	% of Revenue	First Half 2005	% of Revenue	First Half 2004*	% of Revenue	Change	Change %
Revenue	**146,348**	**100.0**	**296,366**	**100.0**	**252,356**	**100.0**	**44,010**	**17.4**
Cost of sales	(51,421)	(35.1)	(105,676)	(35.7)	(94,229)	(37.3)	(11,447)	12.1
Gross profit	**94,927**	**64.9**	**190,690**	**64.3**	**158,127**	**62.7**	**32,563**	**20.6**
Selling expenses	(50,599)	(34.6)	(101,848)	(34.4)	(84,822)	(33.6)	(17,026)	20.1
R&D expenses	(11,209)	(7.7)	(22,054)	(7.4)	(18,157)	(7.2)	(3,897)	21.5
G&A expenses	(6,032)	(4.1)	(12,445)	(4.2)	(10,979)	(4.4)	(1,466)	13.4
Other income (expense), net	445	0.3	462	0.2	(50)	(0.0)	512	n.s.
Operating income (before goodwill amortization)	27,532	18.8	54,805	18.5	44,119	17.5	10,686	24.2
Amortization of goodwill	-	-	-	-	(1,930)	(0.8)	1,930	(100.0)
Operating income	**27,532**	**18.8**	**54,805**	**18.5**	**42,189**	**16.7**	**12,616**	**29.9**
Financial income (expense), net	(957)	(0.7)	(1,695)	(0.6)	(2,109)	(0.8)	414	(19.6)
Other investments gain (loss), net	0	0.0	0	0.0	3,927	1.6	(3,927)	(100.0)
Pretax income	**26,575**	**18.2**	**53,110**	**17.9**	**44,007**	**17.4**	**9,103**	**20.7**
Provision for income taxes	(9,485)	(6.5)	(19,398)	(6.5)	(16,793)	(6.7)	(2,605)	15.5
Net income	**17,090**	**11.7**	**33,712**	**11.4**	**27,214**	**10.8**	**6,498**	**23.9**

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

Gross profit is € 190.7 million with a margin on sales of 64.3%, 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 20.1% mainly due to the consolidation of the new German company whose operating costs are principally incurred by marketing and sales. R&D expenses at € 22.1 million show an increase of 21.5% also as a consequence of the new development activities. G&A expenses are € 12.4 million and at 4.2% 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 30 June 2005 no loss of value emerged.

Revenue & Operating Income by business area

(thousands of €)	PHARMACEUTICALS				PHARMACEUTICAL CHEMICALS[1]			
	First Half 2005		First Half 2004		First Half 2005		First Half 2004	
Revenue	272,363	100.0%	225,980	100.0%	24,003	100.0%	26,376	100.0%
Operating income	54,147	19.9%	43,066 [2]	19.1%	658 [2]	2.1%	1,053	3.1%

(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 18.5% of sales, is € 54.8 million, an increase of 29.9%. The first half 2004 results have been restated in accordance with the IAS/IFRS in effect as from the 2005 accounts. First half 2005 operating income increased by 24.2% over first half 2004 operating income before goodwill amortization. The pharmaceutical business generated an operating income of € 54.1 million, an increase of 25.7% mainly due to gross margin improvement. The operating income of the pharmaceutical chemicals business in the first half is € 0.7 million, substantially at breakeven and in line with the first quarter.

During the second quarter 2005 pharmaceutical operating income is € 27.1 million, a 20.1% margin on sales and an increase of 21.3% over the second quarter of last year. The pharmaceutical chemicals operating income is € 0.4 million, a 2.9% margin on sales, and was down compared to the second quarter 2004 due to the reduction in sales.

Net financial charges during the first half are € 1.7 million, lower than those of the same period of the preceding year. Gains from other investments in 2004 refer to those realized on the sale of the office building in Paris and on the sale of Polfa Kutno shares. The effective tax rate during the period was 36.5%, an improvement over the whole year 2004.

Net income at 11.4% of sales went from € 27.2 million in the first half of 2004 to € 33.7 million, an increase of 23.9%.

A solid financial position

Net financial position

(thousands of €)	30 June 2005	31 December 2004	Change	Change %
Cash and short-term financial investments	186,595	232,229	(45,634)	(19.7)
Bank overdrafts	(9,112)	(3,478)	(5,634)	162.0
Loans – due within one year	(24,586)	(25,166)	580	(2.3)
Net liquid assets	152,897	203,585	(50,688)	(24.9)
Loans – due after one year	(119,306)	(131,448)	12,142	(9.2)
Net financial position	**33,591**	**72,137**	**(38,546)**	**(53.4)**

The € 38.5 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 € 6.2 million were invested during the period in new property, plant and equipment and € 5.1 million in intangible assets. Net working capital for operations increased by € 11.9 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 SIX MONTHS ENDED 30 JUNE 2005

Income Statement

(thousands of €)	First Half 2005	First Half 2004
Revenue	**296,366**	**252,356**
Cost of sales	(105,676)	(94,229) *
Gross profit	**190,690**	**158,127**
Selling expenses	(101,848)	(84,822) *
R&D expenses	(22,054)	(18,157) *
G&A expenses	(12,445)	(10,979) *
Other income (expense), net	462	(50) *
Operating income (before goodwill amortization)	**54,805**	**44,119**
Amortization of goodwill	-	(1,930)
Operating income	**54,805**	**42,189**
Financial income (expense), net	(1,695)	(2,109)
Other investments gain (loss), net	0	3,927 *
Pretax income	**53,110**	**44,007**
Provision for income taxes	(19,398)	(16,793)
Net income	**33,712**	**27,214**
Earnings per share	**0.171**	**0.138**

** 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, 197,281,423 in 2005 and 196,275,558 in 2004, net of average treasury stock which amounted to 4,798,664 shares for both years. EPS calculated on a fully diluted basis are € 0.164 in 2005 and € 0.134 in 2004.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

Assets

(thousands of €)	30 June 2005	31 December 2004
Non-current assets		
Property, plant and equipment	79,076	78,577
Intangible assets	45,161	26,566
Goodwill	94,505	45,775
Other investments	905	905
Other non-current assets	1,906	1,911
Deferred tax assets	12,615	16,946
Total non-current assets	**234,168**	**170,680**
Current assets		
Inventories	73,516	61,566
Trade receivables	116,471	99,862
Other receivables	19,607	13,055
Other current assets	1,840	1,550
Fair value of hedging derivatives (fair value hedge)	3,770	0
Short-term financial investments	36,609	0
Cash and cash equivalents	149,986	232,229
Total current assets	**401,799**	**408,262**
Total assets	**635,967**	**578,942**

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

Equity and Liabilities

(thousands of €)	30 June 2005	31 December 2004
Shareholders' equity		
Share capital	25,413	25,219
Additional paid-in capital	59,266	52,882
Treasury stock	(20,410)	(20,410)
Hedging reserve *(cash flow hedge)*	(4,071)	(3,185)
Translation reserve	1,270	(421)
Other reserves	21,632	21,521*
Retained earnings	164,912	132,931*
Net income for the year	33,712	53,232*
Group shareholders' equity	**281,724**	**261,769**
Minority interest	0	0
Shareholders' equity	**281,724**	**261,769**
Non-current liabilities		
Loans – due after one year	123,076	128,346
Staff leaving indemnities	23,380	22,410
Deferred tax liabilities	5,476	193
Other non-current liabilities	11,087	0
Total non-current liabilities	**163,019**	**150,949**
Current liabilities		
Trade payables	89,433	77,166
Other payables	33,306	24,248
Tax liabilities	23,259	22,344
Other current liabilities	1,083	1,711
Provisions	6,374	5,824
Fair value of hedging derivatives *(cash flow hedge)*	4,071	3,185
Fair value of hedging derivatives *(fair value hedge)*	0	3,102
Loans – due within one year	24,586	25,166
Bank overdrafts	9,112	3,478
Total current liabilities	**191,224**	**166,224**
Total equity and liabilities	**635,967**	**578,942**

* *Restated following the introduction of new IAS/IFRS*

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2004 AND 30 JUNE 2005

(thousands of €)	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:									
- Allocation to reserves							85	(85)	
- Dividends distributed								(18,392)	(18,392)
- Retained earnings							5,270	(5,270)	
Increase in share capital	58	1,411							1,469
Net income for the period								27,214*	27,214
Changes in fair value of hedging derivatives				540*					540
Application of new IAS/IFRS						226*			226
Translation Adjustment					828				828
Balance at 30 June 2004	**25,180**	**51,853**	**(20,410)**	**(1,749)***	**1,509**	**21,015***	**132,931***	**27,214***	**237,543**
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:									
- Dividends distributed								(21,665)	(21,665)
- Retained earnings							31,567	(31,567)	
Increase in share capital	194	6,384							6,578
Net income for the period								33,712	33,712
Changes in fair value of hedging derivatives				(886)					(886)
Application of new IAS/IFRS						111	414		525
Translation Adjustment					1,691				1,691
Balance at 30 June 2005	**25,413**	**59,266**	**(20,410)**	**(4,071)**	**1,270**	**21,632**	**164,912**	**33,712**	**281,724**

** Restated following the introduction of new IAS/IFRS*

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

(thousands of €)	30 June 2005		30 June 2004	
Operating activities				
Cash flow				
Net Income	33,712		27,214	*
Depreciation of property, plant and equipment	6,058		6,478	
Amortization of intangible assets	4,587		4,851	
Total cash flow	**44,357**		**38,543**	
(Increase)/decrease in deferred tax assets	5,383		1,834	
Staff leaving indemnities:				
Provision	2,211		2,149	
Payment	(2,513)		(2,384)	
Increase/(decrease) in other non-current liabilities	11,440		(8,493)	
	60,878		**31,649**	
Changes in working capital				
Trade and other receivables	(21,984)		5,066	
Inventories	(6,620)		(8,879)	
Other current assets	(290)		(1,084)	
Trade and other payables	17,144		(3,309)	*
Tax liabilities	177		12,248	*
Other current liabilities	(628)		2,135	
Provisions	293		(1,318)	
Changes in working capital	**(11,908)**		**4,859**	
Net cash from operating activities	**48,970**		**36,508**	
Investing activities				
Net (investments)/disposals in property, plant and equipment	(6,229)		8,590	
Net (investments)/disposals in intangible assets	(5,092)		(2,966)	
Net (increase)/decrease in equity investments	(63,329)	***	0	
Net (increase)/decrease in other non-current receivables	5		(135)	
Net cash used in investing activities	**(74,645)**		**5,489**	
Financing activities				
Share capital increase	194		58	
Additional paid-in capital increase	6,384		1,411	
Effect of application of new IAS/IFRS	525		226	*
Transfer of current portion of medium and long-term debt to current liabilities	(12,142)		(12,266)	
Changes in current portion of medium and long-term debt	(580)		(1,354)	
Dividends paid	(21,665)		(18,392)	
Proceeds on sale of Sophartex	-		17,873	****
Change in translation reserve	1,691		828	
Net cash from/(used in) financing activities	**(25,593)**		**(11,616)**	
Changes in short-term financial position	**(51,268)**		**30,381**	
Short-term financial position at beginning of year **	228,751		81,082	
Short-term financial position at end of period **	177,483		111,463	

* *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 and Provisions & other liabilities 507*
**** *Sale of Sophartex: Working capital 1,862, Property, plant, equipment and intangible assets 7,303, Goodwill 10,189, Deferred tax assets 1,036, Provisions (1,957) and Loans (560)*

Notes to the consolidated financial statements for the six months ended 30 June 2005

1. GENERAL

The consolidated financial statements at 30 June 2005 comprise Recordati S.pA. (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. The consolidation perimeter also includes the recently constituted subsidiary Recordati Pharmaceuticals Ltd.

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 30 June 2004 were used in the preparation of the financial statements for the six months ended 30 June 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 respective 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 half 2005 is € 296.4 million (€ 252.4 million in the same period of the preceding year) and can be broken down as follows:

(thousands of €)	First Half 2005	First Half 2005	Change 2005/2004
Net sales	292,076	250,629	41,447
Royalties	682	404	278
Up-front payments	669	227	442
Other revenue	2,939	1,096	1,843
Total revenue	**296,366**	**252,356**	**44,010**

4. OPERATING EXPENSES

Overall operating expenses in the first half 2005 are € 241.6 million, compared to € 208.2 million in the same period of the preceding year and are analyzed by function. Staff costs in the first half 2005 are € 75.3 million and include a cost for stock options of € 0.7 million. Total depreciation and amortization charges are € 10.6 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 half 2004 results have been restated to include, in operating income, the cost of stock options pertinent to the period (€ 0.2 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 € 0.7 million and other income (expense), net, of € 0.1 million.

5. FINANCIAL INCOME AND EXPENSE

In the first half 2005 and in the same period of 2004 financial items recorded a net expense of € 1.7 million and € 2.1 million respectively which are comprised as follows:

(thousands of €)	First Half 2005	First Half 2004	Change 2005/2004
Exchange gains/(losses)	306	140	166
Interest expense on loans	(3,046)	(2,385)	(661)
Net interest on short-term financial position	1,045	136	909
Change in fair value of hedging derivatives	6,872	0	6,872
Change in fair value of hedged item	(6,872)	0	(6,872)
Total financial income (expense), net	**(1,695)**	**(2,109)**	**414**

6. GAIN OR LOSS ON OTHER INVESTMENTS

The gain on other investments during the first half 2004 is related to the capital gain arising from the sale of the office building in Paris and that realized on the sale of Polfa Kutno shares.

7. PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment at 30 June 2005 is in line with that at 31 December 2004. During the first half 2005 new investments amount to € 6.2 million and depreciation for the period is € 6.1 million. The consolidation of Merckle Recordati accounts for an increase of € 0.3 million. The composition and variation of property, plant and equipment are shown in the following table:

(thousands of €)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31.12.04	41,507	128,935	29,991	16,810	217,243
Additions	169	750	356	4,952	6,227
Disposals	(688)	(138)	(154)	0	(980)
Changes in reporting entities	0	0	1,330	0	1,330
Other changes	672	992	518	(2,172)	10
Balance at 30.06.05	**41,660**	**130,539**	**32,041**	**19,590**	**223,830**
Accumulated depreciation					
Balance at 31.12.04	19,154	97,208	22,304	0	138,666
Additions	859	3,768	1,431	0	6,058
Disposals	(688)	(138)	(146)	0	(972)
Changes in reporting entities	0	0	1,002	0	(1,002)
Other changes	0	0	0	0	0
Balance at 30.06.05	**19,325**	**100,838**	**24,591**	**0**	**144,754**
Carrying amount at					
30 June 2005	**22,335**	**29,701**	**7,450**	**19,590**	**79,076**
31 December 2004	22,353	31,727	7,687	16,810	78,577

8. INTANGIBLE ASSETS

At 30 June 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, for an amount of € 3.1 million, and other products for € 2.0 million, were acquired during the first half 2005. Amortization for the period is € 4.6 million. The composition and variation of intangible assets are shown in the following table:

(thousands of €)	Patent rights	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31.12.04	23,986	35,826	15,594	1,475	76,881
Additions	0	3,782	88	1,232	5,102
Disposals	(126)	(392)	(1,344)	0	(1,862)
Changes in reporting entities	19,199	62	0	36	19,297
Other changes	0	(2)	(230)	288	56
Balance at 30.06.05	**43,059**	**39,276**	**14,108**	**3,031**	**99,474**
Accumulated amortization					
Balance at 31.12.04	20,326	18,537	11,452	0	50,315
Additions	1,909	1,884	794	0	4,587
Disposals	(126)	(392)	(1,344)	0	(1,862)
Changes in reporting entities	1,153	54	0	0	1,207
Other changes	0	(2)	68	0	66
Balance at 30.06.05	**23,262**	**20,081**	**10,970**	**0**	**54,313**
Carrying amount at					
30 June 2005	19,797	19,195	3,138	3,031	45,161
31 December 2004	3,660	17,289	4,142	1,475	26,566

9. GOODWILL

Goodwill at 30 June 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 30 June 2005 no loss in the value of goodwill on the balance sheet was identified.

(thousands of €)	Goodwill
Cost	
Balance at 31.12.04	83,439
Changes in reporting entities	48,730
Balance at 30.06.05	**132,169**
Accumulated amortization	
Balance at 31.12.04	37,664
Changes in reporting entities	0
Balance at 30.06.05	**37,664**
Carrying amount at	
30 June 2005	94,505
31 December 2004	45,775

10. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2005 deferred tax assets decreased by € 4.3 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 € 5.3 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 30 June 2005 is € 281.7 million, an increase of € 19.9 million over that at 31 December 2004 for the following reasons:

- net income for the first half 2005 (increase of € 33.7 million)
- cost of stock option plans (increase of € 0.7 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 (decrease of € 0.9 million)
- translation adjustments (increase of € 1.7 million)
- issue of 1,547,700 new ordinary shares following the exercise of stock options by staff (increase of € 6.6 million)
- payment of 2004 dividends (decrease of € 21.7 million)

On 6 April 2005 the Extraordinary Shareholders Meeting resolved a 4:1 stock split. Each share outstanding, par value € 0.50, was replaced by 4 new shares, par value € 0.125 each. At 30 June 2005 the share capital consists of 203,302,856 ordinary shares with a par value of € 0.125 each for a total of € 25,412,857.

Under the existing stock option plans, at 30 June 2005 a total of options for the purchase of 6,626,300 shares were outstanding. These consist of 1,234,000 options to be exercised at a price of € 5.27 per share expiring November 2006, 1,221,800 options at a price of € 5.18 per share expiring November 2007, 904,000 at a price of € 3.6775 per share expiring May 2008, 1,372,500 options at a price of € 3.575 per share expiring May 2009 and 1,894,000 options at a price of € 4.055 per share expiring November 2009. The related capital increase has already been approved.

12. LOANS

Overall, medium and long-term loans decreased by € 5.8 million compared to those at 31 December 2004, including the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004 which resulted in an increase of € 3.8 million over their face value. € 12.7 million were reimbursed during the period and no new loans were granted. The measurement at fair value of the cross-currency interest rate swap covering the aforementioned notes generated an asset of € 3.8 million, an amount equivalent to the increase in the fair value of the underlying debt, and is stated under current assets as "Fair value of hedging derivatives (Fair value hedge). At 31 December 2004 the measurement at fair value of the hedging derivative and the underlying debt had generated a current liability and a reduction of debt respectively of € 3.1 million. The change in fair value of the derivative instrument and the underlying debt (€ 6.9 million) are recognized in the income statement and have a combined zero effect as the transaction is perfectly hedged.

13. STAFF LEAVING INDEMNITIES

The increase during the period is mainly related to the € 1.3 million consolidation effect of Merckle Recordati. Regarding the application of IAS 19 to the staff leaving indemnity fund *(TFR, trattamento fine rapporto)* which is mandatory in Italy, the complex actuarial calculations prescribed were not effected as the Company deems these would not generate any material difference in the consolidated profit and loss or shareholders' equity accounts at 30 June 2005 and because there may still be developments on this subject.

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

These refer to the installments due in 2007 and in 2008 for the acquisition of Merckle Recordati for a total of € 11.7 million and are stated at their present value as required by IAS/IFRS. At 30 June 2005 the present value adjustment is € 0.6 million.

15. CURRENT ASSETS

Inventories increased by € 11.9 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 € 16.6 million as a result of the increase in sales volumes. Average days of sales outstanding are 70, an improvement over the 75 days at 31 December 2004. Merckle Recordati's consolidation effect is € 1.0 million. Other receivables increased by € 6.6 million and the consolidation effect is an increase of € 0.2 million. Other current assets are in line with those at 31 December 2004.

16. CURRENT LIABILITIES

Trade payables, which include invoices to be received, increased by € 12.3 million, with a consolidation effect of € 2.1 million. Other payables increased by € 9.0 million mainly due to the first installment of the residual liability related to the acquisition of Merckle Recordati (€ 5.7 million) due early in 2006. The consolidation effect is of € 2.1 million. Tax liabilities increased by only € 0.9 million as the provision for income tax for the period was offset by the payment of 2004 taxes. 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 *(CASH FLOW HEDGE)*

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 € 4.1 million liability at 30 June 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 € 2.9 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 30 June 2005 are the following:

(thousands of €)	Pharmaceuticals	Pharmaceutical Chemicals	Unallocated	Total
Revenue	272,363	24,003	0	296,366
Intercompany revenue	0	6,714	0	6,714
Operating income	54,147	658	0	54,805

The following table presents net revenues by geographic area:

(thousands of €)	First Half 2005	First Half 2004	Change 2005/2004
Europe	261,163	219,179	41,984
of which Italy	*116,307*	*114,384*	*1,923*
Asia	13,306	12,472	834
North America	6,051	5,951	100
Latin America	4,410	4,711	(301)
Other areas	11,436	10,043	1,393
Total revenue	**296,366**	**252,356**	**44,010**

19. INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

Intragroup sales and services recorded during the first half 2005 are € 54.5 million. During the period, Recordati S.A. Chemical & Pharmaceutical Company received a dividend of € 15.0 million from Recordati Ireland Ltd. and one of CHF 2,8 million from the Swiss company Recordati S.A.. Laboratoires Bouchara Recordati declared a dividend of € 8.0 million.

At 30 June 2005, intercompany accounts amount to € 185.7 million, the most significant of which are:

- loans from Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A. of € 91.6 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 € 16.4 million;
- loans from Bouchara Recordati S.a.s. to Recordati S.p.A. of € 5.0 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 Fimei S.p.A. mainly relative to a tax credit arising from participation in a tax consolidation grouping under tax laws in Italy.

20. SUBSEQUENT EVENTS

Recordati regained the sales and marketing rights of lercanidipine in Japan as a consequence of the termination of the license agreements with Tsumura and Dainippon following the change in business strategy and the corporate actions in which the two Japanese pharmaceutical companies have been respectively involved.

In July a license agreement was signed with Lavipharm Laboratories Inc., U.S.A., for the marketing and sale in France, Germany, Italy, Spain and the United Kingdom, the main European pharmaceutical markets, of a new transdermal patch containing the narcotic analgesic fentanyl, indicated for the treatment of chronic pain. Recordati will also be responsible for the approval process in these countries.

RECORDATI S.P.A. AND SUBSIDIARIES
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS
AT 30 JUNE 2005

Attachment 1.

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

	PERCENTAGE OF OWNERSHIP					
	Recordati S.p.A. *(parent)*	Innova Pharma S.p.A.	Recordati S.A.	Bouchara Recordati S.a.s.	Recordati España S.L.	Total
Recordati Ireland Ltd., Ireland *Marketing and sales of pharmaceuticals and pharmaceutical chemicals*			100.00%			100.00%
Recordati S.A., Switzerland *Marketing and sales of pharmaceuticals and pharmaceutical chemicals*			100.00%			100.00%
Laboratoires Bouchara Recordati S.a.s., France *Development, production, marketing and sales of pharmaceuticals*				100.00%		100.00%
Merckle Recordati G.m.b.H.**, Germany *Marketing and sales of pharmaceuticals*					100.00%	100.00%
Recordati Pharmaceuticals Ltd.***, U.K. *Marketing and sales of pharmaceuticals*	3.33%		96.67%			100.00%

* *Sold in April 2004*
** *Acquired during the period*
*** *Established during the period*

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