

*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,
Greece, Ireland, Italy, Spain,
Switzerland, the United Kingdom
and the United States.*

HIGHLIGHTS

FIRST NINE MONTHS 2005

- › RECORDATI ENTERS THE GERMAN AND BRITISH PHARMACEUTICAL MARKETS AND STARTS UP IN GREECE
- › REVENUE UP 18.3%, OR 9.3% ON A LIKE-FOR-LIKE BASIS
- › PHARMACEUTICAL SALES UP 21.6%, OR 11.7% ON A LIKE-FOR-LIKE BASIS
- › INTERNATIONAL PHARMACEUTICAL SALES UP 41.3%
- › LERCANIDIPINE SALES UP 21.4%
- › OPERATING INCOME UP 26.4% BEFORE GOODWILL AMORTIZATION AND 31.9% OVERALL
- › NET INCOME UP 28.5%

KEY CONSOLIDATED DATA

<i>(thousands of €)</i>	First Nine Months 2005	% of Revenue	First Nine Months 2004*	% of Revenue	Change	Change %
Revenue	429,797	100.0	363,438	100.0	66,359	18.3
EBITDA	99,199	23.1	79,063	21.8	20,136	25.5
Operating Income	82,745	19.3	62,751	17.3	19,994	31.9
Net Income	51,137	11.9	39,790	10.9	11,347	28.5
Shareholders' Equity	299,501		249,986		49,515	19.8

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

REVENUES KEEP GROWING

In the first nine months consolidated revenue is € 429.8 million, an increase of 18.3% 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 9.3%. Revenue in the third quarter 2005 is € 133.4 million, an increase of 20.1%, or 8.0% excluding Merckle Recordati sales.

Pharmaceutical sales are € 396.4 million, an increase of 21.6% over the first nine months of last year. On a like-for-like basis pharmaceutical sales grow by 11.7% due to the strong increase in sales volumes (+17.4%) driven by both high lercanidipine sales as well as the good performance of the international pharmaceutical business. Sales volumes easily offset the negative 5.6% 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, which represent 7.8% of total revenue, went from € 37.4 million to € 33.4 million, a decrease of 10.8% of which 7.4% attributable to lower volumes due both to a slowdown in purchases by some important customers who are reducing stocks as well as to our decision to focus production and sales to only a selection of active ingredients.

In the third quarter pharmaceutical sales grew by 24.0% (10.5% on a like-for-like basis) and pharmaceutical chemical sales decreased by 15.0%.

International sales went from € 198.6 million to € 263.9 million, an increase of 32.9% which includes the effect of the consolidation of Merckle Recordati.

COMPOSITION OF SALES

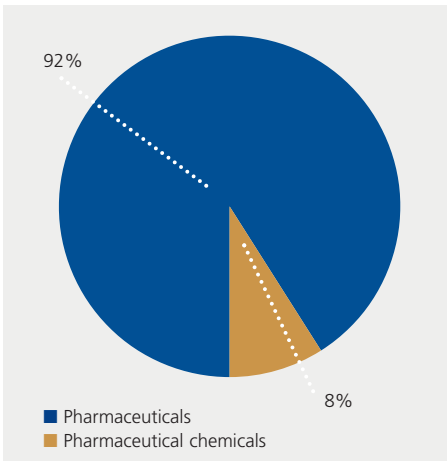
<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004	Change	Change %
Pharmaceuticals Italy	162,084	160,216	1,868	1.2
Pharmaceuticals France	88,992	74,074	14,918	20.1
Pharmaceuticals Germany	39,988	-	39,988	n.a.
Pharmaceuticals Spain	26,670	17,985	8,685	48.3
Pharmaceuticals United Kingdom	2,933	-	2,933	n.a.
International Licensees	75,776	66,886	8,890	13.3
Sophartex	-	6,905	(6,905)	(100.0)
Total Pharmaceuticals	396,443	326,066	70,377	21.6
Pharmaceutical Chemicals	33,354	37,372	(4,018)	(10.8)
TOTAL SALES	429,797	363,438	66,359	18.3

Includes other income related to license agreements

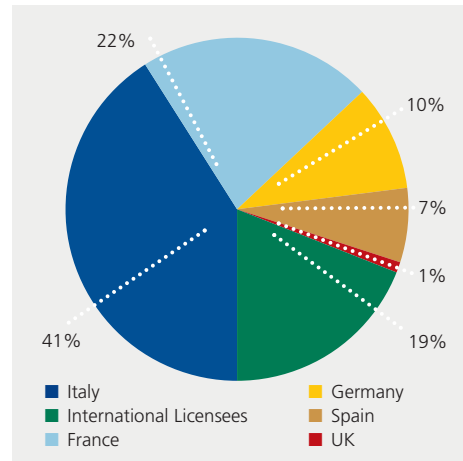
SOURCES OF GROWTH

<i>Change as % of revenue, first nine months 2005 over first nine months 2004</i>	Volume Effect	Price Effect	Currency Effect	Total Change
Pharmaceuticals (like-for-like)	17.4%	(5.6)%	(0.1)%	11.7%
Merckle Recordati	100.0%	-	-	100.0%
Sophartex	(100.0%)	-	-	(100.0)%
Pharmaceutical chemicals	(7.4)%	(2.1)%	(1.3)%	(10.8)%
Total change	23.7%	(5.2)%	(0.2)%	18.3%

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first nine months of 2005 in those countries 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

<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004	Change	Change %
Italy	32,291	28,910	3,381	11.7
France	21,755	16,737	5,018	30.0
Spain	4,582	3,607	975	27.0
United Kingdom	2,933	-	2,933	n.a.
Direct Sales	61,561	49,254	12,307	25.0
Sales to Licensees	43,961	37,639	6,322	16.8
Total Sales	105,522	86,893	18,629	21.4

Direct sales in Italy of Zanedip® and Lercadip® were up 11.7% over last year's first nine months 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 30.0%. On the Spanish market Zanidip® sales also grew significantly compared to the first nine months of 2004 (+27.0%) as a result of the growth of the 20mg dosage form. As from July Zanidip® is also being sold directly to the market in the United Kingdom following the repurchase of its license from former licensee Napp. Direct sales in this market are € 2.9 million and include an initial distribution pipeline.

Sales of lercanidipine to licensees increased by 16.8% with growth trends continuing in the major markets. Lercanidipine is now being sold on 73 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 1.2% over the first nine months 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 20.1% with an outstanding performance of Zanidip® and the growth of those products indicated for the treatment of flu related symptoms, particularly in the first quarter.

First nine months 2005 sales in Germany by the new subsidiary Merckle Recordati were € 40.0 million, in line with the preceding year, and represent 10.1% 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 osteoarthritis of the joints, are performing well.

Sales in Spain increased by 48.3% 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 in the United Kingdom are exclusively those related to Zanidip®.

Sales to international licensees grew by 13.3% 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 € 45.0 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 established in the United Kingdom, Recordati Pharmaceuticals Ltd., to sell Zanidip® directly in this market. The new organization will be built up during the year in preparation for the launch of the 20mg strength in 2006.

Furthermore, in September the newly established subsidiary in Greece, Recordati Hellas Pharmaceuticals S.A., began operations. In the past 5 years the Greek pharmaceutical market has grown at a rate which is almost double the European average.

With the acquisition in Germany and the establishment of the British subsidiary Recordati gains access to two of the largest pharmaceutical markets in Europe. Thanks to these operations and to the establishment of a subsidiary in Greece we now have marketing operations in around 80% of the European pharmaceutical 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), stannosporfin (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 conducting 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 stannosoporphin (Stanate[®], tin-mesoporphyrin), a compound discovered at Rockefeller University and currently under development by InfaCare for the treatment of neonatal hyperbilirubinemia (jaundice). Treatment with stannosoporphin could find application in infants not responding to phototherapy thus avoiding the need for exchange transfusion, a complex and risky procedure. 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 stannosoporphin, in accordance with the requirements of the European Medicines Evaluation Agency (EMA) and, following approval, will have exclusive marketing rights for the whole of Europe (45 countries) and for 19 Middle East and North African countries.

In July a multi-territorial license agreement was signed with Lavipharm Laboratories Inc. (U.S.A.) for the marketing and sale of a new transdermal patch containing the narcotic analgesic fentanyl, indicated for the treatment of moderate to severe chronic pain, in France, Germany, Italy, Spain and the United Kingdom. Lavipharm's fentanyl transdermal patch, designed to deliver fentanyl through the skin for up to three days, will help to respond to the increasing demand for more efficacious pain relief, which poses both medical and social problems.

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 October an agreement was signed with Ipsen (a French pharmaceutical group) under which Recordati obtained exclusive rights until 2012 for the marketing and sales in France of Tenstaten[®] (cicletanine), a diuretic indicated for the treatment of hypertension, thus expanding its offering in this therapeutic area.

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

<i>(thousands of €)</i>	Third Quarter 2005	% of Revenue	First Nine Months 2005	% of Revenue	First Nine Months 2004*	% of Revenue	Change	Change %
Revenue	133,431	100.0	429,797	100.0	363,438	100.0	66,359	18.3
Cost of sales	(47,501)	(35.6)	(153,177)	(35.6)	(137,152)	(37.7)	(16,025)	11.7
Gross profit	85,930	64.4	276,620	64.4	226,286	62.3	50,334	22.2
Selling expenses	(42,618)	(31.9)	(144,466)	(33.6)	(117,995)	(32.5)	(26,471)	22.4
R&D expenses	(9,546)	(7.2)	(31,600)	(7.4)	(26,821)	(7.4)	(4,779)	17.8
G&A expenses	(5,931)	(4.4)	(18,376)	(4.3)	(15,757)	(4.3)	(2,619)	16.6
Other income (expense), net	105	0.1	567	0.1	(271)	(0.1)	838	n.s.
Operating income (before goodwill amortization)	27,940	20.9	82,745	19.3	65,442	18.0	17,303	26.4
Amortization of goodwill	-	-	-	-	(2,691)	(0.7)	2,691	(100.0)
Operating income	27,940	20.9	82,745	19.3	62,751	17.3	19,994	31.9
Financial income (expense), net	(765)	(0.6)	(2,460)	(0.6)	(2,825)	(0.8)	365	(12.9)
Other investments gain (loss), net	0	0.0	0	0.0	3,986	1.1	(3,986)	(100.0)
Pretax income	27,175	20.4	80,285	18.7	63,912	17.6	16,373	25.6
Provision for income taxes	(9,750)	(7.3)	(29,148)	(6.8)	(24,122)	(6.7)	(5,026)	20.8
Net income	17,425	13.1	51,137	11.9	39,790	10.9	11,347	28.5

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

Gross profit is € 276.6 million with a margin on sales of 64.4%, 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 22.4% mainly due to the consolidation of the new German company whose operating costs are principally incurred by marketing and sales. R&D expenses at € 31.6 million show an increase of 17.8% also as a consequence of the new development activities. G&A expenses are € 18.4 million and at 4.3% of sales are in line with 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 September 2005 no loss of value emerged.

REVENUE & OPERATING INCOME BY BUSINESS AREA

(thousands of €)	PHARMACEUTICALS				PHARMACEUTICAL CHEMICALS*			
	First Nine Months 2005		First Nine Months 2004		First Nine Months 2005		First Nine Months 2004	
Revenue	396,443	100.0%	326,066	100.0%	33,354	100.0%	37,372	100.0%
Operating income	83,845	21.1%	62,085**	19.0%	(1,100)**	(2.6)%	666	1.4%

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

Operating income, at 19.3% of sales, is € 82.7 million, an increase of 31.9%. The first nine months 2004 results have been restated in accordance with the IAS/IFRS in effect as from the 2005 accounts. First nine months 2005 operating income increased by 26.4% over first nine months 2004 operating income before goodwill amortization. The operating margin of the pharmaceutical business increased to 21.1% of sales mainly due to gross margin improvement. The pharmaceutical chemicals business in the first nine months made a slight loss of € 1.1 million due to a particularly weak third quarter resulting from low production volumes during August.

During the third quarter 2005 pharmaceutical operating income is € 29.7 million, a 23.9% margin on sales. Pharmaceutical chemicals showed a loss of € 1.8 million due mainly to the low August production levels.

Net financial charges during the first nine months are € 2.5 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 36.3%, an improvement over the whole year 2004.

Net income at 11.9% of sales went from € 39.8 million in the first half of 2004 to € 51.1 million, an increase of 28.5%.

CASH IS BEING INVESTED

NET FINANCIAL POSITION

<i>(thousands of €)</i>	30 September 2005	31 December 2004	Change	Change %
Cash and short-term financial investments	161,937	232,229	(70,292)	(30.3)
Bank overdrafts	(8,778)	(3,478)	(5,300)	152.4
Loans – due within one year	(22,425)	(25,166)	2,741	(10.9)
Net liquid assets	130,734	203,585	(72,851)	(35.8)
Loans – due after one year	(109,577)	(131,448)	21,871	(16.6)
Net financial position	21,157	72,137	(50,980)	(70.7)

The € 51.0 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, as well as to the amount paid for the repurchase of the rights to lercanidipine in the United Kingdom for an equivalent of € 21.4 million. In addition, € 8.0 million were invested during the period in new property, plant and equipment and € 6.6 million in intangible assets. Net working capital for operations increased by € 26.2 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 NINE MONTHS ENDED
30 SEPTEMBER 2005

INCOME STATEMENT

<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004
Revenue	429,797	363,438
Cost of sales	(153,177)	(137,152) *
Gross profit	276,620	226,286
Selling expenses	(144,466)	(117,995) *
R&D expenses	(31,600)	(26,821) *
G&A expenses	(18,376)	(15,757) *
Other income (expense), net	567	(271) *
Operating income (before goodwill amortization)	82,745	65,442
Amortization of goodwill	-	(2,691)
Operating income	82,745	62,751
Financial income (expense), net	(2,460)	(2,825)
Other investments gain (loss), net	0	3,986 *
Pretax income	80,285	63,912
Provision for income taxes	(29,148)	(24,122)
Net income	51,137	39,790
Earnings per share	€ 0.259	€ 0.203

* 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, 197,693,492 in 2005 and 196,398,426 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 € 0.249 in 2005 and € 0.196 in 2004. These values are calculated for comparison purposes as if the stock split had taken effect on 1 January, 2004.

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

ASSETS

<i>(thousands of €)</i>	30 September 2005	31 December 2004
Non-current assets		
Property, plant and equipment	77,242	78,577
Intangible assets	65,983	26,566
Goodwill	94,505	45,775
Other investments	905	905
Other non-current assets	1,934	1,911
Deferred tax assets	9,634	16,946
Total non-current assets	250,203	170,680
Current assets		
Inventories	72,260	61,566
Trade receivables	107,217	99,862
Other receivables	15,180	13,055
Other current assets	1,294	1,550
Fair value of hedging derivatives (<i>fair value hedge</i>)	3,010	0
Short-term financial investments	37,765	0
Cash and cash equivalents	124,172	232,229
Total current assets	360,898	408,262
Total assets	611,101	578,942

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

EQUITY AND LIABILITIES

<i>(thousands of €)</i>	30 September 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 (<i>cash flow hedge</i>)	(3,817)	(3,185)
Translation reserve	1,088	(421)
Other reserves	21,912	21,521*
Retained earnings	164,912	132,931*
Net income for the year	51,137	53,232*
Group shareholders' equity	299,501	261,769
Minority interest	0	0
Shareholders' equity	299,501	261,769
Non-current liabilities		
Loans – due after one year	112,587	128,346
Staff leaving indemnities	23,791	22,410
Deferred tax liabilities	5,393	193
Other non-current liabilities	11,163	0
Total non-current liabilities	152,934	150,949
Current liabilities		
Trade payables	69,133	77,166
Other payables	33,375	24,248
Tax liabilities	13,963	22,344
Other current liabilities	803	1,711
Provisions	6,372	5,824
Fair value of hedging derivatives (<i>cash flow hedge</i>)	3,817	3,185
Fair value of hedging derivatives (<i>fair value hedge</i>)	0	3,102
Loans – due within one year	22,425	25,166
Bank overdrafts	8,778	3,478
Total current liabilities	158,666	166,224
Total equity and liabilities	611,101	578,942

* Restated following the introduction of new IAS/IFRS

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

<i>(thousands of €)</i>	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								39,790*	39,790
Changes in fair value of hedging derivatives				692*					692
Application of new IAS/IFRS						413*			413
Translation Adjustment					356				356
Balance at 30 September 2004	25,180	51,853	(20,410)	(1,597)*	1,037	21,202*	132,931*	39,790*	249,986
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								51,137	51,137
Changes in fair value of hedging derivatives				(632)					(632)
Application of new IAS/IFRS						391	414		805
Translation Adjustment					1,509				1,509
Balance at 30 September 2005	25,413	59,266	(20,410)	(3,817)	1,088	21,912	164,912	51,137	299,501
* Restated following the introduction of new IAS/IFRS									

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

<i>(thousands of €)</i>	30 Sept. 2005	30 Sept. 2004
Operating activities		
Cash flow		
Net Income	51,137	39,790 *
Depreciation of property, plant and equipment	9,664	9,335
Amortization of intangible assets	6,790	6,977
Total cash flow	67,591	56,102
(Increase)/decrease in deferred tax assets	8,364	3,486
Staff leaving indemnities:		
Provision	3,251	3,186
Payment	(3,142)	(3,376)
Increase/(decrease) in other non-current liabilities	11,433	(8,601)
	87,497	50,797
Changes in working capital		
Trade and other receivables	(8,303)	13,177
Inventories	(5,364)	(5,472)
Other current assets	256	(413)
Trade and other payables	(3,088)	(7,334) *
Tax liabilities	(9,119)	13,120 *
Other current liabilities	(908)	2,783
Provisions	291	(1,479)
Changes in working capital	(26,235)	14,382
Net cash from operating activities	61,262	65,179
Investing activities		
Net (investments)/disposals in property, plant and equipment	(8,001)	4,788
Net (investments)/disposals in intangible assets	(28,117)	(3,653)
Net (increase)/decrease in equity investments	(63,329) ***	0
Net (increase)/decrease in other non-current receivables	(23)	(113)
Net cash used in investing activities	(99,470)	1,022
Financing activities		
Share capital increase	194	58
Additional paid-in capital increase	6,384	1,411
Effect of application of new IAS/IFRS	805	413 *
Transfer of current portion of medium and long-term debt to current liabilities	(21,870)	(24,075)
Changes in current portion of medium and long-term debt	(2,741)	(811)
Dividends paid	(21,665)	(18,392)
Proceeds on sale of Sophartex	-	17,873 ****
Change in translation reserve	1,509	356
Net cash from/(used in) financing activities	(37,384)	(23,167)
Changes in short-term financial position	(75,592)	43,034
Short-term financial position at beginning of year **	228,751	81,082
Short-term financial position at end of period **	153,159	124,116

* 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 NINE MONTHS ENDED 30 SEPTEMBER 2005

1. GENERAL

The consolidated financial statements at 30 September 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 nine months 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 newly constituted subsidiaries Recordati Pharmaceuticals Ltd. (UK) and Recordati Hellas Pharmaceuticals S.A. (Greece).

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 September 2004 were used in the preparation of the financial statements for the nine months ended 30 September 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 nine months 2005 is € 429.8 million (€ 363.4 million in the same period of the preceding year) and can be broken down as follows:

<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004	Change 2005/2004
Net sales	423,030	360,202	62,828
Royalties	2,082	1,467	615
Up-front payments	798	282	516
Other revenue	3,887	1,487	2,400
Total revenue	429,797	363,438	66,359

4. OPERATING EXPENSES

Overall operating expenses in the first nine months 2005 are € 347.1 million, compared to € 298.0 million in the same period of the preceding year and are analyzed by function. Staff costs in the first nine months 2005 are € 107.7 million and include a cost for stock options of € 1.0 million. Total depreciation and amortization charges are € 16.4 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, the first nine months 2004 results have been restated to include, in operating income, the cost of stock options pertinent to the period (€ 0.4 million) and expenses previously recognized as non-operating. The latter included the accrued portion of profits that the French companies share with their employees (participation au résultat) which was € 1.2 million and other expense (net of other income) of € 0.3 million.

5. FINANCIAL INCOME AND EXPENSE

In the first nine months 2005 and in the same period of 2004 financial items recorded a net expense of € 2.5 million and € 2.8 million respectively which are comprised as follows:

<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004	Change 2005/2004
Exchange gains/(losses)	385	164	221
Interest expense on loans	(4,427)	(3,407)	(1,020)
Net interest on short-term financial position	1,582	418	1,164
Change in fair value of hedging derivatives	6,112	0	6,112
Change in fair value of hedged item	(6,112)	0	(6,112)
Total financial income (expense), net	(2,460)	(2,825)	365

6. GAIN OR LOSS ON OTHER INVESTMENTS

The gain on other investments during the first nine months 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 September 2005 is in line with that at 31 December 2004. During the first nine months 2005 new investments amount to € 8.0 million and depreciation for the period is € 9.7 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:

<i>(thousands of €)</i>	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	200	1,515	693	5,598	8,006
Disposals	(688)	(138)	(485)	0	(1,311)
Changes in reporting entities	0	0	1,330	0	1,330
Other changes	1,085	17,352	662	(19,089)	10
Balance at 30.09.05	42,104	147,664	32,191	3,319	225,278
Accumulated depreciation					
Balance at 31.12.04	19,154	97,208	22,304	0	138,666
Additions	1,275	6,285	2,104	0	9,664
Disposals	(688)	(138)	(470)	0	(1,296)
Changes in reporting entities	0	0	1,002	0	1,002
Other changes	0	0	0	0	0
Balance at 30.09.05	19,741	103,355	24,940	0	148,036
Carrying amount at					
30 September 2005	22,363	44,309	7,251	3,319	77,242
31 December 2004	22,353	31,727	7,687	16,810	78,577

8. INTANGIBLE ASSETS

At 30 September 2005 the net book value of intangible assets significantly increased over that at 31 December 2004 due mainly to the allocation of € 18.1 million to the Merckle brands acquired in Germany which are estimated to have a useful life of 10 years, and to the repurchase of marketing rights to Zandip® (lercanidipine) in the United Kingdom from Napp Pharmaceuticals Ltd. for an amount in pounds sterling equivalent to € 21.4 million. In addition, the marketing and sales rights to Yoduk® in Spain, for an amount of € 3.1 million, and other products for € 3.5 million, were acquired during the first nine months 2005. Amortization for the period is € 6.8 million. The composition and variation of intangible assets are shown in the following table:

<i>(thousands of €)</i>	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	25,861	241	1,929	28,031
Disposals	(126)	(436)	(1,344)	0	(1,906)
Changes in reporting entities	19,199	62	0	36	19,297
Other changes	0	96	(194)	256	158
Balance at 30.09.05	43,059	61,409	14,297	3,696	122,461
Accumulated amortization					
Balance at 31.12.04	20,326	18,537	11,452	0	50,315
Additions	2,865	2,747	1,178	0	6,790
Disposals	(126)	(436)	(1,344)	0	(1,906)
Changes in reporting entities	1,153	54	0	0	1,207
Other changes	0	(1)	73	0	72
Balance at 30.09.05	24,218	20,901	11,359	0	56,478
Carrying amount at					
30 September 2005	18,841	40,508	2,938	3,696	65,983
31 December 2004	3,660	17,289	4,142	1,475	26,566

9. GOODWILL

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

<i>(thousands of €)</i>	Goodwill
Cost	
Balance at 31.12.04	83,439
Changes in reporting entities	48,730
Balance at 30.09.05	132,169
Accumulated amortization	
Balance at 31.12.04	37,664
Changes in reporting entities	0
Balance at 30.09.05	37,664
Carrying amount at	
30 September 2005	94,505
31 December 2004	45,775

10. DEFERRED TAX ASSETS AND LIABILITIES

At 30 September 2005 deferred tax assets decreased by € 7.3 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 € 5.2 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 September 2005 is € 299.5 million, an increase of € 37.7 million over that at 31 December 2004 for the following reasons:

- net income for the first nine months 2005 (increase of € 51.1 million)
- cost of stock option plans (increase of € 1.0 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 € 0.6 million)
- translation adjustments (increase of € 1.5 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 September 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 September 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 € 18.5 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. € 24.6 million were reimbursed during the period and no new loans were taken on. The measurement at fair value of the cross-currency interest rate swap covering the aforementioned notes generated an asset of € 3.0 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 (€ 6.1 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 September 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 September 2005 the present value adjustment is € 0.5 million.

15. CURRENT ASSETS

Inventories increased by € 10.7 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 € 7.3 million as a result of the increase in sales volumes. Average days of sales outstanding are 77, in line with those at 31 December 2004. Merckle Recordati's consolidation effect is € 1.0 million. Other receivables increased by € 2.1 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, decreased by € 8.0 million. The consolidation effect was € 2.1 million. Other payables increased by € 9.1 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 decreased by € 8.4 million as the provision for income tax for the period was offset by the payment of 2004 taxes and the advances paid on 2005 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 € 3.8 million liability at 30 September 2005. This amount represents the unrealized benefit of paying the current expected future rates instead of the rates agreed. Of this liability € 0.8 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 € 3.0 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 September 2005 are the following:

<i>(thousands of €)</i>	Pharmaceuticals	Pharmaceutical Chemicals	Unallocated	Total
Revenue	396,443	33,354	0	429,797
Intercompany revenue	-	9,552	0	9,552
Operating income	83,845	(1,100)	0	82,745

The following table presents net revenues by geographic area:

<i>(thousands of €)</i>	First Nine Months 2005	First Nine Months 2004	Change 2005/2004
Europe	378,615	314,092	64,523
<i>of which Italy</i>	165,860	164,878	982
Asia	18,669	18,506	163
North America	8,100	8,942	(842)
Latin America	7,006	7,331	(325)
Other areas	17,407	14,567	2,840
Total revenue	429,797	363,438	66,359

19. INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

Intragroup sales and services recorded during the first nine months 2005 are € 78.5 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 paid a dividend of € 8.0 million.

At 30 September 2005, intercompany accounts amount to € 161.6 million, the most significant of which are:

- loans from Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A. of € 90.6 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 € 12.2 million;

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.

Tax liabilities include an estimated net tax due amount of € 2.4 million payable to the controlling company Fimei S.p.A. as a consequence of participation in a tax consolidation grouping under tax laws in Italy.

20. SUBSEQUENT EVENTS

In October an agreement was signed with Ipsen (a French pharmaceutical group) under which Recordati obtained exclusive rights until 2012 for the marketing and sales in France of Tenstaten® (cicletanine), a diuretic indicated for the treatment of hypertension.

RECORDATI S.P.A. AND SUBSIDIARIES
 SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS
 AT 30 SEPTEMBER 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 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%
Recordati Pharmaceuticals Ltd.*** , U.K. <i>Marketing and sales of pharmaceuticals</i>	3.33%		96.67%		100.00%
Recordati Hellas Pharmaceuticals S.A.*** , Greece, <i>Marketing and sales of pharmaceuticals</i>	95.00%		5.00%		100.00%

* Sold in April 2004

** Acquired during the period

*** Established 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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