

## **DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETINGS OF THE SHAREHOLDERS**

**(11<sup>TH</sup> APRIL 2017 SINGLE CALL)**

### **Report on item 5 on the agenda of the Ordinary Shareholders' Meeting and the relative resolution proposed**

#### **Proposal to authorise the purchase and utilisation of treasury stock; relative and consequent resolutions.**

To Our Shareholders,

In compliance with Art. 125-ter of Legislative Decree No. 58/1998 and with Art. 73 of the Regulations adopted with Consob resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments ("Issuers' Regulations"), we inform you of the following.

On 13<sup>th</sup> April 2016 the Shareholders' Meeting of Recordati S.p.A. (hereinafter the "Company") authorised the purchase and utilization of treasury stock until the date of the approval of the 2016 Separate Company Annual Report.

On the basis of that shareholders' resolution, on 2<sup>nd</sup> November 2016, a programme was commenced to purchase treasury stock to be used at the service of stock option plans already adopted by the Company and for those which may be adopted in the future, designed for employees of the companies in the Recordati Group. As part of the implementation of that programme, from 2<sup>nd</sup> October 2016 until the date of this report, the Company purchased 2,382,304 ordinary shares for a total payout of € 60,602,023.

You are now asked to again authorise, within the limits and according to the procedures detailed below, the purchase and utilization of treasury stock.

This proposal fulfils various functions: it meets corporate requirements because the purchase of treasury stock, if authorised, will allow transactions to be performed such as the sale, contribution and exchange of treasury stock in order to acquire interests in companies and/or to reach agreements with strategic partners which form part of the Group's objectives for expansion; it meets requirements regarding the fulfilment of obligations resulting from the stock option plans already adopted by the Company and other stock option plans which might be approved in future also pursuant to, and for the purposes of, market practices concerning the purchase of treasury stock for the constitution of "share inventories" permitted by the CONSOB in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree No. 58/1998 with resolution No. 16839 of 19<sup>th</sup> March 2009 without prejudice to the provisions of Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable. Furthermore, the authorisation to purchase Treasury stock, if granted, will allow the Company to make investments, if required, on the stock market in its own shares, even through financial intermediaries and also pursuant to, and for the purposes of market practices concerning liquidity support permitted by the Consob in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree 58/1998 with Resolution 16839 of 19<sup>th</sup> March 2009, without prejudice to the provisions of Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable.

In order to achieve the objectives just mentioned, we propose that you authorise the Board of Directors, and the Chairman on its behalf, to purchase, even in one or more tranches, taking account of the treasury stock already held, a maximum of 10,000,000 (ten million) ordinary shares with a par value of €0.125, corresponding to 4.78% of the current share capital of €26,140,644.50 and in any event for a maximum amount of €300,000,000 (three hundred million) a percentage and amount which, as detailed below, complies with article 2357 of the Italian Civil Code.

At the same time, we ask you to authorise, in accordance with Art. 2357-ter of the Italian Civil Code, the Board of Directors - and the Chairman and Chief Executive Officer, each individually, on its behalf - to utilize, even in more than one tranche and for the purposes for which the authorisation is requested, the treasury stock that may be purchased, even by means of transactions subsequent to the purchase and sale, according to the procedures indicated below.

For the purposes of compliance with the third paragraph of article 2357 of the Italian Civil Code, we report that the share capital of the Company amounting to € 26,140,644.50 currently consists of 209,125,156 ordinary shares with a value of € 0.125 each.

We also report that on 28<sup>th</sup> February 2017 the company possessed treasury stock of 3,195,262 shares, corresponding to 1.53% of the share capital.

The authorisation to purchase is requested until the date of the approval of the 2017 Annual Report. The utilisation of the shares purchased may occur without limits on the timing, exception being made for the provisions of the market practices already mentioned and of Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable.

The Board proposes that the minimum unit price for the purchase should not be less than the par value of the RECORDATI S.p.A. ordinary shares (currently €0.125) and that the maximum price should not be greater than the average of the official stock exchange prices in the five sessions prior to the purchase, plus 5% and the Board in any case proposes that the purchases of ordinary treasury stock should be made in compliance with ordinary operating conditions laid down by market practices permitted by the Consob mentioned above and by Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable.

With regard to the maximum limit on spending, the Board observes that in accordance with article 2357 of the Italian Civil Code, treasury stock may be purchased up to the limits of the distributable profits and the reserves available resulting from the last financial report approved. In this respect, it is underlined that in the financial statements of the Company as at and for the year ended 31<sup>st</sup> December 2016, submitted for your approval, the total amount of the reserves (not considering the distributable profits) already amounts to Euro 300,211,732:

Additional paid-in capital:	Euro 83,718,523
Extraordinary reserve:	Euro 121,403,515
Reserve formed following the transition to IFRS/IAS standards:	Euro 95,089,694

We therefore observe that in view of the maximum price mentioned previously, the distributable reserves recognised are quite sufficient to allow any purchase of treasury stock there may be.

As concerns the procedures for purchase transactions, which may be performed in one or more tranches, the Board proposes that these transactions are performed on regulated markets in compliance with Art. 144 *bis*, paragraph one, letter b), of the Issuers' Regulations and Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable. Furthermore, if those purchase transactions are performed pursuant to, and for the purposes of, the market practices cited, permitted by the Consob in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree No. 58/1998 with resolution No. 16839 of 19<sup>th</sup> March 2009, they must be performed in compliance with the operational conditions laid down for those practices by the resolution cited, including the limits concerning the payment made for the purchases and the daily volumes (paragraphs 15 to 23 of the market practices concerning liquidity support; paragraphs 5 to 8 of the market practices concerning the purchase of treasury stock for the constitution of "share inventories").

As concerns procedures for the utilisation, on the one hand it is proposed that shareholders authorise the Board of Directors - and its Chairman and the Chief Executive Officer, each individually, on its behalf - pursuant to and for the purposes of Art. 2357 *ter* of the Italian Civil Code to utilise - at any time, in one or more tranches and even before all possible purchases are made - the treasury stock purchased, by selling it on regulated markets either in lots or by public tender offer and, if it is the case, in compliance with the provisions of the market prices already mentioned. On the other hand, any treasury stock purchased may be used as payment for the purchase of shares and/or the conclusion of agreements with strategic partners and in any event, also to implement stock option plans already adopted by the Company or which may be adopted in future. Shareholders are therefore asked to grant the Board of Directors - and its Chairman and the Chief Executive Officer, each individually, on its behalf - the right to establish, as the occasion arises and in compliance with the relative legislation and regulations, the terms, procedures and conditions considered most appropriate, while the condition remains that the minimum price for the sale of shares cannot be less than their par value and that utilisations that may be made pursuant to and for the purposes of the market practices cited must be performed in compliance with the operational conditions laid down for the those practices by Consob Resolution No. 16839 of 19<sup>th</sup> March 2009 and by Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable. The Board of Directors will act in compliance with the disclosure obligations pursuant to Art. 144-*bis*, paragraph three of the Issuers' Regulations and, if it is the case, with the disclosure obligations provided for by the market practices cited and with Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable.

Finally the proposal for the purchase of treasury stock is not made for the purpose of reducing the share capital.

In the light of the information we have provided, we propose that you approve the following resolutions:

"The Ordinary General Meeting of the Shareholders of RECORDATI S.p.A.,

- having read the report of the Board of Directors, in compliance with Art. 125-*ter* of Legislative Decree No. 58/1998 and with Art.73 of the Regulations adopted with Consob resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments

resolves

- i) to authorise, pursuant to and for the purposes of Art. 2357 of the Italian Civil Code and until the approval of the 2017 annual report, the purchase, in one or more tranches, of a maximum of 10,000,000 (ten million) ordinary RECORDATI S.p.A. shares with a par value of €0,125 and, in any event, in an amount such that the maximum number of treasury shares held by the Company never exceeds one fifth of the share capital, with account also taken of

shares that may be held by subsidiaries, for a minimum valuable consideration of not less than the par value of the RECORDATI S.p.A. share (€0,125) and a maximum valuable consideration of not more than the average official stock exchange price in the five sessions prior to the purchase, plus 5%, and in any case in compliance with the provisions of Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable, with a total disbursement which is in any event not greater than €300,000,000 (three hundred million);

- ii) to grant a mandate to the Board of Directors, and to the Chairman of the Board of Directors and the Chief Executive Officer, each individually, on its behalf, to proceed to the purchase, including through delegated persons, of RECORDATI S.p.A. shares under the conditions reported above, in an appropriate gradual manner in the interests of the company, on regulated markets and in compliance with and according to the procedures of Art 144-*bis*, paragraph one, letter b) of the Issuers' Regulations and with Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable;
- iii) to provide that the authorisation just mentioned may also be used (a) for the purposes of the utilisation of treasury stock in transactions related to continuing operations and that is projects that are consistent with the strategic policies that the Company intends to pursue, in relation to which opportunities for share exchanges arise, according to the procedures, terms and conditions indicated in this resolution, or to fulfil obligations arising from stock option plans already adopted by the Company and those which might be adopted in future also pursuant to and for the purposes of market practices concerning the purchase of treasury stock for the constitution of "share inventories" permitted by the Consob in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree 58/1998 with Resolution No. 16839 of 19<sup>th</sup> March 2009 and Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable and (b) for the purposes of investment in the Company's own shares, according to the terms and according to the procedures laid down by the applicable regulations and if it is the case, in the interest of the Company and through specialised intermediaries, also pursuant to and for the purposes of market practices concerning liquidity support permitted by the Consob in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree 58/1998 implemented with Resolution 16839 of 19<sup>th</sup> March 2009 and Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable. All of the foregoing maybe performed provided that the purchases which may be made pursuant to and for the purposes of the cited market practices occur in compliance with the operational conditions laid down for the those practices by Consob Resolution No. 16839 of 19<sup>th</sup> March 2009, including the limits concerning the payment for purchases and the daily volumes which are intended as fully included herein and also in compliance with Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable. The maximum number of treasury shares possessed may not in any case and at any time exceed, as already stated, the maximum limit established by the applicable regulations in force, with account also taken of shares which may be possessed by subsidiaries;
- iv) to authorise the Board of Directors, and the Chairman of the Board of Directors and the Chief Executive Officer, each individually, on its behalf, pursuant to and for the purposes of Art. 2357 *ter* of the Italian Civil Code to utilise - even through delegated persons, at any time, fully or in part, in one or more tranches, even before all possible purchases are made and even by means of transactions subsequent to the purchase and sale – the shares purchased on the basis of this resolution, either by selling them on regulated markets in lots or by a public tender offer, or by means of stock option plans already adopted by the Company and which it may adopt in future and also as valuable consideration for the acquisition of shares

and/or the conclusion of agreements in the framework of a policy of corporate investments, with the right to establish, as the occasion arises and in compliance with the relative legislation and regulations, the terms, procedures and conditions considered appropriate, while the condition remains that the sale of shares must be made at a minimum price of not less than their par value. All of the foregoing is subject to the condition that the utilisations that may be performed pursuant to and for the purposes of the market practises mentioned must occur in compliance with the operational conditions set for those practises by Consob Resolution No. 16839 of 19<sup>th</sup> March 2009 and with Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable;

- v) to grant the Board of Directors and the Chairman of the Board of Directors and the Chief Executive Officer, each individually, on its behalf all necessary powers to implement this resolution, in compliance with the Art. 132 of Legislative Decree No. 58/1998 and with the disclosure obligations pursuant to Art. 144 *bis*, paragraph three of the Issuers' Regulations and, if applicable, to the reporting obligations pursuant to the market practises mentioned, with the right to proceed to the purchase and the utilisation of treasury stock within the limits already stated, even through specialist intermediaries and also pursuant to and for the purposes of market practices concerning liquidity support permitted by the Consob in accordance with Art. 180, paragraph 1, letter c) of Legislative Decree No. 58/1998 with Resolution 16839 of 19<sup>th</sup> March 2009 and with Regulation EU No. 596/2014 of 16<sup>th</sup> April 2014 and the relative regulations to implement it, where applicable."

Milan, 1<sup>st</sup> March 2017

for the Board of Directors  
Vice Chairman and Chief Executive Officer  
Andrea Recordati