

**EXPLANATORY REPORT  
OF THE BOARD OF DIRECTORS OF FIMEI S.P.A. TO THE  
EXTRAORDINARY SHAREHOLDERS' MEETING CALLED FOR 17  
DECEMBER 2020**

drawn up pursuant to section 2501-*quinquies* of the Italian Civil Code on the merger plan relating to the

**REVERSE MERGER BY ABSORPTION**

**OF**

**ROSSINI INVESTIMENTI S.P.A.**

**AND**

**FIMEI S.P.A.**

**IN**

**RECORDATI S.P.A.**

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*Dear Shareholders,*

*you are called to an extraordinary shareholders' meeting to resolve upon the approval of the merger plan relating to the reverse merger by absorption of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A..*

*This explanatory report has been prepared by the Board of Directors of Fimei S.p.A. - pursuant to section 2501-quinquies of the Italian Civil - in order to illustrate the reasons underpinning, from a legal and economic standpoint, the reverse merger by absorption of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A. and the related merger plan, and, in particular, the criteria used for the determination of the Exchange Ratio, as defined below.*

*The merger in question, which is part of the broader process of indirect acquisition of Recordati S.p.A. by Rossini Investimenti S.p.A., carried out through the acquisition of the entire share capital of Fimei S.p.A. (which it is closely and intrinsically linked to), is a so-called reverse merger, i.e. a form of merger by absorption in which the subsidiary absorbs the direct and indirect parent companies. The choice to proceed with this form of merger will allow the Surviving Company to ensure the continuation of its current contractual relationships and to maintain its status as a listed company, which it would otherwise have lost had Recordati been absorbed into Rossini Investimenti or Fimei.*

*The Merger, as better detailed below in this Explanatory Report, aims at shortening the chain of control with respect to the operating companies of the Group, resulting in a simplification of the corporate governance structure and in a reduction in the costs associated with the maintenance of the Disappearing Companies, and, for the Surviving Company, in lower taxes due to tax benefits transferred by the Disappearing Companies.*

## **GLOSSARY**

Below is a list of the terms used in this Explanatory Report with the relevant definitions. The additional terms used in this Explanatory Report shall have the meaning ascribed to them and indicated in the text.

**“Disappearing Companies”:** ..... Rossini Investimenti and Fimei.

**“Explanatory Report”:** ..... This explanatory report, prepared by the Board of Directors of Fimei S.p.A. pursuant to section 2501-*quinquies* of the Italian Civil Code.

**“Fimei” or “Company”:** ..... Fimei S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via del Vecchio Politecnico no. 9, share capital of Euro 10,000,000.00 fully paid-in, tax code and registration number with the Companies’ Register of Milan-Monza-Brianza-Lodi: 01001630159, VAT number 10042010156, registered with the R.E.A. of Milan under no. 784291, subject to the management and coordination activity of Rossini Luxembourg S. à r.l..

**“Group”:** ..... The corporate group to which the Merging Companies currently belong and headed by CVC Capital Partners VII Limited.

**“Issuers Regulation”:** ..... The regulation adopted by Consob by resolution no. 11971 dated 14 May 1999 and its subsequent amendments and supplementations.

**“Merger” or “Transaction”:** ..... The proposed reverse merger by absorption of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A..

**“Merger Plan”:** ..... The Merger plan, drawn up pursuant to section 2501-*ter* of the Italian Civil Code, approved by the Boards of Directors of the Merging Companies on 1 October 2020.

**“Merging Companies”:** ..... Recordati, Rossini Investimenti and Fimei.

**“Recordati” or “Surviving Company”:** ..... Recordati S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via Matteo Civitali no. 1, share capital of Euro 26,140,644.50 fully paid-in, tax code, VAT number and registration number with the Companies’ Register of Milan-Monza-

Brianza-Lodi: 00748210150, registered with the R.E.A. of Milan under no. 401832, subject to the management and coordination activity of Rossini Luxembourg S. à r.l..

**“Rossini Investimenti”:**..... Rossini Investimenti S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via del Vecchio Politecnico no. 9, share capital of Euro 82,550,000.00 fully paid-in, tax code, VAT number and registration number with Companies’ Register of Milan-Monza-Brianza-Lodi: 10428410962, registered with the R.E.A. of Milan under no. 2530577, subject to the management and coordination activity of Rossini Luxembourg S. à r.l..

**“Rossini Luxembourg”:**..... Rossini Luxembourg S. à r.l., a company incorporated and existing under Luxembourg law, with registered office in Luxembourg (Grand Duchy of Luxembourg), 20 avenue Monterey, L-2163, registered with the *Registre de Commerce et des Sociétés de Luxembourg* under number B 224498.

**“Rossini Sarl”:** ..... Rossini S. à r.l., a company incorporated and existing under the laws of the Grand Duchy of Luxembourg, with registered office in Luxembourg (Grand Duchy of Luxembourg), 20 avenue Monterey, L-2163, registered with the *Registre de Commerce et des Sociétés de Luxembourg* under number B 226214.

**“TUF”:**..... Legislative Decree no. 58/1998, as subsequently amended and supplemented.

## 1. MERGING COMPANIES

### 1.1. Surviving Company

#### Corporate name and identifying details

Recordati S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via Matteo Civitali no. 1, share capital of Euro 26,140,644.50 fully paid-in, tax code, VAT number and registration number with the Companies' Register of Milan-Monza-Brianza-Lodi: 00748210150, registered with the R.E.A. of Milan under no. 401832, subject to the management and coordination activity of Rossini Luxembourg.

#### Corporate purpose

Pursuant to section 5 of Recordati's by-laws, "*The company's corporate purpose relates to the research, production and trade in medical specialties, chemical products and pharmaceuticals, parapharmaceuticals, medical, biological, diagnostic, galenic, hygienic, food, dietary, nutritional, cosmetics and perfumery, zootechnical, veterinary and agricultural products; chemical products and raw materials in general; alcoholic and non-alcoholic beverages, liquors, confectionery; equipment, installations and instruments for the abovementioned industrial use and for medical and scientific purposes; similar products to the abovementioned ones. The company may also edit, publish and divulge non-daily publications of a technical, scientific, industrial, cultural and artistic nature and produce documentaries of a technical, scientific and industrial nature. The company's corporate purpose also relates to the acquisition, both direct and indirect, in Italy and abroad, of shareholdings, interests and quotas in other companies or entities incorporated or to be incorporated, having any form and corporate purpose whatsoever, as well as to their management, financing and technical, scientific, administrative and financial coordination; to the purchase, sale, possession, management and placement of public or private securities of any kind, whether listed or not, and of movable assets in general; to the construction, purchase, sale, possession, management on its own account, the rental of real estate. In order to achieve its corporate purpose, the company may carry out, both in Italy and abroad, without any restrictions, all industrial, commercial, financial, movables and real estate transactions deemed necessary or useful, it may issue sureties, endorsements and any guarantees, including collaterals; it may take on representations, concessions, agencies and deposits of other companies and grant them to other companies.*".

#### Shareholders

The following table shows - according to the most updated results of the shareholders' ledger, supplemented by the communications released pursuant to section 120, paragraph 2, of the TUF and Part III, Title III, Chapter I, Section I of the Issuers Regulation - the shareholders of Recordati as at the date of the Merger Plan.

Declarant	Direct shareholder	% of the share capital	Total

CVC Capital Partners VII Limited	Fimei	51.820%	51.820%
FMR LLC	Fidelity Management & Research (Japan) Limited	0.097%	5.902%
	Fidelity Institutional Asset Management Trust Company	0.308%	
	FIAM LLC	0.238%	
	Fidelity Management & Research Company LLC	4.509%	
	FMR Investment Management (UK) Limited	0.750%	
MAWER INVESTMENT MANAGEMENT LTD	MAWER INVESTMENT MANAGEMENT LTD	5.005%	5.005%
Other shareholders (with holdings of less than 3% of the share capital) as at the date hereof	-	35.846%	35.846%
Treasury shares as at the date hereof	Recordati	1.427%	1.427%

## 1.2. Disappearing Companies

### Corporate name and identifying details

Fimei S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via del Vecchio Politecnico no. 9, share capital of Euro 10,000,000.00 fully paid-in, tax code and registration number with the Companies' Register of Milan-Monza-Brianza-Lodi: 01001630159, VAT number 10042010156, registered with the R.E.A. of Milan under no. 784291, subject to the management and coordination activity of Rossini Luxembourg.

### Corporate purpose

Pursuant to section 4 of Fimei's by-laws, "*The corporate purpose of the company relates exclusively to the acquisition, holding, management and disposal, in an entrepreneurial and organized form, of the shareholding held (directly or indirectly) in Recordati S.p.A. (and its successors) and in Recordati S.p.A.'s affiliates. In order to achieve its corporate purpose, the company may carry out, both in Italy and abroad, without any restrictions whatsoever, all industrial, commercial, financial, movables and real estate*

*transactions deemed necessary or useful; it may issue sureties, endorsements and any guarantees, including collaterals; it may take on representations, concessions, agencies and deposits of other companies and grant them to other companies. All the aforementioned activities shall be carried out within the limits and in compliance with the provisions of applicable law and, in particular, the performance vis-à-vis the public of any activity qualified by the regulations in force as a financial activity, as well as the performance of any activity reserved to subjects enrolled in professional registers, shall be excluded. The company may also directly carry out, in the interest of Recordati S.p.A. and of the affiliates of the latter, any activity connected with or ancillary to its own business or those of Recordati S.p.A. and the affiliates of the latter. To this end, the company may in particular: - coordinate the management resources of Recordati S.p.A. and of the affiliates of the latter; - coordinate the administrative or financial operations of Recordati S.p.A. and of the affiliates of the latter, performing all appropriate operations to their benefit, including the granting of loans; - provide other services of Recordati S.p.A. and of the affiliates of the latter in sectors of specific corporate interest.”.*

#### Business

Consistent with its corporate purpose, the Company does not engage in any commercial and/or industrial activity and exclusively manages the shareholding directly held in Recordati.

The shareholding in Recordati (in addition to minority shareholdings in Fluidigm Corporation, Digital Gene Technologies Inc. and Miacomet Inc., having a negligible value) constitutes the only asset held by the Company as at the date hereof.

The financial statements of Fimei as at 31 December 2019 also show a significant credit *vis-à-vis* the tax authorities equal to Euro 38,405,286.00 (please note that, according to Fimei's balance sheet as at 30 June 2020, such credit, as at the reference date, amounts to Euro 37,425,691.00), substantially offset by a corresponding debit *vis-à-vis* Recordati arising from the payment of higher down payments and of the tax advantages granted by Recordati to Fimei.

#### Shareholders

The following table shows the shareholders of the Company as at the date of the Merger Plan.

<b>Shareholder</b>	<b>% of the share capital</b>
Rossini Investimenti	100%

#### Name and identifying elements

Rossini Investimenti S.p.A., a company incorporated and existing under the laws of Italy, with registered office in Milan, Via del Vecchio Politecnico no. 9, share capital of Euro 82,550,000.00 fully paid-in, tax code, VAT number and registration number with Companies' Register of Milan-Monza-Brianza-Lodi: 10428410962, registered with the R.E.A. of Milan under no. 2530577, subject to the management and coordination activity of Rossini Luxembourg.

#### Corporate purpose

Pursuant to section 4 of Rossini Investimenti's by-laws, "*The corporate purpose of the company relates exclusively to the acquisition, holding, management and disposal, in an entrepreneurial and organized form, of the shareholding held (directly or indirectly) in Recordati S.p.A. (and its successors) and in Recordati S.p.A. 's affiliates. In order to achieve its corporate purpose, the company may carry out, both in Italy and abroad, without any restrictions whatsoever, all industrial, commercial, financial, movables and real estate transactions deemed necessary or useful; it may issue sureties, endorsements and any guarantees, including collaterals; it may take on representations, concessions, agencies and deposits of other companies and grant them to other companies. All the aforementioned activities shall be carried out within the limits and in compliance with the provisions of applicable law and, in particular, the performance vis-à-vis the public of any activity qualified by the regulations in force as a financial activity, as well as the performance of any activity reserved to subjects enrolled in professional registers, shall be excluded. The company may also directly carry out, in the interest of Recordati S.p.A. and of the affiliates of the latter, any activity connected with or ancillary to its own business or those of Recordati S.p.A. and the affiliates of the latter. To this end, the company may in particular: - coordinate the management resources of Recordati S.p.A. and of the affiliates of the latter; - coordinate the administrative or financial operations of Recordati S.p.A. and of the affiliates of the latter, performing all appropriate operations to their benefit, including the granting of loans; - provide other services of Recordati S.p.A. and of the affiliates of the latter in sectors of specific corporate interest.*".

#### Business

Consistent with its corporate purpose, Rossini Investimenti does not engage in any commercial and/or industrial activity and exclusively manages the shareholding indirectly held in Recordati, which is the only asset it holds via the Company.

#### Shareholders

The following table shows the shareholders of Rossini Investimenti as at the date of the Merger Plan.

Shareholder	% of the share capital
Rossini Sarl	100%

## **2. ILLUSTRATION OF THE MERGER**

### **2.1. Preamble**

By means of a communication dated 15 June 2020, Rossini Luxembourg, in its capacity as company exercising management and coordination activities over the Merging Companies, expressed its intention to proceed with the Merger and therefore invited Recordati, the Company and Rossini Investimenti to put in place any corporate formalities necessary for the Transaction to be completed in the first months of 2021 (it being understood that, in order to allow for the distributions illustrated in section3 of this Explanatory Report, the completion of

the Transaction must take place after the date of approval of the financial statements of the Disappearing Companies as at 31 December 2020).

As indicated in the aforementioned communication by Rossini Luxembourg and better detailed in section 3 of this Explanatory Report, the Merger aims at shortening the chain of control with respect to the operating companies, resulting in a simplification of the corporate governance structure and reduction of the costs associated with the maintenance of the Disappearing Companies, as well as in lower taxes due to tax benefits transferred by the Disappearing Companies.

The Merger Plan has been approved on 1 October 2020 by the Boards of Directors of the Merging Companies.

On 1 September 2020 the management bodies of the Merging Companies filed a petition with the Court of Milan for the appointment of the expert pursuant to section 2501-*sexies* of the Italian Civil Code, making use of the option pursuant to section 2501-*sexies*, paragraph 4 of the Italian Civil Code to request the appointment of one or more joint experts by the court in the place where the company resulting from the merger is based, with the task of certifying the fairness of the Exchange Ratio in their report (the “**Fairness Opinion**”). The Fairness Opinion will be made available to the public within the terms and in the manner provided for by applicable laws and regulations.

The Merger is subject to the mandatory notification to the Prime Minister Office pursuant to Decree-Law no. 21/2012, converted into Law no. 56/2012, concerning the rules on special powers over corporate structures in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors, and subsequent provisions on the same subject-matter, and will be implemented by execution of the related deed of merger only if the special powers provided for by the aforementioned regulations are not exercised.

## 2.2. Legal framework of the Merger

### Reverse Merger

The Transaction consists of the reverse merger by absorption of the Company and Rossini Investimenti into Recordati.

As a result of the Merger, Recordati will take over all the assets and liabilities of the Disappearing Companies and will continue in all legal relationships, including the ones relating to legal proceedings, belonging to the Disappearing Companies prior to the Merger.

It should be noted that the Merger does not constitute a “reverse merger” pursuant to and for the purposes of European Regulation 2017/1129 (so-called Prospectus Regulation) and section 117-*bis* of the TUF.

### **3. MOTIVATIONS AND OBJECTIVES OF THE MERGER - EFFECTS FOR THE COMPANY**

The main reasons underpinning the decision to proceed with the Merger, with consequent advantages for Fimei's indirect controlling shareholder and for the entire Group, are as follows:

- (a) shorten the chain of control with respect to the operating companies and simplify the Group's corporate structure, in line with national and international practices;
- (b) reduce the administrative costs associated with the maintenance of the Disappearing Companies with consequent freeing up of resources for the benefit of the entire Group;
- (c) achieve administrative synergies and synergies linked to fixed structural costs, as well as greater financial efficiency resulting from a shortening of the chain of control which will allow dividend flows to rise more quickly, which will also result in lower tax costs due to the elimination of additional tax levels.

As a result of the Merger and subject to the outcome of a specific petition, Recordati will be able to enjoy the ACE tax benefit accrued by Rossini Investimenti, as better detailed in section 10 of this Explanatory Report.

With reference to the implementation of the Merger, it should be noted that the decision to proceed with the reverse merger by absorption of the Disappearing Companies into Recordati will allow the Surviving Company to ensure the continuation of its current contractual relationships (resulting in benefits for the entire Group) and to maintain its status as a listed company, which it would otherwise have lost had Recordati been absorbed into Rossini Investimenti or Fimei.

It should be further noted that the balance sheet and income profile of the entity resulting from the Merger will be substantially in line with the Recordati's current ones and, in particular, the Merger will not alter Recordati's net financial position and therefore its investment capability, nor its capital allocation strategy or policy.

Finally, on 1 October 2020, the Merging Companies and Rossini Luxembourg entered into a merger agreement, setting forth certain conditions of the Merger, as well as certain representations and warranties given by Rossini Luxembourg with reference to the Disappearing Companies (concerning, *inter alia*, their accounting records, labour and tax law profiles, the absence of pending or threatened-in-writing litigation) and related indemnity obligations in case of inaccuracy or untruthfulness of the same.

### **4. AMENDMENTS TO THE BY-LAWS**

It is not expected that the by-laws of the Surviving Company will be amended and, in particular, that the share capital of the Surviving Company will be increased as a result of the Merger.

### **5. EXCHANGE RATIO AND CASH SETTLEMENT**

The Merger will be resolved upon on the basis: *(i)* for the Surviving Company, of its consolidated half-yearly financial report as at 30 June 2020, prepared in accordance with section 154-ter of the TUF and approved by the Board of Directors of Recordati on 30 July 2020, and, *(ii)* for the Disappearing Companies, of their balance sheets as at 30 June 2020, prepared in accordance with section 2501-quater of the Italian Civil Code and approved by the Boards of Directors of the Company and Rossini Investimenti on 11 September 2020.

For the purposes of determining the exchange ratio, it is planned that the ordinary shareholders' meeting of Fimei approves the financial statements as at 31 December 2020 and the distribution and payment in favour of Rossini Investimenti, and the ordinary shareholders' meeting of Rossini Investimenti approves the financial statements as at 31 December 2020 and the distribution and payment in favour of Rossini Sarl, prior to the Effective Date of the Merger, of an amount of reserves equal to the surplus cash resulting for each of the Disappearing Companies prior to the completion of the Transaction, net of any charges, taxes and/or costs that may be due or of any debt owed by the Disappearing Companies as at the same date (the "**Cash Surplus**"), it being understood that, for the purposes of calculating the surplus cash to be distributed by Rossini Investimenti, no assets recorded in light of the ACE benefit shall be taken into account.

As a result of such distributions, the value of the net assets of the Disappearing Companies will substantially coincide with the value of Recordati's ordinary shares held directly by Fimei and indirectly by Rossini Investimenti (without prejudice to any assets recorded by Rossini Investimenti in light of the ACE benefit).

In light of the composition of the net equity of the Merging Companies and of the distribution of the Cash Surplus, the exchange ratio (the "**Exchange Ratio**") has been determined as follows: against the cancellation of *(i)* the 10,000,000 shares representing the entire share capital of Fimei, all held by Rossini Investimenti, as well as *(ii)* the 82,550,000 shares representing the entire share capital of Rossini Investimenti, all held by Rossini Sarl, all 108,368,721 ordinary shares of Recordati currently held by Fimei, or the different number of shares of Recordati that will be held by Fimei as at the Effective Date of the Merger, will be reallocated to Rossini Sarl, while third-party shareholders (*i.e.* other than Rossini Sarl following the Merger, as well as Recordati itself) will continue to hold the number of ordinary shares of Recordati already held by them before the Effective Date of the Merger. In other words, as at the date hereof, Rossini Sarl would be reallocated 1.313 shares of Recordati for each share of Rossini Investimenti.

The shares of the Surviving Company to be allotted in exchange will be made available to Rossini Sarl in accordance with the allocation procedures set out in section 6 of this Explanatory Report and with the procedures provided for the allocation of dematerialised shares.

In light of the above, the Merger will not result in any change in the share capital of the Surviving Company and no cash settlement is envisaged.

The Exchange Ratio thus determined:

- implicitly assumes, as already mentioned, that the value of the Disappearing Companies coincides with the value of their shareholding in Recordati (without prejudice to any assets recorded by Rossini Investimenti in light of the ACE benefit), calculated as a pro-rata share of the value attributed to Recordati itself;
- safeguards the stability of Recordati's shareholding structure, as Rossini Luxembourg - the company exercising, as anticipated, management and coordination activity over all the Merging Companies - upon completion of the Merger, in addition to retaining the role of reference shareholder of Recordati, will maintain (albeit through a different entity) the same indirect shareholding in the share capital of Recordati held before the Effective Date of the Merger.

The evaluations carried out by the Boards of Directors of the Merging Companies for the determination of the aforementioned Exchange Ratio shall be considered in light of certain limits and evaluation difficulties, typical in this area of analysis, and of the assumptions underlying the work carried out. In particular:

- taking into account the different nature and features of the Merging Companies, it was preliminarily necessary to develop an evaluation method aimed at identifying homogeneous and comparable values of the Merging Companies themselves;
- for the determination of the Exchange Ratio, it was also assumed that there are no further elements pertaining to Fimei and Rossini Investimenti other than the pro-rata value of the shareholding in Recordati and the Cash Surplus, distributed before the Effective Date;
- all the evaluations have been carried out assuming that the Merging Companies are and will be going concerns and that there are no facts or circumstances unknown to the Boards of Directors of the Merging Companies such as to change the conclusions reached.

The fairness of the Exchange Ratio will be submitted to the assessment of the common expert appointed by the Court of Milan following the joint petition submitted by the Merging Companies on 1 September 2020. The Fairness Opinion will be made available to the public within the terms and in the manner provided for by applicable laws and regulations.

## **6. PROCEDURE FOR THE ALLOTMENT OF THE SHARES OF THE SURVIVING COMPANY AND DATE OF ENTITLEMENT THEREOF**

As a result of the completion of the Merger, the shares representing the entire share capital of Fimei and the shares representing the entire share capital of Rossini Investimenti will be cancelled, and, given the Exchange Ratio indicated in section 5 above, Rossini Sarl will be allotted all 108,368,721 ordinary shares representing 51.820% of Recordati's share capital currently held by Fimei (or the different number of shares of Recordati that will be held by Fimei as at the Effective Date - as defined below - of the Merger).

This reallocation will be implemented by updating the relevant accounting records. The reallocated shares will be made available to Rossini Sarl according to the procedures set forth for

the centralised management of dematerialised shares by Monte Titoli S.p.A., starting from the first business day following the Effective Date of the Merger. This date will be announced by means of a specific notice posted on Recordati's website.

**7. DATE FROM WHICH THE SHARES OF THE SURVIVING COMPANY ALLOTTED IN EXCHANGE WILL PARTICIPATE IN PROFITS**

The ordinary shares of the Surviving Company which will be reallocated in exchange to Rossini Sarl will have the same dividend entitlement date as that of the ordinary shares of Recordati outstanding as at the Effective Date - as defined below - of the Merger, and will grant to their holders rights equivalent to those of the holders of the ordinary shares of the Surviving Company outstanding as at the time of allotment.

**8. DATE STARTING FROM WHICH THE TRANSACTIONS OF THE DISAPPEARING COMPANIES WILL BE ASCRIBED TO THE FINANCIAL STATEMENTS OF THE SURVIVING COMPANY, ALSO FOR TAX PURPOSES**

It is envisaged that the Transaction shall be completed by the end of the first half of FY 2021 and in any event following the date of approval of the financial statements of the Disappearing Companies as at 31 December 2020 and of their closing balance sheets as at 31 March 2021.

Within the technical time strictly necessary immediately after the approval of the abovementioned closing balance sheets, the Merging Companies will execute the Merger deed and file it with the competent Companies' Register. The transactions of the Disappearing Companies will be ascribed to the financial statements of the Surviving Company as from 1 April 2021 (the "**Accounting Effective Date**").

The same Accounting Effective Date will be considered the start date for the purposes referred to in Article 172, paragraph 9, of Presidential Decree No. 917 of 22 December 1986.

Pursuant to section 2504-bis, paragraph 2, of the Italian Civil Code, the Merger will take effect for statutory purposes as from the date of the last of the registrations required by section 2504 of the Italian Civil Code (the "**Effective Date**"). As from that date, the Surviving Company will take over all the assets and liabilities of the Disappearing Companies.

**9. ACCOUNTING ASPECTS OF THE MERGER**

Mergers between parent companies and subsidiaries are not specifically dealt with in the scope of IFRS 3, so different points of view and approaches in the assessment of accounting profiles may be found in practice.

When the subsidiary is the surviving company and the consolidated financial statements drawn up by the parent company are not public or useful for investors, it may be appropriate, following the merger, to use the subsidiary/surviving company's financial statements as the reference financial statements in order to continue to meet the needs of those who use this instrument for their decisions.

On the basis of such conditions, the so-called “legal approach” represents the preferable method to account for the accounting effects of the Transaction. In particular, in this circumstance and on the basis of the structure of the Transaction, the legal approach with the use of the “book value” is considered applicable, as an alternative to the “fair value” method, since the absorbed parent entities do not meet the definition of “business” contained in IFRS 3.

On the basis of such approach:

- (a) the financial statements after the Merger will reflect this Transaction from the perspective of the subsidiary;
- (b) the amounts relating to the acquisition of the merging subsidiary by the parent company, which are previously recorded in the consolidated financial statements, will not be recognised by the subsidiary;
- (c) the subsidiary will recognise the Transaction as a contribution by the parent company to book values, entering the assets acquired that are identifiable and the liabilities assumed by the parent company at their historical book value and the difference as equity;
- (d) the book value of the assets and liabilities held by the subsidiary is the same both before and after the Merger and there is no accounting of any fair value adjustments or recognitions of goodwill relating to the assets and liabilities of the subsidiary that were registered by the parent at the time of the acquisition of the subsidiary in its consolidated financial statements;
- (e) in the separate financial statements, the comparative information must not be restated in order to include the values of the absorbed parent and its assets and liabilities and financial performance are reflected in the separate financial statements only from the date on which the Merger took place.

In light of the fact that the value of the net assets of the Disappearing Companies will substantially coincide with the value of the ordinary shares of Recordati held directly by Fimei and indirectly by Rossini Investimenti (without prejudice to any assets recorded by Rossini Investimenti in light of the ACE benefit), the financial statements of the entity resulting from the Merger will therefore be substantially in line with the current financial statements of Recordati.

## **10. TAX EFFECTS OF THE MERGER**

The proposed Merger is fiscally neutral pursuant to section 172 of Presidential Decree no. 917/1986.

The tax effects of the Merger, as indicated in section 8 above, will be effective pursuant to section 172, paragraph 9, of Presidential Decree no. 917/1986, from the Accounting Effective Date.

As a result of the Merger and subject to the outcome of a specific petition (submitted as a precautionary measure on 5 August 2020 and for which a positive outcome can reasonably be expected), Recordati will inherit the ACE surplus accrued by Rossini Investimenti. In particular, Rossini Investimenti, in the context of the indirect acquisition of the majority of the share capital

of Recordati through Fimei (which the Merger is strictly interconnected with) received a capital contribution by Rossini Sarl for an overall amount equal to approximately Euro 3 billion. Following the aforementioned contribution of capital, the Italian Revenue Agency, in response to a specific petition, confirmed that the amount of Euro 2.2 billion is to be considered relevant for ACE purposes, and, as a consequence, Rossini Investimenti during the 2018 and 2019 financial years accrued, and will accrue also during 2020 and 2021 until the Accounting Effective Date, a cumulative ACE benefit, which could generate lower taxes of approximately Euro 12.9 million for the Surviving Company (in this respect, as a precautionary measure, an appropriate petition was submitted on 5 August 2020, for which it is reasonable to expect a positive outcome). The Merger would also allow Recordati to make future use, without any time constrain, of a further ACE benefit, to be calculated for each year on the significant increase in capital transferred by the Disappearing Companies; given current legislation, this benefit will nevertheless be available within the limit of the amount of the Surviving Company's net equity book value, thereby generating further lower taxes of approximately Euro 1.3 million on an annual basis (except for the first year of effectiveness of the Merger - from the Effective Date until 31 December 2021 - for which the lower taxes resulting from the ACE benefit will amount to approximately Euro 1 million).

Given that Fimei and Recordati have opted, together with the subsidiary of Recordati Italchimici S.p.A., for tax consolidation in accordance with Articles 117 et seq. of Presidential Decree No. 917 of 22 December 1986, valid for the three-year period 2019-2021 for Fimei and Recordati and 2018-2020 for Fimei and Italchimici S.p.A., it should be noted that, following the Merger of the consolidating company Fimei into the Surviving Company, group taxation will continue, pursuant to Article 11, paragraph 2, of Ministerial Decree of 1 March 2018, with Recordati as consolidating entity.

## **11. TREATMENT RESERVED FOR PARTICULAR CLASSES OF SHAREHOLDERS AND FOR THE DIRECTORS**

In none of the Merging Companies special classes of shareholders or holders of securities other than shares are existent for which, as a result of the Merger, special treatments are reserved.

No particular benefit in connection with the Transaction is provided in favour of the Directors of the Merging Companies.

## **12. FORECASTS ON THE COMPOSITION OF THE MATERIAL SHAREHOLDING STRUCTURE AND ON THE CONTROLLING STRUCTURE OF THE SURVIVING COMPANY FOLLOWING THE TRANSACTION**

Taking the Exchange Ratio into account, as a result of the Merger the share capital of Recordati will be divided as follows, subject to any communications relating to changes in significant shareholdings and changes in the number of treasury shares independent from the Merger:

<b>Declarant</b>	<b>Direct shareholder</b>	<b>% of the share capital</b>	<b>Total</b>
CVC Capital Partners VII Limited	Rossini Sarl	51.820%	51.820%
FMR LLC	Fidelity Management & Research (Japan) Limited	0.097%	5.902%
	Fidelity Institutional Asset Management Trust Company	0.308%	
	FIAM LLC	0.238%	
	Fidelity Management & Research Company LLC	4.509%	
	FMR Investment Management (UK) Limited	0.750%	
MAWER INVESTMENT MANAGEMENT LTD	MAWER INVESTMENT MANAGEMENT LTD	5.005%	5.005%
Other shareholders (with holdings of less than 3% of the share capital) as at the date hereof	-	35.846%	35.846%
Treasury shares as at the date hereof	Recordati	1.427%	1.427%

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Please further note that, within the applicable terms, the following documents will be deposited at the Company's registered office:

- (i) the Merger Plan and its annexes;
- (ii) the last three (with reference to Rossini Investimenti, having the latter been incorporated in 2018, the last two) adopted financial statements of the Merging Companies (together with the reports of the subjects entrusted with the management and accounting audit of such companies);
- (iii) Recordati's half-yearly financial report as at 30 June 2020, prepared in accordance with section 154-ter of the TUF and approved by Recordati's Board of Directors on 30 July 2020;

- (iv) the balance sheets of the Company and Rossini Investimenti as at 30 June 2020, prepared pursuant to section 2501-*quater* of the Italian Civil Code and approved by the Boards of Directors of Rossini Investimenti and Fimei on 11 September 2020;
- (v) this Explanatory Report, prepared pursuant to section 2501-*quinquies* of the Italian Civil Code;
- (vi) the Fairness Opinion prepared pursuant to section 2501-*sexies* of the Italian Civil Code.