

DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS

(11TH APRIL 2017 SINGLE CALL)

Report on item 1 of the agenda of the Extraordinary General Meeting of Shareholders and the relative resolution submitted

- 1. Subject to prior revocation of the authorisation granted by a shareholders' meeting on 19th April 2012, grant of an authorisation to the Board of Directors in accordance with articles 2420-ter and 2443 of the Italian Civil Code for maximum amounts of Euro 80,000,000 and Euro 50,000,000 respectively; consequent amendment to Art. 6 of the Corporate By-Laws, relative and consequent resolutions.**

To Our Shareholders,

In compliance with Art. 125-ter of Legislative Decree No. 58/1998 and with Art. 72 of the Regulations adopted with Consob resolution No. 11971 of 14th May 1999 and subsequent amendments (hereinafter, the "Issuers' Regulations"), we inform you that you are convened to an extraordinary shareholders' meeting to vote on a proposal to authorise (subject to prior revocation of the expiring authorisation) the Board of Directors to increase the share capital in accordance with Art. 2443 of the Italian Civil Code and to issue convertible bonds in accordance with articles 2420 ter of the Italian Civil Code, with a consequent amendment to article 6 of the Corporate By-Laws.

The above authorisation constitutes, substantially, a renewal of the previous authorisation which will expire on 19th April 2017, approved by an extraordinary Shareholders' Meeting of 19th April 2012, which granted the Board of Directors the power, to be exercised within a period of five years, to increase the share capital on one or more occasions, for a maximum par value of Euro 50,000,000, either free of charge or for cash, through the issue of ordinary shares and warrants, and also through the issue of bonds or rights to purchase or subscribe up to a maximum nominal amount of Euro 80,000,000.

The expiring authorisation has never been used by the Board.

Furthermore, your Board considers that the reasons for the expiring authorisation are still valid, both from the viewpoint of the usefulness of being able to make use of the instruments required to go to markets and shorten the time required to perform operations to increase the share capital, deciding the magnitude on the basis of specific opportunities and also in order to be able to rapidly approve a supply of shares to use for the exercise of options granted in possible future stock option plans which also involve the subscription of newly issued shares as an alternative to the use of treasury stock held in portfolio by the Company.

For these reasons, we submit a proposal to grant a new authorisation to the Board, in basically the same terms and for the same amounts as those contained in the authorisation granted by shareholders on 19th April 2012.

On the date on which this report will be disclosed to the public in accordance with the law and the regulations in force, the financial statements for the year ended 31st December 2016, together with the consolidated financial statements will have been published. These documents contain useful information on the operating results and financial position of the Company.

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

“This Extraordinary General Meeting of the shareholders

- having viewed the report of the Board of Directors

resolves

a) to revoke the authorisation granted by a shareholders’ meeting held on 19th April 2012 in accordance with article 2443 of the Italian Civil Code and to grant the Board of Directors powers in accordance with article 2443 of the Italian Civil Code to issue capital stock on one or more occasions free of charge or for cash for a maximum nominal amount of Euro 50,000,000 (fifty million), through the issue of ordinary shares of the Company of the same class as those already outstanding on the date of issue for a maximum period of five years from the date of this resolution;

b) to establish that the Board of Directors may exercise those powers by passing resolutions to increase the share capital to be implemented through the issue of ordinary shares and/or warrants valid for the issue of those shares, to be allotted or offered as an option to rights holders, with the exception of the provisions specified below.

The Board of Directors may also decide that the issue should be performed with a share premium, setting the amount and also specifying that if the issue decided is not fully subscribed within the time limits set from time to time, the share capital shall be increased by an amount equal to the subscriptions received by the time limit set.

The Board of Directors is also granted the power, in accordance with the last paragraph of Art. 2441 of the Italian Civil Code, to offer the shares to employees of Recordati S.p.A. or its subsidiaries for subscription as part of stock option plans decided by shareholders;

c) to revoke the authorisation granted by a shareholders’ meeting on 19th April 2012, in accordance with Art. 2420-ter of the Italian Civil Code and to grant the Board of Directors, in accordance with Art. 2420-ter of the Italian Civil Code, the power to issue on one or more occasions, bonds convertible into ordinary shares, or with warrants valid for the subscription of those shares, up to a maximum nominal amount of Euro 80,000,000 (eighty million), with a consequent increase in the share capital for the conversion of the bonds through the issue of ordinary shares of the Company of the same class as those already outstanding, for a maximum period of five years from the date of this resolution, with the right to set the yield and the duration of the bond and all the other conditions relating to it. The Convertible bonds must be offered as an option to rights holders.

In exercising the power granted to them, the Board shall exercise care, should they use their powers, to see that they comply with the regulations in force concerning limits on the issue of bonds.

The Board of Directors shall pass resolutions in compliance with Art. 2420-bis of the Italian Civil Code and in particular it shall set the conversion ratio, the period and procedures for the conversion and at the same time pass a resolution to increase the share capital by an amount corresponding to the par value of the shares to be allotted in the conversion, with the ability to set a share premium;

d) to amend article 6 (six) or the Corporate By-Laws as follows:

Current text ¹	New text proposed
<p>Article 6) - The company’s capital stock shall be Euro 26,140,644.50 divided into 209,125,156 ordinary shares with a nominal value of Euro 0.125 each.</p> <p>Shares with rights differing from those of the previous ones may be issued.</p>	<p>Article 6) - The company’s capital stock shall be Euro 26,140,644.50 divided into 209,125,156 ordinary shares with a nominal value of Euro 0.125 each.</p> <p>Shares with rights differing from those of the previous ones may be issued.</p>

¹ A comparison is given with the text of the current provision of the By-Laws affected by the proposed amendment by highlighting the changes proposed in bold type in the column “new text proposed” and by highlighting the parts of the text which it is proposed to delete in strikethrough type in the column “existing text”.

The shares are indivisible and the company shall only recognise one owner for each of them.

The shares may be registered or, unless established otherwise by mandatory provisions of the law, to the bearer.

Registered shares may be transferred in accordance with the law.

Possession of shares implies acceptance of these by-laws and of the resolutions of the meetings.

~~By a resolution passed on 19th April 2012, an extraordinary meeting of the shareholders:~~

~~a) granted the Board of Directors powers in accordance with article 2443 of the Italian Civil Code to issue capital stock on one or more occasions free of charge and/or for cash for a maximum nominal amount of Euro 50,000,000 (fifty million), through the issue of ordinary shares of the Company of the same class as those outstanding at the date of issue, for a maximum period of five years from the date of this resolution, through the issue of ordinary shares and/or warrants valid for the subscription of said shares, to be allotted or offered as an option to shareholders, with the power, in accordance with the combined provisions of the last paragraph of article 2441 of the Italian Civil Code and article 134, paragraph two, of Italian Legislative Decree No. 58/1998, to offer the shares for subscription by employees of Recordati S.p.A. or its subsidiaries as part of stock option plans approved by shareholders;~~

~~b) granted the Board of Directors, in accordance with Art. 2420-ter of the Italian Civil Code, the power to issue on one or more occasions, bonds convertible into ordinary shares up to a maximum nominal amount of Euro 80,000,000 (eightymillion) or with warrants valid for the subscription of those shares, with a consequent increase in the share capital for the conversion of the bonds through the issue of ordinary shares of the Company of the same class as those already outstanding on the date of issue, to be offered as an option to rights holders, for a maximum period of five years from the date of this resolution, in compliance with the legislation and regulations in force concerning the limits on the issue of bonds.~~

The capital stock may be increased by non-cash means within the limits established by law.

The shares are indivisible and the company shall only recognise one owner for each of them.

The shares may be registered or, unless established otherwise by mandatory provisions of the law, to the bearer.

Registered shares may be transferred in accordance with the law.

Possession of shares implies acceptance of these by-laws and of the resolutions of the meetings.

By a resolution passed on 11th April 2017, and extraordinary meeting of the shareholders:

a) granted the Board of Directors powers in accordance with article 2443 of the Italian Civil Code to issue capital stock on one or more occasions free of charge and/or for cash for a maximum nominal amount of Euro 50,000,000 (fifty million), through the issue of ordinary shares of the Company of the same class as those outstanding at the date of issue, for a maximum period of five years from the date of this resolution, through the issue of ordinary shares and/or warrants valid for the subscription of said shares, to be allotted or offered as an option to shareholders, with the power, in accordance with the provisions of the last paragraph of article 2441 of the Italian Civil Code, to offer the shares for subscription by employees of Recordati S.p.A. or its subsidiaries as part of stock option plans approved by shareholders;

b) granted the Board of Directors, in accordance with Art. 2420-ter of the Italian Civil Code, the power to issue on one or more occasions, bonds convertible into ordinary shares up to a maximum nominal amount of Euro 80,000,000 (eighty million) or with warrants valid for the subscription of those shares, with a consequent increase in the share capital for the conversion of the bonds through the issue of ordinary shares of the Company of the same class as those already outstanding on the date of issue, to be offered as an option to rights holders, for a maximum period of five years from the date of this resolution, in compliance with the legislation and regulations in force concerning the limits on the issue of bonds.

The capital stock may be increased by non-cash means within the limits established by law.

- e) to grant the Chairman and the Chief Executive Officer in office from time to time, individually, all the necessary powers required to carry out all the formalities necessary for the resolutions to be filed with the Company Registrar, accepting and introducing the formal and non-substantial additions and deletions to them, which may be required by the competent authorities.

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We point out that the proposed amendments to the Corporate By-Laws contained in the first item on the agenda of the extraordinary meeting do not give rise to any grounds for withdrawal on the part of Shareholders, in accordance with the Corporate By-Laws and Art. 2437 of the Italian Civil Code *et seq.*

Milan, 1st March 2017

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