

## **DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS**

**(19<sup>TH</sup> APRIL 2012 SINGLE MEETING)**

### **Report on item 1 of the agenda**

- 1. 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 14<sup>th</sup> 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 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 of article 6 of the Corporate By-Laws.

The above authorisations constitute, basically, a renewal of the previous authorisation which will expire on 11<sup>th</sup> April 2012, approved by an extraordinary Shareholders' Meeting of 11<sup>th</sup> April 2007, 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 11<sup>th</sup> April 2007.

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 31<sup>st</sup> December 2011, 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 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.

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 for 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 combined provisions of the last paragraph of Art. 2441 of the Italian Civil Code and Art. 134, paragraph two of Legislative Decree No. 58/1998, 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;

- b) 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 up to a maximum nominal amount of Euro 80,000,000 (eightymillion), 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, 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;

- c) to amend article 6 (six) of the Corporate By-Laws as follows:

Existing text <sup>1</sup>	New text proposed
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. Shares with rights differing from those of the	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. Shares with rights differing from those of the

<sup>1</sup> 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”.

previous ones may be issued.

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

The shares may be registered or to the bearer, in accordance with the mandatory provisions of the law.

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 resolution passed on 11<sup>th</sup> April 2007, the extraordinary meeting of the company's shareholders:~~

~~a) granted the directors powers in accordance with article 2443 of the Italian Civil Code to issue capital stock on one or more occasions through rights and/or scrip issue for a maximum nominal amount of Euro 50,000,000 (fifty million) within a maximum of five years from the date of this resolution, through the issue of ordinary shares and/or warrants for the subscription of said shares, to be assigned or offered in option to shareholders, with the authority in accordance with the final 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 the shareholders' meeting;~~

~~b) pursuant to CC Art. 2420-ter, authorised Directors to deliberate the issue on one or more occasions, for a total maximum nominal amount of Euro 80,000,000 (eighty million), of bonds convertible into ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of deliberation, in observance of applicable law and regulations concerning the issuing of bonds, and at the same time, deliberating an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.~~

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

previous ones may be issued.

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

The shares may be registered or to the bearer, in accordance with the mandatory provisions of the law.

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 19<sup>th</sup> 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 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**

	<p><b>on the issue of bonds.</b> The capital stock may be increased by non-cash means within the limits established by law.</p>
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- d) to grant the Board – and on its behalf the Chairman and the Vice Chairman, jointly and severally – 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.

Milan, 7<sup>th</sup> March 2012

On behalf of the Board of Directors  
the Chairman and Chief Executive Officer  
Giovanni Recordati