

DIRECTORS' REPORT ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS

(13TH APRIL 2011 1ST CALL – 14TH APRIL 2011 2ND CALL)

Report on item 4 on the agenda and the relative resolution submitted

Appointment of the Board of Statutory Auditors and the relative Chairman; determination of the relative remuneration.

To Our Shareholders,

The mandate of the Board of Statutory Auditors in office expires on the date of the Shareholders' Meeting for the approval of the Annual Report for the year ended 31st December 2010.

The Shareholders' Meeting is therefore called upon to appoint a Board of Statutory Auditors in accordance with the terms and conditions of articles 26 of the Corporate By-Laws (available on the website of the Company www.recordati.it, in the Corporate Governance section) and with the applicable laws and regulations in force. The election shall take place according to list voting procedures and members may be re-elected.

In accordance with the Corporate By-Laws, the Board of Statutory Auditors is composed of three Statutory Auditors and two Alternate Auditors, who must be in possession of the requirements set by the laws and regulations in force. The requirements in question include those of professionalism, integrity and independence and also those concerning the total number of positions held, without prejudice to situations of incompatibility pursuant to the law.

More specifically, for the purposes of the provisions of Art. 1, paragraph two letters B) and C) of Ministry of Justice Decree No. 162 of 30th March 2000, research, production and the sale of chemical and pharmaceutical products are considered sectors of activity that are strictly connected with those of the Company.

The Board of Statutory Auditors appointed in this manner shall remain in office, in accordance with the law, for three years and therefore until the Shareholders' Meeting held to approve the Annual Report for the year ending 31st December 2013.

The Shareholders' Meeting shall also pass resolutions on the remuneration of the Board of Statutory Auditors. As already reported, with regard to the annual remuneration of the Board of Statutory Auditors currently in office, shareholders set their annual remuneration at €50,000 gross for the Chairman and at €35,000 gross for each of the other Statutory Auditors.

Procedures, time limits and requirements for the presentation of lists

The appointment of the Board of Statutory Auditors shall be performed on the basis of lists presented by shareholders on which the candidates are placed in numerical order. The list must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor. The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.

Only shareholders who either singly or together with other shareholders presenting a list own a total number of shares representing at least 2% of the share capital with voting rights shall be entitled to present lists in accordance with Consob Resolution No. 17633 of 26th January 2011.

Each shareholder, including shareholders who have signed a shareholders' agreement identified in article 122 of Italian Legislative Decree No. 58/1998, controlling entities, subsidiaries, and jointly controlled entities, is prohibited from individually or jointly submitting more than one list or voting for different lists, even through a third party or trust company. Each candidate may only run on one list on penalty of disqualification. Endorsements of lists and votes cast in violation of this prohibition shall not be attributed to any list.

The lists submitted must be deposited at the headquarters of the Company or sent by email from a certified address to the address recordati@pec.recordati.it at least twenty-five days prior to the date set for the shareholders' meeting convened in first call (i.e. by 19th March 2011) and they shall be made available to the public by the Company at its registered offices, at Borsa Italiana S.P.A. and on its website www.recordati.it not later than 21 days before the date of the shareholders' meeting in first call (i.e. by 23rd March 2011).

The following documents shall be submitted together with each list by the deadline specified above:

- a) information on the identity of the shareholders who have submitted the lists, indicating the total percentage of the shares held and certification attesting to the ownership of the said shares (ownership of the total shares held is also certified subsequent to the deposit of lists, provided it occurs at least 21 days prior to the Shareholders' Meeting, by means of a communication pursuant to Art. 23 of the Regulations for centralised management of settlement and guarantee services and for the relative management companies adopted by the Bank of Italy and the Consob on 22nd February 2008, as subsequently amended);
- b) a declaration by shareholders other than those who hold, singly or jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided for by the regulations in force;
- c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.

Lists which do not comply with these requirements are considered as not having been presented.

With respect to the above, shareholders are also invited to consider the following:

- the recommendations contained in Consob communication No. DEM/9017893 of 26th February 2009 (especially with regard to the absence of connections between minority shareholders and shareholders who have presented or voted for the list which has received the largest number of votes);
- the provisions of the Corporate Governance Code for listed companies (which requires Statutory Auditors to be selected from among persons who qualify as independent according to the same criteria employed to qualify as an independent Director, established by the Board of Directors on the basis of the provisions of that Code);
- the provisions of the last paragraph of Art. 2400 of the Italian Civil Code with reference to the list of management and supervision positions held by the candidate in other companies which must be reported to shareholders at the time of nomination and first acceptance of the appointment: candidates are therefore invited to furnish a declaration in this respect in the information given on their personal and professional characteristics, with the recommendation that they maintain it up-to-date until the day on which the Shareholders' Meeting is actually held.

In the event of only one list or only lists presented by shareholders related to each other having been presented within the time limits just mentioned, the time limit for the presentation of lists shall be extended by three calendar days and the percentage for the presentation of lists shall be reduced by half (i.e. to 1%).

Should only one list be presented, the candidates on that list shall be elected to the positions of Statutory Auditors and Alternate Auditors. If no lists are presented, then the shareholders elect with the majorities specified by law.

In consideration of the foregoing, the shareholders are invited to:

- vote on the appointment of the Board of Statutory Auditors and its Chairman according to the aforementioned procedures;
- set the remuneration of the Board of Statutory Auditors.

Milano, March 3rd, 2011

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