

RECORDATI S.P.A.

CORPORATE GOVERNANCE REPORT AT 5 MARCH 2008

pursuant to article 124 *bis* of the Consolidated Financial Act, article 89 *bis* of Consob Issuers' Regulations and article IA.2.6 of Borsa Instructions

Approved 5 March 2008 by the Board of Directors

Internet: www.recordati.it

DEFINITIONS

CG Code: the Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 and promoted by Borsa Italiana S.p.A.

CC: the Italian Civil Code.

Board: the Board of Directors of the Company.

Year: the financial year that ended 31 December 2007.

Borsa Instructions: instructions for the Borsa Regulations governing the markets organized and managed by Borsa Italiana S.p.A.

Borsa Regulations: regulations governing the markets organized and managed by Borsa Italiana S.p.A.

Consob Issuers' Regulations: regulations governing issuers as established by Consob deliberation no. 11971 of 1999.

Consob Markets Regulations: regulations governing markets as established by Consob deliberation no. 16191 of 2007.

Report: the corporate governance report that companies are obliged to compile pursuant to article 124 *bis* of the Consolidated Financial Act, article 89 *bis* of Consob Issuers' Regulations and article IA.2.6 of Borsa Instructions.

Company: Recordati S.p.A., issuer of listed shares.

By-laws: the by-laws of the Company.

TUF: Legislative Decree no. 58 dated 24 February 1998, (*Testo Unico della Finanza*) the Consolidated Financial Act.

1. OVERVIEW

The corporate governance structure adopted by the Company consists of a management and control system and the Shareholders' Meeting. The Company has adopted a traditional type of management and control system, consisting of the Board of Directors and the Board of Statutory Auditors. Accounting controls, in accordance with provisions in force, are delegated to a firm of auditors.

As established by the By-laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct its business and to achieve the corporate purposes; it also appoints, after obtaining the opinion of the Board of Statutory Auditors and the Internal Control Committee, the Manager responsible for drawing up the corporate financial documents; some matters indicated in the CG Code, as described in detail below, are reserved to the competence of the Board. The members of the Board were appointed for a three-year period that expires on the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2007 and they may be re-elected. The election of the Board of Directors, following the deliberation of some amendments to the By-laws at the Shareholders' Meeting held on 11 April 2007, in order to incorporate the modifications to the Financial Act (TUF) by Law no. 262/05, will be conducted by voting slates, to enable minority shareholders to appoint a Director.

The following are appointed by the Board: the Chairman of the Board and the Chief Executive Officer (CEO), responsible for the management of the Company as established in the mandate conferred by the same Board; the Executive Committee, empowered to make decisions about important matters that exceed the mandate conferred on the Chairman and the CEO, that require urgent attention, as well as some matters not included in the aforementioned mandate, even if not urgent; the Deputy Chairman, with powers of representation conferred by the Board if the Chairman is absent or unable to attend; the Internal Audit Committee and the Remuneration Committee, with roles that include consulting and preparation of proposals, as described below.

The Board of Statutory Auditors is responsible, in accordance with currently applicable legal provisions, for monitoring observance of the law and the By-laws, compliance with the principles of sound governance, suitability of the aspects of the company's organisational structure within its scope, of internal control and administrative/accounting systems, and dependability of the latter in correctly representing the management situation, and the provisions for actually applying the rules of corporate governance that the Company declares it respects. The Board of Statutory Auditors is also responsible, in relation to appointment of the auditing firm, for preparing a motivated proposal for the Shareholders' Meeting. Members of the board are appointed for a three-year period that expires on the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2007 and they may be re-elected. Election of the Board of Statutory Auditors will be conducted by voting slates: minority shareholders are entitled to appoint one standing and one alternate statutory auditor. The Statutory Auditor elected by minority shareholders will hold the office of Chairman.

The Shareholders' Meeting is the corporate body that represents all of the shareholders. At ordinary sessions the Shareholders' Meeting deliberates approval of the financial statements, appointment and dismissal of Board members, appointment of Statutory Auditors and their chairman, determination of the remuneration of Directors and Statutory Auditors, conferral of the auditing mandate, definition of the responsibilities of Directors and Statutory Auditors. At extraordinary sessions the Shareholders' meeting deliberates amendments to the By-laws and other extraordinary operations, such as capital increases, mergers and spin-offs, with the exception of some situations, reserved by the By-laws to the competence of the Board, as consented by CC art. 2365, second paragraph.

A firm of auditors registered in the special roll kept by Consob conducts auditing, in accordance with the law. The mandate of reference, initially conferred on Deloitte & Touche S.p.A. for a three-year period, was extended, by deliberation in the ordinary session of the Shareholders' Meeting held on 11 April 2007, for a period of up to nine years, the maximum term consented by the law, that is until the Shareholders' Meeting convened to approve the financial statements at 31 December 2010.

2. DISTRIBUTION OF SHARES (at 5 March 2008)

a) Structure of share capital

The subscribed and paid in share capital amounts to Euro 25,980,582.00 and is represented by 207,844,656 ordinary shares. Each share entitles the holder to a proportional part of the profits allocated for distribution; art. 29 of the By-laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, deliberates to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares.

There are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

The Company has adopted stock option plans that provide for payments that increase share capital when the options are exercised. For further information, see the document entitled "Information on Recordati S.p.A.'s stock option plans" distributed to the market on 17 September 2007, available on the Company web site at http://www.recordati.it/rec_en/investors/releases/2007/2007-09-17/ and also at page 67 of the draft version of the financial statements of the Company.

b) Restrictions on transfer of securities

There are no restrictions on transferring securities.

c) Significant holdings in share capital

The significant holdings, both direct and indirect, in share capital are indicated below, as results from the communications in accordance with TUF art. 120, updated in accordance with the information available to the Company in relation to the holdings of the parent company FimeI - Finanziaria Industriale Mobiliare ed Immobiliare S.p.A., and treasury shares in portfolio.

Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital
FIMEI S.p.A.	FIMEI S.p.A.	51.112%	51.112%
	RECORDATI S.P.A.	5.520%	5.520%
	Total	56.632%	56.632%
TORRE S.S	TORRE S.S	3.355%	3.355%
JP MORGAN ASSET MANAGEMENT (UK) LIMITED	JP MORGAN ASSET MANAGEMENT (UK) LIMITED	2.001%	2.001%

d) Securities with special rights

No securities with special rights of control have been issued.

e) Share holding by employees: exercise of voting rights

The stock option plans adopted by the Company do not provide for any voting mechanisms other than those established for shareholders in general, as established by the law and the By-laws, with reference to the shares acquired by exercise of the same.

f) Restrictions on voting rights

There are no restrictions on voting rights. Shareholders who wish to participate in the Shareholders' Meeting must ensure that the necessary communications from intermediaries who keep the related accounts reach the registered office of the Company at least two days, excluding festivities, prior to the date of convention.

g) Shareholders' agreements

The Company has no knowledge of the existence of shareholders' agreements pursuant to TUF art. 122.

h) Appointment and substitution of Directors and amendments to the By-laws

The provisions that govern the appointment and substitution of Directors are included, respectively, in articles 15 and 16 of the By-laws, and also in art. 18, which are integrally reproduced here below:

Art. 15) – The Company is governed by a Board of Directors composed of six to sixteen members; the Shareholders' Meeting shall establish the number, pursuant to CC art. 2380 *bis*.

The Directors may be appointed for a term of no more than three years, and they may be re-elected. They step down, are re-elected or substituted in accordance with the law and the By-laws.

The Directors must have the qualifications established by provisions in force at the time; among them, a minimum number of Directors, corresponding to the minimum number established by the same provisions, must be qualified as independent, pursuant to TUF art. 148, third paragraph.

A Director who loses the mandatory qualifications must step down. A Director who loses the characteristics of independence as defined above may remain in office if the same qualifications are still possessed by the minimum number of Directors established by applicable laws and regulations.

Art. 16) The Board of Directors shall be appointed from slates of candidates presented by shareholders, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.

The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least fifteen days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.

Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to TUF art. 122, the parent company, subsidiaries and companies subject to joint control pursuant to TUF art. 93, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.

Only shareholders or groups of shareholders who singly or jointly hold shares with voting rights representing at least 2.5% of share capital with voting rights at ordinary sessions of the Shareholders' Meeting will be entitled to present a slate of candidates, or a lesser percentage established by compulsory provisions of laws or regulations.

Each slate, deposited in the respective terms as above, must be accompanied by (i) the specific certification demonstrating title to the necessary number of shares for presentation of the slate, issued by a legally authorized intermediary; (ii) the declarations of the individual candidates in which they accept the candidacy and attest, under their own responsibility, the absence of any motives of disqualification or incompatibility, and the existence of any specific qualifications for their respective offices;

(iii) a curriculum vitae of the personal and professional characteristics of each candidate. Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.

The Board of Directors will be elected as follows:

- a) all of the Directors to be appointed, except one, will be selected from the list that obtained the greatest number of shareholders' votes, following the progressive order in which they are listed on the slate;
- b) the remaining Director will be the candidate listed at no. 1 on the minority list that is not connected in any way, not even indirectly, with the slate as at point a) above, nor with the shareholders who presented or voted the slate as at point a) above, and obtained the second number of shareholders' votes. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.

If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for Statutory Auditors at TUF art. 148, third paragraph, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the list that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other lists, according to the number of votes obtained by each. This procedure of substitution will be followed until the Board of Directors is composed of a number of members who have the qualifications as at TUF art. 148, third paragraph, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by deliberation of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.

If only one slate is presented, all of the Directors will be selected from the same list. If no slate is presented the Shareholders' Meeting will deliberate by legal majority, without following the procedure as above.

Any diverse or additional compulsory provisions of the law or regulations will form an exception to these provisions.

Art. 18) If, during the course of the year one or more Directors is no longer available, and the majority of the Directors was designated by the Shareholders' Meeting, the following procedure will be followed pursuant to CC art. 2386:

- a) the Board of Directors will proceed to select a Director among the candidates of the same slate as the Director to be substituted, without being conditioned by the progressive numbering of the slate, and the Shareholders' Meeting will deliberate the designation by legal majority, following the same criteria;
- b) if there are no non-elected candidates on the aforementioned slate or no candidates with the necessary qualifications, or it is not possible to follow the provisions as at letter a) for any reason,

the Board of Directors will proceed with the substitution, and successively the Shareholders' Meeting shall do likewise, by legal majority without voting slates.

In any case, the Board and the Shareholders' Meeting will proceed with the appointment in such a way as to ensure the presence of at least the minimum number of independent Directors, as required by the law and regulations in force at the time.

Amendments to the By-laws will be adopted in accordance with the law and regulations in force. The By-laws attribute the power to modify the same to the Board, if it is necessary to adjust them to provisions of the law and regulations.

It is important to note that in applying the CG Code, art. 16 of the By-laws, as reproduced above, specifies that the slates of candidates for the office of Director, presented by the shareholders and signed by those who present them, must be deposited at the registered office of the Company and made available to anyone who so requests for at least fifteen days prior to the date of the first call of the Shareholders' Meeting. It is also important to emphasize that only shareholders or groups of shareholders who singly or jointly hold shares with voting rights representing at least 2.5% of share capital with voting rights at ordinary sessions of the Shareholders' Meeting will be entitled to present a slate of candidates, or a lesser percentage established by compulsory provisions of laws or regulations; currently such a lesser percentage, pursuant to articles 144-quater and 144-septies of the Consob Issuers' Regulations no. 11971 of 14.4.1999, and Consob Deliberation no. 16319 dated 29 January 2008, is 2%. Minority lists are entitled to appoint one Director. With reference to the election mechanism adopted to select candidates from the various slates presented, art. 16 of the By-laws establishes that all Directors except one are to be selected from the list that obtains the most votes from shareholders; the other Director will be the no. 1 candidate of the minority list that is not connected in any way, not even indirectly, with the slate that obtained the most votes, nor with the shareholders who presented or voted the same, and obtained the second number of shareholders' votes. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates, currently 1%, will not be considered.

i) Authorisation for increase of share capital and acquisition of treasury shares

The Board was authorized to increase share capital, pursuant to CC art. 2443. In particular, the deliberation of the extraordinary session of the Shareholders' Meeting on 11 April 2007:

a) pursuant to CC art. 2443, authorised Directors to increase share capital in one or more tranches, gratuitously or by payment, for a total maximum nominal amount of Euro 50,000,000 (fifty million) within a period of no more than five years from the date of the deliberation, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of CC art. 2441, last paragraph and TUF art. 134, second paragraph,

to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans deliberated by the Shareholders' Meeting (and therefore with the possibility to exclude the option rights to one fourth of the new issue);

b) pursuant to CC art. 2420-*ter*, authorised Directors to deliberate the issue in one or more tranches, for a total maximum nominal amount of Euro 80,000,000 (eighty million), of bonds convertible to 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.

To this date, the Board has not yet acted on this mandate.

In relation to the mandate conferred by the extraordinary session of the Shareholders' Meeting held on 10 April 2002, expired on 10 April 2007, on 14 May 2003, 7 April 2004 and 27 October 2004, the Board partially activated the same by deliberating some capital increases by payment, to date only partially executed and still valid, for the stock option plans adopted by the Company, at the same time as the attribution of the options in relation to the same plans; the details of each deliberation of share capital increase are included at art. 6 of the By-laws.

The By-laws do not authorize the Board to issue financial instruments of participation.

In ordinary session on 11 April 2007 the Shareholders' Meeting deliberated renewal of the authorisation to acquire treasury shares, pursuant to CC articles 2357 and following, until approval of the financial statements at 31 December 2007, scheduled for 11 April 2008. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 20,000,000, which corresponds to a maximum potential outflow of € 120,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, increased by 5%. Acquisitions were made on regulated markets, in observance of art. 144*bis*, first paragraph, letter b), of the Consob Issuers' Regulations.

Under such authorisation, from 11 April 2007 to date, the Company has acquired no. 5,060,464 treasury shares.

At the closing date of the Year, the Company held no. 11,472,355 treasury shares in portfolio, which represent 5.520% of share capital.

I) Change of control clauses

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include a clause, which is a normal provision in international agreements, authorising the Licensor to resolve the agreement in the event of change of direct or indirect control of the Licensee.

In addition, a bond issue by the Luxembourg subsidiary, Recordati S.A. Chemical and Pharmaceutical Company, privately placed with international institutional investors and guaranteed by the Company, includes a clause, as is normal in financial operations of this type, which authorises the creditors to obtain an immediate refund if the control of the Company changes.

m) Indemnity for Directors in the case of resignation, dismissal or termination of the relation following a takeover bid

No agreements have been stipulated between the Company and the Directors that provide for payment of indemnities in the event of resignation, dismissal without just cause or interruption of the relation following a public takeover bid.

3. COMPLIANCE

The Company adopted the CG Code by deliberation of the Board on 6 March 2007; on that occasion some other provisions related to best practice were also deliberated for immediate implementation. Successively, after further reflection and study, other provisions were deliberated to implement other suggestions of the CG Code. In matters where the Company has decided not to adopt a principle or criteria, the Report provides the motivations.

Neither the Company nor its strategic subsidiaries are subject to foreign laws that influence the corporate governance structure of the Company itself.

4. MANAGEMENT AND COORDINATION

Although controlled by Fimei Finanziaria Industriale Mobiliare ed Immobiliare S.p.A., the Company is not subject to management and coordination by the same, pursuant to CC articles 2497 and following. This is due to the fact that Fimei Finanziaria Industriale Mobiliare ed Immobiliare S.p.A. is merely a holding company that has no operational structure at all and does not exercise any influence or activity that might affect management decisions and the organisation of Recordati S.p.A.

5. BOARD OF DIRECTORS

5.1. COMPOSITION

The members of the Board at the closing date of the Year are indicated below. They were elected by the Shareholders' Meeting in ordinary session on 6 April 2005, except for Dr. Nazzari, appointed by the Board on 8 February 2007 and confirmed

by the Shareholders' Meeting in ordinary session on 11 April 2007. The term of the Board will expire at the Shareholders' Meeting convened to approve the financial statements at 31 December 2007, programmed for 11 April 2008.

The personal and professional characteristics of each Director are documented in Attachment 1 to this Report.

The list of offices held by each Director in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies, is documented in Attachment 2 to this Report.

Name	Office	In office from	List	Executive	Non-executive	Indep.	Indep. TUF	% BoD	Other offices
GIOVANNI RECORDATI	Chairman Man. Dir. and Gen. Manager	6.4.2005	M	X				100%	0
ALBERTO RECORDATI	Deputy Chair.	6.4.2006	M	X				100%	0
ROMILDA BOLLATI DI ST. PIERRE	Director	6.4.2005	M		X		X	50%	1
MARIO GARRAFFO	Director	6.4.2005	M		X	X	X	100%	2
FEDERICO NAZZARI	Director	8.2.2007	M	X				100%	0
CARLO PEDERSOLI	Director	6.4.2005	M		X	X	X	87.5%	1
ANDREA RECORDATI	Director	6.4.2005	M	X				87.5%	0
MARCO VITALE	Director	6.4.2005	M		X	X (*)	X	75%	11

M = Director elected on the slate voted by the majority.

Indep. = Director qualified as independent by the criteria established in the CG Code.

Indep. TUF = Director qualified as independent by the criteria established in TUF art. 148, paragraph 3.

% BoD = presence at Board meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

Other offices = the total number of offices held in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies.

(*) The Board has qualified Prof. Marco Vitale as independent, even though he has been a Director of the Company for more than nine years during the past twelve, considering that by his specific competence and professional commitment

to constant control and stimulation of the Board, he has demonstrated to maintain his characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

Committee Membership

Name	Office	Executive Committee	% EC	Remuneration Committee	% RC	Internal Control Committee	% ICC
GIOVANNI RECORDATI	Chairman Man. Dir. and Gen.Man.	P	-				
ALBERTO RECORDATI	Deputy Chairman	M	-				
MARIO GARRAFFO	Director	M	-	P	100%	M	100%
FEDERICO NAZZARI	Director	M	-	M	66.6%		
CARLO PEDERSOLI	Director		-			M	100%
ANDREA RECORDATI	Director	M	-				
MARCO VITALE	Director	M	-	M	-	P	100%

P = Chairman.

M = Member.

% EC = presence at Executive Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

% RC = presence at Remuneration Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

% CCI = presence at Internal Audit Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

The Director indicated below stepped down from office during the Year:

Name	Office	In office from / to	List	Executive	Non executive	Indep.	Indep TUF	% BoD	Other offices
HEINZ WOLF BULL	Director	From 6.4.2005 to 19.7.2007	M		X	X	X	100 %	0

List M = Director elected on the slate voted by the majority.

Indep. = Director qualified as independent by the criteria established in the CG Code.

Indep. TUF = Director qualified as independent by the criteria established in TUF art. 148, paragraph 3.

% BoD = presence at Board meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

Other offices = the total number of offices held in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies.

Committee membership of the aforementioned Director

Name	Office	Executive Committee	% EC	Remuneration Committee	% RC	Internal Audit Committee	% ICC
HEINZ WOLF BULL	Director	M	-	P	50%	M	100%

P = Chairman.

M = Member.

% EC = presence at Executive Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

% RC = presence at Remuneration Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

% CCI = presence at Internal Audit Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

Maximum number of offices held in other companies

The Board has decided, for the moment, not to implement the suggestion of the CG Code that the Board itself should provide an indication of the maximum number of offices as Director or Statutory Auditor in other companies listed on regulated markets, and in financial, banking, insurance or large scale companies, that may be compatible with optimal conduct of the role of Company Director; this is because it prefers to leave such evaluation of compatibility to the responsibility of each Director.

5.2. ROLE OF THE BOARD OF DIRECTORS

During the Year the Board met eight times, with sessions that lasted an average of approximately two hours, on the following dates: 8 February 2007; 6 March 2007; 11 April 2007; 3 May 2007; 23 July 2007; 26 July 2007; 25 October 2007 e 14 November 2007; for the current year nine meetings are planned, and the Board has already met on 7 February 2008 e 5 March 2008.

As established by the By-laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting; during the extraordinary session of the Shareholders' Meeting held on 7 April 2004, competence was delegated to the Board to deliberate on the following matters:

- mergers in the cases established by CC articles 2505 and 2505 *bis*;
- establishment or suppression of secondary offices;
- specification of the Directors who are entitled to represent the Company;
- reduction of share capital in the event of withdrawal of a shareholder;
- alignment of the By-laws to provisions of the law and regulations;
- transfer of the registered office from one municipality to another in national territory.

The Board is also entitled to appoint and dismiss, following an obligatory opinion from the Board of Statutory Auditors, the Manager responsible for keeping the company books, pursuant to TUF art. 154-*bis*.

The Board is also competent in the following matters:

- examination and approval of strategic, industrial and financial plans of the Company and the Recordati Group, the corporate governance system and the structure of the Group;
- evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined below and as configured by the responsible organs, are adequate, with particular reference to the system of internal control and management of conflicts of interest;
- attribution and cancellation of mandates to CEOs and the Executive Committee, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates;
- establishment, after examination of the proposals from the Remuneration Committee, and heard the opinion of the Board of Statutory Auditors, of the remuneration of CEOs and other Directors with special mandates, as well as the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already deliberated the matter;
- evaluation of business trends, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget provisions;
- study and approval prior to strategic economic or financial operations of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties; establish guidelines to identify significant operations;
- conduct, once a year, an evaluation of the size and functionality of the Board and its committees and possibly indicate the type of professional figures whose presence on the Board would be useful;
- communication, in the corporate governance report, of the means of application of the CG Code and in particular, of the number of Board and Executive Committee meetings held during the year and the relative percentage of participation of each Director.

The Board took the following actions in relation to the above:

- it studied and approved the budgets of the Company and the Group;

- it approved the most significant corporate provisions including update of the Organisational, management and control structures pursuant to Legislative Decree 231/2001, which also included the procedures for implementation of Law no. 262/05 comprising “Provisions for the protection of savings and discipline of financial markets” (known as the “Savings Act”);
- it identified the subsidiaries with strategic characteristics, based principally on dimensional criteria (revenues) or evaluation of the special characteristics of the market on which the subsidiary operates (such as the orphan drugs market). The following companies are qualified as strategic subsidiaries: Laboratoires Bouchara Recordati s.a.s, Recordati Ireland Ltd., Jaba - Recordati S.A., Merckle Recordati GmbH, Innova Pharma S.p.A and Orphan Europe SARL;
- it issued a positive evaluation of the adequacy of organisational, administrative and accounting structures, with particular reference to the internal control system and management of conflicts of interest, on the basis of the information provided to the Board in specific reports and other documentation (such as organisational diagrams) presented by the manager responsible for internal control, the Internal Audit Committee, the Supervisory Authority pursuant to Legislative Decree no. 231/2001 and by the Chairman and CEO himself;
- when the Board was renewed it attributed mandates to the Chairman and CEO Eng. Recordati and the Executive Committee, and established the extent and means of exercising their powers;
- it established the remuneration of Chairman and CEO Eng. Recordati, Deputy Chairman Dr. Alberto Recordati and of Dr. Nazzari, in his role as Director with special mandates, after hearing the opinion of the Board of Statutory Auditors and examining the proposal of the Remuneration Committee, and also divided the total allotment for compensation of the Board, as deliberated by the Shareholders’ Meeting, for the individual members of the Board;
- it evaluated management trends, with particular attention to the information provided by the Chairman and CEO, at the same time it compared the results with the budget provisions;
- it studied and approved strategic operations of the Company and its subsidiaries in advance, when such operations were strategically significant in relation to the economic and financial welfare of the Company (with particular reference to participation in other undertakings and special drugs). In fact, the Board adopted a “Procedure for significant operations with related parties or when a Director has an interest in the operation”, to substitute the “Guidelines for operations with related parties” adopted in 2003 in accordance with the CG Code. Under this procedure, the following types of operations are considered to be strategic economic or financial operations of the Company, and therefore subject to the exclusive competence of the Board, excepting operations with or between other companies of the Recordati Group (unless atypical or unusual and/or to be concluded at other than standard conditions):
 - a) assumption of financial liability of more than Euro 50 million for any single operation;
 - b) transfer of real estate for amounts of more than Euro 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;

- c) acquisition or transfer of industrial property rights of the Company or its subsidiaries for amounts of more than Euro 25 million for any single operation;
- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than Euro 25 million for any single operation;
- e) acquisition or transfer of special drugs or products in general, for amounts of more than Euro 25 million for any single operation;
- f) granting of real or personal guarantees for amounts of more than Euro 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than Euro 15 million for any single operation.

On the basis of the procedure as above, the Board is also responsible to study and approve particularly significant operations with related parties, and operations in which one or more Directors have an interest, whether personal or on behalf of third parties, as specified at section 13 of this Report.

The Board conducted a preliminary evaluation of the size, composition and functioning of the Board and its committees. This preliminary evaluation was conducted by asking each Director to compile a questionnaire prepared by the Legal Office of the Company. The Board discussed the results of the compilation of this questionnaire. The outcome of this preliminary evaluation was substantially positive.

The Shareholders' Meeting has not authorized any general or advance exception to the ban on competition as at CC art.2390.

5.3. DELEGATES

Chairman and Chief Executive Office

In addition to his office as Chairman of the Board, entitled to represent the Company in relations with third parties and before the courts, in its deliberation of 6 April 2005 the Board also conferred the office of Chief Executive Officer (CEO) to Eng. Recordati, with the intention of achieving efficient management of the Company.

In his role as CEO, Eng. Giovanni Recordati has been authorised by the Board to exercise the broadest powers to handle ordinary and extraordinary management of the Company, in accordance with art. 25 of the By-laws.

The following powers are excluded from his mandate and are instead at the discretion of the Board:

- a) stipulation of medium to long-term mortgages with real guarantees for amounts of more than Euro 15,000,000 for any single operation. No limit has been established for the stipulation of mortgages at preferential interest rates (with or without subsidies) with public institutions and financing institutes constituted in accordance with the law that grant financing to support industrial initiatives or research projects, in relation to which the CEO is authorised to consent the establishment, inscription, reduction and cancellation of mortgages, and may also authorise transcriptions, transfers, corrections, annotations and all other real estate operations

in general, for all of which the Land Registry and any other competent offices are exonerated from any responsibility;

- b) transfer of real estate properties for amounts greater than Euro 6,000,000, where the industrial operations of the Company are conducted at the time of the transfer;
- c) acquisition and transfer of holdings in other companies, as well as acquisition or transfer of special drugs or products in general, for amounts of more than Euro 20,000,000 for any single operation. No limit has been established for increases of holdings in subsidiaries and for exercising options of share capital increases or the issue of new shares or bonds by subsidiaries or related companies;
- d) granting of surety bonds or assumption of joint obligations on behalf of third parties for amounts of more than Euro 6,000,000. No limit of authorisation has been established for granting surety bonds or assumption of joint obligations on behalf of subsidiaries.

The Chairman and CEO also: (i) convenes the Board meetings and ensures that the members of the Board and the Board of Statutory Auditors are provided, with reasonable advance notice, excepting situations of necessity or urgency, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval, (ii) coordinates the activities of the Board and conducts the proceedings of Board meetings; (iii) continuously provides information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

Reporting to the Board of Directors and the Board of Statutory Auditors

The Chairman and CEO has reported to the Board of Directors and the Board of Statutory Auditors during their meetings and, in any case, at least quarterly, about the operations conducted in exercising the mandate conferred by the Board.

Executive Committee

The Board, in order to equip itself with a structure capable of making it possible to make collective decisions about significant matters of particular urgency, has constituted an Executive Committee composed of four executive members, that is by the Chairman and CEO Eng. Giovanni Recordati, who is also the committee Chairman, by the Deputy Chairman, Dr. Alberto Recordati, by Andrea Recordati and Dr. Federico Nazzari, as well as two non-executive Directors who are also independent, as detailed below, Prof. Marco Vitale and Dr. Mario Garraffo.

The Board has conferred ample powers to the Executive Committee to handle ordinary and extraordinary management of the Company, excluding only those that may not be delegated by law, to be exercised when, at the discretion of the Chairman and CEO, motives of urgency do exist. In addition, even in the absence of urgency, the Committee may deliberate on the following matters:

- a) granting of surety bonds or assumption of joint obligations on behalf of third parties for amounts of more than Euro 6,000,000;

- b) stipulation of medium to long term mortgages with real guarantees for amounts of more than Euro 15,000,000 for any single operation;
- c) acquisition and transfer of holdings in other companies, as well as acquisition or transfer of special drugs or products in general, for amounts of more than Euro 20,000,000 for any single operation.

The Executive Committee did not meet during the Year, even in the light of the numerous Board meetings. No meetings have been held during the current year either.

5.4. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman and CEO, the other Directors that qualify as executives are Dr. Alberto Recordati, Mr. Andrea Recordati and Dr. Federico Nazzari. In particular, Dr. Alberto Recordati holds the office of Deputy Chairman, with powers of representation conferred by the Board if the Chairman is absent or indisposed, but not is endowed with specific mandates, he executes special assignments from time to time. Mr. Andrea Recordati holds management positions in some of the strategic subsidiaries. The Board has delegated Dr. Nazzari to conduct some institutional operations, which in relation to their nature are not considered strictly executive functions.

5.5. INDEPENDENT DIRECTORS

Three of the four non-executive Directors, that is, Prof. Vitale, Dr. Garraffo and Attorney Pedersoli, qualify as independent Directors, as specified below.

After election on 6 April 2005, the Board evaluated the qualifications of each non-executive director in relation to the qualifications of independence as established by the Corporate Governance Code published in 2002, in force at the time. In a successive evaluation, according to the provisions of the CG Code, Mrs. Bollati di Saint-Pierre was qualified as non-independent, due to her presence on the Board for more than nine years during the past twelve.

The Board did make an exception to the criteria of independence in evaluating the independence of Prof. Vitale, qualifying him as an independent Director even though he has been a Director of the Company for more than nine years during the past twelve, considering that by his specific competence and professional commitment to constant control and stimulation of the Board, he has demonstrated to have maintained his characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

The Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The independent Directors, during the introductory meetings of the Internal Audit Committee, of which they are members, have verified each time the absence of any specific matters that might be significant in relation to their roles as independent Directors.

5.6. LEAD INDEPENDENT DIRECTOR

Considering the existence of the situation in which the same person holds the offices of Chairman and CEO, the Board has designated independent Director Prof. Vitale to be the lead independent director, to guide the non-executive Directors, with particular reference to the independent Directors, in order to improve the activities and functioning of the Board. The lead independent director collaborates with the Chairman in order to ensure that the Directors receive complete and timely information, and is also authorised to convene special meetings of the independent Directors only, at his own discretion or at the request of other Directors.

6. CONFIDENTIALITY OF CORPORATE INFORMATION

Following amendments to TUF introduced by Law no. 62/2005 (EC Law 2004) on matters of market abuse, in 2006 the Board of Directors approved the proposal of the Chairman and CEO for “Internal regulations for handling confidential information” (to substitute an internal procedure for the management and external communication of information and confidential documents, adopted in 2001 in accordance with the Corporate Governance Code in force at the time). These regulations govern the internal management and external communication of information about Recordati S.p.A. and its subsidiaries, with particular reference to confidential and significant information (meaning information that could become confidential, but does not yet have the characteristics of specificity as defined at TUF art. 181), and the institution, keeping and updating of a specific register of the persons who have access to the information as above (known as the insiders book). In particular these regulations establish the obligations of confidentiality of all persons who have access to significant and confidential information; identify the persons responsible for evaluating the significance of the same information; establishes the rules for access to the same information by persons outside of the Company; establishes some principles and rules for the management of documents and correspondence containing significant or confidential information; establishes the methods of communicating confidential information, and other information about the Company; provides for the institution of the Register of persons who have access to confidential information.

In implementing these regulations, a procedure for keeping the Register (register of the persons who have access to confidential information) has been adopted, which establishes the method of keeping and updating the same. The Company also keeps the register on behalf of the other companies of the group (Group Register), having been authorised to do so by the subsidiaries and the holding company.

In 2006 the Board also deliberated the adoption of a procedure to discipline communications about Recordati S.p.A. shares or other related financial instruments issued by significant persons, in order to implement the provisions at TUF art. 114, paragraph 7 (and the provisions of the regulations for application of the same) and to substitute the internal dealing code previously adopted by the Company in accordance with Borsa Regulations. The purpose of the procedure is: to identify the Company managers who are responsible for issuing such communications; to define the methods of communication that significant persons of the Company must use in relation to the aforementioned operations, as well as the methods that the Company must use to handle communications received by the same significant persons, and fulfilment of the obligation to diffuse the same. The following persons, in addition to the Directors, the Statutory Auditors and the General Managers of the Company, have been identified as significant persons: the Chief Financial Officer of the Group, the Chief Officer of the Pharmaceutical Research and Development Division, the Chief Officer of Corporate Development, the Chief Officer of the Group Industrial Division, the Chief Officer of Human Resources of the Group and, finally, the Chief Officer of the Pharmaceutical Division in Italy.

7. INTERNAL COMMITTEES OF THE BOARD

No committees have been formed to carry out the duties of two or more committees, as established by the CG Code, and no other committees that differ from those foreseen by the CG Code have been formed either.

8. APPOINTMENTS COMMITTEE

The Board has not found it necessary to designate an Appointments Committee because, until the present time and in the presence of a shareholder with legal control of the Company, no difficulties have been encountered in preparing proposals of candidates.

9. REMUNERATION COMMITTEE

The Board has formed an internal Remuneration Committee. During the year the Remuneration Committee met three times, with sessions on the following dates: 6 March 2007, 3 May 2007, 26 July 2007. During the current year the Committee met once, on 5 March 2008. The percentage of participation of the Committee members at the meetings is indicated in the table at paragraph 5.1 of this Report.

The Committee is composed of three Directors, two of which are non-executive and independent: Dr. Garraffo, Chairman, and Prof. Vitale, together with Dr. Nazzari, an executive Director. The Board appointed Dr. Nazzari to the office of Committee Member, despite his status, because the institutional activities he conducts as delegated by the Board, in relation to their nature, are not considered strictly executive functions.

Directors must abstain from participating at Committee meetings, which formulate proposals for the Board that relate to their own remuneration.

At the invitation of the Committee Chairman, with reference to specific points on the agenda, some persons who are not Committee members have participated at Committee meetings, specifically the Chairman of the Board and CEO, Chief Officer of Human Resources of the Group and the Chief Financial Officer of the Group. The Legal Office has always been present to draw up the minutes of the meetings.

Role of the Remuneration Committee

The Remuneration Committee has the following functions:

- to present proposals for the remuneration of Directors and Directors endowed with special mandates to the Board and to monitor application of the deliberations adopted by the Board;
- to periodically evaluate the criteria adopted in relation to the remuneration of Managers with strategic responsibilities, to monitor application of the same on the basis of information provided by the CEO and to provide the Board with general guidelines about these matters;
- to execute the functions assigned by the Board in relation to the administration of stock option plans to be offered to employees and/or Directors of the Company and of subsidiaries, for shares of the Company or options on the same, without any exception to the general competence of the Board itself to supervise this matter.

At the meetings as above, the principal activities of the Committee were: preparation of proposals for the Board about the remuneration of the mandate conferred on Dr. Nazzari (in his absence), preparation of proposals for the Board to enable participants in the 2006-2009 Stock Option Plans to satisfy all of the conditions established by tax regulations in force so that the revenues that derive from the sale of shares acquired through exercise of stock options may be taxed as capital gains instead of income from a labour contract; evaluation of the criteria adopted to establish the remuneration of managers with strategic responsibilities and the objectives of the Chairman and CEO; a preliminary evaluation of a new long-term incentive plan.

Minutes of all meetings of the Remuneration Committee have been drawn up regularly. The Committee had access to the information and Company offices that were necessary, and also to make use of external consultants, but did not incur any expenses during the Year to carry out its duties.

10. DIRECTORS' REMUNERATION

A significant part of the remuneration of the Chairman and CEO Eng. Recordati and of Director Andrea Recordati, both executive directors, depends on the economic results of the Company and the achievement of specific objectives,

by means of an MBO (management by objectives) system. The remuneration of Dr. Nazzari has no variable component, even though he is qualified as an executive Director, as a consequence of the particular mandate conferred on him, because the institutional activities he conducts are not considered strictly executive functions. Similarly, the remuneration of executive Director Dr. Alberto Recordati does not include a variable component, because he is not endowed with specific mandates but executes special assignments from time to time.

Stock option plans are available to executive Directors (with the exception of Dr. Nazzari for the motives indicated above) and to managers with strategic responsibilities. In addition, stock option plans are also available to Eng. Giovanni Recordati (who also holds the office of General Manager), Dr. Alberto Recordati and Mr. Andrea Recordati, not in relation to being Directors but rather in their roles as managers with strategic responsibilities.

Remuneration of non-executive Directors is not linked to the profits of the Company, but rather is determined by considering the presence or not in the Committees as above. Non-executive Directors do not have access to the stock option plans.

The following table summarizes the payments received by Directors, the remuneration of General Managers and by managers with strategic responsibilities (cumulative data) during the Year:

Name	Emolument for the office	Non-monetary benefits	Bonus and other incentives	Other remuneration	Total
GIOVANNI RECORDATI	130,000.00 * * *	26,910.00		1,179,498.00 (1)	1,336,408.00
ALBERTO RECORDATI	80,000.00 * *			287,562.00 (1)	367,562.00
ROMILDA BOLLATI DI ST. PIERRE	15,000.00				15,000.00
MARIO GARRAFFO	35,000.00				35,000.00
FEDERICO NAZZARI (**)	218,650.00 *				218,650.00
CARLO PEDERSOLI	30,000.00				30,000.00
ANDREA RECORDATI	30,000.00			153,410.00 (1)	183,410.00
MARCO VITALE	35,000.00			100,000.00 (2)	135,000.00

First and last name	Office	Emolument for the office	Non monetary benefits	Bonus and other incentives	Other remuneration
Dr. Giovanni Battista Soro	Gen. Man. Pharm. Div. Italia				732,024.23 (3)
Dr. Giorgio Oberrauch	Gen. Man Chem. Pharm. Div.				213,171.00 (1)
Eng. Walter Bevilacqua	Chief Officer Corporate Development				1,879,214.00 (1)
Dr. Luciano Bonacorsi	Chief Officer Human Resources of the Group				
Dr. Celestino Di Rollo	Chief Officer Pharm. Div. Italy				
Dr. Abraham Sartani	Chief Officer Pharm. R&D Div.				
Dr. Fritz Squindo	CFO of the Group				
Dr. Franco Tomasini	Chief Officer Industrial Div. of the Group				

* of which: € 30,000.00 as member of the Remuneration Committee; € 188,650.00 for special assignments

** of which: € 30,000.00 as member of the Executive Committee; € 50,000.00 as Deputy Chairman

*** of which: € 30,000.00 as member of the Executive Committee; € 100,000.00 as Chairman and CEO

(1) Income from employment contract

(2) Consulting fees

(3) Of which € 154,907.00 for income from employment contract with Recordati S.p.A. and € 577,177.23 as Chairman and CEO of Innova Pharma S.p.A.

11. INTERNAL AUDIT COMMITTEE

The Board has established an Internal Audit Committee, comprising the following non-executive and independent (within the meaning described above) directors: Marco Vitale, Mario Garraffo and Carlo Pedersoli.

This Committee is responsible for analysing problems and defining important policies for the auditing of company activities, providing consultancy and making proposals to the Board of Directors with regard to the preparation, analysis and functioning of the internal control system.

During the Year, the Committee met four times: 1 March 2007, 3 May 2007, 26 July 2007 and 25 October 2007. In the current year, the Committee met on 7 February 2008, 20 February 2008 and 5 March 2008. The percentage attendance of Committee members at meetings is shown in the table contained in paragraph 5.1 of this Report.

Two of the three members of the Committee have experience in accounting and financial matters.

The Chairman of the Board of Statutory Auditors or another auditor designated by the latter have constantly participated in the Committee's work.

At the invitation of the Chairman of the Committee and with regard to individual items on the agenda, various non-members have participated in meetings, in particular the Chairman and Chief Executive Officer, the Group Finance Director, the Internal Control Officer, the Supervisory Board set up pursuant to Legislative Decree 231/01 and representatives of the Audit Firm. The legal service is always involved in the minuting of meetings.

Duties assigned to the Internal Audit Committee

The Internal Audit Committee assists the Board of Directors in carrying out a number of tasks within the remit of the Board, namely:

- define the guidelines for the internal control system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and also determine criteria to assess whether such risks are compatible with a sound and proper management of the business;
- identify an Executive Director (generally one of the Chief Executive Officers) responsible for monitoring the functionality of the internal control system;
- evaluate, at least once a year, the adequacy, efficiency and effectiveness of the internal control system;
- describe, in the Corporate Governance Report, the key components of the internal control system and express its evaluation of the overall adequacy of the system.

The Internal Audit Committee also:

- assesses, together with the manager appointed to prepare the corporate accounting documents and with the auditors, the correct use of accounting principles and their consistency in the preparation of the consolidated financial statements;
- at the request of the specially appointed Executive Director, expresses opinions on specific aspects concerning the identification of the principal business risks and concerning the design, construction and management of the internal control system;
- examines the work plan prepared by the Internal Control Officer and his periodic reports;
- evaluates the proposals submitted by the audit firm with a view to being awarded the contract, as well as the work plan prepared for the audit and the results set out in the report and in any management letter;
- reports to the Board on the activities undertaken and on the adequacy of the internal control system, at least once every six months, at the time of approval of the annual accounts and half-yearly report;
- makes proposals to the Board of Directors regarding changes to be made to the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company;
- makes proposals to the Board of Directors regarding the appointment of members of the Supervisory Board set up pursuant to Legislative Decree 231/01 and regarding the allocation of the annual budget to that body;
- expresses an opinion on the appointment and dismissal of the internal control officer(s); - expresses an opinion on the appointment of the manager appointed to prepare the corporate accounting documents;
- expresses an opinion on the procedures for the approval and performance of related party transactions conducted by the Company or by its subsidiaries, and expresses an opinion on individual related party transactions, where required by the procedure from time to time in force;
- performs any additional tasks that are assigned to it by the Board of Directors.

The monitoring of the effectiveness of the auditing process has been referred by the Board of Directors to the Board of Statutory Auditors, in so far as the latter is considered, by virtue of the powers granted to it by current legislation, is the most suitable body to carry out such supervisory activity.

The Committee's activities in the aforementioned meetings mainly concerned: an evaluation of the adequacy of the accounting principles; an examination of the reports of the Supervisory Board set up pursuant to Legislative Decree 231/01 and of the Internal Control Officer; an examination of the work plan prepared by the Internal Control Officer; an assessment, at the time of the decision of the Shareholders in the meeting of 11 April 2007 to extend the contract of the audit firm, of the proposal made by that firm; the submission of a proposal to the Board regarding the appointment of the Appointed Manager; the submission of proposals to the Board regarding updates to the Model established pursuant to Legislative Decree 231/01, including procedures for compliance with Law 262/05; the issuance of an opinion on the appointment of the new internal control officer and on the suitability of his remuneration; the submission of a proposal to the Board regarding the formalisation of the guidelines for the internal control system; the issuance of an opinion on the "procedure for significant transactions, with related parties or in which a Director holds an interest". The Committee also reported to the Board on the

activities undertaken and on the adequacy of the internal control system, at the time of approval of the annual accounts and half-yearly report.

Meetings of the Internal Audit Committee were properly minuted. The Committee had the opportunity to access company information and access the units necessary to perform its duties and to make use of external advisors, but during the Year the Committee did not occur any expenses in the performance of its duties.

12. INTERNAL CONTROL SYSTEM

The Board has defined the guidelines for the internal control system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and has also determined the criteria to establish whether such risks are compatible with a sound and proper management of the business.

The key components of the Company's Internal Control System are the ethical principles and values embodied in the Company's Code of Ethics, the system of compliance procedures and models, the organisational structures, the current system of powers and delegations, the risk monitoring and reporting system and the information systems.

The Board has positively assessed the adequacy, efficiency and effectiveness of the internal control system, based on the information provided during meetings in the form of reports presented by the Internal Audit Committee (which made its assessments of the internal control system principally on the basis of those expressed by the Internal Control Officer in his reports) and by the Supervisory Board set up pursuant to Legislative Decree 231/2001. The Board has also constantly approved the updates to the Organisational, Management and Control Model established pursuant to Legislative Decree 231/2001, including the procedures for compliance with Law no. 262/05.

12.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL SYSTEM

The Board of Directors has identified the Chairman and Chief Executive Officer, Giovanni Recordati, as the Executive Director responsible for monitoring the functionality of the internal control system.

The Executive Director responsible for monitoring the functionality of the internal control system:

- has identified, with the help of the Internal Control Officer, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries and has regularly informed the Board of those risks;

- has implemented the guidelines defined by the Board and, with the help of the Internal Control Officer and other competent units within the Company, has designed, constructed and managed the internal control system while constantly checking its overall adequacy, efficiency and effectiveness;
- has brought the system, again with the help of the Internal Control Officer and other competent units within the Company, into line with changes in operating conditions and in the legislative and regulatory framework;
- has proposed to the Board the appointment of the Internal Control Officer and has given an assessment of the suitability of the latter's remuneration.

12.2. INTERNAL CONTROL OFFICER

The Board has appointed Giovanni Minora, Head of Group Auditing, as Internal Control Officer, at the proposal of the Executive Director responsible for monitoring the functionality of the internal control system and having consulted with the Internal Audit Committee.

Note that the Group Auditing Unit, of which Dr. Minora is the Head, reports hierarchically to the Chairman and Chief Executive Officer and has no connection with any operational area.

The Board, having consulted with the Internal Audit Committee, has assessed the suitability of the remuneration paid to the Internal Control Officer as an employee of the Company (defined at the time of recruitment) according to the Company's policies.

The Officer's duties are as follows:

- a) explain the proposed annual work programme to the Internal Audit Committee so that the Internal Audit Committee can make any suggestions;
- b) help the Executive Director responsible for monitoring the functionality of the Internal Control System with the design, management and monitoring of the Internal Control System and with the identification of the various risk factors;
- c) plan and carry out, in a manner consistent with the annual work plan, any direct and specific auditing tasks within Recordati S.p.A. and within all the subsidiaries, particularly in relation to companies having strategic importance, in order to identify any shortcomings in the Internal Control System in the various areas of risk;
- d) check that the rules and procedures for auditing processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- e) carry out checks at his own initiative or at the request of the Board of Directors, the Internal Audit Committee, the Executive Director responsible for monitoring the functionality of the Internal Control System or the Board of Statutory Auditors;

- f) report on the results of his auditing activities to the Executive Director responsible for monitoring the functionality of the Internal Control System;
- g) prepare a half-yearly summary report on the activities undertaken during the period for the Internal Audit Committee and for the Board of Statutory Auditors;
- h) where critical aspects emerge requiring urgent intervention, immediately inform the Executive Director responsible for monitoring the functionality of the Internal Control System, the Internal Audit Committee and the Board of Statutory Auditors in order to update them on the results of his actions.

In particular, during the Year, the Internal Control Officer:

- explained the annual work programme to the Internal Audit Committee;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the Internal Control System on the results of the auditing activities undertaken during the Year;
- reported on his actions and on the results of the activities undertaken to the Internal Audit Committee and to the Board of Statutory Auditors of the Company.

The Internal Control Officer had access to an operating budget which was used to carry out the audits and checks performed in the Year.

12.3. ORGANISATIONAL MODEL established pursuant to Legislative Decree 231/2001.

The Company has for some time adopted a Model which represents an organisational and operational tool aimed at preventing the Company's employees and colleagues from committing the crimes specified in Legislative Decree 231/01.

The duties of monitoring the adequacy, updating and effectiveness of the Model have been transferred by the Company to a Supervisory Board having collective form, comprising two external members and one Company employee.

The Model consists of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the Supervisory Board. The specific part includes, *inter alia*, a "map" of the areas where the risk of crime is more marked and a significant number of "protocols" through which measures are put in place to prevent the commission of offences in the areas identified in the map. A similar model has been adopted for the subsidiary Innova Pharma S.p.A.

A presentation of the Model adopted by the Company is available on the Company's website at http://www.recordati.it/rec_it/cg/compliance/

For subsidiary companies having strategic importance and based abroad, it is currently being assessed whether to adopt measures having a similar purpose to that of the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company.

12.4. AUDIT FIRM

Deloitte & Touche S.p.A. is the Audit Firm appointed to audit the Company. The appointment was formally made by the Shareholders' Meeting on 6 April 2005 and extended for the years 2008-2009-2010 by the Shareholders' Meeting on 11 April 2007.

12.5. MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS

On 3 May 2007, the Board of Directors, having noted the favourable opinion of the Board of Statutory Auditors and of the Internal Audit Committee, appointed Fritz Squindo, Group Finance Director, as the Manager appointed to prepare the corporate accounting documents.

During that meeting, it was confirmed that he satisfied the requirements of respectability and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in art. 26, that the Manager appointed to prepare the corporate accounting documents must not only satisfy the requirements of respectability laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

13. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board has established a procedure for the approval and execution of related party transactions performed by the Issuer, or by its subsidiaries, and has defined the criteria for identifying the transactions that require the approval of the Board after consulting with the Internal Audit Committee and/or after seeking the assistance of independent experts.

In particular, based on the aforementioned procedure, the following related party transactions carried out by the Company, including through its subsidiaries, are referred to the Company's Board for prior examination having sought the opinion of the Internal Audit Committee:

A) related party transactions which, by virtue of their object, consideration, conditions or timeframe, may have an effect on the protection of the Company's assets or on the

completeness and correctness of information, including accounting data, relating to the Company and/or to the subsidiaries, for which there exists an obligation of public disclosure in accordance with the terms and conditions identified by Consob regulations (art. 71-*bis* of the Issuers Regulations).

B)

- the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding EUR 5 million for each transaction;
 - the purchase, sale or other act of disposal of shareholdings in other companies, and the purchase and sale of businesses and branches, for amounts exceeding EUR 5 million each;
 - the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding EUR 5 million each;
 - the granting of loans or guarantees for amounts exceeding EUR 5 million for each transaction;
 - transactions involving the provision of works or services, partnership agreements to carry out or develop company activities for amounts exceeding EUR 5 million each;
 - transactions of any kind for an amount exceeding EUR 1 million if the related party falls into certain categories, including principally the entity which controls the Company, those to whom powers and responsibilities are granted with regard to the performance of duties involving the administration, management and control of the Company, and the Company's managers with strategic responsibilities as well as the "close family members" of the individuals indicated above;
- with the exception of intragroup transactions which are not atypical or unusual or to be carried out under non-standard conditions.

C) transactions of any kind, including intragroup transactions, which are atypical or unusual and/or to be carried out under non-standard conditions.

The following transactions simply need to be reported to the Board by the Chairman and Chief Executive Officer:

- related party transactions that fall within the types described above, for amounts lower than those indicated above, but which remain significant;
- intragroup transactions which are particularly significant in terms of their amount or type.

In the case of related party transactions falling within the exclusive remit of the Board, the Chairman and Chief Executive Officer will ensure that supporting documents are made available in a timely manner to members of the Board and of the Internal Audit Committee for their assessment.

Where the nature, value or other characteristics of a related party transaction falling within the exclusive remit of the Board so require, in order to prevent the transaction from being carried out under different conditions from those which would probably have been negotiated between unrelated parties, the Board is assisted by independent experts, who express an opinion on the financial conditions and/or legitimacy and/or technical aspects of the transaction, as applicable. The experts chosen must have proven and recognised professionalism and expertise and must be independent from the Company, its subsidiaries

and Directors and must have no conflict of interests in relation to the transaction.

Whenever a Director holds a personal or third party interest, including a potential or indirect interest, in relation to a specific transaction or matter referred to the Board of Directors or Executive Committee for examination and approval, that Director must inform the Board, the Executive Committee and the Board of Statutory Auditors respectively of his interest in a timely and thorough manner - specifying the nature, terms, origin and extent of that interest - and must stay away from the meeting during the respective negotiations unless the Board or, where applicable, the Executive Committee, considers his participation in the discussion and resolution to be necessary, depending on the specific circumstances, including, *inter alia*, the need to maintain the required quorums. A similar disclosure obligation exists for any Auditor who holds an interest, including a potential or indirect interest, in relation to the aforesaid matters or transactions.

14. APPOINTMENT OF AUDITORS

The appointment of Auditors is governed by art. 27 of the By-Laws, transcribed below:

"27) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law.

Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products.

The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.

Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidate are listed by means of a progressive number.

The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.

Only Shareholders who, individually or together with others, own shares with voting rights representing at least 2.5% of the voting capital or representing any lower percentage established or provided for by mandatory laws or regulations shall have the right to submit slates.

Each shareholder, including shareholders who have signed a shareholders' agreement pursuant to art. 122 of Legislative Decree no. 58/1998, the holding entity, subsidiaries, and jointly controlled entities are not permitted to submit or help to submit more than one slate or vote for different slates, including through an intermediary or trust company. Each candidate may only be present on one slate failing which he will be ineligible. Votes cast in violation of the above prohibition shall not be attributed to any slate.

Submitted slates shall be deposited at the Company's registered office at least fifteen days before the date scheduled for the Shareholders' Meeting at first call without prejudice to

any further forms of disclosure required by any rules or regulations from time to time in force.

The following documents shall be submitted by the deadline specified above as an annex to the aforementioned slates: a brief note identifying the shareholders submitting the slates (indicating the total percentage of share capital held), a detailed report on the professional and personal characteristics of each candidate, statements by individual candidates accepting their candidacy and certifying, under their own responsibility, that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the by-laws for the offices in question as well as a list of any management and audit positions held in other companies.

Slates not satisfying the requirements specified above shall be considered as not having been submitted.

Auditors shall be elected as follows:

1. from the slate which obtained the highest number of votes at the Shareholders' Meeting, two statutory auditors and one alternate auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;
2. from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which has no connection, not even indirectly, with the shareholders who submitted and voted for the slate which obtained the highest number of votes, one statutory auditor, who shall chair the Board of Statutory Auditors, and one alternate auditor shall be elected, based on the progressive order with which they are listed in the slate.

In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.

Should a single slate or no slate be submitted, all candidates for the posts of Statutory and Alternate Auditors named on the slate or respectively those voted for by the Shareholders' Meeting shall be elected provided that they obtain the respective majority of the votes cast in the Shareholders' Meeting.

Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.

Should it become necessary to replace a statutory auditor, the alternate auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elector, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.

It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor.

The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint Statutory and/or Alternate Auditors to complete the Board: if it is necessary to replace Auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace Auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes.

Should the application of the above procedures not result in the replacement of the Auditors designated by the minority for whatever reason, the Shareholders Meeting shall

hold a relative majority vote. However, votes cast by shareholders who hold the relative majority of voting rights that may be exercised in the Shareholders' Meetings, as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly or jointly with other shareholders who have signed a Shareholders' Agreement pursuant to art. 122 of Legislative Decree no. 58/1998, shall not be considered in establishing the outcome of such vote.

Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.

In the above case:

- the following must always be established:

a) the identity of all members attending at each connection point shall be verified;
b) each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;

- meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chairman and Secretary are located.

The Company's financial records shall be audited by the Audit Firm on the basis of applicable regulations."

Note, in particular, that, in accordance with the recommendations of the Code, art. 27 of the By-Laws, as transcribed above, stipulates that slates of candidates for the position of auditor submitted by shareholders and signed by those submitting them, must be deposited at the Company's registered office, available for consultation by any person so requesting, at least fifteen days before the scheduled date of the Shareholders' Meeting at first call. It is also underlined that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. Currently, this lower percentage, pursuant to arts. 144-quater and 144-septies of the Regulations adopted by CONSOB resolution no. 11971 of 14.4.1999 and CONSOB resolution no. 16319 of 29.1.2008, is 2%. The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, note that, again according to the above transcribed art. 27 of the By-Laws, two statutory auditors and one alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order with which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of votes, one statutory auditor, who will chair the Board of Statutory Auditors, and one alternate auditor are elected, based on the progressive order with which they are listed in the slate.

15. AUDITORS

The composition of the Board of Statutory Auditors in office on the closing date of the Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 6 April 2005 and its term of office will expire at the Shareholders' Meeting approving the financial statements for the year ended 31 December 2007, due to be held on 11 April 2008.

The personal and professional characteristics of each auditor are contained in appendix 1 of this Report.

Name	Position	In office since	Slate	Indep. acc. to Code.	% attendance Board meetings	Other positions
ALESSANDRO MANUSARDI	Chairman	6.4.2005	M	NO	100%	8
EMILIO AGUZZI DE VILLENEUVE	Statutory Auditor	6.4.2005	M	NO	81.8%	45
ORESTE SEVERGNINI	Statutory auditor	6.4.2005	M	NO	45.5%	33
CARLO SEVERGNINI	Alternate auditor	6.4.2005	M	NO		45
ANGELO GASTALDI	Alternate auditor	6.4.2005	M	NO		28

M slate = Auditor elected from the slate voted for by the majority

Indep = Auditor qualified as independent on the basis of the criteria set down in the Code

% Board meetings = attendance of meetings of the Board of Statutory Auditors' calculated in percentage terms from the start of the year or from recruitment to the post.

Other positions = total number of positions held in the companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code (see Appendix 3 to this Report).

During the Year, the Board of Statutory Auditors met eleven times. In particular, the meetings took place on the following dates: 8 February 2007, 1 March 2007, 6 March 2007, 13 March 2007, 11 April 2007, 3 May 2007, 23 July 2007, 26 July 2007, 17 October 2007, 25 October 2007 and 14 November 2007. As regards the current year, the Board of Statutory Auditors met on 7 February 2008 and 5 March 2008. The percentage attendance of Auditors in these meetings is shown in the table above.

At the time of their appointment on 6 April 2005, the auditors assessed their own independence solely in accordance with existing legislation, since, on that date, the Corporate Governance Code published in July 2002 was still in force and this made no reference to specific criteria of independence for Auditors which were different from those laid down in the legislation existing at that time. Following the adherence to the Code by the Company, the Board assessed its independence in accordance with

all the criteria laid down in the Code concerning the independence of Directors. As a result of this assessment, the Board observed that it did not satisfy the requirement of independence based on the criterion of not holding office for more than nine years in the last twelve years. Note that this non-conformity with the Code is justified not only by the legislative constraint arising from the system preventing the removal of Auditors but also by the imminent renewal of corporate offices within the company.

In the procedure prepared by the Company governing significant transactions, with related parties or in which a Director holds an interest, it was specified that, as is the case for the Directors, any auditor who holds a personal or third party interest in a specific transaction of the Company must inform the other Auditors and the Board in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Statutory Auditors has checked the independence of the audit firm Deloitte & Touche S.p.A., checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to a number of subsidiaries by the same audit firm and by the entities belonging to the latter's network. As far as the Company is concerned, no services other than financial auditing were provided by the audit firm.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Head of the Group Auditing Unit and with the Internal Audit Committee through the constant presence of the Chairman of the Board of Statutory Auditors and of a Statutory Auditor in Committee meetings, in which the Head of the Group Auditing Unit also usually participates.

16. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called "Shareholder information", which is easily identifiable and accessible and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner.

As part of the Company's organisational structure, Marianne Tatschke has been identified as investor relations manager. In addition, the tasks of the Legal and Corporate Service also include the task of looking after relations with shareholders in general.

17. SHAREHOLDERS' MEETINGS

On the basis of art. 10 of the By-Laws, Shareholders wishing to attend the Shareholders' Meeting must ensure that notifications from the intermediaries who hold their accounts are received at the registered office at least two working days before the scheduled date of the meeting.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

The Board does not perceive any current need, taking into account the holding of previous meetings, to draw up any regulations governing Shareholders' Meetings and believes that the powers granted to the chairman of the Shareholders' Meeting by law and in the by-laws are sufficient to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to guarantee that each shareholder has the opportunity to discuss the items placed on the agenda.

The Board of Directors, through the Chairman and Chief Executive Officer, reported, in the Shareholders' Meeting held on 11 April 2007, on activities undertaken and those planned, and responded to questions posed by a number of shareholders. The bundle containing a copy of the draft financial statements and consolidated financial statements, with the accompanying reports and the Directors' reports on the proposals concerning items placed on the agenda was handed out at the entrance and also sent to shareholders who had taken part in recent meetings in order to ensure adequate disclosure of the necessary information so that they could take the decisions for which they are responsible with full knowledge of the facts.

During the Year, there were no significant changes in the market capitalisation of the Company's shares or in the composition of its corporate structure. Therefore, in the Board's opinion, there was no need to assess whether to propose to the Shareholders' Meeting any changes to the By-Laws concerning the percentages established for the exercising of the actions and prerogatives provided for the protection of minorities.

APPENDIX 1

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS

GIOVANNI RECORDATI

Giovanni Recordati holds a degree in chemical engineering from the Politecnico di Milano and a master's degree in Management Sciences from Imperial College London.

He joined Recordati in 1974 as a researcher. In 1980, he was appointed as central production manager and, in 1984, as deputy general manager for operations and research. In 1990, he was appointed chief executive officer with responsibility for managing the operational activities of the group's Italian and foreign companies. He has been a member of the Board of Directors since 1977. Presently he is Chairman, Chief Executive Officer and general manager of Recordati S.p.A. as well as holding positions in other group positions.

ALBERTO RECORDATI

Alberto Recordati graduated from University of London King's College in 1977 and, in 1984, successfully completed a research PhD within the biochemistry department of Charing Cross Hospital Medical School.

He joined Recordati in 1984 as a researcher in the biochemistry laboratories. In 1987, he was appointed head of the planning and product development office. From 1990 to 1992, he worked for the US subsidiary Pharmetrix Corp as research project coordinator. In 1992 he was appointed industrial manager for biochemicals with responsibility for biochemical/microbiological research and for the Cascina dè Pecchi biochemical/fermentation production site. In 1995, he became head of the chemical research and technologies division. In 1999, he was appointed director in charge of the fine chemicals sector and in 2004 Deputy Chairman of Recordati S.p.A.

ANDREA RECORDATI

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he took part in the United Kingdom SmithKline Beecham Management Access Program, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative.

He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company.

In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed director of the German subsidiary Merckle Recordati GmbH. In August 2007, the Northern and Central Europe Branches Division was set up and he was appointed head of that division.

DONNA ROMILDA BOLLATI

Donna Romilda Bollati di Saint Pierre is Chairman of the publishing house BOLLATI BORIGHIERE EDITORE S.r.l. and holds various positions in many Italian companies: BARATTI & MILANO S.r.l., DORA S.a.s., FINAM S.r.l., ACCADEMIA PIEMONTESE DEL GIARDINO and FAI (Fondo per l'Ambiente Italiano).

CARLO PEDERSOLI

Carlo Pedersoli was admitted to the Milan bar in 1980.

A partner in the Pedersoli e Associati law firm, he is a civil lawyer who deals predominantly in company and commercial law for national and international clients operating both in the financial/banking sector and in the industrial sector. He has spoken at conferences on company and commercial law, analysing the topic of financial statements, validity of shareholders' resolutions and responsibility of auditors.

As well as sitting on the Board of Directors of the company Nextam Partners SGR S.p.A., he currently sits on the Board of Directors and is a member of the Internal Audit Committee of Recordati S.p.A.. He was also Chairman of the company Sistemi Tecnologici Holding S.p.A., the holding company of Sistemi Tecnologici S.p.A. and in turn the holding company of Sirti S.p.A..

MARCO VITALE

Marco Vitale, business economist, has carried out intense professional and educational work at the Universities of Pavia, Bocconi and Libera Università Carlo Cattaneo (of which he was one of the founders and vice-president) and at the Istao and Istud (foundation for business and management culture) management schools of which he is the chairman. Formerly a partner in Arthur Andersen, he is the founding member and chairman of Vitale Novello & Co. S.r.l. (senior management consultancy firm) in which he is a consultant and director of major companies. He was chairman from 1984 to 2003 of A.I.F.I., national association of merchant banks. He is deputy chairman of Banca Popolare di Milano and chairman of Bipiemme Gestioni SGR. He is chairman of Rino Snaidero Scientific Foundation, chairman of the scientific committee of AIdAF (Italian Association of Family Businesses) and member of the management committee of the Olivetti Foundation.

He has held significant public offices. He has written numerous books including: *La lunga marcia verso il capitalismo democratico* (published by Il Sole-24 Ore); *Liberare l'economia: le privatizzazioni come terapia alla crisi italiana* (published by Marsilio); *Le Encicliche sociali, il rapporto fra la Chiesa e l'economia* (published by Il Sole-24 ore); *Sviluppo e Spirito d'Impresa* (published by Il Veltro); *America. Punto e a capo* (Scheiwiller); *Il Mito Alfa* (Egea editore, Bocconi). He is a contributor for major newspapers and magazines. He is an energetic polemic and renowned speaker.

FEDERICO NAZZARI

Federico Nazzari has been involved in various roles in the pharmaceutical sector for 38 years. For almost twenty years, he worked for multinationals and for the remainder has worked in various roles in Italian companies.

In 1969, he started his professional career at Upjohn S.p.A. where he remained until 1979. After a spell of three years (1979-1982) at Farindustria as head of the Technical/Scientific Area, he returned to the same company (1982-1988) to supplement his professional experience in various positions until taking on the role of Deputy General Manager. In 1988, he moved to Maggioni Winthrop as Chief Executive Officer. In 1991, he was recruited by the Istituto Luso Farmaco d'Italia S.p.A. where he was appointed Chairman and Chief Executive Officer. In the same period he became Chairman of Lusochimica (company associated with Istituto Luso Farmaco d'Italia S.p.A. and manufacturer of active substances for the pharmaceutical industry) where he worked until June 2000. Between 2000 and 2007, he worked for Bracco as Group Vice President General Affairs. In February 2007, he joined the Board of Recordati S.p.A. with delegated authority for institutional relations.

Over these years, he has taken an interest in the problems of the entire pharmaceutical sector, becoming a member of the Board of Farindustria, the Italian pharmaceutical industry association of which he was elected Chairman in June 1995 and re-elected for a further two years in 1997 and subsequently in April 2003 for a third term. He is a member of the Technical / Health Committee of Confindustria, of the Board of Governors and Board of Federchimica, national federation of chemical industries and of the Management Committees of Assobiotec and Aschimfarma.

MARIO GARRAFFO

Mario Garraffo graduated in 1960 with a degree in Economics and Commerce from the Università Bocconi di Milano.

Between 1960 and 1970, he was Controller and Development Director of La Centrale Finanziaria Generale, a holding company principally involved in the area of public services (communications and energy). From 1970 to 1980, he was Investment Director at the IFI group; from 1980 to 1985 he was Chief Executive Officer of IFIL - Finanziaria di Partecipazioni and from 1985 to 1993 Chairman of IFINT (now NEXOR).

In 1993, he was chosen by Lazard to start up the group's business in Italy. He was appointed Chief Executive Officer until the acquisition by Lazard Italy of the investment bank Vitale, Borghesi & Co. in 1998.

In 1998, he was appointed Chief Executive Officer of UNIM, a post which he held until 2000 and as Chairman of General Electric Italia from 2000 to 2004. Since 2004 he has been a Senior Advisor for General Electric Europe.

He is an independent director, member of the Executive Committee and of the Remuneration Committee of Terna S.p.A and Recordati S.p.A. and of the Internal Audit Committee of the latter company. He has been a Trustee of the Johns Hopkins University of Baltimore and a Trustee of the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna.

From 1995 to 2006 he was President of the Università Bocconi Alumni Association and member of the Board of Directors of the Donna Javotte Bocconi Foundation (founding entity of the Università Bocconi).

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

STATUTORY AUDITORS

ALESSANDRO MANUSARDI

Graduated in 1962 from Università Luigi Bocconi with a degree in Economics and Commerce.

Registered with the Milan Ordine dei Dottori Commercialisti in June 1964. Started work as a professional accountant at the firm of Dr. Luigi Chiaraviglio becoming a joint partner in the firm as from 1969.

Entered on the Register of Chartered Accountants since February 1970, he has obtained and carried out important assignments in the area of bankruptcy, managing no fewer than 30 bankruptcy proceedings and acquiring substantial knowledge in company, fiscal and bankruptcy areas.

EMILIO AGUZZI DE VILLENEUVE

Emilio Aguzzi de Villeneuve graduated in 1962 with a degree in Economics and Commerce from the Università Commerciale Luigi Bocconi di Milano. For three years, he was an Attorney at the Milan Stock Exchange.

He has been registered with the Milan Ordine dei Dottori Commercialisti since 1966 and works for himself in the areas of financial reporting and auditing, application of tax laws and management control. He is Chairman of the Board of Statutory Auditors and a Statutory Auditor in corporations operating in various production sectors and, in particular, within banks and financial companies.

In the area of business management, he acquired significant experience by holding, for more than two years, the post of Sole Director of a company of the Efim group subject to compulsory liquidation.

ORESTE SEVERGNINI

Oreste Severgnini graduated with a degree in Economics and Commerce from Università Bocconi di Milano in 1966. He was registered with the Milan Ordine dei Dottori Commercialisti in 1967 and since then has been working in Milan as a partner of the Guido Severgnini e Associati firm. He has been a member of the board of statutory auditors of Recordati SpA since 1984.

ALTERNATE AUDITORS

CARLO SEVERGNINI

Carlo Severgnini graduated with a degree in Economics and Commerce from Università Cattolica del Sacro Cuore di Milano in 1977.

He has been registered with the Como Ordine dei Dottori Commercialisti since 1978 and the Milan Ordine dei Dottori Commercialisti since 2003.

He works in Milan as a partner in the Guido Severgnini e Associati firm.

ANGELO GASTALDI

Angelo Gastaldi has a degree in Economics and Commerce from the Università Bocconi di Milano.

He has been registered as a public accountant since 1964 and has been working since that date in Milan.

APPENDIX 2**LIST OF POSITIONS HELD BY DIRECTORS IN OTHER COMPANIES LISTED
ON REGULATED MARKETS (INCLUDING FOREIGN MARKETS) IN
FINANCIAL COMPANIES, BANKS, INSURANCE COMPANIES OR LARGE-
SIZED COMPANIES.****Donna Romilda Bollati di Saint Pierre**

- Sole Director FINAM S.r.l.

Carlo Pedersoli

- Director NEXTAM PARTNER SGR S.p.A.

Mario Garraffo

- Director PIRELLI S.p.A.
- Director TERNA S.p.A.

Marco Vitale

- Director A.S.M. BRESCIA S.p.A. (until 31.12.2007)
- Director ETICA SGR S.p.A.
- Deputy Chairman BANCA POPOLARE DI MILANO S.p.A.
- Chairman BIPIEMME GESTIONI SGR S.p.A.
- Director PICTET INTERNATIONAL CAPITAL MANAGEMENT
- Director PICTET & C. SIM S.p.A.
- Member of the Supervisory Board DEUTZ AG. (Cologne)
- Director SAME DEUTZ FAHR S.p.A.

- Chairman SAME DEUTZ FAHR ITALIA S.p.A.
- Director ERMENEGILDO ZEGNA HOLDITALIA S.p.A.
- Chairman VINCENZO ZUCCHI S.p.A.

APPENDIX 3

LIST OF POSITIONS HELD BY AUDITORS IN OTHER CORPORATIONS

Alessandro Manusardi

- Chairman of the Board of Statutory Auditors – RECOFARMA S.r.l.
- Chairman of the Board of Statutory Auditors – INNOVA PHARMA S.p.A.
- Chairman of the Board of Statutory Auditors – FIMEI S.p.A.
- Chairman of the Board of Statutory Auditors – PENOX ITALIA S.r.l.
- Statutory auditor – CARLO FERRO S.p.A.
- Statutory auditor - OSPEDALE CLINICIZZATO SAN DONATO S.p.A.
- Sole director - FIDUCIARIA VONWILLER S.p.A.
- Sole Director - ETADART S.r.l.

Emilio Aguzzi de Villeneuve

- Chairman of the Board of Statutory Auditors - ACCIAI della SAAR S.p.A. Soc.Unip.
- Chairman of the Board of Statutory Auditors - BARCLAYS FINANCIAL SERVICES ITALIA S.p.A.
- Chairman of the Board of Statutory Auditors - BARCLAYS PRIVATE EQUITY S.p.A.
- Chairman of the Board of Statutory Auditors - BARCLAYS FAMILY SPA
- Chairman of the Board of Statutory Auditors - CENTRO SPORTIVO DORA RIPARIA S.r.l.
- Chairman of the Board of Statutory Auditors - CESARE BONETTI S.p.A.
- Chairman of the Board of Statutory Auditors – COMEPRE S.r.l.
- Chairman of the Board of Statutory Auditors - DATAMILL S.r.l. Soc. Unipersonale
- Chairman of the Board of Statutory Auditors - IMMOFIL S.p.A.
- Chairman of the Board of Statutory Auditors - ISTIFID S.p.A.
- Chairman of the Board of Statutory Auditors - LAGO S.p.A.
- Chairman of the Board of Statutory Auditors - MEDIOLANUM S.r.l.
- Chairman of the Board of Statutory Auditors - NEINVER ITALIA S.p.A.
- Chairman of the Board of Statutory Auditors - P.D.M. Pozzoni Direct Marketing S.r.l.
- Chairman of the Board of Statutory Auditors - PORTO TURISTICO CAMILLO LUGLIO S.r.l.
- Chairman of the Board of Statutory Auditors - SOCIETA' GENERALE DISTRIBUZIONE S.p.A.
- Chairman of the Board of Statutory Auditors - TABLAS S.r.l.
- Statutory auditor - ABAXBANK S.p.A.
- Statutory auditor - AURORA COSTRUZIONI S.r.l.
- Statutory auditor - CASSA LOMBARDA S.p.A.
- Statutory auditor - CIVE S.p.A.
- Statutory auditor - EMMECI S.r.l.
- Statutory auditor - FIMEI S.p.A. (holding company of listed company)
- Statutory auditor - FINAIM S.p.A.
- Statutory auditor - GE CAPITAL FINANCE S.p.A.
- Statutory auditor - GIPI LASERS S.p.A.
- Statutory auditor - HILTI ITALIA S.p.A.
- Statutory auditor - ITALDIS S.r.l.
- Statutory auditor - L'AMBROSIANA IMMOBILIARE S.r.l.
- Statutory auditor - LA MODERNA CARTOTECNICA S.r.l.
- Statutory auditor - LASER OPTRONIC S.p.A.
- Statutory auditor - MONTEFARMACO OTC S.p.A.
- Statutory auditor - SAFIM S.r.l.
- Sole director - MASCAGNI SERVIZI S.r.l.
- Sole director - TULA S.r.l.
- Director - IMMOBILIARE SAN CARLO TRIESTE S.p.A.
- Alternate auditor - A. RAMAIOLI & C. S.R.L.
- Alternate auditor - C. & C. S.r.l.
- Alternate auditor - CEGEDIM ITALIA S.r.l.
- Alternate auditor - SHOP S.p.A.
- Alternate auditor - SUPERMARKETS DUGAN S.r.l.

- Alternate auditor - RECOFARMA S.r.l.
- Alternate auditor - INNOVA PHARMA S.p.A.
- Alternate auditor - IMMOBILIARE MANIN S.p.A.
- Alternate auditor - TEX FACTOR S.p.A.

Oreste Severgnini

- Chairman of the Board of Statutory Auditors – AAT SOCIETA' PER AZIONI IN LIQUIDAZIONE
- Chairman of the Board of Statutory Auditors – BRACCO BIOMED S.p.A
- Chairman of the Board of Statutory Auditors – CAMPO DEI FIORI S.r.l
- Chairman of the Board of Statutory Auditors – DALMINE S.p.A
- Chairman of the Board of Statutory Auditors – FELOFIN S.p.A.
- Chairman of the Board of Statutory Auditors – IGLI S.p.A.
- Chairman of the Board of Statutory Auditors - MIKADO FILM S.p.A.
- Chairman of the Board of Statutory Auditors - SEPA S.p.A.
- Chairman of the Board of Statutory Auditors – TECHINT COMPAGNIA TECNICA INTERNAZIONALE S.p.A.
- Chairman of the Board of Statutory Auditors – TECHINT FINANZIARIA S.r.l.
- Chairman of the Board of Statutory Auditors – TENOVA S.p.A.
- Statutory auditor – B&D HOLDING DI MARCO DRAGO E C. S.A.P.A.
- Statutory auditor – DE AGOSTINI S.p.A.
- Statutory auditor – FELICIA S.p.A.
- Statutory auditor – I.T.A. S.p.A.
- Statutory auditor – KERTELL S.p.A.
- Statutory auditor – PM GROUP S.p.A.
- Chairman of the Supervisory Board – LA CAPINERA S.p.A.
- Chairman of the Board of Directors – FINSEV S.A.
- Chairman of the Board of Directors – IMMOBILIARE VITAGLIANO S.p.A.
- Director – ALI S.p.A.
- Director – ALU S.p.A.
- Director – ARGINT S.A.
- Director and Chairman of the Supervisory Board - BANCA POPOLARE DEL COMMERCIO E DELL'INDUSTRIA S.p.A.
- Director – BERGER TRUST S.p.A.
- Director – KERTELL US INC.
- Director – LUALDI S.p.A.
- Director and member of the Internal Audit Committee – RATTI S.p.A.
- Director – SERIN UK LIMITED
- Director – SIDI S.p.A. SOCIETA' ITALIANA DI INFORMATICA
- Director – SPA SOCIETA' PRODOTTI ANTIBIOTICI S.p.A.
- Secretary of the Board – CAMILLA TEXTILES S.p.A.
- Auditor – DE AGOSTINI INVEST S.A.

ALTERNATE AUDITORS

Angelo Gastaldi

- Chairman of the Board - EDIZIONI NEWCO S.p.A.
- Deputy Chairman - CENTRO STUDI FRATELLI BRANCA S.r.L
- Chief Executive Officer - FRATELLI BRANCA S.A.
- Chief Executive Officer - BRANCA REAL ESTATE S.r.L.
- Sole Director - COINCE S.r.L.
- Sole Director - IMMOBILIARE LEGRENZI S.r.L.
- Director - BRANCA INTERNATIONAL S.p.A.
- Director - FRATELLI BRANCA DISTILLERIE S.r.L.
- Director - BRANCA INVESTMENTS S.r.L.
- Chairman of the Board of Statutory Auditors - SALVI & C. S.p.A.

- Chairman of the Board of Statutory Auditors - ALGAFINA S.p.A.
- Chairman of the Board of Statutory Auditors – FIBRAN S.r.L.

- Chairman of the Board of Statutory Auditors - COVENTYA S.p.A.
- Chairman of the Board of Statutory Auditors - COVENTYA HOLDING ITALY S.p.A.
- Chairman of the Board of Statutory Auditors - NEMEA S.p.A. IN LIQUIDAZIONE
- Chairman of the Board of Statutory Auditors - LA PRAIRIE S.p.A.
- Chairman of the Board of Statutory Auditors - MENZOLIT S.r.L.
- Chairman of the Board of Statutory Auditors - IMMOBILIARE MONT S.p.A.
- Chairman of the Board of Statutory Auditors - O.ERRE S.p.A.
- Chairman of the Board of Statutory Auditors - R.O.A.M. S.p.A.
- Chairman of the Board of Statutory Auditors - PIES S.p.A.
- Statutory auditor - CHEMETALL S.r.L.
- Statutory auditor - CHEMETALL ITALIA S.r.L.
- Statutory auditor - CIEMME S.p.A.
- Statutory auditor - FINCIEMME S.p.A.
- Statutory auditor - COFILP S.p.A. IN LIQUIDAZIONE
- Statutory auditor - COSMOSOL S.r.L.
- Statutory auditor - ROSLER ITALIANA S.r.L.

Carlo Severgnini

- Chairman of the Board of Directors - LINCOLN S.A.
- Managing Director - ITACA S.P.A.
- Director - ARGIANO S.R.L.
- Director - ARGINT S.A.
- Director - DODICI SPA
- Director - UNIONE SERVIZI SRL
- Director - SO.FI.S.T. Società Finanziaria
- Director - Sviluppo Tessile Spa
- Director - Camperio Spa SIM
- Sole Director - C.I.T.A.I. Compagnia Italiana Terreni Allevamento e Impianti S.P.A.
- Sole Director - Carolus Srl
- Sole Director - Immobiliare Moso Srl
- Sole Director - La Capinera Srl
- Sole Director - Immobiliare Sucota Spa
- Auditor - CITAI LUX S.A.
- Auditor - Felofin Holding S.A.
- Auditor - Finanziaria Regina S.A.
- Auditor - SO.CO.PAR. S.A.
- Auditor - Sucota Real Estate S.A. Holding
- Chairman of the Board of Statutory Auditors - Brandart Image Packaging Srl
- Chairman of the Board of Statutory Auditors - Castello delle Regine Spa
- Chairman of the Board of Statutory Auditors - Consorzio Imprenditori Alberghieri Srl
- Chairman of the Board of Statutory Auditors - Findim Finanziaria Spa
- Chairman of the Board of Statutory Auditors - Findim Immobiliare Spa
- Chairman of the Board of Statutory Auditors - Helvar Srl
- Chairman of the Board of Statutory Auditors - Imca Spa
- Chairman of the Board of Statutory Auditors - Ita Spa
- Chairman of the Board of Statutory Auditors - Ranza Spa
- Chairman of the Board of Statutory Auditors - Star Stabilimento Alimentare Spa
- Chairman of the Board of Statutory Auditors - Titignano Agricola Spa
- Chairman of the Board of Statutory Auditors - Touring Editore Srl
- Chairman of the Board of Statutory Auditors - Touring Servizi Srl
- Chairman of the Board of Statutory Auditors - Touring Vacanze Srl
- Chairman of the Board of Statutory Auditors - Touring Viaggi Srl
- Chairman of the Board of Statutory Auditors - Vivai della Bandiera Spa
- Statutory Auditor - 3M Italia Spa
- Statutory Auditor - Burlodge Srl
- Statutory Auditor - Diafin Spa
- Statutory Auditor - Felofin Spa

- Statutory Auditor - Global Reinsurance Brokers Spa

- Statutory Auditor - Immobiliare Garibaldi Spa
- Statutory Auditor - Montalbano Servizi Spa
- Statutory Auditor - Multicatering Spa
- Statutory Auditor - Firme Spa
- Statutory Auditor - Immobiliare Adamello