

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

**(11<sup>TH</sup> APRIL 2019 SINGLE CALL)**

### **Report on item fourth on the agenda of the Ordinary Shareholders' Meeting and relating resolution proposal**

**Proposal to authorise the purchase and disposal of treasury stock; relating and consequent resolutions.**

To Our Shareholders,

In compliance with Art. 125-*ter* of Legislative Decree No. 58/1998 and Art. 73 of the Regulation taken with Consob resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments ("Issuers' Regulations"), we hereby submit the authorisation request, within the limits and according to the procedures detailed below, to the purchase and utilization of treasury stock.

#### **1. Reasons behind the authorization request aimed at purchasing and disposing of treasury stock**

The treasury stock purchase and disposal authorization request is aimed at allowing the Company to reach several targets, namely:

- (i)* fulfilling the obligations arising from the stock option plans already adopted by the Company and other stock option plans which might be approved in future;
- (ii)* carrying out industrial initiatives, since the authorization to purchase treasury stock will allow transactions such as the sale, contribution and exchange of treasury stock in order to acquire stakes in companies and/or to reach agreements with strategic partners within the Group's expansion objectives;
- (iii)* supporting the Recordati's shares liquidity, in order to promote the regular course of the shares' negotiations and avoid price fluctuations inconsistent with the market trend.

#### **2. Maximum amount, category and face value of the shares under the authorization request**

In order to achieve the above said objectives, we propose that you authorise the Board of Directors also with power delegation to the Chief Executive Officer and possibly to other Directors, to purchase, even in one or more tranches, a maximum of 7,500,000 Recordati S.p.A. ordinary shares with a par value of €0.125, corresponding to 3.59% of the current share capital of €26,140,644.50 and in any event for a maximum amount of 280,000,000 a percentage and amount which, as detailed below, complies with article 2357 of the Italian Civil Code.

At the same time, we ask you to authorise, in accordance with Art. 2357-*ter* of the Italian Civil Code, the Board of Directors also with the power delegation to the Chief Executive Officer, and possibly to other Directors, to dispose of, even in more than one tranche and for the purposes for which the authorisation is requested, the treasury stock that may be purchased, by means of sale and assignments, according to the procedures indicated below. All the foregoing, always within the purposes identified at Section 1 above.

### **3. Information on the maximum permitted amount of treasury stock purchase under article 2357, alinea 3, of the Italian Civil Code**

In order to comply with the third paragraph of article 2357 of the Italian Civil Code, we hereby report that the share capital of the Company amounting to € 26,140,644.50 currently consists of 209,125,156 ordinary shares with a value of € 0.125 each.

We also report that on 28<sup>th</sup> February 2019 the Company holds in its portfolio n. 5,055,071 treasury stock shares, corresponding to 2.42% of the nominal share capital. Even in the event that all the shares under the authorization request would be purchased, without dismissal in the meantime of any of the treasury stock held as of today in the portfolio, the Company would reach the property of 12,555,071 treasury shares, with an overall amount equal to 6% of the corporate capital, that is a percentage under the permitted threshold according to the law (i.e. 20% of the nominal value of the corporate capital).

### **4. Duration of the requested authorization**

The authorisation to purchase is requested until the date of the approval of the financial statement as of 31<sup>st</sup> December 2019. The disposal of purchased shares may occur without time limits, exception being made for the law provisions and regulations from time to time applicable.

### **5. Maximum and minimum consideration**

The Board proposes the minimum unit price for the purchase to be not less than the par value of the RECORDATI S.p.A. ordinary shares (currently € 0.125) and the maximum price not to be greater than the average of the official stock exchange prices in the five sessions prior to the purchase, plus 5%. The Board in any case proposes that the purchases of ordinary treasury stock, if carried out for liquidity purposes, or to comply with stock options plans obligations, may be effected in compliance with (i) the market practice approved by Consob according to art. 13 Reg. EU 596/2014, and (ii) art. 5 of such Regulation, as well as second Chapter of Reg. EU 1052/2016. All of it also with respect to the shares purchase price on the market.

With regard to the maximum expense limit, the Board observes that in accordance with article 2357 of the Italian Civil Code, first alinea, treasury stock may be purchased up to the limits of the distributable profits and the reserves available resulting from the last financial report approved.

In this respect, it is underlined that in the financial statements of the Company as at and for the year ended on 31<sup>st</sup> December 2018, submitted for your approval during the meeting scheduled on 19<sup>th</sup> April, the distributable profits amount to € 217,330,294 (of which € 91,760,954 have already been distributed in November 2018 as interim dividend) and the total amount of the reserves is € 270,874,503:

Additional paid-in capital:	€ 83,718,523
Extraordinary Reserve:	€ 73,184,163
Reserve formed following the transition to IFRS/IAS standards:	€ 113,971,817

We therefore highlight that considering the maximum price mentioned previously (Euro 280,000,000), the distributable profits and the distributable reserves are sufficient to cover any possible purchase of treasury stock.

## 6. Procedures for the purchase and sales

As far as it concerns the purchase transactions procedures, which may be performed in one or more tranches, the Board proposes these transactions to be performed, through duly appointed intermediaries, in compliance with Art. 144 *bis*, of the Issuers' Regulations:

- (i) on regulated markets, according to procedures set forth in the stock exchange regulations, which do not allow direct matching of purchase proposals with pre-determined sale proposals;
- (ii) in compliance with the market practices approved by Consob, according to art. 13 Reg. EU 596/2014;
- (iii) in compliance with art. 5 Reg. EU 596/2014.

As far as it concerns the procedures for the utilisation, on the one hand it is proposed that the Shareholders' Meeting authorises the Board of Directors - also with power delegation to the Chief Executive Officer and possibly to other Directors - at any time, to dispose, fully or in part, in one or more tranches and even before all possible purchases are made – of the treasury stock purchased, (i) to implement stock option plans (ii) by sale on regulated markets either in lots or by public tender offer and, if it is the case, (iii) any treasury stock purchased may be used as payment for the purchase of shares and/or the conclusion of agreements with strategic partners. All the foregoing is subject to the compliance with any applicable law and possibly performed pursuant to and for the purposes of the market practices approved by Consob according to art. 13 Reg. EU 596/2014.

## 7. Possible reserves to be used in case of treasury stock cancellation

The proposal for the purchase of treasury stock is not made for the purpose of reducing the share capital.

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In light of the information provided, it is hereby submitted to the shareholders' meeting the proposal to grant to the Board of Directors also with power delegation - also with power delegation to the Chief Executive Officer and possibly to other Directors - the power to determine, from time to time, within the applicable laws and regulations, terms, means and conditions which may be deemed proper for the purchase and disposal of the treasury shares, provided that the Board of Directors, while executing such transactions, will be obliged to fulfil in any case, (i) any applicable laws and possibly the market practices approved by Consob in accordance to art. 13 of the Reg. EU 596/2014, if adopted by the Company; as well as, (ii) the disclosure obligations under the laws and rules, from time to time applicable, and in particular those set forth in art. 144-*bis*, third alinea of the Issuers' Regulation.

We propose that you approve the following resolutions:

“The Ordinary Shareholders' meeting of RECORDATI S.p.A.,

- having read the report of the Board of Directors, in compliance with Art. 125-*ter* of Legislative Decree No. 58/1998 and with Art. 73 of the Regulations adopted with Consob resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments

resolves

- i) to authorise, pursuant to and for the purposes of Art. 2357 of the Italian Civil Code and until the approval of the 2019 Annual Report, the purchase, in one or more tranches, of a

- maximum of 7,500,000 ordinary RECORDATI S.p.A. shares with a par value of €0,125 and, in any event, in an amount such that the maximum number of treasury shares held by the Company never exceeds one fifth of the share capital, also considering the shares that may be held by subsidiaries;
- ii) to set the minimum consideration in an amount not less than the par value of the RECORDATI S.p.A. share (€0,125) and a maximum consideration of not more than the average official stock exchange price in the five sessions prior to the purchase, plus 5%, and in any case for an amount not greater than €280,000,000;
  - iii) to grant a mandate to the Board of Directors, also with power delegation to the Chief Executive Officer and possibly to other Directors to proceed to the purchase, also through duly appointed intermediaries, of RECORDATI S.p.A. shares under the conditions reported above, in an appropriate gradual manner in the interests of the Company, on regulated markets and in compliance with and according to the rules and procedures applicable, possibly within the market practices approved by Consob according to art. 13 Reg. EU 596/2014;
  - iv) to provide that the authorisation just mentioned may also be used (a) to fulfil with the obligations arising from stock option plans already adopted by the Company and those which might be adopted in future; (b) for the purposes of the utilisation of treasury stock in transactions consistent with the strategic industry plans that the Company intends to pursue, in relation to which the share exchanges may be useful; and (c) to support through duly appointed intermediaries the Recordati S.p.A. shares liquidity on the market, also according to the market practice approved by Consob in compliance with art. 13 Reg. EU 596/2014; provided that, in any given time, the face value of the overall treasury stock held shall not exceed the maximum limit set forth in the applicable law, also considering the company's shares held by the subsidiaries;
  - v) to authorise the Board of Directors, also with power delegation to the Chief Executive Officer and possibly to other Directors, to dispose - any time, fully or in part, in one or more tranches, even before all possible purchases are made and even by means of transactions subsequent to the purchase and sale – of the shares purchased on the basis of this resolution, (i) to implement stock option plans (ii) by sales on regulated markets either in lots or by public tender offer, (iii) any treasury stock purchased may be used as payment for the purchase of shares and/or the conclusion of agreements with strategic partners. All of the foregoing is subject to the compliance with any applicable law, possibly in compliance with the market practices approved by Consob according to art. 13 of the Reg. EU 596/2014;
  - vi) to grant the Board of Directors, also with power delegation to the Chief Executive Officer and possibly to other Directors, all necessary powers to implement this resolution, also through duly appointed intermediaries, in compliance – also with reference to the disclosure obligations - with D. Lgs. 58/1998, Reg. Consob 11971/1999, Reg. EU 596/2014 of 16<sup>th</sup> April 2019 (and relating implementation rules), also according to market practices approved by Consob in accordance with art. 13 Reg. EU 596/2014, if adopted by the Company”.

Milan, 28<sup>th</sup> February 2019

for the Board of Directors

the Chief Executive Officer

Andrea Recordati