



**EXPLANATORY REPORT BY THE BOARD  
OF DIRECTORS  
OF GEFran S.p.A.  
On the items on the agenda**

**1. Annual financial statements for the year ending 31 December 2016.**

- 1.1 Approval of the annual financial statements for the year ending 31 December 2016; reports of the Board of Directors, Board of Statutory Auditors and External Auditors.
- 1.2 Approval of the distribution of dividends.

**2. Appointment of the Board of Directors.**

- 2.1 Determination of the number of members of the Board of Directors;
- 2.2 Appointment of the directors;
- 2.3 Determination of the term of the office;
- 2.4 Determination of the annual fee of the members of the Board of Directors.

**3. General Group Remuneration Policy. Consultation on the first section of the Report on Remuneration, pursuant to paragraph 6, Article 123 *ter* of Italian Legislative Decree No. 58/1998.**

**4. Revocation of the previous authorisation to buy and sell own shares and release of new authorisation.**

**5. Supplementing of the Board of Statutory Auditors further to the resignation of a Standing Auditor.**

**FOR THE ORDINARY SHAREHOLDERS' MEETING  
HELD ON 20 APRIL 2017**

The documentation relating to items on the agenda is available on the website [www.gefran.com](http://www.gefran.com), and was published pursuant to the laws in force.

Dear Shareholders,

We hereby submit for your approval the annual financial statements for the year ending 31 December 2016, which show a net profit for the year of EUR 8,195,662.

Note that the legal reserve reached the limit set by the Italian Civil Code some time ago, and that the available reserves amply cover the development costs recorded under non-current assets.

We therefore submit for your approval the following resolution:

*“The Ordinary Shareholders' Meeting of Gefran S.p.A., having taken note of the Board of Statutory Auditors' Report and the Independent Auditors' Report, resolves:*

- 1. to approve the Board of Directors' Report on Operations and the annual financial statements for the year ending 31 December 2016, which show a profit of EUR 8,195,662 as presented by the Board of Directors;*
- 2. to distribute to the shareholders, by way of dividend, gross of the legal withholdings, EUR 0.25 for each of the shares in circulation (net of the own shares), by means of the use, for the necessary amount, of the net profit for the year;*
- 3. to allocate to Retained earnings, the amount corresponding to the portion of the net profit for the year which remains net of the distribution as per point 2.*

The dividend, in compliance with the provisions of the “Regulation of the markets organised and managed by Borsa Italiana S.p.A.”, will be paid as follows: ex-dividend date 2 May 2017, in payment as from 4 May 2017.

The amount of the dividend is fully covered by the profit for the year and sufficient financial funds are already available for the payment.

Provaglio d'Iseo, 9 March 2017

**On behalf of the Board of Directors**  
**The Chairman**  
Ennio Franceschetti

Dear Shareholders,

The three-year mandate granted to the Board of Directors by the Shareholders' Meeting of 29 April 2014 is due to expire with the approval of the annual financial statements for the year ending 31 December 2016.

The ordinary shareholders' meeting is therefore called to appoint the new Board of Directors, subject to establishment of the number of its members, as well as to resolve with regard to the duration in office and the related fee.

In this connection, Article 13 of the Articles of Association established that the Board of Directors of the Company be made up of a number of members ranging between 7 and 11, that they remain in office for a period not exceeding three years. Their mandate expires on the date of the Shareholders' Meeting called to approve the financial statements for the final financial year of their mandate, and the Directors may be re-elected.

#### **Determination of the number of members of the Board of Directors**

The outgoing Board proposes to keep the number of members unchanged, currently equal to nine.

#### **Appointment of the Board of Directors.**

The appointment shall be made by voting for the lists submitted by the Shareholders and filed at the registered office at least 25 days before the date set for the Shareholders' Meeting. Consob set the shareholding required to submit candidate lists at 2.5%. The methods and the conditions for the presentation of the lists, as well as the mechanisms for the election of the directors by list voting, are indicated in the extract from the Articles of Association attached hereunder, as well as in the notice of calling published on the Company website [www.gefran.com](http://www.gefran.com).

#### **Determination of the duration of the office**

The outgoing Board proposes that the new Board remain in office for the three-year period 2017-2018-2019, or rather until approval of the financial statements for the year ending 31 December 2019.

#### **Determination of the annual fee of the members of the Board of Directors**

The shareholders are also called to resolve with regard to the determination of the annual overall fee, to be divided up between the members by said Board.

In accordance with the Remuneration Policy adopted by the Company and available on the website [www.gefran.com](http://www.gefran.com), the outgoing Board of Directors, having consulted the Remuneration Committee, proposes to acknowledge the Board of Directors in its entirety a fixed annual gross fee equal to EUR 240,000.00, in line with the fee allocated for the previous three-year period. The Board of Directors will have the faculty to divide up the fees resolved by the ordinary shareholders' meeting between the individual members of the Board of Directors, also on the basis of the proposal formulated by the Remuneration Committee.

This fee does not include the variable amounts for the Directors vested with specific offices, which will be determined by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors, in observance of the criteria laid down by the Remuneration Policy.

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In consideration of the matters laid down by Article 125 *bis* of Italian Legislative Decree No. 58/1998, with regard to the need to make the resolution proposals traceable, the resolution proposals relating to the second point on the agenda of the ordinary shareholders' meeting are presented hereunder, with the warning that, since this involves the appointment of the Board of Directors, this report, drafted by the outgoing management body, does not take into account the possible resolution proposals which may be put to the vote, since they are presented by the shareholders or formulated during the shareholders' meetings. Each point of the following resolutions will be put to separate vote, so as to permit the vote of each individual who has the right to, as well as the proxies with voting instructions, on the basis of the voting indications received on the individual points.

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*Dear Shareholders,*

*Now therefore, having duly noted the matters envisaged by the Articles of Association with regard to composition or appointment formalities for the Board of Directors, you are invited:*

- to establish the number of members of the Board of Directors as 9 components;*
- to resolve with regard to the appointment of the components of the Board of Directors expressing your preference for one of the lists deposited care of the registered offices;*
- to resolve the duration of the mandate of the Board of Directors for a period of three years, until approval of the financial statements for the year ending 31 December 2019;*
- to acknowledge the Board of Directors an overall fixed annual gross fee equal to EUR 240,000, which will be divided up by said Board of Directors between the various members, it being understood that the additional variable amounts in favour of the members of the Board of Directors vested with specific offices will be determined by the Board of Directors, having consulted the Remuneration Committee and the Board of Statutory Auditors, in observance of the criteria laid down by the Remuneration Policy adopted by the Company.*

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For further details, see Article 13 of the current Article of Association (appended).

Provaglio d'Iseo, 9 March 2017

**The Chairman of the Board of Directors**  
Ennio Franceschetti

### Article 13

The company is managed by a Board of Directors consisting of a minimum of seven and a maximum of eleven directors.

Directors shall remain in office for a period not exceeding three years. Their mandate expires on the date of the Shareholders' Meeting called to approve the financial statements for the final financial year of their mandate, and they may be re-elected.

Before appointing directors, the Shareholders' Meeting shall determine the number of Board members and their term of office.

All Directors must meet the requirements of eligibility, professionalism and good standing established by law and other applicable provisions. Pursuant to article 147 *ter*, paragraph 4, of Legislative Decree No. 58/1998, at least one Director, or at least two if the Board has more than seven members, must meet the requirement of independence set out therein (hereinafter the "Independent Director pursuant to article 147 *ter*").

The Shareholders' Meeting appoints the Board of Directors based on the lists submitted by the shareholders, following the procedures set out below, without prejudice to any different and additional provisions provided by binding laws or regulations.

Shareholders may submit a list to appoint members of the Board of Directors if they hold, on their own or in association with other submitting shareholders, a shareholding equal to the amount determined by Consob pursuant to Article 147 *ter*, paragraph 1, of Legislative Decree 58/1998 and in compliance with the Issuers' Regulation approved with resolution 11971 of 14 May 1999, as amended.

Lists should be filed at the Company's registered office at least twenty-five days prior to the Shareholders' Meeting asked to appoint the directors. They should also be published in accordance with the legal provisions in force at least twenty-one days prior to the same date.

Lists may contain up to 11 candidates, numbered consecutively. Each list must contain and explicitly indicate at least one Independent Director pursuant to article 147 *ter*, with a consecutive number no higher than seven. If the list contains more than seven candidates, it must contain and explicitly indicate a second Independent Director pursuant to article 147 *ter*. Each list may also, if necessary, indicate which directors meet the requirements of independence laid down by the Codes of Conduct drawn up by management companies of organised markets or professional associations.

If binding criteria relating to gender quotas are applicable, every list that presents at least three candidates must contain a number of candidates of the least represented gender at least equal to the minimum required by the provisions in force at the time. The lists also contain, in attachment form: (i) information on the shareholders who presented them, with the overall percentage of shareholding held; (ii) full details of the candidates' personal and professional characteristics; (iii) a declaration by the candidates declaring that they accept their candidacy and meet the legal requirements, as well as the requirements of independence, where they are indicated as Independent Directors pursuant to article 147 *ter* or as independent Directors under the above-mentioned codes of conduct; (iv) any other or different statement, information and/or document covered by the law and by the applicable regulatory standards.

Shareholders may not submit nor vote for more than one list, even if through a third party or a trust company. A candidate may only be present on one list, or shall be deemed ineligible.

On conclusion of voting, the candidates of the two lists which have obtained the greatest number of votes are elected, in accordance with the following criteria: (i) from the list obtaining the highest number of votes (the "Majority List"), a number of directors is taken equal to the total number of Board members, as established by the Shareholders' Meeting, less one; the candidates are elected, in the established number, in the numerical order specified in the list; (ii) from the list that obtained the second highest number of votes and which is not directly or indirectly related to the shareholders who presented or voted for the Majority List pursuant to the applicable provisions (the "Minority List") one director is taken, namely the candidate at the top of the list. However, if no Independent Directors pursuant to Article 147 *ter* are elected from the Majority List, when the Board has a maximum of seven members, or if only one Independent Director pursuant to Article 147 *ter* is elected, when the Board has more than seven members, the first Independent Director pursuant to Article 147 *ter* in the Minority List will be elected, rather than the person at the top of the Minority List.

Lists that have not gained at least half of the number of votes required for their presentation will not however be taken into account.

If the lists receive an equal number of votes, the winning list shall be the one submitted by the shareholders with the highest shareholding at the time the list is submitted or, subordinately, by the highest number of shareholders.

If the Board of Directors formed in this way does not include a director of the least represented gender, if required by the legislation in force at the time, the last candidate elected from the majority list shall be replaced by the first unelected candidate of the same list belonging to the least represented gender, and so on up the majority list. If the minimum number of members of the least represented gender is not reached, they will be appointed by the Shareholders' Meeting with the ordinary majorities established by law, replacing the candidates in the majority list belonging to the more represented gender, starting from the last elected candidate, and so on up the list.

If only one list has been presented, the Shareholders' Meeting shall vote on that list, and if the list obtains a relative majority of voters, not counting abstentions, candidates listed in progressive order are elected as directors up to the maximum number established by the Shareholders' Meeting, provided, however, that if the Board comprises more than seven members, the second Independent Director pursuant to Article 147 *ter* is also elected, in addition to the one in the first seven places, and that this complies with the gender equality provisions in force at the time. If the minimum number of members of the least represented gender is not reached, they will be appointed by the Shareholders' Meeting with the ordinary majorities established by law, replacing the candidates in the only list belonging to the more represented gender, starting from the last elected candidate, and so on up the list.

In the absence of lists, or if the number of directors elected based on the lists submitted is lower than the number established by the Shareholders' Meeting, the members of the Board of Directors shall be appointed by the Shareholders' Meeting with the majorities established by law, subject to the appointment by the Shareholders' Meeting of a number of Independent Directors pursuant to Article 147 *ter* equal to the minimum number established by law, and to the Shareholders' Meeting's obligation to appoint a number of directors belonging to the least represented gender that is not below the minimum number established by the provisions in force at the time.

Independent Directors pursuant to Article 147 *ter* identified as such at the time of their appointment must report if they no longer meet the requirement of independence, and will thereby leave office, as prescribed by law.

If one or more directors leave office, for any reason, they will be replaced in accordance with the provisions of Article 2386 of the Italian Civil Code, subject to the obligation to maintain the minimum number of Independent Directors pursuant to Article 147 *ter* established by law, and the obligation to maintain gender equality in accordance with the regulations in force at the time.

If due to resignations or other causes, half the number, in the event of an even number, or more than half in the event of an odd number, of the directors holding office or designated directors leave office, the entire Board shall be considered as removed from office with effect from the subsequent re-establishment of the Board. A meeting to make the new appointments shall be called urgently by the remaining directors, and will take place pursuant to the provisions of this article.

Dear Shareholders,

Pursuant to the Code of Conduct of Listed Companies and Article 123 *ter* of the Consolidated Finance Act (TUF), the Company has adopted a General Remuneration Policy, to be submitted to the Shareholders' Meeting for a consultative vote.

The policy was approved by the Board of Directors on 9 March 2017 and is published in full on the company website. It contains the guidelines for the remuneration of executive officers and management. In particular, the policy defines the remuneration mix, specifying the fixed and variable components.

The Ordinary Shareholders' Meeting of Gefran S.p.A. shall therefore be asked to vote in favour or against the General Group Remuneration Policy adopted by the Company and contained in section one of the Report.

Provaglio d'Iseo, 9 March 2017

**On behalf of the Board of Directors**  
**The Chairman**  
Ennio Franceschetti

Dear Shareholders,

This report was prepared pursuant to article 73 and Annex 3A, schedule 4 of the rules adopted by Consob with resolution No. 11971 of 14 May 1999 as amended (the “Issuer Regulations”), and was approved by the Board of Directors on 10 March 2016.

At that meeting, the Board decided to submit for the approval of the Shareholders’ Meeting – convened in ordinary session for 20 April 2017 – pursuant to Articles 2357 and 2357 *ter* of the Italian Civil Code and Article 132 of Legislative Decree 58 dated 24 February 1998 (“TUF”), authorisation to purchase and sell, on one or more occasions, a number of ordinary shares in the Company representing a maximum of 10% of the share capital (at the date of this Report, a maximum of 1,440,000.00 ordinary shares with a nominal value of EUR 1.00 per share).

It is also proposed to revoke the previous authorisation granted by the Shareholders’ Meeting on 21 April 2016, which will be replaced by the new authorisation mentioned in this Report.

There therefore follows a brief outline of the reasons and procedures for purchasing and own shares in the Company for which the Board of Directors seeks authorisation.

### **1. Reasons for requesting authorisation to purchase and sell own shares**

The request for authorisation to purchase and sell own shares is in order to give the Company a valuable tool providing strategic and operational flexibility that would enable it to:

- act directly or through authorised brokers to limit any irregular movement in trading of the share and to regulate trading performance and runs due to excessive volatility or lack of liquidity in trading; these measures shall be taken without prejudice to the equal treatment of shareholders;
- offer shareholders an additional tool to monetise investments.

The Board of Directors recommends that the Company has this option at its disposal, particularly when disposing of the own shares purchased, also in order to capitalise on opportunities to maximise value that may arise on the market, therefore for the purpose of trading.

### **2. Maximum number, category and nominal value of the shares to which the authorisation relates**

As of the date of this Report, the share capital was EUR 14,400,000.00, represented by 14,400,000 ordinary shares with a nominal value of EUR 1.00 per share.

The maximum number of own shares to be purchased is 1,440,000.00, or a maximum of 10% of the share capital, taking into account the own shares held directly and any shares held by subsidiaries in the case of resolutions for increases and reductions while this authorisation remains effective.

In any case, the number of own shares that may be purchased shall not exceed the amount that can be covered, in relation to the purchase price, by the available reserves shown in the last set of approved financial statements.

In this regard, it should be noted that the following figures were shown in the financial statements for the year ending 31 December 2015, duly approved on 21 April 2016:



- available reserves: EUR 31,510,129 (to-date EUR 30,866,368).

### **3. Provisions pursuant to Article 2357, paragraph 3 of the Italian Civil Code**

In order to assess compliance with the limits set out in Article 2357, paragraph three, as of today's date, the Company and its subsidiaries hold a total of 227,394 own shares, corresponding to 1.58% of the share capital.

### **4. Duration of authorisation**

The authorisation to purchase own shares is requested for a period of 18 months from the date of the Shareholders' Meeting that voted to grant the authorisation.

Authorisation to dispose of any own shares purchased is requested without a time limit.

### **5. Minimum and maximum payments and market valuation**

The Board of Directors proposes that own shares should be purchased at a unit price that is no less than their nominal value and no higher than the average price over the last three trading days prior to the purchase date plus 15%.

Concerning the price at which to sell own shares purchased, the Board of Directors shall have discretionary power to determine at the time any additional condition, procedure and deadline, while taking into consideration the procedures used, the share prices in the period prior to the transaction and the Company's best interests. The minimum price may not be more than 10% lower than the price registered during the trading session prior to each disposal.

This price minimum shall not be applied in the case of disposal by means of exchange, transfer or any other means possible for acquiring shareholdings, implementation of industrial projects and other extraordinary financial transactions that involve assigning or disposing of own shares (such as mergers, spin-offs, etc.).

The Board of Directors also proposes that, based on a prudent appraisal, own shares may be assigned, in full or partially, as dividends.

### **6. Procedures for the purchase and sale of shares**

Purchase transactions shall start and end within the timeframe established by the Board of Directors following this authorisation.

Own shares shall be purchased in compliance with applicable law and regulatory provisions in force and, in particular, with Article 132 of the TUF and Article 144 *bis*, letters a) and b) of the Issuer Regulations:

- a) through a public tender or exchange offer;
- b) on regulated markets in accordance with the operational procedures set out in the rules of the markets in question, which do not allow direct association of purchase proposals with pre-determined sales offers.

Amongst the various procedures allowed by the Issuer Regulations, conducting purchases on regulated markets is considered preferable for the purposes mentioned above, particularly with a view to stabilising the share price. This objective can be achieved more effectively through a simple, flexible mechanism such as direct purchase on the market in a timely and gradual manner according to need. Possible recourse to a public tender or exchange offer is therefore not ruled out.

Own shares may be purchased in a different manner from those set out above where allowed by Article 132, paragraph 3 of the TUF (finance consolidation act) or other provisions applicable as of the date of the transaction.

Furthermore, share purchases may be conducted in accordance with Article 3 of Regulation (EC) 2273/2003, in order to benefit, where possible, from the departure to the provisions on market abuse pursuant to Article 183 of the TUF, concerning insider dealing and market rigging.

Shareholders and the market shall be given timely information pursuant to Article 144 *bis*, paragraphs 3 and 5 of the Issuer Regulation.

Concerning sales transactions, the Board proposes that the authorisation should enable these to be conducted, on one or more occasions, without time limits, and in the manner deemed appropriate to achieve the objective in question, including selling on the stock market, lot trading, institutional placement, through the placement of structured securities of any kind and nature or as payment for the acquisition of shareholdings in companies and/or goods and/or assets.

It should be pointed out that the request for authorisation concerns the ability to carry out repeated and consecutive transactions to buy, sell or dispose of own shares in a revolving manner (meaning the maximum amount of own shares held in the portfolio at the time) also for fractions of the maximum amount authorised.

The Board proposes that the authorisation should provide an obligation for the Board of Directors to carry out transactions to buy and sell own shares while guaranteeing not to jeopardise the Company's capacity to maintain the minimum amount of floating securities required for STAR qualification.

In conclusion, it is proposed that the proxies and powers of attorney relating to the accomplishment of transactions on own shares be confirmed, as granted by the Board in accordance with previous authorisation dated 29 April 2015.

## 7. Other business

The purchase of own shares shall not be used to reduce share capital by cancelling the own shares purchased.

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For the reasons set out above, the Board of Directors of Gefran S.p.A. asks you to adopt the following resolutions:

*"The Ordinary Shareholders' Meeting of Gefran S.p.A.,*

- *having acknowledged the Board of Directors' Report;*
- *having considered Articles 2357 et seq. of the Italian Civil Code, Article 132 of Italian Legislative Decree No. 58 of 24 February 1998, Article 144 bis of the regulation adopted with Consob resolution No. 11971 of 14 May 1999 as subsequently amended;*
- *having taken into consideration the 227,394 own shares in the portfolio of Gefran S.p.A. and its subsidiaries as of 9 March 2017;*
- *having considered the annual financial statements for the year ending 31 December 2015*

### ***resolves***

- 1.** *to revoke the previous authorisation to purchase and sell own shares, approved by the Shareholders' Meeting of 21 April 2016, lasting 18 months;*
- 2.** *to authorise the Board of Directors, pursuant to and for the purposes of Article 2357 et seq. of the Italian Civil Code, to purchase a maximum number of 1,440,000.00 ordinary shares or a different*

*amount representing 10% of the share capital in the case of resolutions to increase and/or reduce the share capital during the authorisation period, also taking into account shares that may be held by the Company's subsidiaries, and in any case in compliance with the limits laid down by law, in order to pursue the objectives set out in the Report by the Board of Directors, and in accordance with the following terms and conditions:*

- *transactions to buy own shares may be conducted on one or more occasions in a revolving manner (meaning the maximum amount of own shares held in the portfolio at the time), until the end of the eighteenth month starting from the date of this resolution;*
  - *purchases may be conducted according to one of the methods provided for by Article 132 of Legislative Decree No. 58 of 24 February 1998 and Article 144 bis, letters a) and b) of the Issuer Regulations adopted with Consob resolution 11971/1999, taking into consideration – where necessary – the exception provided by paragraph 3 of Article 132 of Legislative Decree No. 58/1998, and in any case using any other method provided for by the law and regulatory provisions in force at the date of the purchase;*
  - *the unit price to purchase own shares may not be less than their nominal value and may not be higher than the average price over the last three trading days prior to the purchase date plus 15%.*
  - *transactions to buy and sell own shares shall be conducted by the Board of Directors in a manner so as not to jeopardise the Company's capacity to maintain the minimum amount of floating securities required for STAR qualification;*
- 3.** *to authorise the Board of Directors, pursuant to Article 2357 ter of the Italian Civil Code, to sell, on one or more occasions, the own shares purchased from time to time and held in the portfolio, in accordance with the regulatory provisions and legal rules in force at the time and to pursue the objectives set out in the Board of Directors' Report to the shareholders, and under the following terms and conditions:*
- *the shares may be disposed of or sold at any time and without any time limit, and may also be assigned, also partially, as dividends;*
  - *transactions may be carried out even before all purchases have been made, and may be carried out on one or more occasions, without time limits, and in the manner deemed appropriate to achieve the objective in question, including selling on the stock market, lot trading, institutional placement, through the placement of structured securities of any kind and nature or as payment for the acquisition of shareholdings in companies and/or goods and/or assets;*
  - *the minimum price may not be more than 10% lower than the price registered during the trading session prior to each disposal. This price limit shall not be applied in the case of a disposal other than sale, and in particular, in the case where the disposal is by exchange, transfer or other means possible for acquiring shareholdings, implementing industrial projects or other extraordinary financial transactions that involve assigning or disposing of own shares;*
- 4.** *to grant the Board of Directors, with the express right to delegate, the broadest powers, without exception, necessary and useful for the execution of this resolution, also approving all provisions of the purchase plan, in accordance with any requirements laid down by the competent authorities; as well as the introduction in the wording of the resolutions adopted of any amendments required by the aforementioned authorities, the Notary Public or the competent Companies' Register for registration.”.*

Provaglio d'Iseo, 9 March 2017

**On behalf of the Board of Directors**  
**The Chairman**  
Ennio Franceschetti

Dear Shareholders,

today the Standing Auditor Alessandra Zunino de Pignier has resigned from her office with effect as from 20 April 2017.

The ordinary shareholders' meeting of Gefran S.p.A. will therefore be required to supplement the composition of the Board of Statutory Auditors by means of the appointment of a new Standing Auditor, in observance of the current legislation on the subject and in particular the balance of gender criteria.

Provaglio d'Iseo, 9 March 2017

**On behalf of the Board of Directors**  
**The Chairman**  
Ennio Franceschetti