

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS CONCERNING THE EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING CALLED FOR 17 OCTOBER 2017 (FIRST CALL) AND FOR 18 OCTOBER 18 2017(SECOND CALL).

This report was prepared pursuant to article 125-ter of d.lgs. February 24, 1998 n. 58 as amended and to art. 72 of the Regulation issued by Consob through the resolution n. 11971 of May 14, 1999 as amended and to art. 3 of the Ministerial Decree n. 437/1998.

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Dear Shareholders,

you were called for 17 October 2017 (first call) and for 18 October 2017 (second call) in order to take the following resolutions: for the extraordinary part about the proposal of amendment of articles 11, 14, 15, 16 and 21 of Company's By-laws and for the ordinary part, about the amendment of the regulation for shareholders' meetings.

Extraordinary part: first item on the agenda: proposed amendment of articles 11, 14, 15, 16 and 21 of company's By-Laws.

The present report was prepared pursuant to the format n. 3 of Annex 3A of the "*Regolamento Emittenti*" in order to explain to the extraordinary Shareholders' meeting called for 17 October 2017 (first call) and for the following day (second call), the proposal of amendment that is the first item on the agenda.

The report is submitted to CONSOB and available to the public at the company's registered office and on the website of the Company (www.gefran.com) in compliance with current regulation.

The proposals of amendment are explained hereinafter.

AMENDMENTS TO GEFRAN S.P.A.'S BY-LAWS AND REPORT ON THE MOTIVATION

Hereinafter, also pursuant to the format n. 3 of Annex 3A of the "*Regolamento Emittenti*", are set out:

- Current version of articles 11, 14, 15, 16 e 21 of Gefran S.p.A.'s By-Laws (in the left column)
- The proposals of amendment submitted to the Shareholders' meeting by the Board of Directors, highlighted in bold and strikethrough (in the right column)
- The report about the proposals of amendment (at the bottom of each article).

ARTICLE 11	
<u>Current version</u>	<u>Proposed version</u>
<p>Meetings are chaired by the Chairman of the Board of Directors or, in the case of his absence or impediment, by the Vice-Chairman of the Board or, in the case of his absence or impediment, by the oldest director among those present or, in the case of the absence or impediment of all the Directors, by the person designated by the majority of the shareholders present, calculated according to the number of votes to which each holder is entitled.</p>	<p>Meetings are chaired by the Chairman of the Board of Directors or, in the case of his absence or impediment, by the Vice-Chairman of the Board or, in the case of his absence or impediment, by the oldest director among those present or, in the case of the absence or impediment of all the Directors, by the person designated by the majority of the shareholders present, calculated according to the number of votes to which each holder is entitled. of surrender or impediment of the Chairman, by another person designated by the shareholders' meeting.</p>
<p>In the last case, the person is identified prior to the opening of the Meeting, which is supervised by the Chairman of the Board of Auditors or the oldest Statutory Auditor present who exercises all the powers conferred upon the Chairman of the Meeting.</p>	<p>REPEALED</p>
<p>The Meeting designates a secretary, who may be a person other than a shareholder and may choose two scrutineers.</p>	<p>UNCHANGED</p>
<p>All the resolutions passed at a Meeting are recorded in minutes that are drawn up according to the terms and methods prescribed by current laws, and signed by the Chairman and secretary.</p>	<p>UNCHANGED</p>
<p>In the cases prescribed by law and whenever the directors deem it necessary, the minutes are drawn up by a Notary Public.</p>	<p>UNCHANGED</p>
<p>It is up to the Chairman of the Meeting:</p> <ul style="list-style-type: none"> - to ascertain, through persons designed for the purpose, the right to attend a Meeting, the validity of proxies and the validity of the meeting itself; - to direct the discussion and control the correct development of the works at the meeting; <p>to determine the method of voting, provided it is by open ballot, subject to the provisions of arts. 13 and 23 below;</p> <ul style="list-style-type: none"> - to proclaim the result of the ballot; - to ensure compliance with the Regulation of the meetings adopted by the ordinary meeting. 	<p>UNCHANGED</p>
<p>Report</p> <p>In case of surrender or impediment of the Chairman of the Board of Directors to chair the Shareholders' meeting, the Shareholders' meeting can directly designate the Chairman of the</p>	

meeting choosing the person deemed as the most suitable.

The proposed amendment has the intent to simplify the appointment procedure of the substitute of the Chairman of the Board of Directors, and to immediately submit to the Shareholders' meeting the possibility to take the proper decision.

ARTICLE 14

Current version

The Board will elect a Chairman - unless he/she has been appointed by the Shareholders' Meeting - a Vice Chairman (who will replace the Chairman in case of his absence or impediment), as well as a Secretary, who does not necessarily have to be a Board member.

Proposed version

The Board will elect a Chairman, unless he/she has been appointed by the Shareholders' Meeting, ~~a Vice Chairman~~ **(and up to three Vice Chairmen** (who will replace the Chairman in case of his absence or impediment) as well as a Secretary, who does not necessarily have to be a Board member

In case of absence or impediment of the Chairman, his functions will be attended by one of the Vice Chairmen following the order of seniority.

The Ordinary Shareholders' meeting can appoint a Chairman with honorary functions, named "Honorary Chairman", chosen among persons who contributed to the affirmation and/or to the development of the company. The Honorary Chairman is not necessarily a Board Member; in such case the duration of the office can be longer than the term of appointment of the Board of Directors. The Honorary Chairman, if not a Board member, can attend the meetings of the Board of Directors and the Shareholders' meetings and can represent the company upon powers of attorney issued by the competent bodies of the company. The Board of Directors can establish a compensation and any other emolument and/or reimbursement of costs due to the Honorary Chairman.

Report

The proposal is to implement the possibility to appoint up to three Vice Chairmen of the Board of Directors instead of a single Vice Chairman as established by the current version of the By-laws of the Company.

Such action aims to give to the Board of Directors more options in designing the governance of the company.

Furthermore, the appointment of more than one Vice President allows to be prepared to extraordinary circumstances, such as the President and the Vice Chairman being simultaneously affected by an impediment.

The proposal is to implement a paragraph stating that, in case of impediment of the Chairman, his duties will be carried out by one of the Vice Chairmen following the order of seniority.

It is also proposed to introduce the possibility to have an Honorary Chairman appointed by the Ordinary Shareholders' meeting, chosen among persons who contributed to the affirmation and/or to the development of the company.

An Honorary Chairman is present in several listed companies, and typically the person holding such office, which may or may not be a Board member, has powers of representation and can

participate to the Governance of the company.

Either a Director or a person that is not a Board Member can be appointed Honorary President and in the latter case the office can last longer than the term of appointment of the Board; such provision grants continuity in case of changes in Board members.

The Honorary Chairman, even if not a Board Member, can attend the meetings of the Board of Directors, so he can contribute to the actions of the Board of Directors. He can also represent the company, so that the company can benefit from the authority of the Honorary President in the relationship with third parties.

The compensation of the Honorary Chairman is established by the Board of Directors, taking into account the effort of the Honorary Chairman.

ARTICLE 15

Current version

Proposed version

The Board will meet at the Company's registered office or elsewhere (only in Italy) whenever the Chairman, the Vice Chairman, or two Directors deem it necessary, subject to other powers to call meetings prescribed by law.

The Board will meet at the Company's registered office or elsewhere (only in Italy) whenever the Chairman, ~~the Vice Chairman~~, **one of the Vice-Chairmen** or two Directors deem it necessary, subject to other powers to call meetings prescribed by law.

Report

As a consequence of the possibility to appoint more than one Vice Chairman, it is proposed to grant to the Vice Chairmen the powers formerly granted by the By-laws to the Vice Chairman.

ARTICLE 16

Current version

Proposed version

Board Meetings are called by the Chairman, the Vice-Chairman or two Directors by letter or fax or e-mail sent at least three days prior to the Meeting to each Director and Statutory Auditor to the postal address, fax number or e-mail address communicated by each director and statutory auditor to the company and containing the list of items to discuss.

Board Meetings are called by the Chairman, ~~the Vice-Chairman~~ **one of the Vice-Chairmen** or two Directors by letter or fax or e-mail sent at least three days prior to the Meeting to each Director and Statutory Auditor to the postal address, fax number or e-mail address communicated by each director and statutory auditor to the company and containing the list of items to discuss.

Subject to any further provision of law on the subject, in urgent cases Board Meetings are called by telegram or fax or email to be sent at least two days in advance.

UNCHANGED

Report

As a consequence of the possibility to appoint more than one Vice Chairman, it is proposed to grant to the Vice Chairmen the powers formerly granted by the By-laws to the Vice Chairman.

ARTICLE 21	
<u>Current version</u>	<u>Proposed version</u>
<p>The Chairman of the Board and the Vice Chairman (in the absence or impediment of the Chairman) are granted powers of signature and are the legal representatives of the Company in transactions with third parties and before any court.</p>	<p>The Chairman of the Board and the Vice Chairman Vice-Chairmen (in the absence or impediment of the Chairman) are granted powers of signature and are the legal representatives of the Company in transactions with third parties and before any court.</p>
<p>Report As a consequence of the possibility to appoint more than one Vice Chairman, it is proposed to grant to the Vice Chairmen the powers formerly granted by the By-laws to the Vice Chairman.</p>	

Evaluations about the right to withdraw

Pursuant to current regulations, the proposed amendments do not allow the Shareholders to call the right to withdraw.

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Resolution proposal

Dear Shareholders, in case you agree with the proposal, we submit the following resolution to your approval:

“The Shareholders’ meeting of Gefran S.p.A., having examined the Board of Directors’ report and the proposal contained in such report

Resolves

- a) *that articles 11, 14, 15, 16 and 21 of the By-laws of the company be amended as follows*

Article 11

Meetings are chaired by the Chairman of the Board of Directors or, in the case of surrender or impediment of the Chairman, by another person designated by the shareholders’ meeting.

In the last case, the person is identified prior to the opening of the Meeting, which is supervised by the Chairman of the Board of Auditors or the oldest Statutory Auditor present who exercises all the powers conferred upon the Chairman of the Meeting.

The Meeting designates a secretary, who may be a person other than a shareholder and may choose two scrutineers.

All the resolutions passed at a Meeting are recorded in minutes that are drawn up according to the terms and methods prescribed by current laws, and signed by the Chairman and secretary.

In the cases prescribed by law and whenever the directors deem it necessary, the minutes are drawn up by a Notary Public.

It is up to the Chairman of the Meeting:

- to ascertain, through persons designed for the purpose, the right to attend a Meeting, the validity of proxies and the validity of the meeting itself;*
- to direct the discussion and control the correct development of the works at the meeting;*
- to determine the method of voting, provided it is by open ballot, subject to the provisions of arts. 13 and 23 below;*
- to proclaim the result of the ballot;*
- to ensure compliance with the Regulation of the meetings adopted by the ordinary meeting.*

Article 14

The Board will elect a Chairman, unless he/she has been appointed by the Shareholders' Meeting, and up to three Vice Chairmen (who will replace the Chairman in case of his absence or impediment), as well as a Secretary, who does not necessarily have to be a Board member

In case of absence or impediment of the Chairman, his functions will be attended by one of the Vice Chairmen following the order of seniority.

The Ordinary Shareholders' meeting can appoint a Chairman with honorary functions, named "Honorary Chairman", chosen among persons who contributed to the affirmation and/or to the development of the company. The Honorary Chairman is not necessarily a Board Member; in such case the duration of the office can be longer than the term of appointment of Board of Directors. The Honorary Chairman, if not a Board member, can attend the meetings of the Board of Directors and the Shareholders' meetings and can represent the company upon powers of attorney issued by the competent bodies of the company. The Board of Directors can establish a compensation and any other emolument and/or reimbursement of costs due to the Honorary Chairman.

Article 15

The Board will meet at the Company's registered office or elsewhere (only in Italy) whenever the Chairman, one of the Vice-Chairmen or two Directors deem it necessary, subject to other powers to call meetings prescribed by law.

Article 16

Board Meetings are called by the Chairman, one of the Vice-Chairmen or two Directors by letter or fax or e-mail sent at least three days prior to the Meeting to each Director and Statutory Auditor to the postal address, fax number or e-mail address communicated by each director and statutory auditor to the company and containing the list of items to discuss.

Article 21

The Chairman of the Board and the Vice-Chairmen (in the absence or impediment of the Chairman) are granted powers of signature and are the legal representatives of the Company in transactions with third parties and before any court.

- b) *that the broadest authority be conferred on the Board of Directors – therefore on the Chairman of the Board of Directors and on the Chief Executive Officer also acting separately - to implement the resolution above and especially to carry out any subsequent formal act to disclose it, with the power to amend or complete it, if required for the filing in the public registry or required by competent authorities.*

Ordinary Part: second item on the agenda: proposed amendment of the Regulation of the Shareholders' meetings.

It is proposed to approve the following amendments highlighted in bold and strikethrough to articles 1,2,3,5 and 7 to the Regulation of the Shareholders' meeting.

The amendments concern the update of the regulation of the shareholders' meetings with respect to the amendment to the company's By-Laws (first item on the agenda), besides the update of some articles, transcribed hereinafter.

Article 1

Scope of application

- a) The present Regulation governs the conduction of the ordinary and extraordinary shareholders' meetings and, if applicable, the special shareholders' meeting of classes of shares of the company GEFran S.p.A., with registered office in Provaglio d'Iseo.
- b) The present Regulation, approved by the ordinary Shareholders' meeting of ~~29 April 2004~~ **17 October 2017** is available for the shareholders within the registered office of the Company and within the premises where the meetings are held.

Article 2

Attendance at the Shareholders' meeting

- a) Pursuant to art. ~~40~~ **9** of Company's By-laws, the attendance at and the representation for the shareholders' meeting are governed by current law.
- b) Experts, financial analysts, journalists, and members of the external auditors' can be present at the meeting subject to the consent of the Chairman of the meeting.
- c) Furthermore, the employees of the Company whose presence is deemed useful by the Chairman of the Meeting, with regard to the items on the agenda, or to the conduct of the business.

Article 3

Control of the right to attend the meeting

The personal identification and the control of the right to attend the Meeting is carried out at the entrance of the premises through the showing, to be done in accordance with the procedure detailed in the notice of the meeting, ~~of the admission document to be requested in accordance with the current procedure~~ **of the communication issued by the qualified intermediaries for the exercise of the right to attend the meeting and to vote.**

Article 5

Establishing of the Meeting and direction of the works

- a) Meetings are chaired by the Chairman of the Board of Directors or, in case of his ~~absence~~ **surrender** or impediment, by the person appointed following the procedure detailed in the company's By-Laws.

The Meeting, in case the minute is not drawn up by a Notary Public, designates a secretary, who may be a person other than a shareholder and may choose two scrutineers. It is up to the Chairman of the Meeting the direction of the works of the meeting and any further power granted by the law, the company's By-laws and the present Regulation of the meetings.

- b) If the minimum attendance for the establishing of the meeting is not achieved, the Chairman of the Meeting, after an appropriate waiting time, reports such information to the present shareholders and postpone the discussion of the items on the agenda to the day of the following call.

- c) the Chairman can decide that the works of the meeting be recorded for the only purpose of supporting the draw up of the minutes of the Meeting. It's forbidden to bring in the premises where the meeting takes place any recording device of any kind, photo and video devices, without the specific approval by the Chairman.
- d) Under the direction of the Chairman an attendance record is prepared, on which the attending shareholders either themselves or by proxy or by any other power provided by the law are recorded, with the detail of the number of owned shares.
- e) Once the validity of the establishing of the meeting is ascertained, the Chairman declares the beginning of the works.

Article 7

Discussion

- a) The Chairman explains the items on the agenda and can have it done by the Directors, **the Honorary Chairman**, the Statutory Auditors and the managers of the company. The order of the items resulting from the public notice can be amended, if the Meeting has no objections.
- b) It is up to the Chairman of the meeting to direct the works ensuring the fairness of the discussion and the right to speak. Speeches must be done, only and solely, about the item on the agenda under discussion.
- c) the request to speak about individual items on the agenda can be presented in written form to the Chairman of the Meeting starting from the moment of establishing of the meeting and until when the Chairman of the Meeting declares the discussion on an item of the agenda close. In giving the floor, the Chairman of the Meeting follows the order of submission of the requests to speak.
- d) The Chairman of the Meeting or, upon request, the Directors, **the Honorary Chairman**, the Statutory Auditors, the managers of the Company, answers to the speech of each shareholder on each item on the agenda. A single answers can be provided to more than one speech having the same content.
- e) The Board Members, **the Honorary Chairman**, the Statutory Auditors can ask to speak during the discussion.
- f) Each shareholder can speak only once for each item on the agenda. In order to support the maximum extent of participation, the time period allotted for each speech must be limited to no more than, as a general rule, five minutes. Once the answers terminate, the Chairman of the Meeting declares the discussion closed. After the discussion is closed, only brief explanations of vote are allowed.
- g) The minutes of the speeches must be drawn up briefly.
- h) The Chairman of the Meeting, that has the duty to maintain order during the Meeting, has the power to interrupt a Shareholder that, despite a request of a fairness behavior, continues with attitudes in contrast with the need to a fair progress of the works of the meeting. If after the request of the Chairman, the speaking person does not cease from his behaviors, the Chairman may order that the warned persons leave the Meeting for its whole duration.

* * *

Resolution proposal

Dear Shareholders, in case you agree with the proposal, we submit the following resolution to your approval:

“The Shareholders’ meeting of Gefran S.p.A., having examined the Board of Directors’ report and the proposals contained in such report

Resolves

- a) *that the articles 1, 2, 3, 5 e 7, of the Regulation of the Shareholders’ meetings of Gefran S.p.A. be amended as follows*

Article 1

Scope of application

- a) *The present Regulation governs the conduction of the ordinary and extraordinary shareholders' meetings and, if applicable, the special shareholders' meeting of classes of shares of the company GEFran S.p.A., with registered office in Provaglio d'Iseo.*
- b) *The present Regulation, approved by the ordinary Shareholders' meeting of 17 October 2017 is available for the shareholders within the registered office of the Company and within the premises where the meetings are held.*

Article 2

Attendance at the Shareholders' meeting

- a) *Pursuant to art. 9 of Company's By-laws, the attendance at and the representation for the shareholders' meeting are governed by current law.*
- b) *Experts, financial analysts, journalists, and members of the external auditors' can be present at the meeting subject to the consent of the Chairman of the meeting.*
- c) *Furthermore, the employees of the Company whose presence is deemed useful by the Chairman of the Meeting, with regard to the items on the agenda, or to the conduct of the business.*

Article 3

Control of the right to attend the meeting

The personal identification and the control of the right to attend the Meeting is carried out at the entrance of the premises through the showing, to be done in accordance with the procedure detailed in the notice of the meeting, of the communication issued by the qualified intermediaries for the exercise of the right to attend the meeting and to vote.

Article 5

Establishing of the Meeting and direction of the works

- a) *Meetings are chaired by the Chairman of the Board of Directors or, in case of his surrender or impediment, by the person appointed following the procedure detailed in the company's By-Laws. The Meeting, in case the minute is not drawn up by a Notary Public, designates a secretary, who may be a person other than a shareholder and may choose two scrutineers. It is up to the Chairman of the Meeting the direction of the works of the meeting and any further power granted by the law, the company's By-laws and the present Regulation of the meetings.*
- b) *If the minimum attendance for the establishing of the meeting is not achieved, the Chairman of the Meeting, after an appropriate waiting time, reports such information to the present shareholders and postpone the discussion of the items on the agenda to the day of the following call.*
- c) *the Chairman can decide that the works of the meeting be recorded for the only purpose of supporting the draw up of the minutes of the Meeting. It's forbidden to bring in the premises where the meeting takes place any recording device of any kind, photo and video devices, without the specific approval by the Chairman.*
- d) *Under the direction of the Chairman an attendance record is prepared, on which the attending shareholders either themselves or by proxy or by any other power provided by the law are recorded, with the detail of the number of owned shares.*
- e) *Once the validity of the establishing of the meeting is ascertained, the Chairman declares the beginning of the works.*

Article 7

Discussion

- a) *The Chairman explains the items on the agenda and can have it done by the Directors, the Honorary Chairman, the Statutory Auditors and the managers of the company. The order of the items resulting from the public notice can be amended, if the Meeting has no objections.*
- b) *It is up to the Chairman of the meeting to direct the works ensuring the fairness of the discussion and the right to speak. Speeches must be done, only and solely, about the item on the agenda under discussion.*
- c) *the request to speak about individual items on the agenda can be presented in written form to the Chairman of the Meeting starting from the moment of establishing of the meeting and until when the Chairman of the Meeting declares the discussion on an item of the agenda close. In giving the floor, the Chairman of the Meeting follows the order of submission of the requests to speak.*
- d) *The Chairman of the Meeting or, upon request, the Directors, the Honorary Chairman, the Statutory Auditors, the managers of the Company, answers to the speech of each shareholder on each item on the agenda. A single answers can be provided to more than one speech having the same content.*
- e) *The Board Members, the Honorary Chairman, the Statutory Auditors can ask to speak during the discussion.*
- f) *Each shareholder can speak only once for each item on the agenda. In order to support the maximum extent of participation, the time period allotted for each speech must be limited to no more than, as a general rule, five minutes. Once the answers terminate, the Chairman of the Meeting declares the discussion closed. After the discussion is closed, only brief explanations of vote are allowed.*
- g) *The minutes of the speeches must be drawn up briefly.*
- h) *The Chairman of the Meeting, that has the duty to maintain order during the Meeting, has the power to interrupt a Shareholder that, despite a request of a fairness behavior, continues with attitudes in contrast with the need to a fair progress of the works of the meeting. If after the request of the Chairman, the speaking person does not cease from his behaviors, the Chairman may order that the warned persons leave the Meeting for its whole duration.*

b) that the broadest authority be conferred on the Board of Directors – therefore on the Chairman of the Board of Directors and on the Chief Executive Officer also acting separately - to implement the resolution above and especially to carry out any subsequent formal act to disclose it.

Provaglio d'Iseo, 3 August 2017

Gefran S.p.A.
On behalf of the Board of Directors
The Chairman
Ennio Franceschetti