

GEFRAN

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

1. Annual financial statements for the year ending 31 December 2018.

- 1.1 Approval of the annual financial statements for the year ending 31 December 2018; reports of the Board of Directors, Board of Statutory Auditors and External Auditors.
- 1.2 Approval of the distribution of dividends.

2. General Group Remuneration Policy. Consultation on the first section of the Remuneration Report, pursuant to paragraph 6, Article 123-ter of Legislative Decree 58/1998

3. Revoking of the previous authorisation to buy and sell own shares and release of new authorisation

**FOR THE ORDINARY SHAREHOLDERS' MEETING
OF 24 APRIL 2019 – 3 MAY 2019**

The documentation relating to items on the agenda is available on the website 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 period ending 31 December 2018, which show a net profit for the period of EUR 7,630,034.

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 External Auditors' Report, votes:

- 1. to approve the Board of Directors' Report on Operations and the annual financial statements for the period ending 31 December 2018, which show a profit of EUR 7,630,034, as presented by the Board of Directors;*
- 2. to distribute to the shareholders, by way of dividend, gross of the legal withholdings, EUR 0.32 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 13 May 2019, in payment as from 15 May 2019.

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

Provaglio d'Iseo, 14 March 2019

For the Board of Directors
Chairman
Maria Chiara Franceschetti

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 14 March 2019 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 of or against the General Group Remuneration Policy adopted by the company and contained in section one of the report.

Provaglio d'Iseo, 14 March 2019

For the Board of Directors
Chairman
Maria Chiara Franceschetti

Dear Shareholders,

This report was prepared pursuant to article 73 and Annex 3A, schedule 4 of the rules adopted by Consob with resolution 11971 of 14 May 1999 as amended (the “Issuer Regulation”), and was approved by the Board of Directors on 13 March 2018.

At that meeting, the Board decided to submit for the approval of the Shareholders’ Meeting – convened in ordinary session for 24 April 2019 (first summons) and 3 May 2019 (second summons) – pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Legislative Decree 58 of 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 24 April 2018, 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 selling 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 2017, duly approved on 24 April 2018:

- available reserves: € 35,895,228 (currently € 39,303,671)

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 27,220 own shares in its portfolio.

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, but not limited to, 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 time frame 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 Issuers' 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 Issuers' 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 (Consolidated Finance 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 derogation from 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, as granted by the Board in accordance with the previous authorisation dated 20 April 2017, should be confirmed.

7. Other business

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

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 58 of 24 February 1998, Article 144-bis of the regulation adopted with Consob resolution 11971 of 14 May 1999 as subsequently amended;*
- *having taken into consideration the 27,220 own shares in the portfolio of Gefran S.p.A. and its subsidiaries as of 14 March 2019;*
- *having considered the annual financial statements for the year ending 31 December 2018*

votes

- 1.** *to revoke the previous authorisation to purchase and sell own shares, approved by the Shareholders' Meeting of 24 April 2018, lasting 18 months;*

- 2.** *to authorise the Board of Directors, pursuant to 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 Board of Directors' Report, 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 58 of 24 February 1998 and Article 144-bis, letters a) and b) of the Issuers' Regulations adopted with Consob resolution 11971/1999, taking into consideration – where necessary – the exception provided by paragraph 3 of Article 132 of Legislative Decree 58/1998, and in any case using any other method provided for by the laws 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 conducted even before all purchases have been made, and may be conducted on one or more occasions 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 set by the competent authorities; as well as the introduction in the wording of the resolutions passed of any amendments required by the aforementioned authorities, the Notary or the competent Companies' Register for registration.*

Provaglio d'Iseo, 14 March 2019

For the Board of Directors
Chairman
Maria Chiara Franceschetti