

**Shareholders' Meeting of 27 April 2017
Explanatory Report by the Board of Directors**

Item 1 on the agenda

Presentation of the 2016 Annual Report

The publication of Sabaf's Annual Report, in its twelfth edition this year, confirms the Group's commitment, undertaken in 2005, to providing integrated reporting of its economic, social and environmental performances.

Sabaf was one of the first companies at international level to adopt integrated reporting, and it intends to continue along this path, guided by the International Framework, in the knowledge that integrated, complete and transparent disclosure can benefit both companies themselves - through a better understanding of the various strategic strands and greater internal cohesion - and the investor community, which can thereby gain a clearer understanding of the link between strategy, governance and company performances.

Shareholders and holders of voting rights are not required to vote on this item.

Item 2 on the agenda

Financial report at 31 December 2016:

2.1. Approval of the financial statements at 31 December 2016; the Board of Directors' Management Report; the Independent Auditing Company's Report and the Board of Auditors' Report; related and consequent resolutions;

2.2. Resolution on dividend proposal.

The illustration of the financial statements is contained in the Board of Directors' Management Report filed at the Company's registered office, on the website www.sabaf.it and by the methods established by the regulations in force, along with the draft financial statements and consolidated financial statements, the Board of Auditors' Report, and the Independent Auditing Company's Report, in accordance with applicable laws and regulations.

As we thank our employees, the Board of Auditors, the Independent Auditing Company and the supervisory authorities for their invaluable cooperation, we kindly ask the shareholders to approve the financial statements as at 31 December 2016, which close with a financial year profit of Euro 2,459,688.

The Board of Directors suggests distributing to the shareholders an ordinary dividend of Euro 0.48 per share, with the exclusion of treasury shares in the portfolio on the ex-date, by distribution of the entire profit of the 2016 financial year and, for the residual part, by distribution of a portion of the extraordinary reserve. The dividend will be put up for payment on 31 May 2017 (ex-date 29 May, record date 30 May 2017).

Dear Shareholders,

We therefore invite you to approve the following resolution proposal:

1. "The Ordinary Shareholders' Meeting:

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- having acknowledged the Board of Directors' Management Report, the Board of Auditors' Report and the Independent Auditing Company's Report;
- having examined and discussed the draft financial statements at 31 December 2016 which closed with a financial year profit of Euro 2,459,688

resolves

to approve the financial statements at 31 December 2016.

2. "The Ordinary Shareholders' Meeting

resolves

- to distribute to the shareholders a dividend of 0.48 Euro for each share, with payment from 31 May 2017 (ex-date 29 May 2017), by distribution of the entire profit of the 2016 financial year and, for the residual part, by distribution of a portion of the extraordinary reserve;
- to allocate to the extraordinary reserve an amount corresponding to the dividend of company shares in the portfolio at the ex-date;

Item 3 on the agenda

Resolution on the first section of the Remuneration Report in accordance with Article 123-ter of Italian Legislative Decree 58/1998

Dear Shareholders,

In accordance with Article 123-ter of Italian Legislative Decree 58/1998, this Shareholders' Meeting is asked to cast an advisory vote on the policy adopted by the Company regarding the remuneration of members of the management bodies and executives with strategic responsibilities and on the procedures used for its adoption and implementation.

The Remuneration Report, prepared in compliance with Appendix 3A, models 7-*bis* and 7-*ter*, of the Issuers' Regulation adopted by CONSOB Resolution 11971 of 14 May 1999, as amended and supplemented (the "**Issuers' Regulation**") has been made available to the public in the deadlines and by the methods prescribed by law (21 days before the Meeting). The report may also be viewed on the website www.sabaf.it.

Item 4 on the agenda

Authorisation to purchase and sell treasury shares, subject to revocation, for the unexecuted part of the resolution dated 28 April 2016; related and consequent resolutions

Dear Shareholders,

On the occasion of today's Ordinary Shareholders' Meeting, we would like to present a proposal to authorise the Company to purchase and sell treasury shares, in accordance with the terms and by the methods set out below.

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Reasons for which authorisation is requested to purchase and sell treasury shares

The reasons that lead the Board of Directors to submit to the Ordinary Shareholders' Meeting the request for authorisation to implement operations of purchase and sale of treasury shares, always with equal treatment of shareholders and in accordance with applicable laws and regulations in force and the practices permitted and recognised by CONSOB in accordance with Art. 13 of (EU) Regulation no. 596 dated 16 April 2014 and Art. 180, paragraph 1, letter c) of Italian Legislative Decree 24 February 1998 no. 58 as subsequently amended and supplemented with resolution no. 16839 dated 19 March 2009 (the "**Permitted Practices**"), are set out below:

- I. to use, in accordance with the strategic guidelines of the Company, treasury shares as part of the transactions related to business plans and agreements with strategic partners or within the framework of investment transactions, including by means of swap, loan, assignment, transfer or other acts of disposal of the treasury shares for acquisition of shareholdings or share packages or other extraordinary financial transactions that imply the assignment or disposal of treasury shares;
- II. to offer shareholders an additional tool to liquidate their investments;
- III. to carry out operations to support market liquidity.

Maximum number, category and par value of the shares involved in this authorisation

At the date of this report, the Company's share capital amounts to Euro 11,533,450.00 and is represented by 11,533,450 ordinary shares with a par value of Euro 1.00 each.

The maximum number of treasury shares that it is proposed to purchase, within the limits of the retained earnings and available reserves, based on the most recent, duly approved financial statements is 1,153,345, or another number that represents the threshold limit of 10% of the share capital at any time, in the event of resolution and execution of capital increases and/or reductions during the authorisation period as specified in point 4 below.

The authorisation request concerns the power of the Board of Directors to make repeated and successive purchase and sale transactions (or other deeds of disposal) of treasury shares on a revolving basis, including for fractions of the maximum authorised quantity, to the extent that the treasury shares held by the company do not exceed the maximum limit established by law.

Other useful information for evaluating respect of the provision laid down by Article 2357, Paragraph 3 of the Italian Civil Code

For the purposes of evaluating respect of the limits laid down by Article 2357, Paragraph 3 of the Italian Civil Code, it should be noted that the Company's share capital amounts to Euro 11,533,450.00 and is represented by 11,533,450 ordinary shares having a par value of Euro 1.00 each. As at the date of this explanatory report, the Company holds n. 305,990 treasury shares in the portfolio, equal to 2.653% of the share capital.

In accordance with Article 2357, Paragraph 1 of the Italian Civil Code, companies are allowed to purchase treasury shares up to the amount of retained earnings and available reserves, shown on the most recent, duly approved financial statements, while also considering any unavailability restrictions arising subsequent to and until the date of the respective resolution.

The Company's financial statements at 31 December 2015, duly approved on 28 April 2016, show that the Company has the following available reserves for a total of Euro 76,806,365, as follows:

- the share premium reserve, for Euro 10,001,935;
- the revaluation reserve, pursuant to Law 413/91, for Euro 42,207;
- the revaluation reserve, pursuant to Law 342/00, for Euro 1,591,967;
- retained earnings available, for Euro 65,170,256.

In addition, the Company's draft financial statements at 31 December 2016, approved by the Board of Directors on 20 March 2017 and which will be submitted for shareholder approval on 27 April 2017, at

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single convocation, show that the Company has available reserves totalling Euro 77,061,491, as follows:

- the share premium reserve, for Euro 10,001,935;
- the revaluation reserve, pursuant to Law 413/91, for Euro 42,207;
- the revaluation reserve, pursuant to Law 342/00, for Euro 1,591,967;
- retained earnings available, for Euro 65,425,382.

It should be noted that the Board is required to verify respect of the conditions required by Article 2357 of the Italian Civil Code for the purchase of treasury shares when each authorised purchase is made.

For the acquisition of shares and subsequent sale, loan, transfer or write-down thereof, specific notes shall be made in the accounts in compliance with legal provisions and the applicable accounting standards.

Subsidiary companies and the respective management bodies will be given appropriate instructions so that they can make timely reports on the acquisition of shares made in accordance with Article 2359-bis of the Italian Civil Code.

In accordance with Article 44-*bis* of the Issuers' Regulation, it is noted that the treasury shares held by the Company are excluded from the share capital based on which significant shareholdings are calculated for the purposes of obligations resulting from Article 106, Paragraphs 1 and 3, letter b) of Italian Legislative Decree 58 of 24 February 1998, as subsequently amended and supplemented, except in cases where the shares are purchased in execution of a shareholders' meeting resolution which, notwithstanding the provisions of Articles 2368 and 2369 of the Italian Civil Code, has also been approved with the favourable vote of the majority of the shareholders, present at the shareholders' meeting, other than the shareholder or shareholders that hold, even jointly, the majority investment, even relative, provided it is more than 10%.

Term for which authorisation is requested

A period of 18 months is requested for the authorisation to purchase treasury shares, commencing from the date on which the Ordinary Shareholders' Meeting adopts the corresponding resolution.

The Board asks for authorisation for the disposal of treasury shares to be granted without time constraints.

Minimum and maximum consideration

The Board of Directors recommends setting the unit price for the purchase of treasury shares, inclusive of accessory purchase costs, at no more than 10% above the average official price recorded on the MTA for the five sessions prior to the purchase, in respect in any case of the terms and conditions established by (EU) Delegated Regulation no. 1052 dated 8 March 2016 and by the Permitted Practices, where applicable.

As regards the consideration to dispose of the purchased treasury shares, the Board of Directors recommends that the Shareholders' Meeting only sets the minimum amount, granting the Board of Directors the power to determine any other condition, method, and term of each disposal on a case-by-case basis. This minimum consideration cannot be less than 10% below the average official prices reported on the MTA market in the five sessions prior to each sale transaction. However, this limit on the price will not be applied in the event of swap, loan, assignment, transfer or other deed of disposal of treasury shares made as part of acquisitions of shareholdings or implementation of business plans or other extraordinary financial transactions which imply the assignment or disposal of treasury shares (such as mergers, spin-offs, issuance of convertible bonds or warrants, etc.).

In this case, other criteria may be used to determine the sale price of the purchased treasury shares, even with the assistance of independent experts, in line with the purposes pursued by the sale transactions and considering market practices and the instructions of Borsa Italiana S.p.A.

Methods by which purchases and deeds of disposal will be performed

Treasury share purchase transactions will begin and end at the times established by the Board of

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Directors subsequent to any authorisation by this Ordinary Shareholders' Meeting.

Treasury share purchases will be executed, in one or more transactions, on a revolving basis by means of acquisition on regulated markets according to operating methods that preclude direct matching between offers of purchase with predetermined offers of sale, in compliance with regulatory standards and other regulations as applicable from time to time and in particular in accordance with Article 132 of Italian Legislative Decree 58 of 24 February 1998 and Article 144-bis, paragraph 1, letter b) of the Issuers' Regulation.

Treasury shares can be purchased using methods other than those indicated above where allowed by Article 132, Paragraph 3 of Italian Legislative Decree 58 of 24 February 1998, or by other provisions as applicable at the time of the transaction.

As regards disposal operations of the shares, the Board of Directors recommends that, in accordance with the applicable regulations of market practices, the authorisation granted allows the use of any methods considered appropriate to achieve the objectives pursued and in particular that the disposal of the shares may take place in one or more transactions, even before all acquisitions have been completed. To limit the effects arising from execution of the buy and sell transactions of treasury shares on outstanding shares in circulation, the Board of Directors recommends that the authorisation includes the obligation of the Board to execute the acquisition and sale transactions of Company shares by methods and timescales that do not undermine the Company's minimum outstanding shares required for qualification for the STAR segment.

Other information in the event that the acquisition is instrumental to reducing the Company share capital by voiding the purchased treasury shares

It should be noted that the request for authorisation to purchase treasury shares is not, at present, aimed at operations to reduce the share capital by voiding the purchased treasury shares.

Dear Shareholders,

For all the reasons illustrated above, we recommend that you approve the matters proposed by the Board of Directors regarding the items on the agenda and, as a result, adopt the following resolution:

"Based on the report by the Board of Directors and in view of Articles 2357 et seq. of the Italian Civil Code, Article 132 of Italian Legislative Decree 58 of 24 February 1998 and the regulations in force issued by CONSOB, the Ordinary Shareholders' Meeting of Sabaf S.p.A. hereby

resolves

1. to revoke, for the part not yet executed, the resolution of purchase and sale of treasury shares adopted by the Ordinary Shareholders' Meeting of 28 April 2016;

2. to authorise, in accordance with Article 2357 of the Italian Civil Code, the purchase, in one or more instalments, on a revolving basis (i.e. concerning the maximum number of treasury shares held in the portfolio at any one time) of 1,153,345 ordinary shares or other maximum number that represents 10% of the share capital in the event of resolutions and execution of share capital increases and/or decreases in the authorisation period, while also considering the shares that may be held by subsidiaries of the Company at any time. This transaction will be executed in compliance with the legal limits in order to achieve the purposes described in more detail in the Board of Directors' Report and under the following terms and conditions:

- the shares may be purchased for up to eighteen months, commencing from the date of this resolution;

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- the purchase may take place by means of acquisition on regulated markets according to operating methods that preclude direct matching between offers of purchase with predetermined offers of sale, in compliance with regulatory standards and other regulations as they apply and in particular pursuant to Article 132 of Italian Legislative Decree 58 of 24 February 1998, and Article 144-bis, Paragraph 1, letter b) of the Issuers' Regulation, or using other methods where allowed by Article 132, Paragraph 3 of Italian Legislative Decree 58 of 24 February 1998, or by other provisions as applicable at the time of the transaction;
- the unit price for purchase of the shares may not be 10% higher than the average official prices recorded on the MTA for the five sessions prior to each purchase transaction in respect in any case of the terms and conditions established by (EU) Delegated Regulation no. 1052 dated 8 March 2016 and by the Permitted Practices, where applicable;
- purchase and sale transactions of treasury shares must be executed by the Board of Directors by methods and timescales that do not undermine the Company's minimum outstanding shares required for qualification for the STAR segment of the MTA market;

3. to authorise, in accordance with Article 2357-ter of the Italian Civil Code, the completion of acts of disposal, in one or more instalments, of the purchased treasury shares and those held in the portfolio at any time, in compliance with the regulatory and legislative provisions in force, to pursue the purposes described in the Board of Directors' report to the shareholders and under the following terms:

- treasury shares held at any one time in the portfolio may be sold or otherwise assigned, without time limits;
- disposal transactions may be executed even before all purchases are completed and may take place in one or more instalments on the market, en bloc or by means of sale or swap, or as a consideration in the event of swap, loan, transfer, assignment or other act of disposal of treasury shares made as part of the acquisition of shareholdings, companies, business units, or implementation of business plans or other extraordinary financial transactions that imply the assignment or disposal of treasury shares (including mergers, spin-offs, issuance of convertible bonds, warrants, etc.), as well as according to any other methods allowed by the provisions in force, at the discretion of the Board of Directors;
- the unit price for the alienation cannot be more than 10% lower than the average of the official prices reported on the MTA market in the five sessions prior to each individual sale transaction. This limit on the price will not be applied in the event of swap, loan, assignment, transfer or other act of disposal of treasury shares made as part of acquisitions of shareholdings or implementation of business plans or other extraordinary financial transactions that imply the assignment or disposal of treasury shares (such as mergers, spin-offs, issuance of convertible bonds or warrants, etc.);

4. to grant to the Board of Directors the widest necessary and appropriate powers, with explicit right to delegate such powers to one or more of its members, in order to execute this resolution, also by approving any and all executive orders relating to the plan to purchase and sell treasury shares”.

Item 5 on the agenda

Appointment of a director to supplement the Board of Directors. Related and consequent resolutions.

Dear Shareholders,

You have been convened to the ordinary meeting to resolve upon the appointment of a member of the Board of Directors necessary to supplement the same.

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In that regard, it is noted that at 23 January 2017, Mr Alberto Bartoli – appointed by the ordinary shareholders' meeting of 5 May 2015 based upon the list submitted by the shareholder Giuseppe Saleri S.p.A. – resigned from the role of Director and Managing Director, with effect from the date of the shareholders' meeting to approve the financial statements at 31 December 2016.

The ordinary Shareholders' Meeting of 28 April 2016, in accordance with Article 12 of the Company's articles of association, determined that the management body of the Company would consist of 12 members. It is, therefore, necessary to appoint a Director to supplement the management body, subject to determining the respective fee.

As this is a mere supplementation of the Board of Directors already in office, the mechanism of the list vote is not applied. Therefore, the majorities required by law will apply to the appointment.

It is noted that the Director thus appointed will remain in office until the expiry of the mandate of the current Board of Directors, and therefore until the date of the Shareholders' Meeting convened to approve the financial statements for the year ending at 31 December 2017.

No specific procedures are required for the submission of candidacies; however, the Board of Directors recommends that the shareholders intending to propose a candidate communicate this to the Company with appropriate prior notice in order to allow the Company itself to publish the same, supplementing the proposal with similar documentation to that required by the Company's articles of association for the submission of lists of candidates for the appointment of the entire Board of Directors, therein including documentation proving the capacity of shareholder. The proposals thus received will be promptly made public, by way of specific communication to the market and on the Company's internet website.

In light of what has been illustrated, the Shareholders' Meeting is invited to resolve upon the appointment of a Director. It is reiterated, finally, that:

- the shareholders' meeting of 5 May 2015 had fixed at Euro 980,000 the maximum annual fee for the Board of Directors, attributing to the Board of Directors itself the right to divide the fee between the individual members;
- the shareholders' meeting of 28 April 2016 increased from Euro 980,000 to Euro 995,000 the maximum annual fee for the Board of Directors, as a result of the increase of the number of directors from eleven to twelve members.

The Board of Directors invites you, therefore, to take the necessary decisions.

Ospitaletto, 20 March 2017
For the Board of Directors
The Chairman
Giuseppe Saleri