

**Shareholders' Meeting of 7 May 2019  
Explanatory Report by the Board of Directors**

**Item 1 on the agenda**

**Presentation of the 2018 Annual Report**

The publication of the Annual Report of the Sabaf Group, now in its fourteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated reporting of its economic, social, and environmental performance.

One of the first international-level companies to embrace the trend of integrated reporting, Sabaf intends to continue on the path it has undertaken, inspired by the recommendations contained in the international Framework on sustainability reporting of the International Integrated Reporting Council (IIRC), aware that integrated, complete, and transparent reporting can benefit both the companies themselves, through better understanding of the articulation of strategy and greater internal cohesion, and the community of investors, who will more clearly grasp the linkage between strategy, governance, and corporate performance.

The Annual Report overviews the Group's business model and the process of creating corporate value. The Business Model and the main results achieved (summary Performance Indicators) are in fact presented from the standpoint of the capital employed (financial; social and relational; human; intellectual, infrastructural, and natural) to create value over time, thereby generating results for the business, with positive impacts on the community and on stakeholders as a whole. The "non-financial indicators" include the results achieved in managing and exploiting intangible assets, the main driver that allows the corporate strategy's ability to create value in a perspective of medium to long-term sustainability to be monitored.

Sabaf also adopts a virtuous approach with regard to compliance with the new regulatory obligations on non-financial reporting. On 30 December 2016, Legislative Decree 254 came into force, which, in implementation of Directive 2014/95/EU on Non-financial and diversity information, requires relevant public interest entities (EIPRs) to communicate non-financial and diversity information starting with the 2017 financial statements. As a public-interest entity, Sabaf prepared for the second year the Consolidated non-financial statement presenting the chief policies practiced by the company, the management models, the risks, the activities performed by the Group during 2018, and the related performance indicators as pertains to the issues expressly referred to by Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, struggle against corruption) and to the extent needed to ensure understanding of the company's activity, its trend, its results, and the impacts it produces.

The Group's commitment was also confirmed by the "Oscar di Bilancio" award for the fourth time (previously in 2004, 2013 and 2017), a historic contest promoted and organised by the Italian Public Relations Federation (FERPI), which for over fifty years has been awarding prizes to the most virtuous businesses in financial reporting and in dealing with all stakeholders.

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*We burn* for technology and safety.

On this item on the agenda, the shareholders and those entitled to vote are not asked to cast a vote.

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Ospitaletto, 26 March 2019

For the Board of Directors  
The Chairman  
Giuseppe Saleri

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## **Item 2 on the agenda**

### **Financial report at 31 December 2018**

- 2.1 Approval of the Financial statements at 31 December 2018; Management Report prepared by the Board of Directors; Independent Auditors' Report and Report of the Board of Statutory Auditors; Related and consequent resolutions;**
- 2.2 Resolution as to the dividend proposal;**

The description of the financial statements is contained in the management report by the Board of Directors available at the Company's registered office, on the website [www.sabaf.it](http://www.sabaf.it) and in the other methods envisaged by the regulations in force, along with the draft of the separate financial statements and the consolidated financial statements, the Report by the Board of Statutory Auditors, and the Report by the Independent Auditors, in compliance with the applicable provisions of law and regulations.

While thanking employees, the Board of Statutory Auditors, the independent auditors, and the Supervisory Authorities for their effective collaboration, we ask the shareholders to approve the financial statements for the year ended 31 December 2018, with the proposal to allocate the profit for the year of €8,040,215 in the following manner:

- a dividend of €0.55 per share to be paid to shareholders as from 29 May 2019 (ex-date 27 May 2019 and record date 28 May 2019). With regard to treasury shares, we invite you to allocate an amount corresponding to the dividend on the shares held in portfolio on the ex-date to the Extraordinary Reserve;
- the remainder to the Extraordinary Reserve.

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Dear shareholders,

We therefore ask you to approve the following draft resolution:

1. *"The Ordinary Shareholders' Meeting:*

- *taking note of the Board of Directors Management Report, the Board of Statutory Auditors Report, and the Independent Auditors' Report;*
- *having examined and discussed the draft financial statements at 31 December 2018, which ended with a profit for the year of €8,040,215*

***resolves***

*to approve the financial statements at 31 December 2018.*

2. *"The Ordinary Shareholders' Meeting*

***resolves***

*to allocate the profit for the year of €8,040,215 in the following manner:*

- *a dividend of €0.55 per share to be paid to shareholders as from 29 May 2019 (ex-date 27 May 2019 and record date 28 May 2019). With regard to treasury shares, we invite you to allocate an amount corresponding to the dividend on the shares held in portfolio on the ex-date to the Extraordinary Reserve;*
- *the remainder to the Extraordinary Reserve.*

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Ospitaletto, 26 March 2019

For the Board of Directors  
The Chairman  
Giuseppe Saleri

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**Item 3 on the agenda**

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

Dear shareholders,

Pursuant to Article 123-ter of Legislative Decree no. 58/1998, this Shareholders' meeting is called upon to express its advisory vote with regard to the policy adopted by the company in the matter of remuneration of members of the boards of directors and of executives with strategic responsibilities, and the procedures used to adopt and implement this policy.

The remuneration report drafted in compliance with Annexe 3A, schemes 7-bis and 7-ter, of the regulations adopted with CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, was made available to the public by the deadlines and in the manner pursuant to the law. The report may also be consulted at the website [www.sabaf.it](http://www.sabaf.it).

We therefore propose, having examined the remuneration report, to resolve in favour of the first section thereof, by advisory vote.

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Ospitaletto, 26 March 2019

For the Board of Directors  
The Chairman  
Giuseppe Saleri

#### **Item 4 on the agenda**

#### **Appointment of a director to supplement the Board of Directors; related and consequent resolutions**

Dear shareholders,

We inform you that, following the resignation of the independent director Renato Camodeca effective as from 23 January 2019, the Board of Directors, by resolution passed on 23 January 2019, replaced him with Carlo Scarpa, pursuant to and for the purposes of Article 13 of the Articles of Association.

In accordance with the above mentioned provision of the Articles of Association, the director thus appointed remains in office until the present Shareholders' Meeting, which is called upon to appoint a new director, thus integrating and reconstituting the Board of Directors in its plenary session.

Also by virtue of Article 13 of the Articles of Association, the mandate of the director to be appointed will cease upon expiry of the mandates of the directors already in office and, therefore, upon approval of the financial statements for the year ended 31 December 2020.

The appointment of the new director must be made by the Shareholders' Meeting, in the absence of any other special provision of the articles of association, on the basis of the majority principle.

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Without prejudice to the provisions of Article 125-bis of Italian Legislative Decree no. 58/1998, the Board of Directors refrains from formulating specific proposals regarding this item on the agenda because, since it concerns the appointment of a member of the Board of Directors on the basis of the majority principle, the concrete contents of the draft resolution that will be put to the vote will depend on the proposals that will be formulated by the shareholders at the Shareholders' Meeting.

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Dear shareholders,

All things being stated, you are invited:

- to resolve on the appointment of a new member of the Board of Directors on the basis of the majority principle, with the mandate expiring on the date of approval of the financial statements for the year ended 31 December 2020.

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Ospitaletto, 26 March 2019

For the Board of Directors  
The Chairman  
Giuseppe Saleri

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## **Item 5 on the agenda**

### **Authorisation for the purchase and disposal of treasury shares, upon revocation, for the non-executed part of the resolution of 8 May 2018; Related and consequent resolutions.**

Dear shareholders,

On the occasion of this ordinary Shareholders' Meeting, we deem it appropriate to submit to your attention the proposal of authorisation for the purchase and disposal, by the Company, of treasury shares, under the terms and following the procedures indicated hereunder.

#### **A. Reasons why the authorisation for the purchase and disposal of treasury shares is requested**

The reasons leading the Board of Directors to submit to the ordinary Shareholders' Meeting its request for authorisation to carry out operations of purchase of treasury shares and disposal thereof are set out hereunder:

- I. to dispose of treasury shares to be used for equity-based incentive plans, reserved for directors and/or employees of the Company or of subsidiary companies and, in particular, the stock grant plan in force;
- II. to use, in line with the Company's strategic lines, the treasury shares as part of operations related to industrial projects and agreements with strategic partners, or as part of investment operations, also through exchange, conferral, transfer, or other acts of disposal of the treasury shares for the acquisition of stakes or shareholding packages, or other operations of extraordinary finance that involve assigning or disposing of treasury shares;
- III. to offer shareholders an additional instrument to monetise their investment;
- IV. to carry out activities in support of market liquidity.

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

As of the date hereof, the Company's share capital equals €11,533,450.00, and is represented by 11,533,450 ordinary shares of a nominal value of €1.00 each.

The maximum number of treasury shares for which the purchase is proposed, within the limits of the profits that can be distributed and the available reserves based on the latest, duly approved financial statements, is 1,153,345, which is to say the different number that represents, from time to time, the maximum limit of 10% of the share capital, in the event of decision and execution of increases and/or reductions of capital during the authorisation period as per point D below.

The request for authorisation regards the power of the Board of Directors to carry out repeated and successive operations of purchase and sale, or of other acts of disposal (including assignment, free of charge, at the service of the stock incentive plan) of treasury shares on a revolving basis, also for fractions of the maximum authorised amount, in such an amount that the treasury shares held by the Company might not at any rate exceed the maximum limit established by law.

#### **C. Additional information of use for assessing compliance with the provision established by art. 2357, paragraph 3, of the Italian Civil Code**

For the purposes of assessing compliance with the limits pursuant to art. 2357, paragraph 3 of the Italian Civil Code, it is pointed out that the Company's capital equals €11,533,450.00 and is represented by 11,533,450 ordinary shares of a nominal value of €1.00 each. It is pointed out that at the date hereof, the Company holds 514,506 treasury shares in its portfolio, equal to 4.461% of the share capital.

It is to be borne in mind that, pursuant to art. 2357, paragraph 1 of the Italian Civil Code, the purchase of treasury shares is permitted within the limits of the profits that can be distributed and of the available reserves resulting from the latest, duly approved financial statements.

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The Company's financial statements at 31 December 2017, duly approved by the Shareholders' Meeting on 8 May 2018, show that the Company has available reserves totalling €70,512,438, as follows:

- share premium reserve of €10,001,935;
- revaluation reserve, law no. 413/91 of €42,207;
- revaluation reserve, law no. 342/00 of €1,591,967;
- available retained earnings of €58,876,329.

Moreover, the draft financial statements of the Company at 31 December 2018, approved by the Board of Directors on 26 March 2019 and to be submitted to the Shareholders' Meeting on 7 May 2019, in a single call, show that the Company has available reserves totalling €70,293,339, as follows:

- share premium reserve of €10,001,935;
- revaluation reserve, law no. 413/91 of €42,207;
- revaluation reserve, law no. 342/00 of €1,591,967;
- available retained earnings of €58,657,230.

It is specified that the Board is bound to verify compliance with the conditions required by art. 2357 of the Italian Civil Code for the purchase of treasury shares at the moment in which it completes any authorised purchase.

On the occasion of the purchase of shares or their disposal, exchange, conferral, or write-down, the appropriate accounting entries shall be done in compliance with the provisions of law and with the applicable accounting standards.

The subsidiaries and their respective governing bodies shall be given suitable provisions so that they may promptly signal any acquisition of shares done pursuant to art. 2359-bis of the Italian Civil Code.

Pursuant to art. 44-bis of the regulation adopted with CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, it is pointed out that the treasury shares held by the company are excluded from the share capital upon which the stake of relevance for the purposes of the obligations deriving from art. 106, paragraphs 1 and 3, letter b) of Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented, is calculated, except in the case in which the shares have been purchased in execution of a shareholders' meeting resolution that, without prejudice to 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, even jointly, hold the majority stake, or even the relative majority provided that it exceeds 10%. Moreover, pursuant to art.44-bis, paragraph 3 of the aforementioned CONSOB regulation, it is pointed out that the share capital upon which the majority stake for the purposes of the obligations derived from art. 106, paragraphs 1 and 3, letter b) of Legislative Decree no. 58 of 24 February 1998 is calculated do not exclude the treasury shares held by the Company to serve the stock incentive plans, reserved for directors and/or employees of the Company or of subsidiaries.

#### **D. Duration for which the authorisation is requested**

The authorisation for the purchase of treasury shares is requested for a period of 18 months, starting from the date when the ordinary Shareholders' Meeting adopts the corresponding resolution.

The authorisation to dispose of the treasury shares that may be purchased, and/or of those already in the portfolio, is requested without time limits.

#### **E. Minimum payment and maximum payment**

The Board of Directors proposes that the unit payment for the purchase of the treasury shares, including the accessory purchase charges, not exceed 10% of the average of the official prices recorded on the screen-based market in the five sessions prior to the purchase, in compliance at any rate with the terms and conditions established by Delegated Regulation (EU) no. 1052 of 8 March 2016 and by the practices admitted and recognised by CONSOB pursuant to art. 13 of Regulation (EU) no. 596 of 16 April 2014 and art. 180, paragraph 1, letter c) of Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented with resolution no. 16839 of 19 March 2009 ("**Admitted Practices**"),

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where applicable.

The Board of Directors also proposes being authorised to dispose of and/or use, on any grounds and at any time, in whole or in part, the purchased treasury shares (even already in the portfolio), for the purposes indicated herein, in accordance with the procedures, terms, and conditions determined from time to time by the Board of Directors, in compliance with the terms, conditions, and requirements established by the applicable regulations and by the Admitted Practices.

#### **F. Procedures through which the purchases and acts of disposal shall be carried out**

The treasury share purchase operations shall start and end by the times established by the Board of Directors after any authorisation by this ordinary Shareholders' Meeting.

The treasury share purchase operations shall be carried out, in one or more operations, on a revolving basis, through purchase on regulated markets, in accordance with modes of operation that do not permit the direct combination of purchase negotiation proposals with predetermined sale negotiation proposals, in compliance with the laws and regulations from time to time in force, and in particular pursuant to art. 132 of Legislative Decree no. 58 of 24 February 1998, and art. 144-bis, first paragraph, letter b) of the Issuers' Regulations. The purchase of treasury shares may take place by procedures other than those indicated above where permitted by art. 132, paragraph 3, of Legislative Decree no. 58 of 24 February 1998, or by other provisions applicable from time to time at the moment of the operation.

As concerns the operations to dispose of the shares, the Board of Directors proposes that, in compliance with the applicable regulations and with market practice, the authorisation might permit the adoption of any procedure that is appropriate to correspond with the pursued purposes – including the use of the treasury shares at the service of the stock incentive plan –, and in particular that the disposal of the shares might take place, in one or more operations, even prior to having finished the purchases. Given the effects on the float that may derive from the performance of treasury share purchase and sale operations, the Board of Directors proposes that the authorisation provide for the obligation for the Board of Directors to carry out operations for the purchase and sale of the Company's shares in accordance with procedures and times that are such as not to impair the Company's maintenance of the maximum float required for STAR qualification.

#### **G. Additional information, where the purchase operation is instrumental to the reduction in share capital through the cancellation of purchased treasury shares**

It is specified that the request for authorisation for the purchase of treasury shares is not, in the present state of affairs, subordinated to operations reducing the share capital through cancellation of the purchased treasury shares.

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Dear shareholders,

For all the reasons set out above, we thus ask you to approve what the Board of Directors proposed with reference to the item on the agenda, and consequently to make the following resolution:

*“The ordinary Shareholders' Meeting of Sabaf S.p.A., based on the report of the Board of Directors, having seen articles 2357 and following of the Italian Civil Code, art. 132 of Legislative Decree no. 58 of 24 February 1998, and the current regulations issued by CONSOB*

#### ***resolves***

*1. to revoke, for the part not yet carried out, the resolution for the purchase and sale of treasury shares made during the ordinary Shareholders' Meeting of 8 May 2018;*

*2. to authorise, pursuant to and to the effects of art. 2357 of the Italian Civil Code, the purchase, in one*

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*or more operations, of a maximum number, on a revolving basis (with this to be understood as the maximum amount of treasury shares from time to time held in the portfolio), of 1,153,345 ordinary shares, or such different maximum number as shall represent 10% of the share capital in the event of resolutions and execution of increases and/or reductions of the share capital during the period of the authorisation, taking account of the shares that may from time to time be held by the Company's subsidiaries, and at any rate in compliance with the limits of law, for the pursuit of the purposes better described in the Board of Directors Report and under the following terms and conditions:*

- *the shares may be purchased until the expiry of the eighteenth month starting from the date of this resolution;*
- *the purchase may be carried out through purchase on regulated markets in accordance with operating methods that do not permit the direct combination of purchase negotiation proposals with predetermined sale negotiation proposals, in compliance with the laws and regulations from time to time in force, and in particular pursuant to art. 132 of Legislative Decree no. 58 of 24 February 1998, and art. 144-bis, first paragraph, letter b) of the Issuers' Regulations, or by other procedures, where permitted by art. 132, paragraph 3, of Legislative Decree no. 58 of 24 February 1998, or by other provisions applicable from time to time at the moment of the operation;*
- *the unit payment for the purchase of shares may not exceed 10% of the average of the official prices recorded on the screen-based market in the five sessions prior to each individual purchase operation, in compliance at any rate with the terms and conditions established by Delegated Regulation (EU) no. 1052 of 8 March 2016 and by the Admitted Practices, where applicable;*
- *the operations for the purchase and sale of the Company's shares shall be carried out by the Board of Directors with procedures and times that are such as not to impair the Company's maintenance of the maximum float required for STAR qualification;*

*3. to authorise, pursuant to and to the effects of art. 2357-ter of the Italian Civil Code, the completion of acts of disposal, in one or more operations, on the purchased treasury shares, even if already held in the portfolio, in compliance with the laws and regulations from time to time in force, for the pursuit of the purposes as per the Board of Directors report to the shareholders, and under the following terms:*

- *the treasury shares held from time to time may be disposed of or otherwise transferred at any time, and with no time limits;*
- *the disposal operations may also be carried out before having completed the purchases, and may take place in one or more operations on the market, also in fulfilment of the provisions of the stock incentive plans in favour of the directors and/or employees of the Company or subsidiaries, in accordance with any procedure permitted by the regulations in force, at the discretion of the Board of Directors;*
- *the criteria, procedures, terms, and conditions for employment of the treasury shares in the portfolio, that are appropriate for corresponding to the pursued purposes, may be established by the Board of Directors in compliance with the terms, conditions, and requirements established by the applicable regulations and by the Admitted Practices*

*4. to confer to the Board of Directors, with express power of delegation to one or more of its members, all the broadest powers necessary and appropriate for executing this resolution, also approving any and every executive order related to the programme for the purchase and transfer of the treasury shares."*

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Ospitaletto, 26 March 2019

For the Board of Directors  
The Chairman  
Giuseppe Saleri

**SABAF S.p.a.**

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