



A multibrand company

**EXPLANATORY REPORT OF THE DIRECTORS ON THE ITEMS ON  
THE AGENDA OF THE SHAREHOLDERS' MEETING WITH FIRST  
CALL ON APRIL 29<sup>TH</sup> 2020 AND WITH SECOND CALL ON MAY 12<sup>TH</sup>  
2020.**

pursuant to article 125-ter TUF

**Board of Directors**

Angelo Mastrolia

Giuseppe Mastrolia

Stefano Cometto

Benedetta Mastrolia

Valentina Montanari

Emanuela Paola Banfi

Eric Sandrin

**Board of Statutory Auditors**

Massimo Carlomagno

Ester Sammartino

Antonio Mucci

**Auditing Firm**

PricewaterhouseCoopers S.p.A.

Dear Shareholders,

the Board of Directors of Newlat Food S.p.A. (hereinafter the “Company”) explains below the agenda scheduled for the Ordinary Shareholders' Meeting, convened – through the notice published on the Company's website at [www.newlat.it](http://www.newlat.it), in the “Corporate Governance Section – Shareholders’ Meeting” on March 27<sup>th</sup>, 2020, as well as an extract from the newspaper Italia Oggi on March 28<sup>th</sup>, 2020 - at the headquarters of Newlat Group SA, located in Lugano (Switzerland), Via Bagutti n. 14, on first call for April 29, 2020 at 10.00 am and, if necessary, on second call for May 12, 2020, at the same place and time:

- 1. Approval of the Financial Statements for the year ended 31 December 2018. Presentation of the consolidated financial statements for the year ended 31 December 2019 and of the Non-Financial Statement for the year ended 31 December 2019, drawn up pursuant to Legislative Decree of 30 December 2016, n. 254. Board of Directors Report, Board of Statutory Auditors Report and the External Auditors Report.**
- 2. Allocation of the annual Net Income. Related resolutions.**
- 3. Report on the remuneration policy and on the remuneration paid pursuant to art. 123-ter, paragraphs 3-bis and 6 of Legislative Decree February 24, 1998, n. 58:**
  - a. Binding resolution on the first section on the remuneration policy prepared pursuant to art. 123-ter, paragraph 3, of Legislative Decree February 24, 1998, n. 58;**
  - b. Non-binding resolution on the second section on remuneration paid prepared pursuant to art. 123-ter, paragraph 4, of Legislative Decree February 24, 1998, n. 58.**
- 4. Authorization for the purchase and disposal of own shares. Related and consequent resolutions.**

The purpose of this report is to illustrate to you the reasons for the proposals contained in the agenda items pursuant to article 125-ter TUF.

**1. Financial Statements for the year ended 31<sup>st</sup> December 2019. Presentation of the consolidated financial statements for the year ended 31 December 2019 and of the Non-Financial Statement for the year ended 31 December 2019, drawn up pursuant to Legislative Decree of 30<sup>th</sup> December 2016, n. 254. Board of Directors Report, Board of Statutory Auditors Report and the External Auditors Report.**

Dear Shareholders,

as regards the illustration of the first item on the Shareholders' Meeting agenda, please refer to the Company's Annual Financial Report for the year 2019, containing the financial statements of Newlat Food S.p.A., the consolidated financial statements and the Non-Financial Statement of the 2019 financial year, prepared pursuant to Legislative Decree of 30<sup>th</sup> December 2016, n. 254, the Directors' Report on management performance, the report on corporate governance and ownership structures, as well as the certification pursuant to article 154-bis of the TUF, the report of the auditing firm and the report of the Board of Statutory Auditors.

The above-mentioned documents are available to the public through the authorized eMarketstorage storage mechanism at [www.emarketstorage.com](http://www.emarketstorage.com), as well as on the Company's website at [www.newlat.it](http://www.newlat.it) in the Corporate Governance – Shareholders' Meeting section and are filed at the Company's headquarters.

The draft financial statements, submitted for your approval, show a profit for the year of € 7,474,719 while the consolidated draft financial statements, ended 31 December 2019, show a profit for the group equal to a profit of € 7,173 thousand.

The Board of Directors submits the following proposed resolution for your approval:

*“The ordinary Shareholders' Meeting of Newlat Food S.p.A.,*

- having examined the Board of Directors Report prepared pursuant to article 125-ter of the TUF;*
- having examined the annual financial report for 2019, the External Auditor and the Board of Statutory Auditors Report;*
- having acknowledged the consolidated financial statements at 31<sup>st</sup> December 2019 and the Non-Financial Statement of the 2019 financial year prepared pursuant to Legislative Decree of 30<sup>th</sup> December 2016, no. 254*

*resolves*

*to approve the financial statements of Newlat Food S.p.A. for the year ending 31<sup>st</sup> December 2019, with a profit equal to € 7,474,719.”*

## 2. Allocation of the annual Net Income. Related resolutions.

Dear Shareholders,

the Board of Directors, having acknowledged the Annual Financial Report for the 2019 financial year, the External Auditors and the Board of Statutory Auditors reports, taking into consideration the financial statements for the year ended 31<sup>st</sup> December 2019, which shows a profit of € 7,474,719, proposes to allocate the net result to the reserve, of which, 5% to be allocated to the legal reserve and the remaining 95% to the extraordinary reserve.

For this reason, the Board of Directors proposes the following resolution:

*“The ordinary Shareholders’ Meeting of Newlat Food S.p.A.*

- *having examined and approved the financial statements for the year ended 31<sup>st</sup> December 2019, with a net profit of €7,474,719*

*resolves*

*to allocate the net profit for the year equal to € 7,474,719 as follows:*

- *5% legal reserve;*
- *95% extraordinary reserve.”*

**3. Report on the remuneration policy and on the remuneration paid pursuant to art. 123-ter, paragraphs 3-bis and 6 of Legislative Decree February 24, 1998, n. 58.**

Dear Shareholders,

article 123-ter of the TUF was recently amended by Legislative Decree 10 May 2019, no. 49, in implementation of Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 (“SHRD II Directive”).

The report on the remuneration policy and the remuneration paid pursuant to art. 123-ter TUF includes:

(i) a Section I which illustrates the Company’s remuneration policy of the members of the administrative and control bodies, general managers and executives with strategic responsibilities in the year 2020;

(ii) a Section II which illustrates the compensation paid to the members of the administrative and control bodies, general managers and executives with strategic responsibilities in the reference year.

The new legislation of art. 123-ter of the Consolidated Law on Finance - by inserting the new paragraph, 3-bis - requires shareholders to cast a binding vote on the remuneration policy (Section I) and a non-binding, but consultative, vote on the remuneration paid to the aforementioned subjects (Section II).

The application of the legislation, as amended, is expected to begin with the publication of the reports on the remuneration policy and on the remuneration paid at the Shareholders' Meetings for the approval of the financial statements relating to the financial years starting from January 1<sup>st</sup>, 2019.

The report on the remuneration policy and the remuneration paid by Newlat Food S.p.A., including Sections I and II above, on which you are called to express yourself, will be made available to the public by April 8<sup>th</sup>, 2020 at the eMarketstorage authorized storage at [www.emarketstorage.com](http://www.emarketstorage.com), as well as on the Company's website at [www.newlat.it](http://www.newlat.it) in the “Corporate Governance – Shareholders' Meeting” section and filed at the Company’s headquarter.

**3.1 Binding resolution on the first section on the remuneration policy prepared pursuant to art. 123-ter, paragraph 3, of Legislative Decree February 24, 1998, n. 58.**

The Shareholders' Meeting is called, pursuant to Article 123-ter, paragraph 3-bis, of the TUF to express its binding vote with regard to Section I, report on the remuneration policy.

The Board of Directors, referring to the text of the report on the remuneration policy and the remuneration paid - approved by a board resolution of 19<sup>th</sup> March 2020 on the assent of the Appointments and Remuneration Committee - proposes the following resolution:

*“The ordinary Shareholders’ Meeting of Newlat Food S.p.A.*

- *having acknowledged Section I of the report on the remuneration policy and remuneration paid*  
*resolves*

*to approve Section I of the report on the remuneration policy and the remuneration paid which illustrates the Company's remuneration policy for the year 2020 and the procedures used for the adoption of this policy. ”*

**3.2 Non-binding resolution on the second section on remuneration paid prepared pursuant to art. 123-ter, paragraph 4, of Legislative Decree February 24, 1998, n. 58.**

With regard to Section II, report on the remuneration paid, the Shareholders' Meeting is called, pursuant to Article 123-ter, paragraph 6, of the TUF, to cast its non-binding, favorable or contrary vote.

The Board of Directors, referring to the text of the report on the remuneration policy and the remuneration paid - approved by a board resolution of 19<sup>th</sup> March 2020 on the assent of the Appointments and Remuneration Committee - proposes the following resolution:

*“The ordinary Shareholders’ Meeting of Newlat Food S.p.A.*

- *having acknowledged Section II of the report on remuneration policy and remuneration paid*  
*resolves*

*to approve Section II of the report on remuneration policy and remuneration paid during the course of the fiscal year ended 31<sup>st</sup> December 2019.”*

#### **4. Authorization for the purchase and disposal of own shares. Related and consequent resolutions.**

Dear Shareholders,

the Board of Directors of Newlat Food S.p.A. submits to your approval the request for authorization to purchase and dispose of treasury shares, to be carried out pursuant to articles 2357 and 2357-ter of the Italian Civil Code, of art. 132 of the TUF and art. 144-bis of the regulation concerning issuers, adopted by Consob with resolution no. 11971 of 14 May 1999, as well as in compliance with the applicable provisions of Regulation (EU) no. 596 of 16 April 2014 relating to market abuse ("MAR Regulation"), of Delegated Regulation (EU) no. 1052 of 8 March 2016 ("Delegated Regulation") and market practices from time to time allowed, up to a maximum of n. 10,000,000 ordinary shares and, in any case, within the maximum amount of € 6,000,000, for a period of 18 months from the date of the resolution of authorization by the Shareholders' Meeting.

1. Reasons as to why authorization to purchase and dispose of treasury shares is requested.

This request is aimed at providing the Company with a stock of treasury shares which it can dispose of, use, transfer at any time, fully or in part, in one or more times and without time limits, in the context of extraordinary transactions such as, among others, transactions such as swaps, transfers, exchanges, extraordinary corporate and/or financial transactions on capital or financing and extraordinary transactions such as, among others, mergers, disposals and acquisition and/or future industrial projects in line with the Company's corporate development strategy, as well as in the context of exchange and/or sale of stakes and/or for the conclusion of commercial and/or strategic alliances or for other uses deemed of financial and/or managerial interest for the Company.

Furthermore, the Board of Directors deems that the Company should be able dispose of the treasury shares acquired as to maximize the value that may derive from them, and thus, to engage in trading activities.

2. Maximum number, category and par value of the shares referred to in the authorization.

As of today, the Company's share capital is equal to € 40,780,482, divided into 40,780,482 ordinary shares, without an indication of nominal value.

Authorization is required for the purchase, even in several tranches, of a maximum number of 10,000,000 ordinary shares and, in any case, within the maximum amount of € 6,000,000, also taking into account, for this purpose, any shares that may be held by controlled companies.

3. Compliance with the provisions of the third paragraph of art. 2357 c.c.



As of today, the Company does not hold treasury shares.

In no case, in compliance with the provisions of art. 2357, paragraph, 3 of the Italian Civil Code, the nominal value of the number of treasury shares purchased, taking into account the shares possibly owned by subsidiaries, will exceed a fifth of the total number of shares issued.

In this regard, specific instructions will be given to the subsidiaries to report promptly, pursuant to art. 2359-bis, of the Italian Civil Code, the possible acquisition of treasury shares. On the occasion of the completion of each authorized purchase, the Board of Directors must verify compliance with the provisions of article 2357, paragraphs 1 and 3, of the Italian Civil Code.

Purchases of treasury shares must be contained within the limits of distributable profits and available reserves resulting from the last financial statements duly approved at the time the transaction was carried out and, on the occasion of the purchase and disposal of treasury shares, the necessary accounting entries in compliance with the provisions of the law and the applicable accounting standards.

4. Duration of the authorization

Authorization is required for the maximum duration allowed by art. 2357, paragraph 2, of the Italian Civil Code, equal to 18 months from the resolution of the ordinary Shareholders' Meeting.

5. Minimum and maximum consideration, as well as market valuations on whose basis they were determined.

The purchase of the shares covered by this report must be made at a price not more than 10% higher and not more than 10% lower than the reference price recorded on the MTA, organized and managed by Borsa Italiana S.p.A. in the trading day preceding each operation.

In any case, the consideration cannot exceed the limits that may be foreseen by current legislation or, if recognized, by accepted market practices.

6. Methods through which purchases will be made.

The purchase of treasury shares will be made on regulated markets, in compliance with the provisions of art. 2357 and following of the civil code, by art. 132 of the TUF and art. 144-bis, co. 1, lett. b and c) of Consob Regulation no. 11971/1999, according to the operating procedures established in the regulations for the organization and management of the markets managed by Borsa Italiana S.p.A., in order to ensure equal treatment among the shareholders.

With regard to disposal operations, the Board of Directors proposes that the authorization allows the adoption of any method that is appropriate in relation to the objectives pursued.

The shares that will be acquired in execution of the Shareholders' Meeting authorization may be subject to disposals and, in this context, may also be sold, even before having exhausted the quantity of purchases covered by this authorization, in one or several times, without time limits, in the ways deemed most appropriate by the Company, in any case, under any other form of provision permitted by the applicable regulations in force.

7. Additional information, where the purchase is instrumental to the reduction of share capital.

It is confirmed that the purchase of treasury shares is not currently instrumental to the reduction of the Company's share capital through the cancellation of treasury shares purchased.

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In light of the foregoing, we invite you to resolve on the following:

*“The ordinary Shareholders’ Meeting of Newlat Food S.p.A.*

- *having taken note and approved of the Illustrative Report of the Board of Directors relating to the proposal to authorize the purchase and disposal of treasury shares for the purpose of building a portfolio of securities and supporting the liquidity of its security;*
- *being aware of the provisions of articles 2357 and 2357-ter of the civil code, of art. 132 TUF, of art. 44-bis and art. 144-bis of Consob Issuer Regulation no. 11971/99 and subsequent modifications;*
- *having acknowledged that Newlat Food S.p.A. does not hold treasury shares at the approval date of this resolution;*
- *having acknowledged that the subsidiaries do not hold the company's own shares as of the date of approval of this document;*
- *having regard to the financial statements for the year ended 31<sup>st</sup> December 2019 and the related allocation of the net result;*

*resolves*

1. *to authorize, pursuant to art. 2357 c.c. and the combined provisions of art. 132 of the TUF and art. 144-bis of Consob Issuer Regulation no. 11971/99, and, in any case in any other way permitted by applicable laws and regulations, the purchase, in one or more times, of a maximum of no. 10,000,000 ordinary shares of Newlat Food S.p.A. and, in any case, within the maximum amount of € 6,000,000, also taking into account, for this purpose, the Company's own shares possibly owned by subsidiaries; the shares can be purchased up to the expiry of the eighteenth month from the authorization granted by the ordinary Shareholders' Meeting; the unit price for the purchase of the shares must be made at a price not more than 10% higher and not more than 10% lower than the reference price recorded on the MTA, or-*

*ganized and managed by Borsa Italiana S.p.A. in the preceding trading day. In any case, the consideration cannot exceed the limits possibly provided for by current legislation or, if recognized, by accepted market practices; the purchase of treasury shares will be made on regulated markets, in compliance with the provisions of art. 2357 and following of the civil code, by art. 132 of the TUF and art. 144-bis, co. 1, lett. b and c) of Consob Regulation no. 11971/1999, according to the operating procedures established in the regulations for the organization and management of the markets managed by Borsa Italiana S.p.A., in order to ensure equal treatment among the shareholders; lastly, purchases must be contained within the limits of distributable profits and available reserves resulting from the last financial statements regularly approved at the time of the transaction;*

- 2. to authorize, pursuant to and for the purposes of art. 2357-ter of the Italian Civil Code, the fulfillment of disposal of the shares, which, in this context, may also be sold, even before having used up the quantity of purchases subject to this authorization, without time limits, in the ways deemed more appropriate by the Company, in relation to the purposes that will be pursued, in any case, under any other form of provision permitted by the relevant regulations in force;*
- 3. to confer all necessary powers to the Board of Directors and, separately to each other to the President and the Chief Executive Officer, with the right to appoint special prosecutors and / or specialized intermediaries or upon stipulation of specific contracts, to implement to this resolution, also approving any and all executive provisions of the related purchase program.”*

\* \* \*

Reggio Emilia, March 27<sup>th</sup> 2020.

The Chairman of the Board of Directors