

LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

Economic and Administrative Index no.: VA-191975

Tax Code: 01570130128



**REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSED AGENDA FOR THE ORDINARY
SESSION OF THE SHAREHOLDERS' MEETING CALLED FOR 29 APRIL 2019 ON SINGLE CALL**

(Report prepared pursuant to art. 125-ter of the Consolidated Law on Finance and articles 73 and 84-ter of the Issuers' Regulation)

Dear Shareholders,

In compliance with art. 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 (the “**Consolidated Law on Finance**”), LU-VE S.p.A. (the “**Company**” or “**Issuer**”) makes an explanatory report (the “**Explanatory Report**”) available to you. The report refers to matters on the agenda of the ordinary Shareholders' Meeting - called by notice published on 29 March 2019 on the Company's web site (www.luvegroup.com, in the section “*Investor Relations*” - “*Shareholders' Meeting documentation*” - “*Shareholders' Meeting of 29 April 2019*”) and on the authorized storage device eMarket Storage www.emarketstorage.com, as well as by abstract in the daily newspaper “Milano Finanza” - to be held on single call at the Company's administrative offices at Via Caduti della Liberazione 53, Uboldo, at 10:00 on 29 April 2019 (the “**Shareholders' Meeting**”).

The **agenda** for the aforementioned Shareholders' Meeting is as follows:

- 1 *Annual Financial Report as at 31 December 2018:*
 - 1.1 *Presentation of the Financial Statements as at 31 December 2018, the Director's Report, the Report by the Board of Statutory Auditors, the Independent Auditors' Report and the Report by the Financial Reporting Officer. Related and contingent resolutions;*
 - 1.2 *proposal for allocation of the profit for the year and distribution of the dividend. Related and contingent resolutions;*
- 2 *Presentation of the Annual Remuneration Report of LU-VE S.p.A.. Resolutions pursuant to art. 123-ter, Italian Legislative Decree 58/98.*
- 3 *Proposed authorisation to purchase and dispose of treasury shares, subject to cancellation of the resolution adopted by the Shareholders' Meeting of 27 April 2018. Related and contingent resolutions;*

This Explanatory Report will be filed and made available to the public on 29 March 2019 at the administrative offices and on the web site of the Company at www.luvegroup.com, in the section “*Investor Relations*” - “*Shareholders' Meeting documentation*” - “*Shareholders' Meeting of 29 April 2019*” and on the authorized storage device eMarket Storage www.emarketstorage.com.

* * *

FIRST ITEM ON THE AGENDA

ANNUAL FINANCIAL REPORT AS AT 31 DECEMBER 2018:

1.1 PRESENTATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018, THE DIRECTOR'S REPORT, THE REPORT BY THE BOARD OF STATUTORY AUDITORS, THE INDEPENDENT AUDITORS' REPORT AND THE REPORT BY THE FINANCIAL REPORTING OFFICER. RELATED AND CONTINGENT RESOLUTIONS;

Dear Shareholders,

Regarding **paragraph 1.1** on the agenda for the Shareholders' Meeting, following the Board of Directors' approval of the draft financial statements of LU-VE S.p.A. as at 31 December 2018 on 22 March 2019, you will be asked to pass a resolution on them.

The draft financial statements submitted for your approval show profit for the year of €3,098,525.00 (three million, ninety-eight thousand, five hundred and twenty-five/00).

We also bring your attention to the following:

(1) the **consolidated financial statements** of the LU-VE Group at 31 December 2018, approved by the Board of Directors on 22 March 2019 which, though not subject to Shareholders' Meeting approval, provide supplementary disclosures with the draft financial statements of LU-VE S.p.A.

For all further information in this respect, you are invited to refer to the Annual Financial Report - containing the draft financial statements and the consolidated financial statements at 31 December 2018, the Directors' Report, and the attestation pursuant to art. 154-*bis*, paragraph 5 of the Consolidated Law on Finance - which will be filed and made available to the public on 8 April 2019 at the administrative offices and on the web site of the Company at www.luvegroup.com, in the section "*Investor Relations*" - "*Shareholders' Meeting documentation*" - "*Shareholders' Meeting of 29 April 2019*" and on the authorized storage device *eMarket Storage* www.emarketstorage.com together with additional documentation required by current regulations. The Board of Statutory Auditors' Report and Independent Auditors' Report will be made available to the public in the same manner and by the same deadline;

(2) the **consolidated Non-Financial Statement** ("NFS"); in this respect, note that - pursuant to Italian Legislative Decree no. 254 of 30 December 2016 ("**Legislative Decree 254/2016**") - from 2017 the Company is required to publish the NFS that has to report on a series of issues to the extent necessary to ensure understanding of the business activities, performance, results and the impact the activities generate. Paragraph 1073 of Budget Law no. 145/2018, which entered into effect on 30 December 2018, amended Legislative Decree 254/2016, providing for communication of both the main risks related to the accounts and how they were managed.

In compliance with the provisions of art. 5, paragraph 3.b of Legislative Decree 254/2016, the Company has therefore prepared its NFS 2018, the reporting scope of which covers all companies in the LU-VE Group. The statement, which is a separate report from the Directors' Report included in the Annual Financial Report, was prepared according to GRI Standards.

The NFS reports on the Group's performance in relation to issues that affect its capacity to create value in the short, medium and long terms, reflecting the significant impacts of the organisation and those of interest to the Group's stakeholders, and is published on the Company Internet Site at www.luvegroup.com, in the section "Investor Relations" – "Shareholders' meeting documentation" – "Shareholders' Meeting of 29 April 2019" and on the authorized storage device eMarket Storage www.emarketstorage.com.

Note in this respect that the attestation required in accordance with art. 3, paragraph 10, Legislative Decree 254/2016 on compliance of the information provided with that required by the decree and compliance with its principles, methodologies and methods, is issued by the independent auditors Deloitte&Touche S.p.A. and is published and made available as an attachment to the consolidated Non-Financial Statement.

* * *

It is therefore proposed that the Shareholders' Meeting adopt the following resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having examined the Directors' Report and the data in the financial statements of LU-VE S.p.A. at 31 December 2018, the Board of Statutory Auditors' Report and the Independent Auditors' Report

resolved

- 1) *to approve the financial statements of LU-VE S.p.A. as at 31 December 2018, which show a net profit of €3,098,525.00 (three million, ninety-eight thousand, five hundred and twenty-five/00), and the Directors' Report;*
- 2) *to grant the Board of Directors - and on behalf of the Board to the Chairman, Iginio Liberali, and to the CEO, Matteo Liberali, jointly or separately - all due power to enforce this resolution, with the option of sub-delegating, and file it with the relevant Register of Companies, making any necessary formal amendments, additions or suppressions as appropriate."*

1.2 PROPOSAL FOR ALLOCATION OF THE PROFIT FOR THE YEAR AND DISTRIBUTION OF THE DIVIDEND. RELATED AND CONTINGENT RESOLUTIONS;

Dear Shareholders,

In relation to the issue indicated under **paragraph 1.2** of the agenda for the Shareholders' Meeting, the Board of Directors proposes the following: (i) to allocate € 154,926.25 of the profit for the year of €3,098,525.00 (three million, ninety-eight thousand, five hundred and twenty-five/00) to the legal reserve; and (ii) to distribute a gross dividend of € 0.25 (zero/25) for each ordinary share outstanding as of today's date, partly drawn from to the profit for 2018 and partly drawn from the extraordinary reserve.

The €0.25 dividend will therefore be allocated - net of the 157,716 treasury shares held as of today's date - to each of the 22,076,652 ordinary shares outstanding, for a total of €5,519,163.00 (five million, five hundred and nineteen thousand, one hundred and sixty-three/00), of which €2,943,598.75 (two million, nine hundred and forty-three thousand, five hundred and ninety-eight/75) from the remaining profit for the year that is not allocated to the legal reserve, and

€2,575,564.25 (two million, five hundred and seventy-five thousand, five hundred and sixty-four/25) from the extraordinary reserve.

The Board of Directors also proposes establishing that the dividend will be payable from 8 May 2019, with the ex-dividend date no. 4 in accordance with the Borsa Italiana calendar of 6 May 2019 and a record date of 7 May 2019.

* * *

It is therefore proposed that the Shareholders' Meeting adopt the following resolution:

"The Ordinary Shareholders' Meeting of LU-VE S.p.A. approves the financial statements for the year ending as at 31 December 2018, which show a net profit of €3,098,525.00 (three million, ninety-eight thousand, five hundred and twenty-five/00)

resolved

- 1) *to allocate € 154,926.25 of the profit for the year of €3,098,525.00 (three million, ninety-eight thousand, five hundred and twenty-five/00) to the legal reserve*
- 2) *to distribute a gross dividend to Shareholders of €0.25 for each of the 22,076,652 ordinary shares outstanding (net of the 157,716 treasury shares), for a total of €5,519,163.00 (five million, five hundred and nineteen thousand, one hundred and sixty-three/00), of which €2,943,598.75 (two million, nine hundred and forty-three thousand, five hundred and ninety-eight/75) from the profit for the year, and €2,575,564.25 (two million, five hundred and seventy-five thousand, five hundred and sixty-four/25) from the extraordinary reserve;*
- 3) *to arrange payment of the aforementioned gross dividend of €0.25 (zero/25) per share from 8 May 2019, with ex-dividend date no. 4 of 6 May 2019 and record date of 7 May 2019;*
- 4) *if the number of treasury shares changes prior to the coupon date, to authorise the Chairman of the Board of Directors:*
 - *to allocate the amount of the dividend relating to any shares purchased to the Extraordinary Reserve;*
 - *to reduce the Extraordinary Reserve by the amount corresponding to the dividend relating to any treasury shares sold".*

SECOND ITEM ON THE AGENDA

PRESENTATION OF THE ANNUAL REMUNERATION REPORT OF LU-VE S.P.A.. RESOLUTIONS PURSUANT TO ART. 123-TER, LEGISLATIVE DECREE 58/98.

Dear Shareholders,

In relation to the second item on the Shareholders' Meeting agenda, you are once again asked to give an advisory vote on the "2019 Remuneration Policy" of LU-VE S.p.A. (the "Remuneration Policy") described in Section I of the annual Remuneration Report of LU-VE S.p.A., prepared pursuant to the combined provisions of art. 123-ter, paragraphs 3 and 6 of the Consolidated Law on Finance. The annual Shareholders' Meeting called to approve the financial statements is required to express its opinion regarding the Company's policy on the remuneration of members of the administrative body and key managers and on the procedures used to adopt and implement the policy.

As also specifically indicated in the current art. 123-ter, paragraph 6 of the Consolidated Law on Finance, the resolution to be adopted by the Shareholders' Meeting in relation to the Remuneration Policy and associated adoption and implementing procedures will not be binding and must be limited to expressing opinion for or against the Remuneration Policy and its related adoption and implementation. The result of the vote will be disclosed to the public on the Company's web site pursuant to art. 125-quater, paragraph 2 of the Consolidated Law on Finance.

The "Remuneration Report" of LU-VE S.p.A. and the 2019 Remuneration Policy contained in Section I of the report, were approved by the Board of Directors on 22 March 2019, at the proposal of the Remuneration and Appointments Committee - in accordance with current legal and regulatory provisions. This Report will be filed and made available to the public at the administrative offices and published on the Internet site of the Company at www.luvegroup.com, section "Investor Relations" - "Shareholders' Meeting documentation" - "Shareholders' Meeting of 29 April 2019", and on the authorized storage device eMarket Storage www.emarketstorage.com, on 8 April 2019.

For further details, reference should be made to the contents of the aforementioned report, which are also defined in compliance with the provisions of art. 84-quater of the Issuers' Regulation and in consideration of the related Annexes 3A, Templates 7-bis and 7-ter.

* * *

It is therefore proposed that the Shareholders' Meeting adopt the following resolution:

"The Shareholders' Meeting of LU-VE S.p.A, having examined the Remuneration Report of LU-VE S.p.A., prepared according to current legal and regulatory provisions

resolved

to approve the 2019 Remuneration Policy of LU-VE S.p.A. and the related adoption and implementation procedures".

THIRD ITEM ON THE AGENDA

PROPOSED AUTHORISATION TO PURCHASE AND DISPOSE OF TREASURY SHARES, SUBJECT TO CANCELLATION OF THE RESOLUTION ADOPTED BY THE SHAREHOLDERS' MEETING OF 27 APRIL 2018. RELATED AND CONTINGENT RESOLUTIONS;

Dear Shareholders,

Having cancelled the resolution previously adopted on this matter by the Shareholders' Meeting of 12 April 2017, the Shareholders' Meeting of 27 April 2018 authorised the Company to purchase treasury shares, for a period of 18 months from the date of the resolution, or their disposal within an unlimited period.

At present the Company directly holds 157,716 treasury shares, equal to 0.7093% of the share capital of LU-VE S.p.A.. The Company does not, however, hold treasury shares indirectly through subsidiaries, trusts or third parties.

As the validity deadline for the aforementioned authorisation will be reached on 27 October 2019, in order to avoid calling a specific Shareholders' Meeting closer to the deadline and as this proposal is in line with common practices of most listed companies, we consider it appropriate to propose that you now approve a new authorisation to purchase and sell treasury shares, subject to cancellation of the unused part of the authorisation previously resolved by the Shareholders' Meeting of 27 April 2018.

The reasons and methods for purchase and sale of treasury shares for which we ask your authorisation are indicated below.

(A) *Reasons why authorisation was requested to purchase and sell the treasury shares*

The decision of the Board of Directors, to submit once again, to the Shareholders' Meeting, the request for authorisation to carry out treasury share purchase transactions - subject to cancellation of the authorisation decided by the Shareholders' Meeting the previous year - and, under certain conditions, to sell those shares, in compliance with applicable laws and regulations on equal treatment of shareholders, including Regulation (EU) 596/2014 of the European Parliament and of the Council dated 16 April 2014 on market abuse (Regulation (EU) 596/2014) and the related regulatory technical standards, and market practices permitted by Consob, is justified by the opportunity for the Company:

- a) to be able to arrange investments in Company shares, in the interest of all the Shareholders, if the stock market performance or the extent of liquid funds make such a transaction convenient in economic terms;
- b) to be able to act in the interests of the Company and of all Shareholders, in compliance with applicable regulations, in relation to contingent market situations, by carrying out an activity that improves the share's liquidity and encouraging regular trading performance;
- c) if necessary, to use the treasury shares as part of transactions associated with business or commercial projects, or transactions in any event in the interests of the LU-VE S.p.A.

Company or the Group (the Group), in relation to which opportunities arise to trade or sell share packages or pledge the shares;

- d) if necessary, to be able to purchase and/or sell and/or assign treasury shares (or options on the shares) in relation to (i) compensation plans based on financial instruments pursuant to art. 114-*bis* of Legislative Decree no. 58/1998 (the Consolidated Law on Finance) in favour of, *inter alia*, directors, employees, collaborators or consultants of the Company or its subsidiaries, and (ii) the issue of financial instruments convertible to shares and (iii) plans to assign shares free of charge to Shareholders.

(B) Maximum number and nominal value of the shares that the authorisation proposal refers to

The proposal envisages that the authorisation involves purchases of the Company's shares, also carried out in tranches, up to a maximum of 1,400,000 (one million four hundred thousand) treasury shares, equal to 6.3% of the share capital, and therefore, to an extent that does not exceed a fifth of the Company's share capital, to this end also taking into account any shares held by subsidiaries - and in any event within the limit of distributable profit and available reserves as recorded in the latest duly approved financial statements.

The requested authorisation includes the option to later dispose of the shares held, without any time limits, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased, and if appropriate, to buy back those shares, always in compliance with the limits and conditions established in this authorisation.

(C) Information to evaluate compliance with the provisions set out under article 2357, paragraph 3 of the Italian Civil Code

As previously mentioned, the value of the shares for which purchase authorisation is requested does not exceed the limit corresponding to one fifth of the Company's share capital, to this end also taking into account shares already held by the Company and any that may be purchased by subsidiaries.

Specific instructions will be issued in any event to the subsidiaries to ensure that they promptly report any share purchases carried out pursuant to art. 2359-*bis et seq.* of the Italian Civil Code.

At present the Company directly holds 157,716 treasury shares, equal to 0.7093% of the share capital of LU-VE S.p.A. whereas it does not hold treasury shares indirectly through subsidiaries, trusts or third parties.

(D) Duration of the authorisation

The authorisation to purchase the treasury stock is requested for a period of 18 (eighteen) months from the date of adoption of the related Shareholders' Meeting resolution.

The authorisation to dispose of treasury shares, also before all the purchases have been made, is requested without any time limits.

(E) Minimum and maximum payment and market evaluation

Purchase of treasury shares

The minimum purchase price of each of the treasury shares cannot be less than 15% (fifteen per cent), and the maximum cannot exceed 15% (fifteen per cent) of the average official trading price recorded on MTA market in the three days prior to the purchase or the announcement of the transaction, in accordance with the technical procedures established by the Board of Directors.

Sale of treasury shares

With regard to the sale of shares purchased, only the minimum price limit is set for sales to third parties, which must be sufficient to not have negative economic effects on the Company, and in any event not less than 95% (ninety-five per cent) of the average official prices recorded on the MTA market in the three days prior to the sale. An exception to this price limit can be allowed in trading or sale of treasury shares (or pledging of the shares) if performed to implement transactions related to business and/or commercial projects and/or in any event, that are in the interests of the Company or Group, and in the case of assignment and/or sale of shares (or options drawn from them) in relation to (i) compensation plans based on financial instruments pursuant to art. 114-*bis* of the Consolidated Law on Finance (in favour of, *inter alia*, directors, employees, collaborators or consultants of the Company or the Group companies), and/or (ii) to serve the issue of other financial instruments that can be converted to shares and/or (iii) plans to assign shares free of charge to Shareholders.

(F) Procedures to use for the purchase and sale of the treasury shares

The purchase of treasury shares may be carried out in compliance with the provisions of art. 5 of Regulation (EU) 596/2014, article 132 of the Consolidated Law on Finance, art. 144-*bis* of the Issuers' Regulations and market practices that are permitted, and therefore, *inter alia*, (i) through purchase or exchange tender offers, (ii) on the market or through multilateral trading facilities, in accordance with operating methods established by the market operator which do not allow direct matching of buy trading with predefined proposals for sell trading, or (iii) through purchase and sale, in compliance with current regulatory provisions, of derivatives traded on regulated markets or in multilateral trading facilities that envisage the physical delivery of the underlying shares, or (iv) through assignment to Shareholders, in proportion to the shares they already hold, of a sell option to be exercised within 18 (eighteen) months from the Shareholders' Meeting's adoption of the corresponding resolution, or (v) by methods established as market practices permitted by Consob pursuant to art. 13 of Regulation (EU) 596/2014, or in any event, in a way that ensures equal treatment among the Shareholders and compliance with all applicable law, including European laws (specifically including the regulatory technical standards adopted in implementation of Regulation (EU) 596/2014).

Treasury share purchases can be carried out by methods other than those indicated above where permitted in accordance with the regulations in force, taking into account the requirement in any event to comply with the principle of equal treatment of Shareholders.

The purchases can be made in one or more tranches.

With regard to the sale of treasury shares, this can be on one or more occasions, even before having reached the maximum quantity of shares that can be purchased; the sales will be made by selling on the stock market, off-market or through exchange with shareholdings or other assets or through pledging shares as part of business and/or commercial projects and/or those in any event in the interests of the Company or Group, in the execution of bonus plans or in any case compensation plans based on financial instruments pursuant to art. 114-bis of the Consolidated Law on Finance (in favour of, *inter alia*, directors employees or collaborators of the Company or the Group companies) to service the issue of other financial instruments convertible to shares, by plans to assign shares free of charge or through public sale or exchange offers; the shares may also be sold by combining them with other financial instruments.

Treasury share sales can be carried out by methods other than those indicated above where permitted and/or compatible with domestic or European regulations in force.

(G) Information on the instrumentality of the purchase to reducing the share capital

Note that the aforementioned purchase of treasury shares is not instrumental to a reduction in share capital.

* * *

In view of the above, we propose that the following resolution be adopted:

“The Shareholders' Meeting of LU-VE S.p.A.,

- *having read the resolution of the ordinary Shareholders' Meeting of LU-VE S.p.A., held on 27 April 2018, regarding the authorisation to purchase and sell treasury shares;*
- *having accepted the Board of Directors' Report and taken into account the prevailing legal and regulatory provisions;*

resolved

- 1) *to cancel, with effect from the date of this Shareholders' Meeting resolution, to the extent it has not been used, the resolution relating to the authorisation to purchase and sell treasury shares adopted by the Shareholders' Meeting of 27 April 2018;*
- 2) *to authorise purchase and sale transactions of treasury shares for the purposes indicated in the above-mentioned Directors' Report, in accordance with the terms and methods set out below:*
 - *subject to the limits pursuant to article 2357 of the Italian Civil Code, the purchase may be made in one or more solutions, up to a maximum number of 1,400,000 (one million, four hundred thousand) treasury shares, equal to 6.3% of the ordinary shares, taking account of the shares held by the Company and LU-VE S.p.A. subsidiaries and, within the limits of distributable profit and available reserves as recorded in the latest duly approved financial statements;*
 - *the authorisation to purchase the treasury shares has been decided for a period of 18 (eighteen) months from today's date and therefore up to 28 October 2020;*

- *the authorisation includes the option to later dispose of the shares held, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased, and if appropriate, to buy back those shares, always in compliance with the limits and conditions established in this authorisation.*
- *the minimum purchase price of each of the treasury shares cannot be less than 15% (fifteen per cent), and the maximum cannot exceed 15% (fifteen per cent) of the average official trading price recorded on MTA market in the three days prior to the purchase or the announcement of the transaction, in accordance with the technical procedures established by the Board of Directors.*
- *the sales price to third parties may not be less than 95% (ninety-five per cent) of the average official prices recorded on the MTA market in the three days prior to the sale. An exception to this price limit can be allowed in trading or sale of treasury shares (or pledging of the shares) if performed to implement transactions related to business and/or commercial projects and/or are in any event in the interests of the Company or the LU-VE Group, and in the case of assignment and/or sale of shares (or options drawn from them) in relation to compensation plans based on financial instruments pursuant to art. 114-bis of Legislative Decree 58/1998 (in favour of, inter alia, directors, employees, collaborators of the Company or the LU-VE Group companies), and/or to serve the issue of other financial instruments that can be converted to shares and/or plans to assign shares free of charge;*
- *the purchase transactions may be carried out in compliance with art. 5 of Regulation (EU) 596/2014, article 132 of Legislative Decree no. 58/1998 and art. 144-bis of the Issuers' Regulations adopted with Consob decision no. 11971/1999, and market practices that are permitted, and therefore, inter alia, (i) through purchase and exchange tender offers, (ii) on regulated markets or through multilateral trading facilities, in accordance with operating methods established by the market operator; (iii) through purchase and sale, in compliance with current regulatory provisions, of derivatives traded on regulated markets or in multilateral trading facilities that envisage the physical delivery of the underlying shares, or (iv) through assignment to Shareholders, in proportion to the shares they already hold, of a sell option to be exercised within 18 (eighteen) months from today's date; (v) by methods established as market practices permitted by Consob pursuant to art. 13 of Regulation (EU) no. 596/2014; (vi) by other methods permitted by law, including European, in force; in any event, the transactions must ensure equal treatment among the Shareholders and compliance with every applicable law, including European;*
- *the authorisation to dispose of treasury shares, also before purchases have been made, was granted without any time limit”.*

Uboldo, 22 March 2019

On behalf of the Board of Directors
The Chairman

Mr Iginio Liberali