



General Meeting of Shareholders

11 January 2017 (single call) at 9.00 a.m.

Directors' illustrative report on the first item on the agenda for the extraordinary general meeting prepared in accordance with Arts. 114-bis and 125-ter of Legislative Decree 58/1998, as subsequently added to and amended, as well as pursuant to Art. 72 of the Listing Rules and in accordance with tables 2 and 3 of appendix 3A thereto.

Item 1 on the agenda for the Extraordinary Meeting of Members

Proposed cash capital increase in various tranches, via the issue of a maximum number of 800,000 ordinary shares with a par value of Euro 0.4 to service a maximum number of 800,000 options valid for the subscription of ordinary shares of the Company reserved for the directors of the Company and Management of the Company and Digital Bros Group in their capacity as Beneficiaries of the 2016-2026 Stock Option Plan as indicated in point 4 of the agenda for the ordinary general meeting, with the disapplication of pre-emption rights pursuant to Art. 2441 paragraphs 5 and 6 of the Italian Civil Code. Consequent amendment to Art. 6 of the Articles of Association, resolutions pertaining thereto and resulting therefrom and powers of attorney.

Dear Shareholders,

This report has been provided pursuant to articles 114-bis and 125-ter of Legislative Decree 58 of 24 February 1998, as subsequently added to and amended (the “**Consolidated Finance Act**”) and contains an information document prepared pursuant to Art. 84-bis of the Consolidated Finance Act implementing regulation concerning the regulation of issuers, endorsed by Consob by means of resolution 11971 of 14 May 1999 and subsequent additions and amendments thereto (the “**Listing Rules**”), in accordance with tables 2 and 3 of Appendix 3A thereto (the “**Information Document**”).

BOARD OF DIRECTORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE 72 OF CONSOB REGULATION 11971/99 AND SUBSEQUENT ADDITIONS AND AMENDMENTS THERETO (“LISTING RULES”)

Foreword

Dear Shareholders,

This report, which has been prepared in accordance with article 72 of the Listing Rules and, specifically, in accordance with tables 2 and 3 of Appendix 3A thereto, aims to provide the necessary information on the proposal submitted in connection with item 1 on the agenda for the extraordinary general meeting of the shareholders of Digital Bros S.p.A. (“Digital Bros” or the “Company”) to be held on 11 January 2017 at 9.00 a.m. at the registered office thereof, to discuss and vote on the following:

“Proposed cash capital increase in various tranches, via the issue of a total number of 800,000 ordinary shares with a par value of Euro 0.4 to service a maximum number of 800,000 options valid for the subscription of ordinary shares of the Company reserved for the directors of the Company and Management of the Company and Digital Bros Group in their capacity as Beneficiaries of the 2016-2026 Stock Option Plan, as indicated in point 4 of the agenda for the ordinary general meeting, with the disapplication of pre-emption rights pursuant to Art. 2441 paragraphs 5 and 6 of the Italian Civil Code. Consequent amendment to Art. 6 of the Articles of Association, resolutions pertaining thereto and resulting therefrom and powers of attorney.”

1. Reasons for and Aim of Capital Increase

The proposed capital increase hereby submitted for your approval is aimed at the creation of shares needed to service the “2016-2026 Stock Option Plan” (the “Stock Option Plan”) reserved for directors and

Management of the Company and of Digital Bros Group (the “Beneficiaries”) to be implemented via the assignment free of charge of options (the “Options”) valid for the subscription of newly issued ordinary shares of the Company.

In connection therewith, note that the proposed adoption of the Plan, which has been detailed in a specific report prepared pursuant to Art. 114-bis of the Consolidated Finance Act, has been submitted for examination and approval by the Company's shareholders in general meeting to be held on 11 January 2017 as the first item on the agenda for the ordinary general meeting.

Note that the Stock Option Plan provides for a maximum of 800,000 Options, valid for the subscription of a maximum number of 800,000 Digital Bros ordinary shares, in the ratio of 1 ordinary share for 1 Option assigned and exercised within the prescribed time limit and in accordance with the procedure laid down in the Stock Option Plan Regulations.

The Company, in line with best market practice adopted by Italian and foreign listed companies, believes that share-based remuneration plans constitute an effective tool that motivates and gains the loyalty of those who hold key roles, in order to maintain a high level of improved performance and to contribute to an increase in the growth and the success of the companies leading to value creation for the shareholders.

Further details on the proposed adoption of the Stock Option Plan are contained in the illustrative report prepared pursuant to Art. 114-bis of the Consolidated Finance Act, which is available to the general public as laid down by law and which may be found on the Company's website www.digitalbros.com (Investors section).

2. Reasons for disapplication of pre-emption rights

The disapplication of pre-emption rights is a direct consequence of the aim of the capital increase, that is, to reserve newly issued Digital Bros ordinary shares for the Beneficiaries of the Stock Option Plan.

The Stock Option Plan is an essential tool for the retention and motivation of key people in the Company.

In line with widespread, consolidated practice in Italy and abroad, as well as with the practice followed by the company in the past, the Board of Directors believes that the Stock Option Plan represents a continuous incentive to maintain appropriate management standards and to improve the Group's performance in compliance with assigned targets, thus increasing the Group's competitiveness and creating value for the shareholders.

In light of the foregoing, the disapplication of pre-emption rights is thus justified as being in the best interests of the Company by motivating and gaining the loyalty of the key members of the Company's management.

3. Features of the capital increase reserved for the Beneficiaries of the 2016 – 2026 Stock Option Plan

The Stock Option Plan envisages the assignment free of charge of Options that permit, in accordance with the conditions laid down by the Plan, the subsequent subscription of Digital Bros ordinary shares.

Each Option assigned grants the Beneficiaries the right to subscribe for 1 newly issued Digital Bros ordinary share, with regular dividend rights, upon payment to the Company of the exercise price, as detailed below.

The Options assigned shall be exercisable by the Beneficiaries in four exercise periods based on the quota assigned in each period.

The duration of the Stock Option Plan shall be until 30 June 2026, the deadline for the last exercise period.

The Options may be exercised, in whole or in part, in accordance with the Stock Option Plan, as indicated below:

- as from 1 July 2020 for a maximum number equating to 30% of the total Options assigned to each Beneficiary;
- as from 1 July 2023 for a maximum number equating to 30% of the total Options assigned to each Beneficiary;
- as from 1 July 2025 for a maximum number equating to 40% of the total Options assigned to each Beneficiary.

For the execution of the Stock Option Plan it is thus proposed to proceed with a cash capital increase in various tranches, by the final deadline of 30 June 2026, of a maximum amount of Euro 320,000, with disapplication of pre-emption rights pursuant to Art. 2441, paragraphs 5 and 6, of the Civil Code, via the issue of a maximum number of 800,000 new Digital Bros ordinary shares, with regular dividend rights, a par value of Euro 0.4 and with the same characteristics as those outstanding, to be reserved for subscription by the Beneficiaries.

As of the date of this report, the subscribed and paid-in share capital of Digital Bros amounts to Euro 5,644,334.80 (five million six hundred and forty four thousand three hundred and thirty four point eight zero), consisting of 14,110,837 ordinary shares. The maximum number of ordinary shares set aside to

service the Stock Option Plan corresponds to 5.67% of the foregoing subscribed and paid-in share capital of the Company.

4. Determination of the Issue Price of the Ordinary Shares following the exercise of the Options

The issue price of the new ordinary shares of the Company originating from the proposed capital increase and, consequently, the exercise price of the Options, equates to the price calculated as the average reference price of the Shares recorded on the STAR segment of the MTA market in the six months prior to the Grant Date, it being understood that the price shall not be lower than € 6.64, equating to the reference price on 1 July 2016, the date on which the Stock Option Plan became effective.

The criterion adopted makes it possible to use as a reference a sufficiently long period in order to exclude the impact on the share price of volatile factors that could affect financial markets, thus reflecting the value that the market attributes to the Company's shares and which also corresponds to current market practice concerning the criterion adopted to establish the subscription price for the newly issued shares under the share incentive plan.

In connection therewith, the Board of Directors confirm that, as required by Art. 2441, paragraph 6, of the Italian Civil Code and Art. 158 of the Consolidated Finance Act, the audit firm Deloitte & Touche S.p.A., appointed as the Company's auditors pursuant to Legislative Decree 39/2010, will issue a fairness opinion on the issue price of the shares. The opinion of the external auditors shall be made available to the general public under the terms and conditions prescribed by law.

5. Features of the Newly Issued Ordinary Shares

The Company shall make available to the Beneficiaries the newly issued ordinary shares for the exercise of the Options in accordance with the Stock Option Plan Regulations. The ordinary shares of the Company subscribed for by the Beneficiaries shall enjoy the same dividend as the ordinary shares of the Company at the issue date.

6. Amendments to Art. 6 of the Articles of Association

As a consequence of the proposed resolution submitted for your approval, it will be necessary to amend Art. 6 of the Articles of Association by the insertion of a clause relating to the shareholders' resolution concerning the capital increase, the proposal of which is the subject of this Report.

The amendment shall not constitute a withdrawal right provided for by legislation in force or by the Articles of Association. Set out below is the current text of the relevant paragraph of Art. 6 of the Articles of Association together with the proposed text.

Current text	Proposed text
<p>CAPITAL Article 6) [omitted]</p>	<p>CAPITAL Article 6)</p> <p>[unchanged/omitted]</p> <p>An extraordinary general meeting held on 11 January 2017 approved a cash capital increase in various tranches of a maximum nominal amount of Euro 320,000 pursuant to and for the purposes of Art. 2441, paragraphs 5 and 6, of the Civil Code, and thus, with disapplication of pre-emption rights in accordance with the aforementioned law, via the issue of a maximum number of 800,000 ordinary shares of the Company, with a par value of Euro 0.4, with the same features as those outstanding and with regular dividend rights, for a price calculated as the average reference price of the Shares recorded on the STAR segment of the MTA market in the six months prior to the Date of Approval of the 2016-2026 Stock Option Plan. The recipients of the capital increase are the Beneficiaries of the 2016-2026 Stock Option Plan approved by the shareholders in general meeting on 11 January 2017 reserved for the directors and Management of the Company and Digital Bros Group, or their respective heirs, to be implemented via the assignment free of charge of options (the “Options”) valid for the subscription of newly issued ordinary shares of Digital Bros S.p.A. The final deadline for subscription to the increase is established as 30 June 2026 on the proviso that, upon expiration of this deadline, if the capital increase has not been fully subscribed, the share capital, pursuant to Art. 2439, paragraph 2, of the Italian Civil Code, shall be deemed to have been increased by an amount equating to the sum subscribed up to and as from that date, provided that the foregoing was subsequent to the lodging of the present resolutions with the Business Register. It is hereby confirmed that the above amendments to the Articles of Association do not constitute a withdrawal right pursuant to Art. 2437 of the Civil Code.</p> <p>Details of the terms and conditions of the Stock Option Plan are provided in the Report prepared pursuant to Art. 114-bis of the Consolidated Finance Act and in the Information Document prepared pursuant to Art. 84-bis of the regulation endorsed by means of Consob resolution 11971/1999, which are available to the general public as laid down by law and which may be found on the Company's website www.digitalbros.com (Investors section).</p>

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In light of the foregoing, the Board of Directors intends to submit for your attention the following proposed resolution.

Proposed resolution

The extraordinary general meeting of shareholders of Digital Bros S.p.A.:

(i) having seen and approved the illustrative Report of the Board of Directors,

(ii) having seen and approved the fairness opinion issued by the external auditors Deloitte & Touche S.p.A.,

(iii) having taking account of the resolution passed by the shareholders that today approved the “2016-2026 Stock Option Plan”,

hereby resolves:

“1) to approve a cash capital increase in various tranches of a maximum nominal amount of Euro 320,000 pursuant to and for the purposes of Art. 2441, paragraphs 5 and 6, of the Civil Code, and thus, with disapplication of pre-emption rights, via the issue of a maximum number of 800,000 ordinary shares of Digital Bros S.p.A., with a par value of Euro 0.4, with the same features as those outstanding and with regular dividend rights, establishing in accordance with the Stock Option Plan that:

- (i) the recipients of the capital increase are the beneficiaries of the "2016-2026 Stock Option Plan" (the “Beneficiaries”) approved today by the shareholders in general meeting, to be implemented via the assignment free of charge of options (the “Options”) valid for the subscription of newly issued ordinary shares of Digital Bros S.p.A.;
- (ii) the Options assigned shall be exercisable by the Beneficiaries, subject to the terms and limits set out in the “2016-2026 Stock Option Plan”;
- (iii) each Option assigned grants the Beneficiary the right to subscribe for 1 newly issued Digital Bros ordinary share, with regular dividend rights, upon payment to the Company of the exercise price that shall equate to the price calculated as the average reference price of the Shares recorded on the STAR segment of the MTA market in the six months prior to the Grant Date, it being understood that the price shall not be lower than € 6.64;
- (iv) the duration of the Stock Option Plan shall be until 30 June 2026, the deadline for the exercise of the Options;

2) as a consequence of the resolution as per point 1 above, to amend article 6 of the Articles of Association by inserting the following new paragraph:

“Paragraph 2

An extraordinary general meeting held on 11 January 2017 approved a cash capital increase in various tranches of a maximum nominal amount of Euro 320,000 pursuant to and for the purposes of Art. 2441, paragraphs 5 and 6, of the Civil Code, and thus, with disapplication of pre-emption rights in accordance with the aforementioned law, via the issue of a maximum number of 800,000 ordinary shares of the Company, with a par value of Euro 0.4, with the same features as those outstanding and with regular dividend rights, for a price that shall be calculated as the average reference price of the Shares recorded on the STAR segment of the MTA market in the six months prior to the Grant Date, it being understood that the price shall not be lower than € 6.64. The recipients of the capital increase are the Beneficiaries of the 2016-2026 Stock Option Plan approved by the shareholders in general meeting on 11 January 2017 reserved for the directors and Management of the Company and Digital Bros Group, or their respective heirs, to be implemented via the assignment free of charge of options (the “Options”) valid for the subscription of newly issued ordinary shares of Digital Bros S.p.A. The final deadline for subscription to the increase is established as 30 June 2026 on the proviso that, upon expiration of this deadline, if the capital increase has not been fully subscribed, the share capital, pursuant to Art. 2439, paragraph 2, of the Italian Civil Code, shall be deemed to have been increased by an amount equating to the sum subscribed up to and as from that date, provided that the foregoing was subsequent to the lodging of the present resolutions with the Business Register.

It is hereby confirmed that the above amendments to the Articles of Association do not constitute a withdrawal right pursuant to Art. 2437 of the Civil Code.

Details of the terms and conditions of the Stock Option Plan are provided in the Report prepared pursuant to Art. 114-bis of the Consolidated Finance Act and in the Information Document prepared pursuant to Art. 84-bis of the regulation endorsed by means of Consob resolution 11971/1999, which are available to the general public as laid down by law and which may be found on the Company's website www.digitalbros.com (Investors section)”

3) to grant to the Board of Directors and, on its behalf, to the Chairman, with the right to sub-delegate, the broadest possible powers to implement and execute the above resolutions to ensure the successful completion of the transaction, inclusive of, by way of example and not exhaustive, the powers to:

- a. to prepare and submit all documents needed to effect the capital increase, as well as to carry out all the formalities needed to proceed with the subscription offer and admission to listing of the newly issued shares, inclusive of the powers to prepare and submit to the competent authorities any application, petition, document or prospectus deemed necessary or appropriate;

b. to make any amendments or additions to the resolutions adopted as deemed necessary and/or appropriate, inclusive of as a consequence of requests from any competent authorities or for purposes of registration, and, in general, to take all steps needed for the complete execution of the resolutions, with any and all powers necessary and appropriate to that end, without exception, including the powers to lodge with the relevant Business Register the updated Articles of Association that include the share capital amendment.”

Milan, 10 November 2016

DIGITAL BROS S.P.A.
CHAIRMAN OF THE BOARD OF DIRECTORS
signed ABRAMO GALANTE