



**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 ordinary 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 table 7 of appendix 3A thereto.**

## **Item 1 on the agenda for the ordinary general meeting**

***Proposed share incentive plan based on ordinary shares of Digital Bros S.p.A. entitled “2016-2026 Stock Option Plan”, reserved for the directors and management of the Company and of Digital Bros Group. Resolutions pertaining thereto and resulting therefrom.***

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 table 7 of Appendix 3A thereto (the “**Information Document**”).

The Board of Directors submits for your examination and approval, pursuant to Art. 114-bis of the Consolidated Finance Act, the proposed share incentive plan entitled “2016-2026 Stock Option Plan” (the “**Stock Option Plan**”) to be implemented via the assignment free of charge of a maximum number of 800,000 options (the “**Options**”), reserved for the directors (the “**Director Beneficiaries**”) and a limited number of employees and key resources (“**Management**” and, together with the Director Beneficiaries, the “**Beneficiaries**”) of Digital Bros S.p.A. (the “**Company**” or “**Digital Bros**”) and of Digital Bros Group.

The Options shall grant each holder the right to subscribe for Digital Bros ordinary shares (the “**Shares**”) arising from a new issue originating from a cash capital increase in various tranches, with the disapplication of pre-emption rights pursuant to Art. 2441 paragraphs 5 and 6 of the Italian Civil Code, Art. 158 of the Consolidated Finance Act and Art. 6 of the Articles of Association, up to a total maximum nominal amount of Euro 320,000 via the issue, which may be in one or more lots, of a maximum number of 800,000 Shares with a par value of Euro 0.4 each, with regular dividend rights, reserved for the Beneficiaries (the “**Capital Increase**”).

The proposal concerning the Capital Increase to service the Stock Option Plan shall be submitted for examination and approval by the general meeting of the shareholders of the Company to be held along with an extraordinary general meeting on 11 January 2017 and is detailed in the report prepared by the Board of Directors pursuant to Art. 125-ter of the Consolidated Finance Act and Art. 72 of the Listing Rules in accordance with table 2 of Appendix 3A thereto, which shall be lodged and made available to the general public at the Company's head office, on its website [www.digitalbros.com](http://www.digitalbros.com) (Investors section) as well as on the 3Info authorised storage mechanism [www.1info.it](http://www.1info.it), at least 21 days prior to the date planned for the general meeting (that is, by 21 December 2016).

The Stock Option Plan is governed by the “2016-2026 Stock Option Plan Regulations” attached to the present report (the “**Regulations**”), which set out the conditions, the terms and the procedure for the implementation of the Plan, as well as, together with the Information Document, all the additional information required by Art. 114-bis of the Consolidated Finance Act and Art. 84-bis, paragraph 1 of the Listing Rules.

### ***1. Reasons for the adoption of the 2016-2026 Stock Option Plan***

It is believed that the assignment of stock options constitutes a key long-term motivation tool with the following, diverse repercussions, depending on the nature of the Beneficiaries.

a) as far as members of the Board of Directors are concerned, it is believed that the supplementation of the current policy of a fixed and variable component - as described in the annual report pursuant to Art. 123-ter of the Consolidated Finance Act and Art. 84-quater of the Listing Rules – with the assignment of stock options could constitute a further valid, effective tool to attract, retain and motivate persons with appropriate professional skills to successfully manage the Company.

Specifically, the assignment of Options has the aim of strengthening, as far as possible, the weighting and the nature of medium to long term objectives and could prove to be a decisive, effective tool, if, during the course of future years, executive directors were appointed from outwith the historical shareholding structure.

In fact, the elasticity of configuration of this tool as well as the requisites for its assignment and the circumstances for the exercise thereof act as a driver for the convergence of directors' interests with the primary aim of value creation for the shareholders over a medium to long term time frame.

b) as far as Management are concerned, the primary objective consists, within the context of a process of continuous development and growth of the Company and of Digital Bros Group, of the extension of share ownership to Management of the Company and of Digital Bros Group, enabling them to share the fruits of this development. However, the Plan is primarily aimed at motivating and enhancing the loyalty of those who constitute and represent, due to their professional and personal characteristics and their loyalty to the Company and/or Digital Bros Group, as well as their proven dedication to work, key persons for the achievement of the objectives of the entire Group.

Given the particular business segment of the Company and of Digital Bros Group and the advanced, peculiar skills needed by qualified personnel to contribute in a fruitful manner to the achievement of results, the Plan is also aimed at consolidating and preserving the collaborative relationship with the Company and the Group during the course of coming years in order to consolidate the technical and technological skills developed, thus providing the corporate structure with the internal stability needed to successfully overcome the difficulties of a market that is constantly, relentlessly and rapidly evolving from both a technological and competitive point of view.

## ***2. Recipients of the Stock Option Plan***

The Stock Option Plan is aimed, on the basis of guidance provided by the Remuneration Committee that was then approved by the Board of Directors on 10 November 2016, at members of the Board of Directors that the Board shall identify as Plan recipients (“**Director Beneficiaries**”) subsequent to the approval of the Plan by the shareholders in general meeting and at Management of the Company and Digital Bros Group consisting of a limited number of managers and collaborators, who shall be identified and named by the Board of Directors of the Company based on a proposal submitted by the Chairman of Digital Bros (“Chairman”), upon the implementation of the Plan from those of interest to the Group and who, at the assignment date, are employees of and/or in service with the Company and Digital Bros Group.

## ***3. Object of the Stock Option Plan***

The Stock Option Plan envisages the assignment free of charge to the Beneficiaries up to a maximum number of 800,000 Options valid for the subscription of the same number of newly issued Shares originating from the Capital Increase.

Each Option shall grant the right to subscribe for one Share in accordance with the conditions laid down by the Regulations.

The quantity of Options to be awarded at the Grant Date to each of the Beneficiaries: (i) shall be established by the Board of Directors based on a proposal submitted by the Remuneration Committee after having sought the opinion of the Board of Statutory Auditors, solely for the Options to be assigned to the Company's Director Beneficiaries, or (ii) shall otherwise be established by the Board of Directors based on a proposal submitted by the Chairman thereof.

Participation in the Stock Option Plan and the assignment of the Options shall be based on criteria that avoid any discrimination as to age, race, gender, sexual orientation, religious beliefs, nationality, ethnic origin, physical condition or marital status.

#### ***4. Methods and clauses for implementation of the Stock Option Plan***

The Stock Option Plan is planned to last for 10 years and in any event, it shall terminate on 30 June 2026.

Except for situations and specific cases governed by the Regulations, at the end of each vesting period, the Options may be exercised by the Beneficiaries in whole or in part:

- as from 1 July 2020 for a maximum number equating to 30% of the total Options assigned to each Beneficiary;
- as from 1 July 2022 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.

The exercise of the Options is not subject to the achievement of performance objectives by the Beneficiaries.

On account of the fact that (i) the general structure of the long term variable remuneration of Director Beneficiaries and of Management who are potential Beneficiaries of the Stock Option Plan already envisages a long term cash incentive plan, subject to the achievement of performance objectives linked to Digital Bros Group's business plan and that (ii) the nature of the Stock Option Plan encompasses a concept of share performance, the Board of Directors, based on a proposal by the Remuneration Committee, has decided not to subordinate the vesting of the Options and the exercise thereof to additional and/or different performance related conditions other than a mere increase in the quoted price of Digital Bros' shares; accordingly, the recommendation embodied by criterion 6.C.2. b) of the Code of Conduct for Listed Companies, which the Company complies with (the "Code of Conduct"), does not apply to the Stock Option Plan.

Any Options not exercised by the deadline for the last Exercise Period (30 June 2016) shall be deemed to have lapsed without the Beneficiary having the right to any indemnification or compensation of any kind.

The exercise of the Options and consequent subscription of the shares shall be subject to the payment of 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 Grant Date for the Options under the Plan, it being understood that the price shall not be lower than Euro 6.64, equating to the reference price on 1 July 2016, the date on which the Stock Option Plan became effective.

Powers shall be granted to the Board of Directors for the implementation of the Plan, to be exercised in accordance with the Plan Regulations and, specifically, by way of example and not exhaustive:

- the definition of the number of Options to assign to each Beneficiary in accordance with the maximum number of Options;
- implementation of the Plan Regulations in accordance with the terms and conditions described therein;
- the conferral to the Chairman of all powers, with the right to sub-delegate, to carry out the formalities arising from the adoption of the resolutions.

Without prejudice to the responsibilities of the Board of Directors and of the Remuneration Committee with respect to the Company's Director Beneficiaries, the management of the Plan shall be entrusted to the Chairman with the support of the competent corporate functions.

For further details of the terms and conditions of the Stock Option Plan, reference should be made to the Regulations and the Information Document, both of which are attached to this Report.

***5. Support, if any, for the Stock Option Plan provided by the special fund for the encouragement of worker participation, pursuant to Art. 4, paragraph 112, of Law 350 of 24 December 2003***

The Stock Option Plan shall not receive any support from the special fund for the encouragement of worker participation in companies pursuant to Art. 4, paragraph 112, of Law 350 of 24 December 2003.

***6. Criteria for determination of the subscription price for the shares to service the Stock Option Plan***

The Stock Option Plan envisages that the exercise price for each Option shall equate to 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 Grant Date for the Options under the Plan, it being understood that the price shall not be lower than Euro 6.64, equating to the reference price on 1 July 2016, the date on which the Stock Option Plan became effective.

***7. Limits on the transfer of the Options and of the Shares***

The Options assigned to the Beneficiaries shall be personal and may not be transferred inter vivos for any reason, nor may they be offered as collateral or be the object of other acts of disposition, whether free of charge or against payment, by operation of law or otherwise; furthermore, they may not be the object of enforcement or protective measures by third parties, subject to the Participant's immediate forfeiture of all rights deriving from the Stock Option Plan. Note that the sale of Shares in the future originating from the expected exercise of the Options shall be permitted at the sole risk and responsibility of the Beneficiary in question.

The Stock Option Plan provides for a claw back clause whereby the Company reserves the right to unilaterally revoke the Options and/or seek the return, in whole or in part, of the Shares purchased by the Beneficiary after having exercised the Options granted, subject to the reimbursement of the amount already paid by the Beneficiary on the exercise of the Options, for those cases whereby, within three years from the maturity date of the Options granted, it is ascertained that the value of the Shares had been affected by the occurrence of the following events triggered by the Beneficiary: (i) fraudulent conduct or gross negligence to the detriment of the Company; (ii) conduct contrary to provisions of the law and/or corporate policy; (iii) breach of duty of loyalty and good management; (iv) conduct leading to a significant capital or financial loss for the Company. If the Shares have already been sold, the Company shall reserve the right

to seek repayment of any capital gain arising from the sale of the Shares, which may be by means of offset against remuneration and/or any severance indemnity due.

Without prejudice to that indicated below for Director Beneficiaries, the Shares issued to a Beneficiary upon the exercise of the Options shall be freely available and, thus, freely transferable by the latter.

It is envisaged that only Director Beneficiaries shall be obliged to continuously hold, until the end of their mandate with respect to each vesting period, a number of shares equating to at least 20% of the Shares subscribed upon the exercise of their Options.

### **8. Proposed resolution**

Dear Shareholders,

For the reasons stated above, the Board of Directors hereby submits the following resolution for your approval:

«The general meeting of shareholders of Digital Bros S.p.A, based on:

- *the Board of Directors' Report, prepared in accordance with articles 114-bis and 125-ter of Legislative Decree 58 of 24 February 1998, as subsequently added to and amended;*
- *the “2016-2026 Stock Option Plan Regulations” and the Information Document prepared in accordance with Art. 84-bis of the regulations endorsed by Consob by means of resolution 11971 of 14 May 1999 as subsequently added to and amended;*

### **HEREBY RESOLVES**

*1. to approve, pursuant to and for the purposes of Art. 114-bis of Legislative Decree 58 of 24 February 1998, as subsequently added to and amended, the Stock Option Plan entitled “2016-2026 Stock Option Plan” and the related Regulations for Director Beneficiaries and Management (as defined in the Stock Option Plan Regulations), via the assignment free of charge of options for the subscription of "Digital Bros S.p.A." ordinary shares for a nominal amount of Euro 320,000 (three hundred and twenty thousand), originating from a proposed capital increase of a maximum nominal amount of Euro 320,000 (three hundred and twenty thousand), with the disapplication of pre-emption rights pursuant to Art. 2441 paragraphs 5 and 6 of the Italian Civil Code and Art. 158 of Legislative Decree 58 of 24 February 1998 as subsequently added to and amended, to be assigned as detailed in the Plan Regulations and in the Information Document prepared in accordance with Art. 84-bis of the regulations endorsed by Consob by means of resolution 11971/1999 as subsequently added to and amended;*

*2. to grant powers to the Board of Directors for the implementation of the “2016-2026 Stock Option Plan”, to be exercised in accordance with the Plan Regulations and, specifically, by way of example and not exhaustive, for:*

- a. the definition of the number of Options to assign to each Beneficiary in accordance with the maximum number of Options;*
- b. the implementation of the Plan Regulations in accordance with the terms and conditions described therein;*
- c. the granting to the Chairman of all powers, with the right to sub-delegate, to carry out the formalities arising from the adoption of the resolutions;*

*3. to grant to the Chairman all powers, with the right to sub-delegate, to carry out the legislative and regulatory formalities arising from the adoption of the resolutions».*

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This report, together with the attached Information Document prepared pursuant to Art. 84-bis of the Listing Rules and in accordance with table 7 of Appendix 3A thereto as well as the “2016-2026 Stock Option Plan Regulations ”, shall be lodged and made available to the general public at the Company's head office and published on its website [www.digitalbros.com](http://www.digitalbros.com) (Investors section) as well as on the 3Info authorised storage mechanism that may be found at the web page [www.linfo.it](http://www.linfo.it), prior to the deadline for the publication of the calling notice for the general meeting.

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Milan, 10 November 2016

DIGITAL BROS S.P.A.

CHAIRMAN OF THE BOARD OF DIRECTORS

signed ABRAMO GALANTE

**Attachments:**

1. Information Document relating to the “2016-2026 Stock Option Plan” prepared pursuant to article 84-bis of the Listing Rules and in accordance with table 7 of Appendix 3A thereto.
2. 2016-2026 Stock Option Plan Regulations.