

## ADMISSION DOCUMENT

*for the admission to trading on AIM Italia of ordinary shares and warrants of*

**Cyberoo S.p.A.**



*Nominated Adviser and Global Coordinator*



*Online and retail placing agent*



AIM ITALIA IS A MULTILATERAL TRADING SYSTEM DEDICATED PRIMARILY TO SMALL AND MEDIUM-SIZED ENTERPRISES AND COMPANIES WITH HIGH GROWTH POTENTIAL, TYPICALLY ASSOCIATED WITH A HIGHER LEVEL OF RISK THAN ISSUERS THAT ARE LARGER OR WITH CONSOLIDATED BUSINESSES.

THE INVESTOR MUST BE AWARE OF THE RISKS INVOLVED IN INVESTING IN THIS TYPE OF ISSUER AND MUST DECIDE WHETHER TO INVEST ONLY AFTER A CAREFUL ASSESSMENT.

**NEITHER CONSOB NOR BORSA ITALIANA S.P.A. HAVE EXAMINED OR APPROVED THE CONTENTS OF THIS DOCUMENT**

This document is an Admission Document to AIM Italia, a multilateral trading system organized and managed by Borsa Italiana S.p.A.

Borsa Italiana S.p.A. issued the order for admission to trading on AIM Italia on October 3, 2019. The starting trading date of the financial instruments is expected to be October 7, 2019.

The ordinary shares and warrants of Cyberoo S.p.A. are not traded on any regulated or unregulated Italian or foreign market and Cyberoo S.p.A. has not applied for admission to other markets (except for AIM Italia).

**Issue falling within the cases of inapplicability of the provisions on public offers pursuant to articles 100 of Italian Legislative Decree no. 58/1998 and 34-ter of Consob Regulation no. 11971/1999.**

The Admission Document is made available to the public at the registered office of Cyberoo S.p.A. in Reggio Emilia (RE), Via Brigata Reggio 37, and on the Issuer's website at [www.cyberoo.com](http://www.cyberoo.com).

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## **WARNING**

This admission document has been drawn up in accordance with the AIM Italia Issuer Regulations (**AIM Italia Issuer Regulations**) for the purpose of the admission of ordinary shares and warrants of Cyberoo S.p.A. (**Company** or **Issuer**) to AIM Italia, a multilateral trading system managed and organized by Borsa Italiana S.p.A. (**AIM Italia**).

The transaction described in this Admission Document does not constitute an offer or an invitation to sell or a solicitation to purchase financial instruments, nor does it constitute an offer or an invitation to sell or a solicitation to buy the ordinary shares of the Issuer put in place by subjects in circumstances or within a jurisdiction where such an offer or invitation to sell or solicitation is not permitted.

The publication of this document need not be authorized by Consob pursuant to Community Directive no. 2003/71/EC, as subsequently amended and supplemented, or any other rule or regulation governing the preparation and publication of prospectuses pursuant to articles 94 and 113 of the Consolidated Law on Finance, including the issuers' regulation adopted by Consob with resolution no. 11971 of May 14, 1999, as subsequently amended and supplemented (the **Issuers' Regulation**).

This document is not intended to be published, distributed or disseminated (directly and/or indirectly) in jurisdictions other than Italy, and specifically in Australia, Canada, Japan or the United States of America. The Issuer's financial instruments have not been and will not be registered under the Securities Act of 1933, as subsequently amended and supplemented, or with any financial regulatory authority of a state of the United States of America or under financial instrument law in force in jurisdictions other than Italy, and specifically in Australia, Canada or Japan. The Issuer's financial instruments may not be offered, sold or otherwise transferred, directly or indirectly, on behalf of or for the benefit of citizens or persons residing in Australia, Canada, Japan or the United States of America, unless, at its own discretion, the Issuer makes use of any exemptions envisaged by the applicable regulations. The publication and distribution of this Admission Document in other jurisdictions may be subject to legal or regulatory restrictions and therefore investors are required to inquire about the applicable regulations in their respective country of residence and to observe such restrictions. Any person who enters into possession of this document must first verify the existence of such regulations and restrictions and observe such restrictions. The violation of the restrictions envisaged could constitute a violation of the applicable regulations on financial instruments in the relevant jurisdiction.

The Company declares that it will use the Italian language for all documents made available to shareholders and for any other information required by the AIM Italia Issuers' Regulation.

The AIM Italia issuer must have appointed a Nominated Adviser as defined by the AIM Italia Regulation. The Nominated Adviser must issue a statement to Borsa Italiana upon admission in the form specified in *Schedule Two* of the *Nominated Adviser Regulation* published by Borsa Italiana S.p.A. (**Nomad Regulation**).

For purposes related to the admission to trading of the Company's financial instruments on AIM Italia, EnVent Capital Markets Ltd acted solely in its capacity as Nominated Adviser of the Company pursuant to the AIM Italia Issuers' Regulation and the Nomad Regulation.

Pursuant to the AIM Italia Issuer Regulations and the Nomad Regulations, EnVent Capital Markets Ltd is solely liable to Borsa Italiana S.p.A.

EnVent Capital Markets Ltd therefore assumes no liability towards any person who decides at any time to invest in the Company on the basis of this Admission Document. Note that

only the persons indicated in Section I, Chapter 1 and Section II, Chapter 1 of the Admission Document are responsible to investors for the completeness and truthfulness of the data and information contained in this document.

Note that for the dissemination of regulated information, the Issuer has chosen to use the 1INFO-SDIR system ([www.1info.it](http://www.1info.it)), managed by Computershare S.p.A. based in Milan, Via Lorenzo Mascheroni 19 and authorized by CONSOB.



## DEFINITIONS

A list of the definitions and terms used within the Admission Document is given below.

Unless otherwise specified, these definitions have the meaning envisaged below. The terms defined in the singular are also intended as plural and vice versa where the context so requires.

<b>AIM Italia</b>	The multilateral trading system called <i>AIM Italia</i> , organized and managed by Borsa Italiana S.p.A.
<b>Admission</b>	The admission of the Shares and Warrants to trading on AIM Italia.
<b>Share Capital Increases</b>	Jointly, the Institutional Capital Increase, the Retail Capital Increase and the Warrant Capital Increase.
<b>Institutional Capital Increase</b>	<p>The paid and divisible increase in share capital approved by the extraordinary shareholders' meeting of the Company on July 25, 2019, with the exclusion of the option right pursuant to article 2441, paragraph 5 of the Italian Civil Code in service to the Institutional Placement, for a maximum nominal amount of €175,000, plus share premium, through one or more issues, including with tranches, of a maximum of 1,750,000 Ordinary Shares.</p> <p>In execution of the aforementioned shareholders' meeting resolution, on October 1, 2019 the board of directors of the Company resolved to set the subscription price of the Ordinary Shares for Institutional Placement at €2.86 each, of which €0.10 for share capital and €2.76 for share premium.</p>
<b>Retail Capital Increase</b>	<p>The paid and divisible increase in share capital approved by the extraordinary shareholders' meeting of the Issuer on July 25, 2019, with the exclusion of the option right pursuant to article 2441, paragraph 5 of the Italian Civil Code in service to the Retail Placement, for a maximum nominal amount of €75,000, plus share premium, through one or more issues, including with tranches, of a maximum of 750,000 Ordinary Shares.</p> <p>In execution of the aforementioned shareholders' meeting resolution, on October 1, 2019 the board of directors of the Company resolved to set the exact subscription price of the Ordinary Shares for Retail Placement at €2.86 each, of which €0.10 for share capital and €2.76 for share premium.</p>
<b>Warrant Capital Increase</b>	The paid and divisible increase in share capital approved by the extraordinary shareholders' meeting of the Issuer on July 25, 2019 for a maximum amount of €125,000.00, plus share premium, through the issuance of a maximum number of 1,250,000 Converted Shares without indication of the nominal value, to be reserved for the exercise of a maximum number of 2,500,000 Warrants in accordance with the provisions of the Warrant Regulation.
<b>Shares or Ordinary Shares</b>	The ordinary shares of the Issuer without nominal value, with regular and freely transferable dividend rights, to be admitted to trading on AIM Italia.

<b>Converted Shares</b>	Maximum 1,250,000 new Shares without nominal value having the same characteristics and dividend rights as those ordinary shares in circulation at the date of their issuance deriving from the Warrant Capital Increase and serving the exercise of the Warrants.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari 6.
<b>Civil Code</b>	Italian Royal Decree no. 262 of March 16, 1942 and subsequent amendments and additions.
<b>Institutional Placement</b>	The offer of Ordinary Shares deriving from the Institutional Capital Increase addressed exclusively to Qualified Investors.
<b>Retail Placement</b>	The offer of Ordinary Shares deriving from the Retail Capital Increase addressed exclusively to the general public in Italy and with such methods, in terms of quality and/or quantity, that allow falling within the cases of inapplicability of the provisions on public offers of financial instruments envisaged by articles 100 of the Consolidated Law on Finance, 34-ter, paragraph 1, lett. c) of the Issuers' Regulation and the equivalent provisions of law and regulations applicable abroad, with consequent exclusion from the publication of an information prospectus.
<b>Consob</b>	National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini 3.
<b>Date of the Admission Document</b>	The date of publication of the Admission Document by the Issuer.
<b>Admission Date</b>	The effective date of the admission of the Shares and Warrants to AIM Italia, established with a specific notice published by Borsa Italiana.
<b>Trading Start Date</b>	Specifies the starting trading date of the Shares on AIM Italia.
<b>Directa</b>	Directa SIM S.p.A., with head office in Turin, Via Bruno Buozzi 5, acting as online placing agent for the part of the Private Placement intended for investors other than Qualified Investors in Italy. Registered in the SIM stock broker register at no. 59 and registered in the Turin Company Register at no. 06837440012.
<b>Admission Document</b>	This admission document.
<b>Issuer or Company or Cyberoo</b>	Cyberoo S.p.A., with registered office in Reggio Emilia (RE), Via Brigata Reggio 37, tax code and registration number in the Reggio Emilia Company Register 04318950286, Economic and Administrative Index no. RE-288453.
<b>EnVent or Nomad (Nominated Adviser) or Global Coordinator</b>	EnVent Capital Markets Limited, with registered office in 42 Berkeley Square W1J5W – London, a company registered in England and Wales under number 9178742. EnVent is authorized by the Financial Conduct Authority for advisory, arranging and placement activities without firm commitment at 651385. The Italian branch of EnVent is registered with number 132 on the list of Community investment companies with branches, held by Consob.

<b>Group or Cyberoo Group</b>	The Issuer and its subsidiaries pursuant to art. 2359 of the Italian Civil Code
<b>Qualified Investors</b>	Qualified investors as defined by article 100, paragraph 1, letter a) of the Consolidated Law on Finance and by the combined provisions of articles 34- <i>ter</i> , paragraph 1, letter b) of the Consob Issuers' Regulation and 35, paragraph 1, letter d) of the Consob Intermediaries' Regulation and other parties in the European Economic Area, excluding Italy, who are qualified investors according to European regulations (therefore excluding investors in Australia, Japan, Canada and the United States and in any other foreign country where placement is not possible without the authorization of the competent authorities).
<b>ISIN Code</b>	Acronym for <i>International Security Identification Number</i> , i.e. the international code used to uniquely identify dematerialized financial instruments.
<b>Market Abuse Regulation or MAR</b>	Regulation (EU) no. 596/2014 of the European Parliament and of the Council of April 16, 2014 and the related supplementary and implementing regulations in force on the date of the Admission Document.
<b>Monte Titoli</b>	Monte Titoli S.p.A., with registered office in Milan, Piazza degli Affari 6.
<b>Offer</b>	Indicates the offer made jointly through the Institutional Placement and the Retail Placement.
<b>Related Parties</b>	The " <i>related parties</i> " as defined in the regulation adopted by CONSOB with resolution no. 17221 of March 12, 2010, as subsequently amended and supplemented, containing provisions on transactions with related parties.
<b>Innovative SME</b>	The small and medium-sized enterprise (SME) meeting the requirements referred to in article 4 of Italian Decree Law no. 3 of January 24, 2015, converted by Italian Law no. 33 of March 24, 2015, as subsequently amended and supplemented, and of the Decree of the Ministry of Economy and Finance of May 7, 2019.
<b>Italian Accounting Standards or ITA GAAP</b>	The accounting standards used for the preparation of the Issuer's financial information contained in the Admission Document, and more precisely the accounting standards in force in Italy at the date of the Admission Document, which govern the criteria for the preparation of financial statements for unlisted companies, issued by the Italian National Council of Accountants and Tax Advisors and the Italian Accounting Body.
<b>Regulation 11971/1999</b>	The regulation implementing the Consolidated Law on Finance concerning the regulation of issuers approved by Consob with resolution no. 11971 on May 14, 1999 as amended.
<b>AIM Italia Issuers' Regulation</b>	The issuer regulations of AIM Italia approved and published by Borsa Italiana and in force on the date of the Admission Document.

<b>Nominated Adviser Regulation <i>or</i> Nomad Regulation</b>	The AIM Italia Nominated Adviser Regulations approved and published by Borsa Italiana and in force on the date of the Admission Document.
<b>Warrant Regulation</b>	The Warrant Regulation reproduced in the Appendix to the Admission Document.
<b>Auditing Firm <i>or</i> BDO</b>	BDO Italia S.p.A., headquartered in Milan, Viale Abruzzi 94, registered in the Milan Business Register with VAT no. 07722780967 and in the register of statutory auditors and auditing firms kept at the Ministry of Economy and Finance at no. 167911 with Italian Ministerial Decree of 03/15/2013 Official Gazette no. 26 of 04/02/2013.
<b>Specialist</b>	Banca Akros S.p.A., with registered office in Milan, Viale Eginardo 29.
<b>By-laws <i>or</i> Corporate By-laws</b>	The corporate by-laws of the Issuer in force on the Trading Start Date, included by reference to this Admission Document and available on the Issuer's website.
<b>TUF <i>or</i> Consolidated Law on Finance</b>	Italian Legislative Decree no. 58 of February 24, 1998 and subsequent amendments and additions.
<b>Consolidated Law on Income Tax <i>or</i> TUIR</b>	The decree of the President of the Italian Republic no. 917 of December 22, 1986 and subsequent amendments and additions.
<b>Warrants</b>	The "2019-2023 Cyberoo Warrants" issued by the Issuer pursuant to the resolution of the shareholders' meeting of July 25, 2019, linked without consideration to the Shares subscribed under the Institutional Placement and Retail Placement.

## GLOSSARY

Below is a list of the main technical terms used within the Admission Document. Unless otherwise specified, these terms have the meaning specified below.

<b><i>Anti-spam</i></b>	Software that allows blocking emails sent indiscriminately.
<b><i>Antivirus</i></b>	Software aimed at preventing, detecting and possibly rendering harmless malicious code and malware for a computer device.
<b><i>API</i></b>	A set of procedures designed to extend the functionality of the application and to integrate and interact with other programs, applications and platforms of various kinds.
<b><i>APM</i></b>	Application performance management: monitoring and management of the performance and availability of software applications.
<b><i>Backup</i></b>	The process by which client data is backed up to a storage medium.
<b><i>Big data</i></b>	Particularly large and complex data collection, such as to require tools that are different from traditional ones for acquisition, analysis and visualization.
<b><i>Business continuity</i></b>	Service provided by a provider to define the processes necessary to ensure the resilience of the structure following the occurrence of certain incidents/disruptive events, to ensure operations, production capacity, customer interests.
<b><i>Clear web</i></b>	Internet accessible to all and indexed by search engines.
<b><i>Cloud computing or cloud</i></b>	Technology that allows taking advantage of software and hardware resources for processing, storing and saving data with on-demand availability through the Internet from a set of pre-existing and configurable resources.
<b><i>Active-Active Cluster</i></b>	Set of two servers that cooperate simultaneously to provide a service. Thanks to such cooperation, if one of the two servers is disrupted the other is able to provide full service without any particular issues.
<b><i>COMMCELL</i></b>	The term identifies all the infrastructure used to manage the backups.
<b><i>COMMSERVE</i></b>	Identifies the brain of the Commcell infrastructure.
<b><i>CPU</i></b>	Central processing unit or central processor, which performs computer calculations.
<b><i>CRM</i></b>	Acronym for Customer Relationship Management. It is a system to more effectively manage relationships with current or potential customers.
<b><i>Cross-selling</i></b>	Sales strategy for a product or service that is additional to what is requested by the customer, after having secured and confirmed the sale of the first product or service.
<b><i>Cyber crime</i></b>	Criminal phenomenon that is characterized by the abuse of computer technology – both hardware and software – for the commission of one or more crimes.

<b><i>Cybersecurity</i></b>	Set of services for the analysis of threats, vulnerabilities and risks connected to IT infrastructure in order to protect it against possible internal or external attacks that could damage it and to reduce the severity of such damage.
<b><i>Dark web</i></b>	Internet accessible only with special software.
<b><i>Dashboard</i></b>	Interactive tool for collecting, monitoring and viewing data and information.
<b><i>Data breach</i></b>	A breach of security leading to the destruction, loss, alteration, unauthorized disclosure or access to personal data transmitted, stored or otherwise processed.
<b><i>Data center</i></b>	Organizational unit that coordinates and hosts servers, storage, UPSs and all the equipment that makes it possible to govern the processes, communications and services that support the business.
<b><i>Deep learning</i></b>	Artificial intelligence and machine learning method based on different models. It draws on a set of techniques based on artificial neural networks.
<b><i>Deep web</i></b>	Part of the Internet that is not directly accessible, not indexed by search engines.
<b><i>Device</i></b>	Electronic devices such as, by way of example, personal computers, smartphones and tablets.
<b><i>DHCP</i></b>	Software system that manages all the devices (PC, mobile, etc.) that connect to the IT network. More specifically, the service makes it possible for devices to navigate within the network and towards the Internet.
<b><i>Digital marketing</i></b>	Set of marketing activities that use web channels to develop their commercial network, analyze market trends and predict future developments.
<b><i>Digital transformation</i></b>	A set of technological, organizational, operational and managerial changes that allows processing and making accessible large amounts of data and content regardless of the real availability of resources (material, human and physical), positively creating new connections between people, places and things.
<b><i>DR or Disaster Recovery</i></b>	In the IT sector, indicates the recovery of data and the operation of company information systems following a disaster incident/event.
<b><i>E-commerce</i></b>	Set of commercial transactions (purchase, sale, order and payment) between producer and consumer carried out with the use of computers and electronic networks.
<b><i>Endpoint</i></b>	Any device that can connect to the central corporate network. Endpoint devices are potential entry points for cybersecurity threats and require effective protection.
<b><i>ERP</i></b>	Enterprise Resource Planning is a management information system of the relevant business processes of a company (purchasing, sales, management, warehouse, accounting, cash and financial flows, etc.).

<b><i>False positive</i></b>	Indicates a false alarm, so a harmless program is mistakenly considered dangerous.
<b><i>File sharing</i></b>	A program that allows the exchange of files between Internet users through a common server.
<b><i>Firewall</i></b>	Passive perimeter defense component of an IT network that can also perform connection functions between two or more network trunks, thus guaranteeing protection of the network itself in terms of cybersecurity.
<b><i>FSS</i></b>	Acronym for Full System Service.
<b><i>Hub</i></b>	A hub represents a concentrator, that is, a network device that acts as a data sorting node of a data communication network organized with a logical bus topology and a physical star topology.
<b><i>Hacking</i></b>	A set of methods, techniques, and operations for mapping, accessing, and modifying a hardware system.
<b><i>Hardware</i></b>	Set of the material components of an electronic system.
<b><i>Honeypot</i></b>	System for receiving attacks with the aim of studying, monitoring and identifying them.
<b><i>Help desk</i></b>	Service intended to provide technical support.
<b><i>Inbound</i></b>	Indicates all those activities aimed at attracting customers. An inbound call center handles incoming calls, mostly presenting itself as a customer service able to answer customer questions, solve any problems or help them with particular processes.
<b><i>IDA agent</i></b>	Software module that saves the application data contained in the system it is installed on.
<b><i>IDS/HIDS</i></b>	(Host) Intrusion Detection System: "advanced" system aimed at identifying anomalies or attacks that impact on the hosts or within the network of the monitored system.
<b><i>Information Technology or IT</i></b>	Set of methods and technologies that implement information transmission, reception and processing systems (including digital technologies).
<b><i>Infrastructure as a System (IaaS)</i></b>	A cloud computing service that provides access to an IT resource belonging to a virtualized environment and offers services such as virtual space on servers, network connections, bandwidth and IP addresses.
<b><i>IOC</i></b>	Indicator Of Compromise: set of characteristics that can highlight the successful compromise of an asset by a malicious agent or an attack (e.g. the presence in the PC of a certain file recognized as malicious, as well as a list of web domains recognized as malicious or fraudulent).
<b><i>IOPS</i></b>	Input/Output Operations Per Second: identifies the speed of systems to read and write data.
<b><i>Kibana</i></b>	Software that creates the graphical interface for Elastic Search.
<b><i>Kiosk</i></b>	Office 365 licensing solution.

<b><i>Tier Levels</i></b>	Data center tier levels determine the number of redundancies and thus the reliability level of a data center. Level I is the lowest, Level IV is the highest. Specifically, Tier III is a very high level of reliability despite the presence of breakpoints. Tier IV is the highest level of reliability of a data center and indicates that there are no single breakpoints (i.e. failures in a single physical component that result in the complete inoperability of the entire data center).
<b><i>Log</i></b>	A file that is a chronological list of tasks performed by a system or service.
<b><i>Log management</i></b>	Set of activities related to the collection and analysis of data tracked in log messages, representing a complete record of events that occur in any security context.
<b><i>Machine learning</i></b>	A branch of artificial intelligence that collects a set of methods aimed at progressively improving the performance of an algorithm in identifying patterns in data. Machine learning allows a system to learn over time and improve its functionality.
<b><i>Malware</i></b>	Any software created for the purpose of damaging a computer, computer user data, or a computer system on which it is run. The term derives from the combination of the words <i>malicious</i> and <i>software</i> and therefore has the meaning of "malicious program." In Italian it is also called malicious code.
<b><i>Media agent</i></b>	Agent that manages communications with backups.
<b><i>NAS</i></b>	Network Attached Storage: disk drives connected to the network (LAN, or Local Area Network) able to provide systems (servers or workstations) with direct disk access, having on board (pre-installed) all the software necessary to make the disk drive fully operational.
<b><i>Open Source Intelligence (OSINT)</i></b>	Information-gathering activities by consulting freely accessible public sources.
<b><i>Outbound</i></b>	Identifies promotions that aim to find customers. An outbound call center handles outgoing calls to customers.
<b><i>Private cloud</i></b>	A particular type of cloud computing that involves the provision by a service provider of standardized cloud services through the Internet to different customers. The infrastructure, platform, applications are owned by the provider, managed by it and shared with customers.
<b><i>Phishing</i></b>	Type of scam carried out on the Internet through which a person tries to deceive the victim by convincing them to provide personal information, financial data or access codes, pretending to be a reliable entity in a digital communication.
<b><i>RAM</i></b>	Random Access Memory is a type of volatile memory characterized by allowing direct access to any memory address with the same access time.
<b><i>Ransomware</i></b>	A type of malware that restricts access to the infected device, requesting a ransom to be paid to remove the restriction.



<b>Root Cause Analysis or RCA</b>	Procedure for analyzing the causes to verify the security of company data.
<b>SAN</b>	Storage Area Network: an architecture composed of servers (at least one) and disk drives (at least one) connected to each other using one of the following protocols: SAS (Serial-Attached-Storage), iSCSI (Internet Small Computer Storage Interface), or FC (Fibre Channel). This architecture is used to build reliable infrastructures, i.e. those that tend to reduce the number of individual breakpoints (ideally to zero, thus achieving business continuity). In this architecture, access to the disk drive by workstations must be mediated by a machine (server) capable of making available the disk space in the disk drive to the workstations themselves. In contrast, this server is not needed in a NAS as the NAS already has all the software needed to communicate directly with the workstations.
<b>Sandbox</b>	A mechanism for running applications in a restricted space.
<b>Security awareness</b>	Awareness-raising action regarding the various aspects of cybersecurity in a company aimed mainly at increasing the level of user awareness, the level of security of the organization, and effectiveness in terms of protection of critical company data and personal data.
<b>SEO</b>	Search Engine Optimization (SEO) includes all those activities carried out by a search engine professional in order to improve the positioning of the pages of a website in the organic result pages (also called natural results) returned by search engines in correspondence with the keywords considered most strategic.
<b>Server</b>	A computer processing subsystem that logically and physically provides any type of service to other components that request it through a network of computers within a computer system.
<b>SOC</b>	Security Operations Center, is a center from which services are provided aimed at the security of the information systems of the company or of external customers. In the latter case, the SOC is used for the provision of Managed Security Services (MSS) and the company that provides them is called a Managed Security Service Provider (MSSP).
<b>Software</b>	Set of the intangible components of an electronic system.
<b>Software as a Service (SaaS)</b>	Application software distribution model where a software manufacturer develops, operates (directly or through third parties) and manages a web application that it makes available to its customers via the Internet. Customers do not pay for the possession of the software but for the use thereof.
<b>Cloud solutions</b>	The cloud in cloud computing can be defined as the set of hardware, networks, memory, services, interfaces that combine to provide aspects of the processing in the form of services. Cloud services include the provision of software, infrastructure and memory over the Internet (either as a separate component or as a complete platform) based on

requests. The adoption of cloud solutions is therefore an alternative to the adoption of servers, hardware and software on the customer's premises.

<b>Switch</b>	A device on a computer network that connects other devices together to enable their connection.
<b>System behavior analyzer</b>	An analyzer of the behavior of a system, program, or service.
<b>Telemarketing</b>	Set of marketing activities carried out over the phone.
<b>Threat hunting</b>	Manual or machine-assisted techniques used by a security analyst or threat intelligence to detect a security incident.
<b>Up-selling</b>	Marketing strategy that encourages the customer to purchase a service of higher value and quality than the one already purchased.
<b>User friendly</b>	Usability of a software application. It represents the effectiveness, efficiency, and satisfaction with which certain users achieve certain objectives in specific contexts. In practice, it defines the degree of ease and satisfaction with which the interaction between the user and the instrument is carried out (e.g., the graphical interface of an application).
<b>Vendor</b>	Manufacturer of a particular software or hardware.
<b>VLAN</b>	The term VLAN (Virtual Local Area Network) refers to a set of technologies that allow the broadcast domain to be segmented, which is created in a local network (typically IEEE 802.3) based on switches, in multiple local networks logically not communicating with each other, but sharing the same physical local network infrastructure globally.
<b>Web advertising</b>	Set of activities with which it is possible to communicate on the web.
<b>Web security</b>	Set of means and technologies aimed at protecting IT systems in terms of availability, confidentiality, and integrity of devices or IT assets, as well as the authenticity of information.
<b>Web filtering</b>	Technology that enables third-party solutions and services to protect users against phishing, malicious websites, and inappropriate content.
<b>Whaling</b>	A particular form of phishing that uses sophisticated engineering techniques to obtain access to personal and confidential information and, specifically, information of significant economic and commercial value.

## **PLANNED OPERATION SCHEDULE**

Date of submission of the pre-admission communication	September 19, 2019
Date of application for admission	September 30, 2019
Date of publication of the Admission Document	October 03, 2019
Date of admission of the Shares and Warrants to trading	October 03, 2019
Trading start date	October 07, 2019

## **DOCUMENTS ACCESSIBLE TO THE PUBLIC**

The following documents are available to the public at the Issuer's registered office in Reggio Emilia, Via Brigata Reggio 37, as well as on the website [www.cyberoo.com](http://www.cyberoo.com):

- Admission Document
- Issuer By-laws
- Warrant Regulation
- Proforma consolidated financial statements of the Issuer as of December 31, 2018
- Consolidated half-yearly financial statements of the Issuer as of June 30, 2019

**SECTION I**

## **1 RESPONSIBLE PERSONS, INFORMATION FROM THIRD PARTIES AND EXPERT REPORTS**

### **1.1 Responsible for the Admission Document**

As Issuer, Cyberoo S.p.A., with registered office in Reggio Emilia, Via Brigata Reggio 37, tax code, VAT number and registration number in the Reggio Emilia Company Register 04318950286, assumes responsibility for the completeness and truthfulness of the data and information contained in the Admission Document.

### **1.2 Declaration of responsibility**

The Issuer declares and certifies that, having taken all reasonable care in the preparation of the Admission Document, the information contained in said Admission Document is, to the best of its knowledge, in accordance with the facts and does not contain any omissions such as to alter its meaning.

### **1.3 Expert declarations or reports**

For the purposes of the Admission Document, no declarations or reports have been issued by any expert.

### **1.4 Information from third parties**

Where indicated, the information contained in the Admission Document comes from third parties.

The Issuer confirms that such information has been reproduced faithfully and that, to the extent that it is aware of or has been able to ascertain on the basis of information published by the third parties in question, no facts have been omitted that could make the information reproduced inaccurate or misleading. The sources of the aforementioned information are specified in the same sections of the Admission Document in which they are reproduced.

## **2 STATUTORY AUDITORS**

### **2.1 Issuer's statutory auditors**

On July 25, 2019, the ordinary shareholders' meeting of the Issuer conferred on the auditing firm BDO Italia S.p.A. with registered office at Viale Abruzzi 94, Milan, Milan Company Register, tax code, and VAT no. 07722780967, as well as in the register of statutory auditors referred to in Italian Legislative Decree no. 39/2010, the task of auditing the Company's financial statements for the years 2019-2021, as well as the task of limited auditing of the condensed half-yearly consolidated financial statements.

The financial statements of the Issuer for the year ended December 31, 2018, prepared in accordance with the Italian Accounting Standards, have been voluntarily audited by the Independent Auditors BDO Italia S.p.A., with a report issued on May 24, 2019 without any findings worthy of note.

Furthermore, for the sole purpose of the admission of the Shares to AIM Italia, the Company has entrusted the Independent Auditors with the task of issuing a report on the statements of financial position and consolidated proforma income statements for the period ending December 31, 2018. The report was issued on September 10, 2019 (attached as an Appendix to the Admission Document).

### **2.2 Information on relations with the Independent Auditing Firm**

Until the date of the Admission Document, there has been no revocation of the assignment conferred by the Issuer on the Independent Auditors nor have the Independent Auditors waived the assignment conferred on them, refused to issue an opinion, or expressed a judgment with findings on the financial statements of the Issuer.

### 3 SELECTED FINANCIAL INFORMATION

#### 3.1 Introduction

This chapter provides the financial information relating to the Company's Proforma Consolidated data for the year ended December 31, 2018 and the data relating to the Abbreviated Consolidated Half-Yearly Financial Statements as of June 30, 2019.

Note that these Proforma Consolidated data have been prepared only for information purposes for their inclusion in this Admission Document.

The Company competes in national and international markets as a support to all Partners who want to offer their customers a proactive service of managing infrastructure and software solutions.

The guidelines underlying the Issuer's business include:

- Innovation: whose objective is to provide its Partners with solutions and services that meet the needs of customers.
- Strategy: basing services on technologies that offer innovative opportunities to the business of the Partners, allowing their growth.
- Success: ensuring the success of the Partners and the satisfaction of their customers.

The Issuer has decided to invest in innovative skills and technologies, with the strong awareness that only through these two engines is it possible to support the Partners, increasing the quality of the services offered to customers, and above all optimizing their growth and profit.

The following are the main aggregate economic data of the Group for the year ended December 31, 2017:

Figures in €/000	Lyb	Mfd	Cyberoo	Aggregate
Sales	961	72	2,122	3,155

#### 3.2 Presentation of the Proforma Consolidated Financial Statements

The Proforma Consolidated Statements, consisting of the Proforma Consolidated Balance Sheet as of December 31, 2018 and the Proforma Consolidated Income Statement as of December 31, 2018, and the related notes (the "**Proforma Consolidated Financial Statements**") set forth herein are prepared in accordance with the principles referred to in Consob Communication no. DEM/1052803 of July 5, 2001, for the purposes of the Issuer's admission to trading on AIM Italia.

The Issuer has carried out some extraordinary transactions summarized below:

- On December 20, 2018, an increase in share capital from €100,000.00 to €113,000.00 was resolved by issuing new shares with a nominal value of €13,000, with a premium of €1,793,800.00 for a total of €1,806,800.00. This capital increase was subscribed by the shareholder "SEDOC DIGITAL GROUP S.r.l." and executed by means of the contribution of 100% of the shares in the limited-liability company Life Your Brand S.r.l. equal to a nominal amount of €300,000.00. At the conclusion of this transaction, the amount of the Issuer's



share capital was equal to €113,000.00 fully subscribed and paid in and distributed as follows:

- To the shareholder "SEDOC DIGITAL GROUP S.r.l." a stake of 46.9% of the share capital for a nominal amount of €53,000.00.
  - To the shareholder "SDG Innovative Technologies S.r.l." a shareholding of 53.1% of the share capital for a nominal amount of €60,000.00.
- On February 22, 2019, an increase in share capital from €113,000.00 to €116,495.00 was resolved by issuing new shares for a nominal value of €3,495.00 and a total premium of €482,005.00 for a total of €485,500.00. This capital increase was subscribed through the contribution of the company MFD International S.r.l. by the shareholders Fabio Leonardi (who confers on the Issuer a shareholding of a nominal amount of €6,500.00 held in MFD International S.r.l.), Massimo Bonifati (who confers on the Issuer a shareholding of a nominal amount of €1,500.00 held in MFD International S.r.l.) and Davide Cignatta (who confers on the Issuer a shareholding of a nominal amount of €2,000.00 held in MFD International S.r.l.). As a result of the completion of the above increase, the Issuer's share capital was equal to €116,495 fully subscribed and paid in, distributed as follows:
    - To the shareholder "SEDOC DIGITAL GROUP S.r.l." a stake of 45.5% of the share capital for a nominal amount of €53,000.00.
    - To the shareholder "SDG Innovative Technologies S.r.l." a shareholding of 51.5% of the share capital for a nominal amount of €60,000.00.
    - To the shareholder Fabio Leonardi a stake of 1.95% of the share capital for a nominal amount of €2,271.75.
    - To the shareholder Massimo Bonifati a stake of 0.45% of the share capital for a nominal amount of €524.25.
    - To the shareholder Davide Cignatta a shareholding of 0.60% of the share capital for a nominal amount of €699.00.

### **3.3 Accounting standards of reference and general criteria for the preparation of the Proforma Consolidated Financial Statements**

The Proforma Consolidated Statements were prepared starting from the financial statements of the Issuer for the year ended December 31, 2018, prepared in accordance with the Italian Accounting Standards from the balance sheet and income statement derived from the financial statements for the year ended December 31, 2018 of the companies LIFE YOUR BRAND S.r.l. and MFD International S.r.l., prepared in accordance with the Italian Accounting Standards, as well as from the proforma adjustment records applied to them.

The Proforma Consolidated Statements were obtained by making appropriate proforma adjustments to the final data.

In consideration of the different purposes of the Proforma Consolidated Statements compared to those of financial statements and since the effects are calculated differently with reference to the balance sheet and the income statement, said proforma statements must be read and interpreted separately in the knowledge that the different

statements, for the specific manner in which they were prepared, do not guarantee the accounting links usually found between the income statement and the balance sheet.

Furthermore, since the Proforma Consolidated Statements entail the adjustment of final data to retroactively reflect the effects of a subsequent transaction, it is clear that, despite compliance with the general criteria mentioned above, there are limitations related to the very nature of proforma data.

As these are representations built on basic assumptions (simulations or virtual representations), if these operations had actually been carried out on the reference date of the proforma data and not on future dates, the final data would not necessarily have been the same as the proforma data.

The proforma data do not reflect prospective data as they are prepared in such a way as to represent only the identifiable and objectively measurable effects of these extraordinary transactions, without taking into account the potential effects due to changes in the policies of Management, having a high component of discretion on the operational decisions resulting from such transactions.

In the preparation of the Proforma data, to retroactively simulate the effects of the transactions referred to in the introduction as if they had been concluded on the date of preparation of these Proforma Consolidated Statements:

- The financial statements for the year ended December 31, 2018 of the companies falling within the "scope of consolidation" – as previously defined – of the Proforma data were used.
- The effects relating to the process of consolidation and elimination of the above investments were represented.

### **3.4 Comments on the proforma logic and the main financial statement items**

The Proforma data were prepared based on the drafting principles contained in the Consob Communication DEM/1052803 of July 5, 2001 in order to retroactively reflect the theoretical effects deriving from the acquisition of the equity investments (through the transfer of the corporate shares as described above) and consolidation of the companies Life Your Brand S.r.l. and MFD International S.r.l. on the Issuer's historical accounting data relating to December 31, 2018.

Specifically, the pro forma consolidated data have been prepared based on the following criteria:

- Effective from December 31, 2018 with regard to the preparation of the Proforma Consolidated Balance Sheet.
- Effective from January 1, 2018 with regard to the preparation of the Proforma Consolidated Income Statement.

With regard to the Proforma Consolidated Balance Sheet, the main assumptions adopted are as follows:

- Capital increase transaction with the contribution of the company LYB S.r.l. on the date on which it was actually executed.

- Capital increase transaction with the contribution of the company MFD International S.r.l. assuming that it was completed as of the reporting date of the pro-forma financial statements of December 31, 2018.

With regard to the Proforma Consolidated Income Statement, the main assumptions adopted are as follows:

- The positive and negative components of the income statement of the companies subject to acquisition have been included in the Proforma Consolidated Income Statement of Cyberoo S.p.A. from January 1, 2018.

### 3.5 The composition of the financial statements of the proforma consolidated income statement and balance sheet as of December 31, 2018

The following tables present the details of the Consolidated Proforma income statement and balance sheet in order to provide a complete, joint view of the effects of the set of corporate transactions described above. The tables include:

- In the first and second columns, the accounting data of the balance sheet and income statement of the companies Life Your Brand S.r.l. and MFD International S.r.l. as of December 31, 2018.
- In the third column, the accounting data of the balance sheet and income statement of the Issuer as of December 31, 2018.
- In the fourth column, the sum of the records relating to the economic and equity components originating from the backdating operations of the paid capital increase transaction of MFD International S.r.l. assuming that it was completed as of the reference date of the Proforma Financial Statements of December 31, 2018.
- In the fifth column, the consolidation entries relating to the elimination of the equity investments, elimination of reciprocal transactions between the companies included in the scope of consolidation.
- In the sixth column, reference to the commentary notes.
- In the seventh column, the Proforma Consolidated Statements resulting from the sum of the balances in the first to fifth columns.

For the purposes of the preparation of the Proforma Consolidated data, specific economic and balance sheet formats were used.

#### Income Statement:

Income statement (figures in €/000)	Lyb	Mfd	Cyberoo	Proforma	Consolidating entries	Note	PF Consolidated 12.31.2018
Revenues from sales and services	1,419	307	3,023	-	174	1	4,575
Increases in fixed assets for internal work	192	-	166	-	163	1	520
Other revenues and income	67	13	66	-	-	-	146
<b>Value of Production</b>	<b>1,678</b>	<b>320</b>	<b>3,254</b>	<b>-</b>	<b>11</b>		<b>5,241</b>
Raw materials, subsidiary materials, consumables and goods	472	-	670	-	0	1	1,141

Services	303	125	407	-	-	835
Rental, lease and hire	28	9	50	-	-	87
Personnel costs	553	137	537	-	-	1,227
Changes in inventories of raw materials, subsidiary materials and goods	-	-	104	-	-	104
Other operating costs	19	3	93	-	-	114
<b>Cost of Production</b>	<b>1,374</b>	<b>274</b>	<b>1,861</b>	<b>- -</b>	<b>0</b>	<b>3,509</b>
<b>EBITDA</b>	<b>304</b>	<b>46</b>	<b>1,394</b>	<b>- -</b>	<b>11</b>	<b>1,732</b>
Amortization, depreciation and write-downs	288	1	971	-	175	2
<b>EBIT</b>	<b>16</b>	<b>45</b>	<b>423</b>	<b>- -</b>	<b>186</b>	<b>298</b>
Financial income and expenses	74	- 0	- 36	-	-	37
<b>Earnings before Taxes</b>	<b>90</b>	<b>45</b>	<b>387</b>	<b>- -</b>	<b>186</b>	<b>335</b>
Income taxes	49	16	273	- -	2	3
<b>Profit/(Loss) for the Year</b>	<b>41</b>	<b>28</b>	<b>114</b>	<b>- -</b>	<b>184</b>	<b>- 1</b>

Notes to the income statement as of December 31, 2018:

- (1) Reclassification for intra-group sale of internally generated fixed assets. The economic effects are due to the elimination of the sales margin realized within the group.
- (2) Amortization of goodwill relating to the equity investments of Life Your Brand S.r.l. and MFD International S.r.l.
- (3) Entry for the effects on taxes of the elimination referred to in point 1).

The Adjusted EBITDA as of December 31, 2018 obtained from the adjustment of EBITDA resulting from the Proforma Consolidated Financial Statements for extraordinary and/or non-recurring income components is shown below:

<b>(Figures in €/000)</b>	<b>12.31.2018</b>
EBITDA Proforma Consolidated Financial Statements	1,732
Adjustments	39
<b>Adjusted EBITDA</b>	<b>1,771</b>

The Adjusted EBIT as of December 31, 2018 obtained by adjusting EBIT resulting from the Proforma Consolidated Financial Statements for the non-recurring write-down of trade receivables recorded under current assets is shown below:

<b>(Figures in €/000)</b>	<b>12/31/2018</b>
EBIT Proforma Consolidated Financial Statements	298
Adjustments	622
<b>Adjusted EBIT</b>	<b>920</b>

Balance Sheet:

Balance sheet (figures in €/000)	LYB	MFD	Cyberoo	Proforma	Consolidating entries	Notes	PF Consolidated 12.31.2018			
Intangible assets	816	1	452	-	1,588	1	2,857			
Tangible assets	7	0	855	-	-		862			
Financial fixed assets	-	135	1,807	486	-	2,292	2	135		
<b>Total Fixed Assets</b>	<b>823</b>	<b>136</b>	<b>3,113</b>	<b>486</b>	<b>-</b>	<b>704</b>		<b>3,854</b>		
Inventories	-	-	3	-	-			3		
Receivables	432	83	1,089	-	-	60	3	1,544		
Cash and cash equivalents	6	2	0	-	-			9		
Accrued income and prepaid expenses	89	-	32	-	-			122		
<b>Total Assets</b>	<b>1,350</b>	<b>221</b>	<b>4,237</b>	<b>486</b>	<b>-</b>	<b>764</b>		<b>5,531</b>		
Share capital	300	10	113	3	-	310	4	116		
Share Premium Reserve	133	-	1,794	482	-	133	4	2,276		
Legal Reserve	2	0	1	-	-	2	4	1		
Other reserves	1	2	358	-	-	3	4	358		
Profit (Loss) carried forward	-	31	-	2	-	78	-	4	-	111
Profit (Loss) for the year	41	28	114	-	-	184	4	-	1	
<b>Shareholders' Equity</b>	<b>446</b>	<b>39</b>	<b>2,301</b>	<b>486</b>	<b>-</b>	<b>632</b>	<b>4</b>	<b>2,639</b>		
Provisions for risks and charges	-	-	-	-	-			-		
Severance pay	41	41	124	-	-			206		
Payables	813	142	1,811	-	-	132	3	2,634		
Accrued expenses and deferred income	50	0	2	-	-			52		
<b>Total Liabilities</b>	<b>1,350</b>	<b>221</b>	<b>4,237</b>	<b>486</b>	<b>-</b>	<b>764</b>		<b>5,531</b>		

Notes to the balance sheet as of December 31, 2018:

- (1) Goodwill arising from the elimination of investments in LYB S.r.l. and MFD International S.r.l. (see note 2).
- (2) Consolidating entry relating to the elimination of the value of the equity investments of LYB S.r.l. and MFD International S.r.l.
- (3) Entry relating to the elimination of intra-group receivables and payables and proforma entries.
- (4) Entries relating to:
  - Increase in the share capital of Cyberoo S.p.A. for €3 thousand as per resolutions reproduced in the section "Presentation of the Proforma Consolidated Financial Statements" and, at the time of consolidation, elimination of the share capital of the parent companies equal to €310 thousand.
  - Increase in the share premium reserve of Cyberoo S.p.A. amounting to €482 thousand linked to the contribution of corporate shares as per the resolutions reported in the paragraph "Presentation of the proforma consolidated financial statements" and, at the time of consolidation, elimination of €133 thousand of the share premium reserve of the subsidiary.
  - Elimination of €5 thousand during the consolidation of the legal reserve and other reserves of the subsidiaries.

- Elimination of the profits of the equity investments for €184 thousand as a result of the consolidating entry.

### 3.6 Selected proforma consolidated income statement data of Cyberoo S.p.A. for the year ended December 31, 2018

Below are the main reclassified Proforma Consolidated economic data of Cyberoo S.p.A. for the year under analysis.

Income statement (figures in €/000)	12.31.2018	%
Value of Production	5,241	100%
Operating costs	3,509	67%
<b>EBITDA*</b>	<b>1,732</b>	<b>33%</b>
Amortization, depreciation and write-downs	1,434	27%
<b>EBIT**</b>	<b>298</b>	<b>6%</b>
Financial income and expenses	37	1%
<b>Earnings before Taxes</b>	<b>335</b>	<b>6%</b>
Income taxes	336	6%
<b>Profit/(Loss) for the Year</b>	<b>- 1</b>	<b>0%</b>

(\*) EBITDA is the result before financial charges, taxes, amortization and depreciation of fixed assets and write-downs. EBITDA therefore represents the result of operations before the amortization and depreciation policy choices and the assessment of the collectability of trade receivables. The EBITDA thus defined represents the indicator used by the Issuer's directors to monitor and assess the operational performance of the company's business. Since the EBITDA is not identified as an accounting measure under national accounting standards, it should not be considered an alternative measurement for evaluating the performance of the Issuer's operating results. Since the composition of the EBITDA is not governed by the relevant accounting standards, the method used by the Issuer may not be consistent with that used by other companies and may not be comparable with them.

(\*\*) EBIT is the result before financial charges and taxes for the year. EBIT therefore represents the result of operations before the remuneration of both third-party and own capital. The EBIT thus defined represents the indicator used by the Issuer's directors to monitor and assess the operational performance of the company's business. Since the EBIT is not identified as an accounting measure under national accounting standards, it should not be considered an alternative measurement for evaluating the performance of the Issuer's operating results. Since the composition of the EBIT is not governed by the relevant accounting standards, the method used by the Issuer may not be consistent with that used by other companies and may not be comparable with them.

### 3.7 Analysis of the proforma consolidated income statement of the Cyberoo Group for the year ended December 31, 2018

Following is the breakdown of the Consolidated Proforma revenues of the Issuer for the year ended December 31, 2018:

Value of production (figures in €/000)	12.31.2018	Impact %
Revenues from sales and services	4,575	87%
Increases in fixed assets for internal work	520	10%
Other revenues and income	146	3%
<b>Value of Production</b>	<b>5,241</b>	<b>100%</b>

Revenues from operations refer to sales originating from what is considered the core business, while other revenues include sales of services not included in these core activities and/or marginal to them.

As of December 31, 2018, 87% of the value of production, equal to €4,575 thousand, refers to the Issuer's main activities such as Cybersecurity & Device Security, Managed Services, and Digital Transformation, which are concentrated almost entirely in Italy and only partially residual in the EU.

A breakdown of the item revenues from sales and services is provided below:

<b>Revenues from sales and services</b>	<b>12.31.2018</b>	<b>Impact %</b>
Cybersecurity & Device Security	865	19%
Managed Services	2,873	63%
Digital Transformation	837	18%
<b>Total</b>	<b>4,575</b>	<b>100%</b>

10% of the value of production, equal to €520 thousand, is related to the increase for internal works related to the capitalization of costs for the realization of IT projects, registered with SIAE, "OSINT - Open source intelligence" and "DATA MINING" – "TITAN" PROJECT, while the remaining 3% is attributable to operations not included in the core business and/or marginal thereto.

The impact of operating costs, whose value as of December 31, 2018 amounts to €3,509 thousand, on the value of production is approximately 67%. As can be seen from the table below, operating costs are attributable for €1,141 thousand to raw and ancillary materials, consumables and goods relating to so-called device management costs; for €835 thousand to costs for services; for €87 thousand to costs for the use of third parties mainly attributable to the rental of cars as well as electronic devices for third parties; for €1,227 thousand to personnel costs.

<b>Operating costs</b>	<b>12.31.2018</b>	<b>% of revenues</b>
Raw materials, subsidiary materials, consumables and goods	1,141	22%
Services	835	16%
Rental, lease and hire	87	2%
Personnel costs	1,227	23%
Changes in inventories of raw materials, subsidiary materials and goods	104	2%
Other operating costs	114	2%
<b>Operating costs</b>	<b>3,509</b>	<b>67%</b>

A breakdown of the item costs of services is provided below:

<b>(Figures in €'000)</b>	<b>12.31.2018</b>	<b>%</b>
Costs for cloud management services	301	36%
Directors' costs	158	19%
Consulting	142	17%
Costs for DFM Virtual Service (UA)	101	12%
Costs of various services	133	16%
<b>Cost of services</b>	<b>835</b>	<b>100%</b>

On December 31, 2018 there was an EBITDA equal to €1,732 thousand corresponding to 33% of the value of production.

Amortization, depreciation and write-downs as of December 31, 2018 amounted to €1,434 thousand, broken down as follows:

- €466 thousand relating to the amortization of intangible fixed assets, of which €175 thousand relating to the amortization of goodwill generated by proforma transactions.
- €346 thousand relating to the depreciation of tangible assets.
- €622 thousand relating to the write-down of trade receivables recognized under current assets.

### 3.8 Selected proforma consolidated balance sheet data of Cyberoo S.p.A. for the year ended December 31, 2018

Below is the information regarding the main proforma balance sheet data of the Issuer for the year ended December 31, 2018.

<b>Balance sheet (figures in €/000)</b>	<b>12.31.2018</b>
Intangible assets	2,857
Tangible assets	862
Financial fixed assets	135
<b>Total Fixed Assets</b>	<b>3,854</b>
Inventories	3
From customers	566
From parent companies	786
Tax receivables	109
Prepaid taxes	2
From others	81
<b>Total Receivables</b>	<b>1,544</b>
Cash and cash equivalents	9
Accrued income and prepaid expenses	122
<b>TOTAL ASSETS</b>	<b>5,531</b>
Share capital	116
Share Premium Reserve	2,276
Legal Reserve	1
Other reserves	358
Profit (Loss) carried forward	- 111
Profit (Loss) for the year	- 1
<b>Shareholders' equity</b>	<b>2,639</b>
Provisions for risks and charges	-
Severance pay	206
Payables to banks	490
Trade payables	578
Payables to subsidiaries	12
Payables to parent companies	116
Tax liabilities	1,244
	32



Payables to social security institutions	44
Other payables	150
<b>Total Payables</b>	<b>2,634</b>
Accrued expenses and deferred income	52
<b>TOTAL LIABILITIES</b>	<b>5,531</b>

Below is the information regarding the main balance sheet data of the Issuer, reclassified to proforma uses and sources, for the year ended December 31, 2018.

<i>(Figures in €/000)</i>	12/31/2018	%
<b>USES</b>		
Net working capital*	368	12%
Fixed assets	3,854	123%
Non-current liabilities	-	-35%
<b>Net invested capital**</b>	<b>3,121</b>	<b>100%</b>
<b>SOURCES</b>		
Net financial position***	482	15%
Shareholders' Equity	2,639	85%
<b>Borrowings</b>	<b>3,121</b>	<b>100%</b>

(\*) Net working capital is calculated as the difference between current assets and current liabilities excluding financial assets and liabilities. Net working capital is not identified as an accounting measure under the accounting standards of reference. Note that it was calculated in accordance with the provisions of the "ESMA update of the CESR recommendations. The consistent implementation of Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive" of March 20, 2013 (formerly CESR Recommendation 05-054b of February 10, 2005). The method used by the Issuer may not be consistent with that used by other entities, and as a result the value calculated by the Issuer may not be comparable with that used by others.

(\*\*) Net invested capital is calculated as the algebraic sum of net working capital, fixed assets, and long-term liabilities. Net invested capital is not identified as an accounting measure under the accounting standards of reference. The method used by the Issuer may not be consistent with that used by other entities, and as a result the value calculated by the Issuer may not be comparable with that used by others.

(\*\*\*) In accordance with the provisions of CONSOB communication no. DEM/6064293 of July 28, 2006, it should be noted that the net financial position is calculated as the algebraic sum of cash and cash equivalents, current financial assets, and short-term and long-term financial liabilities (current and non-current liabilities). The net financial position was determined in accordance with the provisions of CESR Recommendation 05-054b of February 10, 2005, revised on March 23, 2011 "Recommendations for the uniform implementation of the European Commission regulation on prospectuses."

As of December 31, 2018, Intangible Assets amounted to €2,857 thousand. With regard to the classification below, note that:

- Start-up and expansion costs amount to €2 thousand and are related to notary expenses incurred for the establishment of the companies LYB S.r.l. (founded in 2014) and MFD International S.r.l. (founded in 2017).
- Industrial patents and rights to use intellectual property amount to €797 thousand and are represented by software (registered with the SIAE) aimed at improving the supply and services provided. This includes projects like "OSINT Open Source Intelligence" and "DATA MINING" – "TITAN" PROJECT.
- Goodwill amounts to €2,058 thousand and is divided as follows:
  - €1,196 thousand, net of amortization equal to €132 thousand, deriving from the contribution of the shares of the company LYB S.r.l. to the Issuer and €401 thousand, net of amortization equal to €45 thousand, deriving from the

contribution with backdating as it was completed during 2019, of the shares of the company MFD International S.r.l. to the Issuer.

- €311 thousand registered in LYB S.r.l. as a result of the transfer of the business unit by the company Sedoc Digital Group S.r.l.
- €150 thousand registered in Cyberoo S.p.A. as a result of extraordinary operations carried out during the previous years.

<b>Intangible Fixed Assets</b>	<b>12.31.2018</b>	<b>%</b>
Start-up and expansion costs	2	0%
Patents and intellectual property rights	797	28%
Goodwill	2,058	72%
<b>Total</b>	<b>2,857</b>	<b>100%</b>

Tangible fixed assets as of December 31, 2018 amounted to €862 thousand net of accumulated depreciation. This amount is attributable in its entirety to the item "Other Assets," and specifically to the electronic and electromechanical machines (various hardware such as computers, printers, etc.) recorded as assets in the company's balance sheet.

<b>Tangible Fixed Assets</b>	<b>12.31.2018</b>	<b>Impact %</b>
Plant and machinery	-	0%
Industrial and commercial equipment	-	0%
Other assets	862	100%
<b>Total</b>	<b>862</b>	<b>100%</b>

The breakdown of financial assets is as follows:

<b>Financial Fixed Assets</b>	<b>12.31.2018</b>	<b>Impact %</b>
Equity investments - subsidiaries	135	100%
Equity investments - associates	-	0%
<b>Total</b>	<b>135</b>	<b>100%</b>

In this regard, reference is made to the investment held in the company DFM Virtual Service LLC, based in Ukraine, which constitutes a high-potential technological center, especially with regard to the cybersecurity sector, offering managed services, help desks, and accounting outsourcing.

The company almost exclusively provides professional services to Cyberoo S.p.A., "reversing" all its costs to the parent company. In view of the fact that the cost reversal takes place without a margin (or with a non-relevant margin), it has not been fully consolidated in the Proforma Consolidated Financial Statements.

Receivables from the shareholder Sedoc Digital Group S.r.l. amounted to €786 thousand as of December 31, 2018 and are of a commercial nature.

The following table shows the composition of trade receivables at the reporting date. Nearly all of the receivables are related to domestic customers and only residually to foreign customers.

<b>Trade Receivables</b>	<b>12.31.2018</b>	<b>%</b>
Trade receivables	561	99%
Invoices to be issued	12	2%
Provision for doubtful receivables	- 8	-1%
<b>Total</b>	<b>566</b>	<b>100%</b>

Cash and cash equivalents as of December 31, 2018 amounted to €9 thousand and correspond to bank accounts and to the cash and cash equivalents existing in the company's treasury at the end of the year.

The shareholders' equity as of December 31, 2018 is as follows:

<b>Shareholders' equity</b>	<b>12.31.2018</b>
Share capital	116
Share Premium Reserve	2,276
Legal Reserve	1
Other reserves	358
Profit (Loss) carried forward	- 111
Profit (Loss) for the year	- 1
<b>Shareholders' Equity</b>	<b>2,639</b>

The table below shows the financial liabilities of the Issuer as of December 31, 2018 amounting to €490 and maturing within the following year.

Note that the debt to banks is secured by a guarantee of the shareholder Sedoc Digital Group S.r.l.

<b>Payables to banks</b>	<b>12.31.2018</b>	<b>%</b>
Bank account and Advances	- 415	85%
BPM loan	- 75	15%
<b>Total</b>	<b>- 490</b>	<b>100%</b>

Trade payables amounted to €578 as of December 31, 2018. This amount relates to suppliers of raw materials and services payable within the following year.

The table below illustrates the tax payables in place as of December 31, 2018:

<b>Tax Payables</b>	<b>12.31.2018</b>	<b>%</b>
IRPEF	- 28	2%
Revenue Agency extension for VAT	- 1,150	92%
IRES and IRAP	- 66	5%
<b>Total</b>	<b>- 1,244</b>	<b>100%</b>

The extension was obtained by the Revenue Agency for the tax payables relating to VAT for the years from 2011 to 2018.

### 3.9 Net financial debt for the year ended December 31, 2018

(figures in €/000)	12.31.2018
A. Cash	- 1
B. Other cash equivalents	- 8
C. Securities held for trading	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>- 9</b>
E. Current financial receivables	-
F. Current bank payables	490
G. Current portion of non-current debt	-
H. Other current financial debt	-
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>490</b>
<b>J. Net current financial debt (I) - (E) - (D)</b>	<b>482</b>
K. Non-current bank payables	-
L. Bonds issued	-
M. Other non-current payables	-
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>-</b>
<b>O. Net financial debt (J) + (N)</b>	<b>482</b>

(figures in €/000)	12.31.2018
Net financial debt	482
Past due tax payables	1,150
Past due social security payables	37
<b>Adjusted net financial debt</b>	<b>1,669</b>

Adjustments to the net financial position relate to payables that are past due, in installments and not in installments, having to do with taxes and social security. However, the definition of the net financial position established by CESR referred to above and adopted by CONSOB does not include these balance sheet items. Therefore it was decided to show what the net financial position would be considering the aforementioned payables.

Specifically, the detailed situation by type of tax divided between the amounts past due paid in installments and past due not in installments as of December 31, 2018 is shown below:

(figures in €/000)	Past due in installments	Past due not in installments	Total
VAT payable	213	42	255
<b>Total tax payables within the year</b>	<b>213</b>	<b>42</b>	<b>255</b>
VAT payable	895		895
			36

Total tax payables beyond the year	895		895
<b>Total tax payables</b>	<b>1,107</b>	<b>42</b>	<b>1,150</b>
INPS payables	11	-	11
Payables to supplementary pension institutions	-	26	26
Social security payables within the financial year	11	26	37
<b>Total payables to social security institutions</b>	<b>11</b>	<b>26</b>	<b>37</b>
<b>Grand Total</b>	<b>1,118</b>	<b>68</b>	<b>1,187</b>

### 3.10 Income statement data selected by the Issuer for the Condensed Consolidated Half-Yearly Financial Statements

Below are the main reclassified consolidated economic data of Cyberoo S.p.A. for the Condensed Consolidated Half-Yearly Financial Statements (Half-Yearly Financial Statements). Note that the Issuer has not prepared the Proforma Consolidated Financial Statements as of June 30, 2019 as it was not necessary to prepare any "proforma" operation to make the Half-Yearly Financial Statements comparable with the Proforma Consolidated Financial Statements as of December 31, 2018. In fact, the acquisition of LYB was already completed as of December 31, 2018, while for the consolidation of the investee MFD the data as of January 1, 2019 were used, aggregating the income statement for the entire half year. Note that the result from January 1, 2019 to February 22, 2019, the date of acquisition of the MFD shares, is not significant.

Income statement (units in €/000)	Consolidated 06/30/2019	%
Value of Production	3,033	100%
Operating costs	2,003	66%
<b>EBITDA*</b>	<b>1,030</b>	<b>34%</b>
Amortization, depreciation and write-downs	455	15%
<b>EBIT**</b>	<b>575</b>	<b>19%</b>
Financial income and expenses	- 31	-1%
<b>Earnings before Taxes</b>	<b>545</b>	<b>18%</b>
Income taxes	190	6%
<b>Profit/(Loss) for the Year</b>	<b>355</b>	<b>12%</b>

(\*) **EBITDA** is the result before financial charges, taxes, amortization and depreciation of fixed assets and write-downs. **EBITDA** therefore represents the result of operations before the amortization and depreciation policy choices and the assessment of the collectability of trade receivables. The **EBITDA** thus defined represents the indicator used by the Issuer's directors to monitor and assess the operational performance of the company's business. Since the **EBITDA** is not identified as an accounting measure under national accounting standards, it should not be considered an alternative measurement for evaluating the performance of the Issuer's operating results. Since the composition of the **EBITDA** is not governed by the relevant accounting standards, the method used by the Issuer may not be consistent with that used by other companies and may not be comparable with them.

(\*\*) **EBIT** is the result before financial charges and taxes for the year. **EBIT** therefore represents the result of operations before the remuneration of both third-party and own capital. The **EBIT** thus defined represents the indicator used by the Issuer's directors to monitor and assess the operational performance of the company's business. Since the **EBIT** is not identified as an

accounting measure under national accounting standards, it should not be considered an alternative measurement for evaluating the performance of the Issuer's operating results. Since the composition of the EBIT is not governed by the relevant accounting standards, the method used by the Issuer may not be consistent with that used by other companies and may not be comparable with them.

### 3.11 Analysis of the Consolidated Half-Yearly Income Statement of the Cyberoo Group

Below is the breakdown of the consolidated revenues of the Issuer for the Half-Yearly Financial Statements:

Value of production (units in €/000)	Consolidated 06/30/2019	Impact %
Revenues from sales and services	2,634	87%
Increases in fixed assets for internal work	381	13%
Other revenues and income	18	1%
<b>Value of Production</b>	<b>3,033</b>	<b>100%</b>

Revenues from operations refer to sales originating from what is considered the core business, while other revenues include sales of services not included in these core activities and/or marginal to them.

As of June 30, 2019, 87% of the value of production, equal to €2,634 thousand, refers to the Issuer's main activities such as Cybersecurity & Device Security, Managed Services, and Digital Transformation, which are concentrated almost entirely in Italy and only partially residual in the EU.

A breakdown of the item revenues from sales and services is provided below:

Revenues from sales and services (units in €/000)	Consolidated 06/30/2019	Impact %
Cybersecurity & Device Security	512	19%
Managed Services	1,915	73%
Digital Transformation	207	8%
Total	2,634	100%

13% of the value of production, equal to €381 thousand, derives from the increase for internal works related to the capitalization of costs for the realization as well as the improvement of IT projects, while the remaining 1% is attributable to operations not included in the core business and/or marginal thereto.

The impact of operating costs, whose value as of June 30, 2019 amounts to €2,003 thousand, on the value of production is approximately 76%. As can be seen from the table below, operating costs are attributable for €967 thousand to raw and ancillary materials, consumables and goods relating to so-called device management costs; for €469 thousand to costs for services; for €38 thousand to costs for the use of third parties mainly attributable to the rental of cars as well as electronic devices for third parties; for €741 thousand to personnel costs. Moreover, there was a change in inventories of raw and ancillary materials and goods amounting to €226 thousand attributable to the purchase of computer equipment intended for sale.

<b>Operating costs (units in €/000)</b>	<b>Consolidated 06/30/2019</b>	<b>% of revenues</b>
Raw materials, subsidiary materials, consumables and goods	967	37%
Services	469	18%
Rental, lease and hire	38	1%
Personnel costs	741	28%
Changes in inventories of raw materials, subsidiary materials and goods	- 226	-9%
Other operating costs	15	1%
<b>Operating costs</b>	<b>2,003</b>	<b>76%</b>

A breakdown of the item costs of services is provided below:

<b>(Figures in €/000)</b>	<b>Consolidated 06/30/2019</b>	<b>%</b>
Costs for cloud management services	194	41%
Directors' costs	68	14%
Consulting	64	14%
Costs for DFM Virtual Service (UA)	48	10%
Costs of various services	94	20%
<b>Cost of services</b>	<b>469</b>	<b>100%</b>

On June 30, 2019 there was an EBITDA equal to €1,030 thousand corresponding to 34% of the value of production.

Amortization, depreciation and write-downs as of June 30, 2019 amounted to €455 thousand, broken down as follows:

- €288 thousand relating to the amortization of intangible fixed assets, of which €90 thousand relating to the amortization of goodwill generated by consolidation transactions.
- €162 thousand relating to the depreciation of tangible assets.
- €5 thousand relating to the write-down of trade receivables recognized under current assets.

### **3.12 Consolidated balance sheet data selected by the Issuer for the Condensed Consolidated Half-Yearly Financial Statements**

Below are the main reclassified consolidated balance sheet data of Cyberoo S.p.A. for the half year as of June 30, 2019.

<b>Balance Sheet (units in €/000)</b>	<b>Consolidated 06/30/2019</b>
Intangible assets	3,735
Tangible assets	831
	39

Financial fixed assets	136
<b>Total Fixed Assets</b>	<b>4,702</b>
Inventories	229
From customers	1,297
From parent companies	1,385
Tax receivables	1
Prepaid taxes	-
From others	87
<b>Total Receivables</b>	<b>2,769</b>
Cash and cash equivalents	2
Accrued income and prepaid expenses	655
<b>TOTAL ASSETS</b>	<b>8,356</b>
Share capital	116
Share Premium Reserve	2,276
Legal Reserve	6
Other reserves	387
Profit (Loss) carried forward	-
Profit (Loss) for the year	355
<b>Shareholders' equity</b>	<b>3,141</b>
Provisions for risks and charges	-
Severance pay	211
Payables to banks	1,084
Trade payables	1,595
Payables to subsidiaries	-
Payables to parent companies	154
Tax liabilities	1,359
Payables to social security institutions	90
Other payables	237
<b>Total Payables</b>	<b>4,518</b>
Accrued expenses and deferred income	486
<b>TOTAL LIABILITIES</b>	<b>8,356</b>

Below is the information regarding the main balance sheet data of the Issuer, reclassified to uses and sources, regarding the Half-Yearly Financial Statements.

(Figures in €/000)	06/30/2019	%
<b>USES</b>		
Net working capital*	603	14%
Fixed assets	4,702	111%
Non-current liabilities	-	-26%
<b>Net invested capital**</b>	<b>4,224</b>	<b>100%</b>
<b>SOURCES</b>		
Net financial position***	1,083	26%
Shareholders' Equity	3,141	74%
		40



<b>Borrowings</b>	<b>4,224</b>	<b>100%</b>
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(\*) Net working capital is calculated as the difference between current assets and current liabilities excluding financial assets and liabilities. Net working capital is not identified as an accounting measure under the accounting standards of reference. Note that it was calculated in accordance with the provisions of the "ESMA update of the CESR recommendations. The consistent implementation of Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive" of March 20, 2013 (formerly CESR Recommendation 05-054b of February 10, 2005). The method used by the Issuer may not be consistent with that used by other entities, and as a result the value calculated by the Issuer may not be comparable with that used by others.

(\*\*) Net invested capital is calculated as the algebraic sum of net working capital, fixed assets, and long-term liabilities. Net invested capital is not identified as an accounting measure under the accounting standards of reference. The method used by the Issuer may not be consistent with that used by other entities, and as a result the value calculated by the Issuer may not be comparable with that used by others.

(\*\*\*) In accordance with the provisions of CONSOB communication no. DEM/6064293 of July 28, 2006, it should be noted that the net financial position is calculated as the algebraic sum of cash and cash equivalents, current financial assets, and short-term and long-term financial liabilities (current and non-current liabilities). The net financial position was determined in accordance with the provisions of CESR Recommendation 05-054b of February 10, 2005, revised on March 23, 2011 "Recommendations for the uniform implementation of the European Commission regulation on prospectuses."

As of June 30, 2019, Intangible Assets amounted to €3,735 thousand and, as shown in the table below, are mainly attributable to:

- Industrial patents and rights to use intellectual property amount to €1,075 thousand and are represented by software (registered with the SIAE) aimed at improving the supply and services provided. This includes projects like "OSINT Open Source Intelligence" and "DATA MINING" – "TITAN" PROJECT.
- Goodwill amounts to €2,134 thousand and is divided as follows:
  - €1,717 thousand, net of amortization equal to €90 thousand, deriving from the consolidating entries of the companies LYB S.r.l. and MFD S.r.l.
  - €284 thousand registered in LYB S.r.l. as a result of the transfer of the business unit by the company Sedoc Digital Group S.r.l.
  - €133 thousand registered in Cyberoo S.p.A. as a result of extraordinary operations carried out during the previous years.
- Fixed assets under construction and advances amounted to €494,000 and are attributable to capitalized costs for the study and development of the "OSINT" and "TITAN" software.

<b>Intangible Fixed Assets (units in €/000)</b>	<b>Consolidated 06.30.2019</b>	<b>Impact %</b>
Start-up and expansion costs	24	1%
Industrial patent and intellectual property rights	1,075	29%
Goodwill	2,134	57%
Assets under construction and advances	494	13%
Other	8	0%
<b>Total</b>	<b>3,735</b>	<b>100%</b>

Tangible fixed assets as of June 30, 2019 amounted to €831 thousand net of accumulated depreciation. This amount is attributable in its entirety to the item "Other Assets," and specifically to the electronic and electromechanical machines (various hardware such as computers, printers, etc.) recorded as assets in the company's balance sheet.

The breakdown of financial assets amounting to €136 thousand is as follows:

<b>Financial Fixed Assets (units in €/000)</b>	<b>Consolidated 06.30.2019</b>	<b>Impact %</b>
Equity investments - subsidiaries	136	100%
<b>Total</b>	<b>136</b>	<b>100%</b>

With regard to the equity investment, reference is made to the stake in the company DFM Virtual Service LLC, based in Ukraine, which constitutes a high-potential technological center, especially with regard to the cybersecurity sector, offering managed services, help desks, and accounting outsourcing. The company almost exclusively provides professional services to Cyberoo S.p.A., "reversing" all its costs to the parent company. In view of the fact that the cost reversal takes place without a margin (or with a non-relevant margin), it has not been fully consolidated in the Half-Yearly Consolidated Financial Statements as of June 30, 2019.

The following table shows the composition of trade receivables at the reporting date. Nearly all of the receivables are related to domestic customers and only residually to foreign customers.

<b>Trade Receivables (units in €/000)</b>	<b>Consolidated 06.30.2019</b>	<b>%</b>
Trade receivables	1,180	91%
Invoices to be issued	129	10%
Provision for doubtful receivables	-	-1%
<b>Total</b>	<b>1,297</b>	<b>100%</b>

Receivables from the shareholder Sedoc Digital Group S.r.l. amounted to €1,385 thousand as of June 30, 2019, of which €606 are of a commercial nature and €779 thousand of a financial nature. Please refer to Chapter 15 "Transaction with related parties" for further information.

Cash and cash equivalents as of June 30, 2019 amounted to €2 thousand and correspond to bank accounts and to the cash and cash equivalents existing in the company's treasury at the end of the year.

The shareholders' equity as of June 30, 2019 is as follows:

<b>Shareholders' equity (units in €/000)</b>	<b>Consolidated 06.30.2019</b>
Share capital	116
Share Premium Reserve	2,276
Legal Reserve	6
Other reserves	387
Profit (Loss) carried forward	-
Profit (Loss) for the year	355
<b>Shareholders' Equity</b>	<b>3,141</b>

The table below shows the financial liabilities of the Issuer as of June 30, 2019 amounting to €1,084 and maturing within the following year.

Note that the debt to banks is secured by a guarantee of the shareholder Sedoc Digital Group S.r.l.

<b>Payables to banks (units in €/000)</b>	<b>Consolidated 06.30.2019</b>		<b>%</b>
Bank account and Advances	-	974	90%
BPM loan	-	110	10%
<b>Total</b>	-	<b>1,084</b>	<b>100%</b>

Trade payables amounted to €1,595 thousand as of June 30, 2019. This amount relates to suppliers of raw materials and services payable within the following year.

The table below illustrates the tax payables in place as of June 30, 2019:

<b>Tax payables (units in €/000)</b>	<b>Consolidated 06.30.2019</b>		<b>%</b>
IRPEF	-	42	3%
Revenue Agency extension for VAT	-	1,226	90%
IRES and IRAP	-	90	7%
<b>Total</b>	-	<b>1,359</b>	<b>100%</b>

The extension was obtained by the Revenue Agency for the tax payables relating to VAT for the years from 2011 to 2019.

### 3.13 Net financial debt for the interim situation as of June 30, 2019

<b>(units in €/euros)</b>	<b>Consolidated 06.30.2019</b>	
A. Cash	-	1
B. Other cash equivalents	-	1
C. Securities held for trading	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	-	<b>2</b>
E. Current financial receivables	-	-
F. Current bank payables	-	1,084
G. Current portion of non-current debt	-	-
H. Other current financial debt	-	-
<b>I. Current financial debt (E) + (F) + (G) + (H)</b>	-	<b>1,084</b>
<b>J. Net current financial debt (I) - (E) - (D)</b>	-	<b>1,083</b>
K. Non-current bank payables	-	-
L. Bonds issued	-	-
M. Other non-current payables	-	-
<b>N. Non-current financial debt (K) + (L) + (M)</b>	-	<b>-</b>
<b>O. Net financial debt (J) + (N)</b>	-	<b>1,083</b>

<b>(units in €/euros)</b>	<b>Consolidated</b>
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06.30.2019

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Net financial debt	1,083
Past due tax payables	1,226
Past due social security payables	42
<b>Adjusted net financial debt</b>	<b>2,351</b>

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Adjustments to the net financial position relate to payables that are past due, in installments and not in installments, having to do with taxes and social security. However, the definition of the net financial position established by CESR referred to above and adopted by CONSOB does not include these balance sheet items. Therefore it was decided to show what the net financial position would be considering the aforementioned payables.

Specifically, the detailed situation by type of tax divided between the amounts past due paid in installments and past due not in installments as of June 30, 2019 is shown below:

(units in €euros)	Past due in installments	Past due not in installments	Total
VAT payable	174	183	357
<b>Total tax payables within the year</b>	<b>174</b>	<b>183</b>	<b>357</b>
VAT payable	869	-	869
<b>Total tax payables beyond the year</b>	<b>869</b>	<b>-</b>	<b>869</b>
<b>Total tax payables</b>	<b>1,044</b>	<b>183</b>	<b>1,226</b>
INPS payables	10	-	10
Payables to supplementary pension institutions	-	32	32
Social security payables within the financial year	10	32	42
<b>Total payables to social security institutions</b>	<b>10</b>	<b>32</b>	<b>42</b>
<b>Grand Total</b>	<b>1,053</b>	<b>215</b>	<b>1,268</b>

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## **4 RISK FACTORS**

The transaction described in the Admission Document presents the typical risk elements of an investment in financial instruments of companies admitted to trading on an unregulated market.

Before any decision to make an investment in financial instruments issued by the Issuer, investors are therefore invited to assess the specific risk factors relating to the Issuer, the business sector in which it operates, and the financial instruments. The occurrence of the circumstances described in one of the following risk factors could have a negative impact on the Company's and the Group's business and on its economic, equity, and financial situation, on its prospects and on the price of the Shares and the Warrants, and the shareholders could lose all or part of their investment. These negative effects on the Company, on the Group, and on the Financial Instruments could also occur if unforeseen events take place that expose them to further risks or uncertainties, or if risk factors deemed insignificant today increase in significance due to future circumstances.

The risk factors described in this Chapter 4 "Risk Factors" must be read together with the other information contained in the Admission Document.

The Company believes that the risks specified below are relevant to potential investors.

### **4.1 Risk factors relating to the Issuer and the Group**

#### **4.1.1 Risks associated with dependence on key figures**

The activities, results, and development of the Group depend significantly on the presence within the management of Fabio Leonardi, Managing Director of the Issuer, and Massimo Bonifati, Chairman of the Issuer's Board of Directors, who have played and continue to play a decisive role in the management of the activities, in the definition of the business strategies, and in the corporate culture, and who have given and continue to give impetus to the development and growth of the Issuer and the Group.

If the relationship between the Group and one of the aforementioned key figures considered by the Company to be a critical success factor were to be interrupted for any reason, this could have a potential negative effect on the Group's business and growth prospects, as well as on its economic, equity, and/or financial situation. Specifically, if the Group were not able to retain these key figures and/or replace them in a timely manner with equally qualified and suitable persons to ensure the same operational and professional contribution, there could be negative effects on the Group's business and on its economic, equity, and/or financial situation.

For more information, see Section I, Chapter 11 of the Admission Document.

#### **4.1.2 Risks related to the hiring and retention of qualified personnel**

The sector that the Group operates in is constantly developing, and the continuous updating and use of highly specialized resources are key to achieving success and maintaining a high degree of competitiveness.

The success of the Group therefore also depends on the ability to attract and train personnel with a level of specialization and technical and professional skills required by the sector. Indeed, over the years the Group has managed to maintain a limited turnover of personnel, and on the date of the Admission Document there are no

pending disputes with Group employees. However, note that there are certain figures within the Group who are difficult to replace due to the experience they have acquired in the sector and their extensive knowledge of the Group's activities thanks to the many years they have been employed thereby.

Therefore, the inability to attract and maintain qualified, competent personnel, or to hire other people capable of managing the Group's growth, could in the future lead to negative effects on the Group's business and on its economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.3 Risks associated with customer concentration**

The Group's business depends to a large extent on revenues from the sale of its products and services to a limited number of customers. Specifically, as of June 30, 2019 and December 31, 2018, the first five customers accounted for 46% and 48% of the Group's consolidated revenues, respectively. Note that the first customer, Sedoc Digital Group S.r.l. (a company that directly and indirectly, through SDG Innovative Technologies S.r.l., owns a stake equal to 97% of the Issuer's share capital), on the above dates represented respectively 32% and 36% of the consolidated revenues of the Group, and that said customer, as a retailer, has 616 customers as of December 31, 2018. For more information, see Section I, Chapter 14 of the Admission Document.

Any interruption or non-continuation of the existing relationships with one or more of the main relevant customers or the loss or decrease of a part of the turnover generated by a relevant customer, or the non-payment or delayed payment of the consideration due from these customers for the products and services provided by the Group, could have a negative impact on its economic results and on its financial equilibrium, with consequent negative effects on the Group's economic, equity, and financial situation.

While in the opinion of management the rate of concentration of revenues should decrease as a result of the estimated increase in the Group's revenues in the coming years and the expected expansion of customers, the possible progressive or sudden loss of the main customers or the inability to attract new ones could reduce the Group's competitive capacity and affect its growth prospects, with possible negative effects on the Group's economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.4 Risks related to relationships with strategic suppliers**

The Group relies on third-party suppliers who, based on the instructions and technical specifications established by the Issuer, provide certain essential services for the Group. Note that the top five suppliers account for a value of approximately 75% and 79% of total purchases from suppliers as of June 30, 2019 and December 31, 2018, respectively. Note that the first customer, Sedoc Digital Group S.r.l. (a company that directly and indirectly, through SDG Innovative Technologies S.r.l., owns a stake equal to 97% of the Issuer's share capital), on the above dates represented respectively 45% and 59% of the total purchases from suppliers.

Therefore, the ability of the Group to maintain a competitive offer of technological services also depends on the ability to maintain established and long-lasting business relationships with its suppliers, or on its ability to identify new suppliers or new

technological products that guarantee the continuity of the Group's offer of technological solutions and services in the event of termination of such relationships.

While the Group maintains stable, multi-year relationships with its suppliers and considers it possible to find alternative suppliers to replace the existing ones and not to depend on any of them, the loss of some of them and their consequent replacement (i) could lead to expenditures for the analysis and launch of the new supply project; (ii) it might not be possible to find a replacement in a short time, with consequent delays in the fulfillment of the orders in progress, or (iii) it could lead to the need to revise the economic terms and conditions of the supplies in a way that is more costly for the Group. These circumstances could have a negative effect on the Group's operations and on its economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.5 Risks associated with the implementation of future strategies and programs**

In view of the positive results achieved over the years, the Group intends to continue pursuing a growth and development strategy in order to increase and consolidate its competitive position in the market of reference both nationally and internationally.

The effective achievement of the aforementioned objectives by the Group will also depend on the opportunities in the market from time to time, and on the possibility of exploiting them in satisfactory conditions, therefore it is not possible to ensure that the Group's past growth rates will continue into the future.

Furthermore, in exercising its activities in different markets and legal systems and in pursuing its international expansion strategy, the Group will be exposed to increasing management complexities and a series of risks related to the general economic, social, and political conditions of different countries, including, for example, fluctuations in the exchange rate, restrictions on international trade, instability of stock markets, restrictions on foreign investment, political instability, war or terrorist events, and diversity of tax and legal regimes and administrative systems.

If this is achieved, the high growth, together with the investment strategies that the Group intends to adopt, will also require a necessary increase in investments in human capital compared to the current organizational structure. In this context, the Group will have to structure its organizational model and internal procedures in such a way as to respond promptly and effectively to the needs and requests generated by the Group's high growth and expansion rates.

Any inability of the Group to attract workers, including qualified resources, and to increase its presence in the market, or in any other case in which the Group is not able to effectively implement its growth strategy, or to achieve it on schedule, or if the basic assumptions underlying the strategy are not correct, the Group's ability to increase its revenues and its profitability could be affected with a consequent negative effect on the Issuer's business and growth prospects, as well as on the Group's economic, equity, and/or financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.6 Risks related to the Business Plan and the inclusion of estimates within the Admission Document**

The Group's ability to increase revenues and levels of profitability also depends on its success in implementing its growth and development strategy.

As part of the preparation of the Business Plan approved by the Company's Board of Directors on September 28, 2019, the Issuer has drawn up a consolidated forecast as of December 31, 2019 (the "**2019 Forecast**").

The 2019 Forecast was prepared taking into account (i) the consolidated final data prepared as of June 30, 2019, (ii) the aggregation of final data prepared by the Company and the estimated values of the subsidiaries LYB and MFD for Q3 2019, and (iii) the forecasts for the last three months of the 2019 financial year in light of the contracts already executed and yet to be executed.

In general, the Group's ability to carry out strategic actions and to comply with the objectives set out in the Business Plan, to support the expected levels of growth and related investments, as well as to achieve the return deriving from the investments envisaged in the Business Plan depends on assumptions and circumstances, some of which are outside the Group's control or in any case related to events not fully controlled by the Group's management. More specifically, these assumptions are based on the occurrence of future events and actions to be taken by the Group that among others include (i) hypothetical assumptions subject to the risks and uncertainties that characterize the current macroeconomic situation; (ii) assumptions about the performance of the Group's main assets and liabilities; (iii) assumptions relating to future events and actions of the directors and management that will not necessarily occur; and (iv) assumptions relating to events and actions that the directors and management cannot or can only partially influence. Therefore, the aforementioned assumptions may be inaccurate and may consequently not occur or may occur to an extent and at times other than those envisaged, as well as events and actions not foreseeable at the time of the approval of the Business Plan, or such events and actions may occur in different ways during the period of the Business Plan.

Considering that on the date of the Admission Document there is no certainty that the aforementioned actions are fully implemented or that the company structure is able to adequately manage the expected growth, in the event of failure or partial implementation of the Business Plan or of some of the actions envisaged therein to the extent and within the time envisaged or difficulties in adapting the structure, its ability to increase its revenues and its profitability could be impaired and there could be deviations – even significant – with respect to the forecasts made, with the consequent impossibility of achieving them, as well as negative effects on the Group's equity and financial situation and economic results.

For more information, see Section I, Chapter 6, Paragraph 6.4 and Chapter 10 of the Admission Document.

#### **4.1.7 Risks arising from potential future acquisitions and/or commercial partnerships and/or extraordinary transactions**

Within the strategic framework of growth, the Group plans to establish further commercial partnerships and/or carry out acquisitions and/or other extraordinary transactions in order to develop the products and services offered to customers and to expand its business geographically. This expansion policy involves risks determined by the potential difficulty of finding strategic and synergistic companies with respect to the objectives pursued by the Group. The implementation of the growth strategy and its continuation in the future will among other things depend on the ability to identify companies to be acquired, the ability to complete acquisitions, joint venture



agreements, and other forms of cooperation on satisfactory terms and conditions, as well as the ability to integrate such companies in an appropriate manner and timeframe. Delays in the completion of unexpected transactions or costs and liabilities could have a negative impact on the Issuer's business and on its results, with consequent possible negative effects on the Group's economic, equity, and financial situation.

Any future acquisitions may be financed either through available liquidity, through the assumption of debt, or through share exchanges with potential dilutive effects. These elements could have a negative impact on the Group's business, operating results, or financial conditions. Furthermore, acquisition processes normally result in a plurality of risks, which for example can take the form of difficulty in assimilating the acquired entity's operations, technologies, products, and personnel, as well as in the diversion of managerial resources to the detriment of other activities, in the risk of entry into markets where the Group has limited experience, in the potential loss of key personnel of the acquired entity, and in the potential loss of customers whose activity might coincide with the business of the acquired entity.

Moreover, the Group's inability or difficulty in attracting and/or retaining business partners could have a negative effect on the Group's growth and affect its expected objectives, with possible negative effects on the Group's business and growth prospects, as well as on its economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.8 Risks associated with the intellectual property protection policy and the failure to comply with the provisions contained in the confidentiality agreements**

The Group's success also depends on the use and importance of its intellectual property, and consequently on its ability to protect it against potential infringements by third parties.

The Group also bases its strategy for the defense of technological innovations on the conclusion of confidentiality agreements with employees and consultants. This is in order to make as little information as possible accessible to its potential competitors, preventing third-party experts in the field from reproducing what is being recorded as much as possible.

In general, such agreements provide for a commitment by the employee or consultant to maintain the strictest confidentiality on what has been learned by the Group and on what has been developed in the context of the contractual relationship. This corresponds to a commitment not to disclose such information, to limit its access to third parties, and to use the information acquired exclusively in the context of the relationship established with the Group, without prejudice to the fact that all the information and knowledge acquired therein by the employee or consultant are the property of the Company.

Finally, the research and development contracts stipulated by the Group on the date of the Admission Document with customers already acquired and with its technical partners, contain confidentiality clauses relating both to the contractual provisions contained in the related agreements and to what the contracting party has learned or developed by virtue of the commercial relationship with the Group.

In the event of a breach of the commitments made under the agreements or confidentiality clauses mentioned above, the Group could base its defense mainly on a breach of contract. In this case, the Group would have to demonstrate in court that the

information used by the third party has been taken from what was disclosed by the Group and has not been independently developed by the latter.

By virtue of the above, and in consideration of the intellectual property protection policy that the Group has on the date of the Admission Document, it cannot be excluded that third parties unduly appropriate all or part of the wealth of knowledge developed or otherwise acquired by the Group, without prejudice to the possibility for the latter to attempt judicial protection, with consequent possible negative effects on its economic, financial, and equity position.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.9 Risks related to the infringement of intellectual property rights of third parties**

The Group is exposed to the risk of compensation obligations in the event of infringement of the intellectual property rights of others.

Although the Group takes the appropriate precautions and actions to prevent the violation of third-party rights when filing applications for the registration of trademarks and patents, it is not possible to exclude the risk that the Group could be challenged by third parties with respect to the violation of intellectual property rights. In fact, third parties perform research and development in the same sectors and areas that the Issuer operates in.

The commercial success of the Group will also depend on the ability to operate without infringing the patents, trademarks, and other intellectual property rights of third parties. Where a claim is made against the Group for such breaches, the Group may be required to pay legal and other expenses to defend itself and oppose the claim, and, in the event of loss, the Group may be forced not to continue the development and sale of a particular product and/or the offering of its own service. Moreover, the Group could be ordered to pay damages and significant compensation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.10 Risks related to the non-fulfillment of contractual commitments relating to the quality of products and services**

The business activities carried out by the Group may give rise to compensation for damages for contractual breaches (e.g., quality deficiencies of the products or services, etc.), with possible negative effects on the Group's economic, equity, and financial situation.

Furthermore, since the after-sales service is performed by specialized personnel, the Group could be exposed to liability for damages for failure to comply with quality and timing levels in the provision of this service.

There is no guarantee that the control procedures that the Issuer and the Group have adopted can prevent any breaches and that the Issuer and the Group cannot suffer financial and reputational damage in the market they compete in.

As far as the Issuer is aware, on the date of the Admission Document no significant action has ever been taken against the Group with respect to damages deriving from products or services not in line with the technical or qualitative specifications requested from time to time. However, in the event of situations that give rise to liability on the part of the Group, any future action aimed at obtaining compensation for damages that

do not fall within the available insurance coverage or of an amount exceeding such coverage could cause negative effects on the economic, equity, and financial situation of the Company and the Group.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.11 Risks associated with the innovative nature of certain products and services**

The Group operates in a dynamic market characterized by constant research and innovation of the products and services provided and by rapid and profound technological changes.

The Group's success is also therefore closely linked to its ability to identify market opportunities and quickly adapt to the solutions related to the sector it operates in, anticipating the needs and expectations of customers and end users and staying up to date with the identification of new products and services. This could entail the need for the Group to develop new applications that better adapt to market demand and the new technologies developed in the cybersecurity services business, as well as to make unscheduled investments, with negative consequences on the Group's economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.12 Risks related to the operation of IT systems**

The Group is exposed to the risk of malfunction or interruption of the systems it uses to carry out its business and provide its products and services to customers, which are closely related to the use of IT systems and telecommunications systems and infrastructure.

These operational risks deriving, among others, from equipment failures, work or connectivity interruptions, programming errors, unlawful conduct by third parties and/or events of an exceptional nature (such as, for example, fires, Internet connectivity disconnections, computer attacks, electricity disconnections, earthquakes, hurricanes, floods, terrorist attacks) could jeopardize the proper operation of the systems if they should occur and force the Group to slow, suspend, or interrupt its activity.

The occurrence of the aforementioned events could cause a slowdown or interruption of the services, as well as the loss of acquired data, and consequently could lead to a disruption for the customers, with consequent negative effects – including of a reputational nature – on the Issuer and/or on the Group and on the economic, equity, and financial results thereof.

While the Group, also by virtue of the activity carried out, constantly maintains and monitors its technological infrastructure and adopts safeguards to prevent the aforementioned events (which, to the knowledge of the Issuer, as of the date of the Admission Document have never occurred), if the precautions and systems adopted by the Group are not adequate to prevent and/or limit the negative effects of the aforementioned events, the Group could be called to account for any damage deriving from the occurrence of slowdowns or interruptions in the performance of the services rendered to customers, with negative effects on the economic, equity, and financial situation of the Issuer and/or the Group.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.13 Risks related to hacking**

The Group is exposed to the risk of the hacking of its systems and those of its customers, which could lead to unauthorized access to customer data, the use of such data (intentional or not), theft, loss or destruction, either by current or previous employees, consultants, or suppliers, or by other persons who have had access to it, with possible claims for damages, loss of customers or a part of the turnover generated by such customers, and negative effects on the Group's reputation, and with consequent negative effects on the business, its prospects, and the economic, equity, and financial situation of the Issuer

By their very nature, the products and services offered by the Group require the management of a large amount of data and information owned by customers, which are sometimes highly confidential and sensitive. If the security measures put in place by the Group are breached and the integrity and/or confidentiality and/or the availability of customer data is affected, the Group could incur serious liability towards such customers.

To deal with these threats, the Group has equipped itself with highly specialized technicians, and on the date of the Admission Document the Group's IT infrastructure is constantly undergoing technological updates aimed among other things at ensuring IT security, with the goal of reducing the risks of hacking. Specifically, note that Sedoc Digital Group S.r.l., a company that directly and indirectly owns 97% of the Issuer's share capital, has implemented a Disaster Recovery Plan that also benefits the Issuer and that identifies both the techniques with which systems, data, and infrastructure are protected in the event of serious critical issues and emergencies and the process that follows their recovery.

As far as the Issuer is aware, on the date of the Admission Document there were no attacks that led to the theft of customer data or disruptions that caused the payment of penalties, claims for damages, or in any case had negative impacts on the economic, equity, and financial situation of the Issuer and the Group.

While the Group constantly implements its own security measures, the infrastructure, IT systems, and software, hosted both within the structures owned by the Company and by external suppliers, remain constantly exposed to the risk of intrusion by unauthorized third parties. In the event of an attack, the unauthorized access to IT systems or even just an attempted breach could change the customers' perception of the security of the Group's infrastructure, IT systems, and software and could lead to both the loss of customers (including important ones) and a negative impact on the sales of the Group's services and products, not to mention increase complaints and litigation.

Any misappropriation, misuse of such information, loss of data, or disclosure of confidential and/or proprietary information or tampering with the aforementioned information could also result in a violation of the legislation on the protection of personal data attributable to the Issuer and/or the Group. The Group could therefore incur liability, with possible negative effects on the Issuer's and the Group's business, prospects, reputation, and economic, equity, and financial situation. In this regard, note that on the date of the Admission Document there were no requests for the payment of penalties envisaged in the contracts stipulated with customers, activation of insurance coverage, non-renewal of contracts, reductions in requests for services and products, early termination by customers related to hacking or any breach of the security of the Group's data centers.

For more information, see Section I, Chapter 6 of the Admission Document.

#### 4.1.14 Risks related to the collection, storage, and processing of personal data

In carrying out its activities, the Group receives, collects, stores, and processes personal data of its employees or customers, with the obligation to comply with current legislative and regulatory provisions.

The personal data of the Group's employees, customers, and suppliers are stored in document management and archiving systems equipped with functions necessary to prevent unauthorized access from outside or the total or partial loss of data and to ensure the continuity of the service. The Group has also implemented internal procedures and measures to regulate access to and processing of data by its personnel in order to prevent unauthorized access and processing.

Notwithstanding the foregoing, the Group remains exposed to the risk that the procedures implemented and the measures adopted prove to be inadequate and/or that the necessary privacy safeguards are not correctly implemented with respect to the various areas of activity, and therefore that the data could be damaged, lost, stolen, disclosed, or processed for purposes other than those disclosed to or authorized by the respective data subjects.

Furthermore, any change in the applicable regulations, including at the level of the European Community, could have an impact on the Group's activities, as it could generate the need to incur costs for meeting the requirements of the new legislation.

The occurrence of such circumstances could have a negative impact on the Group's business, as well as lead to the imposition of administrative and criminal sanctions against the Group by the competent authorities, with consequent possible negative effects on the business and on its economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### 4.1.15 Risks related to financial debt

The Group meets its financial needs through (i) medium/long-term loans, short-term bank loans, lines of credit, and (ii) flows deriving from business operations.

As of June 30, 2019 and December 31, 2018, the Group's net debt amounted to approximately €2,351 thousand and €1,669 thousand, respectively, as detailed below.

<b>(figures in €/000)</b>	<b>12.31.2018</b>
Net financial debt	482
Past due tax payables	1,150
Past due social security payables	37
<b>Adjusted net financial debt</b>	<b>1,669</b>

<b>(units in €/euros)</b>	<b>Consolidated 06.30.2019</b>
Net financial debt	1,083
Past due tax payables	1,226

The medium/long-term loan relationships benefiting the Group contain some standard clauses and commitments on the part of the debtor, whose violation could give rise to the Group's obligation to repay the amounts disbursed in advance, with consequent negative effects on the business and on the Group's economic, equity, and financial situation.

While the Group has always respected the aforementioned contractual commitments, if the relative lending institutions decide to revoke the existing financing lines this could have a potential negative effect on the Issuer's economic, equity, and financial situation.

There is no guarantee that in the future the Group will be able to negotiate and obtain the financing necessary for the development of its business or for the refinancing of those reaching maturity in the manner, terms, and conditions offered to this point by current creditors. Therefore, any aggravation in terms of the economic conditions of the new loans compared to those currently applicable and/or any future reduction in the credit capacity towards the banking system could limit the Group's growth capacity, and ultimately have negative effects on its business, operating results, and financial condition.

For more information, see Section I, Chapters 3 and 17 of the Admission Document.

#### 4.1.16 Risks related to relations with Related Parties

The Issuer has entered into and maintains – and as part of its operations may continue to enter into and maintain – business and financial relationships with Related Parties. The following tables illustrate the Issuer's relationships with Related Parties for the years ended June 30, 2019 and December 31, 2018. For more information, see Section I, Chapter 15 of the Admission Document.

		06.30.2019			
Company	Relationship	Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	1,154	842	138	794
SDG inntech	Parent company	-	-	-	40
CORE Solution	Subject to the control of the parent company	8	-	14	-
LYB	Subsidiary	17	143		126
MFD	Subsidiary	-	-	48	-
DFM Virtual Service	Subsidiary	48	-	-	-
Total (units in K/euros)		1,227	986	200	960

		12.31.2018			
Company	Relationship	Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	1,060	1,371	77	626

SDG inntech	Parent company	-	-	-	-
CORE Solution	Subject to the control of the parent company	-	3	21	-
LYB	Subsidiary	0	13	38	-
MFD	Subsidiary	57	-	82	-
DFM Virtual Service	Subsidiary	91	-	12	-
Total (units in K/euros)		1,208	1,387	230	626

The Issuer considers that the conditions envisaged in the contracts stipulated with Related Parties and the conditions actually practiced are in line with current market conditions. However, there is no guarantee that if such transactions had been concluded between or with third parties they would have negotiated and entered into the relevant contracts or executed the transactions themselves under the same conditions and in the same manner. There is also no guarantee that any future transactions with Related Parties will be concluded by the Issuer at market conditions. Note also that the parent company Sedoc Digital Group S.r.l. is a distribution partner of the Cyberoo Group's solutions, and to date has also held a role as a supplier of purchases for software and hardware as well as services. In the future, the Cyberoo Group will increasingly purchase directly from third-party suppliers. Until June 30, 2019, the relationships were not fully regulated, and therefore the average days of collection and payment were not aligned with the market. In anticipation of the admission of the Shares and Warrants to AIM Italia, a framework agreement was signed that regulates the conditions of supply and payment methods in line with market conditions.

In addition to the foregoing, note that on the date of the Admission Document the Company's board of directors approved the "procedure for transactions with Related Parties" in compliance with current legal and regulatory provisions.

For more information, see Section I, Chapter 15 of the Admission Document.

#### 4.1.17 Risks related to the preparation of the proforma consolidated data as of December 31, 2018

In accordance with the applicable regulatory regulations, the Admission Document contains proforma consolidated data prepared in order to represent the effects of transactions that occurred in the relevant financial year on the economic, equity, and financial performance of the Issuer, as if they had been virtually carried out on the start date of the financial year that the proforma data refer to.

Specifically, the Admission Document contains only the consolidated proforma economic and equity statements and the proforma consolidated net financial position of the Issuer for the period and year ended December 31, 2018.

The proforma data were obtained by making the appropriate adjustments to the data of the Issuer as of December 31, 2018 to retroactively reflect the effects of the extraordinary transactions – relating to the transfer by the shareholder Sedoc Digital Group S.r.l. of 100% of the equity investment in Life Your Brand S.r.l. and the transfer by the shareholders Fabio Leonardi, Massimo Bonifati and Davide Cignatta of 100% of the equity investment in MFD International S.r.l. to the Issuer – on the economic, equity, and financial performance of the Issuer, as if these had been virtually carried out on the start date of the year the proforma data refer to (for more information on the

aforementioned acquisition transaction, see Section I, Chapter 16, Paragraph 16.1.7 of the Admission Document).

The proforma data as of December 31, 2018 were prepared on the basis of the Italian Accounting Standards, and were processed solely for illustrative purposes and concern a purely hypothetical condition, therefore they do not represent the possible results that in practice could derive from the extraordinary transaction.

However – since the aforementioned data are built to retroactively reflect the significant effects of subsequent transactions, despite compliance with the commonly accepted rules and the use of reasonable assumptions – if the aforementioned acquisition had actually occurred on the assumed date, the same results would not have been obtained as represented in the proforma data due to the limitations related to the very nature of these data. Furthermore, in view of the different purposes of the proforma data compared to those of the historical financial statements and the different methods of calculating the effects with respect to the proforma data, the latter must be read and interpreted without looking for accounting links between them, and do not in any way intend to represent a forecast of the future results of the Group, and should not therefore be interpreted in this sense.

Finally, the proforma data do not reflect prospective data as they are prepared in such a way as to represent only the significant identifiable and objectively measurable effects of the aforementioned transaction without taking into account the potential effects due to changes in management policies and operational decisions resulting from the actual completion of the transaction. In this regard, the economic and equity data used for the preparation of the proforma data have been adjusted, reclassified, and summarized on the basis of a preliminary analysis carried out in order to adapt the classification and measurement accounting criteria used by the acquired companies to those adopted by the Group.

Note, however, that it is not possible to exclude that adjustments – even significant ones – may emerge at a later date, once the transaction described in the proforma data is consolidated in the Group's financial statements, and the detailed analysis of any further adjustments for the aforementioned adjustment of accounting standards is completed.

For more information, see Section I, Chapter 3 of the Admission Document.

#### **4.1.18 Risks related to potential tax liabilities and tax litigation**

In the recent past, part of the VAT tax debts were not paid when due but instead were paid in installments after receipt of the related notices of irregularities from the tax authorities. In this context, there is therefore a risk of having to pay additional charges in terms of penalties and interest in relation to notices of irregularities that the Company expects to receive with respect to payables past due recorded in the financial statements

Specifically, on the date of the Admission Document note that (i) the VAT payable of the Group companies accrued until December 31, 2018 is being paid in installments as authorized by the Revenue Agency (see Section I, Chapter 3, Paragraphs 3.8 and 3.9 of the Admission Document); and (ii) the VAT payable accrued on June 30, 2019 by the Group companies will be the subject of a request for payment in installments to the Revenue Agency, and this payable is subject to an additional amount of €28,201 in penalties along with interest on arrears (see Section I, Chapter 3, Paragraph 3.13 of the Admission Document).



The Issuer is also exposed to the risk that the tax authorities or legal actions may – with regard to tax and fiscal legislation – come to different interpretations or positions than those adopted by the Company in the conduct of its business.

In this context, the Company believes that it has diligently applied tax and fiscal regulations.

However, tax legislation and its interpretation and application are elements of particular complexity, also due to the continuous evolution of such legislation and its exegesis by the relevant administrative and judicial bodies.

These elements therefore prevent excluding that tax authorities or legal actions may in the future come to different interpretations or positions than those taken by the Company, with possible negative consequences on the Company's economic, equity, and financial situation.

#### **4.1.19 Risks associated with failure to adopt the organizational and management models referred to in Italian Legislative Decree 231/2001**

As of the date of the Admission Document, the Issuer and the Group companies have not adopted an organization and management model pursuant to Italian Legislative Decree 231/2001 in order to put in place rules that prevent illegal conduct by executives, managers, or other persons having decision-making powers.

Even if the Issuer and the Group companies adopt the aforementioned organizational and management models in the future, the adoption and constant updating of the organizational, management, and control models would not in itself exclude the applicability of the sanctions envisaged in Italian Legislative Decree 231/2001. In fact, in the event of the commission of a crime, both the models and their concrete implementation are subject to scrutiny by judicial authorities, and if it finds the models adopted insufficient to prevent crimes of the kind that occurred or non-compliance by the body specifically appointed for this purpose, the Issuer or the Group companies may be subject to sanctions.

If the administrative responsibility of the Issuer or the Group companies is concretely ascertained before or even after the possible future introduction of the organizational and management models referred to in Italian Legislative Decree 231/2001, in addition to the consequent application of the related sanctions, it is not possible to exclude that there may be negative repercussions on the reputation, operations, and the economic, equity, and financial situation of the Issuer and the Group.

#### **4.1.20 Risks related to the exercise of direction and coordination**

The acquisition and holding of controlling interests in a company may expose the Issuer to the risk of liability for direction and coordination with respect to the other shareholders and corporate creditors of the investee companies. This risk exists if the Issuer, exercising direction and coordination of the subsidiaries, sacrifices the interests of the latter to the benefit of those of the Company, in violation of the principles of correct corporate and entrepreneurial management of the companies themselves. Therefore, there is no certainty that the activity carried out is completely free from the risk of holding the Issuer liable with respect to the shareholders and creditors of the aforementioned companies subject to direction and coordination, with consequent negative effects on its economic, equity, and financial situation.

For more information, see Section I, Chapter 7 of the Admission Document.

#### **4.1.21 Risks related to possible conflicts of interest of the Issuer's Directors**

Some members of the Issuer's board of directors hold similar positions in other companies of the Group and in companies that hold shares in the Issuer's share capital, as well as directly and indirectly holding shares in the Issuer's share capital.

Specifically, on the date of the Admission Document, the directors of the Issuer Fabio Leonardi, Massimo Bonifati and Davide Cignatta respectively hold the office of Chairman of the Board of Directors, Chief Executive Officer and director of Sedoc Digital Group S.r.l., a company that on the date of the Admission Document holds a stake equal to 97% (51.5% through SDG Innovative Technologies S.r.l.) of the Issuer's share capital.

Furthermore, on the date of the Admission Document, the following directors directly or indirectly hold a stake in the share capital of the Issuer:

- The director Fabio Leonardi directly owns 136,500 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 4,413,500 Shares, representing a total of 65.00% of the Issuer's share capital.
- The director Davide Cignatta directly owns 42,000 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 1,358,000 Shares, representing a total of 20.00% of the Issuer's share capital.
- The director Massimo Bonifati directly owns 31,500 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 1,018,500 Shares, representing a total of 15.00% of the Issuer's share capital.

In light of the above, it cannot therefore be excluded that the decisions of the Group may be influenced by the consideration of competing or conflicting interests to the detriment of the Group itself.

For more information, see Section I, Chapter 11 of the Admission Document.

#### **4.1.22 Risks related to statements of key information, forecasts, estimates, and internal calculations**

The Admission Document contains some statements of key information, as well as assessments and estimates on the size and characteristics of the market that the Group operates in and on its competitive positioning. Unless otherwise specified by the Issuer, these estimates and assessments are based on the available data (the sources of which are indicated from time to time in this Admission Document), but – due to the lack of certain, uniform data – constitute the result of processing of the aforementioned data by the Issuer, with the consequent degree of subjectivity and the inevitable margin of uncertainty deriving therefrom.

It is therefore not possible to predict whether such estimates, assessments, and statements will be maintained or confirmed. These estimates, assessments, and declarations are generally subject to risks, uncertainties, and assumptions, and therefore the markets of reference, their evolution, the relative positioning of the Issuer, as well as the actual developments of the Group's business may be different from what is assumed in these statements, estimates, and assessments due to known and unknown risks, uncertainties, and other factors stated, among other things, in these risk factors and in the Admission Document.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.1.23 Risks related to the management control system and the internal control system**

As of the date of the Admission Document, the Issuer has implemented a management control system involving data collection and processing that are not fully automated and that will require development consistent with the growth of the Issuer and the Group. Specifically, not all critical risk factors are formally monitored on a continuous basis, therefore the evolution of some risk factors that may compromise the Issuer's operations may not be perceived in a timely manner.

On the date of the Admission Document, the Issuer resolved to start a project aimed at identifying and implementing measures to improve the reporting system through a progressive integration and automation thereof, thus reducing the risk of error and increasing the timeliness of the flow of information, in order to make it adequate.

The Issuer also believes that, considering the activities performed by the Issuer on the date of the Admission Document, the reporting system is sufficient for the governing body to form an appropriate judgment with respect to the net financial position and prospects of the Issuer and the Group, as well as allowing the correct monitoring of sales trends and the main production factors.

#### **4.1.24 Risks associated with the valuation of intangible assets**

The net intangible fixed assets recorded in the proforma consolidated statement as of December 31, 2018 amounted to a total of €2,857 thousand, of which €1,588 thousand relating to consolidation differences and, for the remaining part, mainly research and development costs and start-up and expansion costs.

Intangible assets are subject to periodic valuations to determine their recoverable value and to ascertain their consistency with the book value.

If the Group's economic results change in a manner that is not in accordance with the estimates and assumptions made by management regarding the production of economic results, their foreseeable useful life, and their market value, it may be necessary to make some adjustments to the book value of the intangible assets recorded in the Group's consolidated financial statements, with the consequent need to account for write-downs in the income statement, with negative effects on the Group's economic and capital situation.

For more information, see Section I, Chapter 3, Paragraph 3.5 of the Admission Document.

#### **4.1.25 Risks related to corporate governance**

In its By-laws the Issuer has included a governance system inspired by some of the principles established in the Consolidated Law on Finance, aimed at promoting the protection of minority shareholders.

However, note that certain provisions of the By-laws will become effective only upon the issue of the provision for the start of trading of the Issuer's Shares on AIM Italia by Borsa Italiana, and that the current management and control bodies of the Company have not been elected on the basis of the slate vote envisaged by the By-laws, which will come into force on the date Borsa Italiana starts the trading.

Therefore, the appointment mechanisms to guarantee minorities will only apply on the date of termination of office of the current board of directors and board of statutory auditors, which will take place at the time of approval of the financial statements for the year ended December 31, 2021.

For more information, see Section I, Chapter 12 of the Admission Document.

#### **4.1.26 Risks associated with the Issuer's qualification as an Innovative SME**

On the date of the Admission Document, the Issuer is registered in the special section of the Milan Business Register with the qualification of Innovative SME, and it should be noted that, pursuant to art. 4 of Italian Legislative Decree no. 3 of January 24, 2015 (the so-called Investment Compact), converted by Italian Law no. 33 of March 24, 2015, persons (whether natural or legal) who meet specific characteristics and who invest in an Innovative SME are entitled to certain tax benefits.

The maintenance of the qualification of Innovative SME is subject to the fulfillment of certain conditions, including the possession of at least two of the following requirements: the ownership or license of industrial property rights, research and development expenses equal to or greater than 3% of the greater of the total cost and value of the production, and the employment for at least 1/3 of the total staff of people having a PhD or master's degree in certain proportions envisaged by the Investment Compact.

Although the Issuer makes research and development expenditures equal to or greater than 3% of the total value of production (amount greater than the total cost of production) and holds industrial property rights, note that the possible issuance of new regulatory provisions applicable to the Issuer or changes to the legislation currently in force, as well as the occurrence of unforeseeable or exceptional circumstances, could require the Issuer to adopt stricter standards or disburse extraordinary expenses in research, development or innovation, or condition its freedom of action in its areas of activity.

Indeed, while the Issuer meets two of the requirements necessary to qualify as an Innovative SME, the maintenance of these parameters could entail adjustment costs to the Issuer with a consequent negative effect on the business and on the economic, equity, and financial situation of the Issuer, as well as the loss of the certification of Innovative SME if it were not able to adapt to these new standards.

As a result of the referral made by article 4, paragraph 9 of the Investment Compact to article 29 of Italian Legislative Decree no. 179 of October 18, 2012, converted with amendments by Italian Law no. 221 of December 17, 2012, the same legislation also provides that persons (whether natural or legal, in any case meeting certain characteristics) who invest in an eligible Innovative SME are entitled to certain tax benefits. The use of the invention is also subject to the maintenance of the participation in the Innovative SME eligible for a minimum period of three years.

In this regard, it is specified that in order for investors to benefit from tax incentives the Innovative SME must meet additional requirements that qualify it as a so-called "Eligible innovative SME" as defined by article 1 of the Decree of the Ministry of Economy and Finance of May 7, 2019.

While these incentives have therefore become officially applicable, the implementing procedures provide for a series of conditions necessary to benefit from the tax benefits, as well as some causes for their forfeiture.

The forfeiture of the tax concession (governed by art. 6 of the aforementioned Decree of the Ministry of Economy and Finance of May 7, 2019) may depend on: (i) facts attributable to the Innovative SME, if in the three years following the date on which the investor made the subsidized investment the Innovative SME fails to satisfy one of the requirements envisaged in article 4 of the Investment Compact (except in cases where such failure is due to the exceeding of the dimensional thresholds envisaged by Commission Recommendation 2003/361/EC or is due to listing on a regulated market) or the capital and reserves are reduced, the investor loses the right to the benefits; or (ii) facts attributable to the investor, such as the sale – even partial – for consideration of the shares in the Innovative SME related to the benefit, as well as the withdrawal or exclusion of the investor.

Nevertheless, it is not possible to exclude that in the future the Issuer – even for reasons independent of it – may fail to satisfy one or more of the requirements envisaged by the legislation for obtaining and maintaining the qualification of innovative SME. This would therefore lead to the investor's forfeiture of the right to tax relief.

Moreover, due to the newness of the aforementioned initiative, it is not possible to exclude that – in the process of implementing the legislation by the competent authorities – the Issuer performs incorrect assessments in the interpretation and/or implementation of the standard that could lead to the non-applicability or non-usability of the tax benefits by the investors. For this reason, it is advisable not to base one's investment choice on the amount of the aforementioned tax incentives.

In this regard, note that the tax benefits offered to investors refer only to newly issued shares and not to existing ones: shares purchased on the market do not qualify for these tax benefits.

Therefore, the Issuer's incorrect interpretation of the implementing decree of the Investment Compact, or the Issuer's loss of the qualification of Innovative SME as well as its inability to qualify as an eligible Innovative SME could result in the non-applicability, non-use, or forfeiture of the tax benefits deriving from the qualification of the Issuer as an eligible Innovative SME, and all this could therefore also cause negative effects on the business and on the Issuer's economic, equity, and financial situation.

For more information, see Section I, Chapter 8 of the Admission Document.

## **4.2 Risk factors relating to the Group's business and sector**

### **4.2.1 Risks associated with competition**

The Group operates in a competitive, dynamic sector characterized by a high level of competition and a high degree of specialization and competence.

While some products developed by the Group are completely innovative, it cannot be excluded that other parties may develop solutions in Italy and abroad that place them in a competitive position with respect to the Group.

There is therefore a risk that the Group will not be able to adequately compete against the strategies and commercial offers of competitors or the entry of new domestic or international operators, therefore progressively losing customers and/or market share, with consequent negative effects on the Issuer's and the Group's business and on its economic, equity, and/or financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.2.2 Risks related to the maintenance of high technological and innovation standards**

The sector the Group operates in is characterized by an ability to maintain a high technological level and to constantly innovate and improve the products and services provided, also in order to identify and anticipate the needs of customers.

The Group implements a research and development policy aimed at the creation and introduction of new highly specialized and innovative products that are able to follow market trends, especially in niches demanding product innovation, and to anticipate competitors by providing an adequate level of service to customer companies and minimizing the possibility of error.

While this development strategy is based on a continuous project evaluation process, the policy of continuous investment in new services and technologies could – for operational reasons that include a decreased ability to produce products in line with market expectations and the presence of an increased level of competition – involve the use of financial resources that are not proportionate to the Group's future revenues, with negative effects on the business, as well as on the Group's financial, economic, and equity situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.2.3 Risks related to the obsolescence of the products and/or services offered by the Group**

The market the Group operates in is characterized by rapid and frequent technological innovations that make it necessary to continuously update and improve the products and services offered, which otherwise would risk becoming technologically obsolete, losing their commercial potential.

Although the Group constantly monitors the market in order to always keep its range of products and services up to date with respect to market demands, the Issuer is not able to exclude that erroneous assessments, technical errors in the new products, or delays in the development and launch thereof may cause negative effects on the activities and prospects of the Issuer and/or the Group with detrimental effects on the economic, equity, and financial situation of the Issuer and/or the Group.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.2.4 Risks related to the economy**

The Group generates almost all of its revenues in Italy, and therefore the results depend significantly on Italian economic conditions that are in turn connected to European and global macro-economic trends.

Uncertainties regarding Italian, European, and global economic conditions constitute an element of risk, as consumers and businesses prefer to postpone expenses and investments in the face of restrictions on access to credit, high levels of unemployment, volatility of financial markets, government austerity programs, negative financial situations, decreases in incomes produced by or the value of assets and/or other factors.

Therefore, should the Italian and/or global economic conditions deteriorate, the services and products offered by the Group could suffer a contraction due to multiple factors, generating significant negative effects on the Group's economic, equity, and financial situation.

For more information, see Section I, Chapter 6 of the Admission Document.

#### **4.2.5 Risks related to operations in Ukraine**

The Group carries out part of its business in Ukraine, a politically and economically unstable country. Specifically, MFD International S.r.l. holds a 100% stake in the share capital of DFM Virtual Service LLC, a company based in Ukraine, in Kiev, which, for the companies belonging to the Group, carries out a synergistic activity with that of MFD International Srl in the following sectors: managed services; help desk (unlimited telephone or remote support); software development; accounting outsourcing, provision of administrative services through processes and software engineered in terms of operational efficiency and digitization of data relating to accounting documents.

Ukraine constitutes a high-potential technological center, especially with regard to the cybersecurity sector, offering managed services, help desks, and accounting outsourcing.

Changes in the political situation, economic crises, and internal social conflicts could temporarily or permanently compromise the Group's ability to operate in that country.

Additional risks related to the activities in that country are represented by (i) a lack of a stable legislative framework; (ii) penalizing developments or applications of laws and/or regulations; (iii) various restrictions on production, imports, and exports; (iv) increases in applicable taxation; (v) internal social conflicts that result in attacks, violence, and similar events.

Without prejudice to their unpredictable nature, the occurrence of the events described above could have negative effects on the Group's business and on its economic, equity, and financial situation.

Finally, note that any fluctuations in exchange rates could have a significant impact on the increase in the cost of the Group's personnel operating in the Ukrainian subsidiary, with consequent negative effects on the Issuer's economic, equity, and financial situation, as well as on the Issuer's operating results.

For more information, see Section I, Chapter 6 of the Admission Document.

### **4.3 Risk factors relating to the listing of financial instruments**

#### **4.3.1 Risks associated with trading on AIM Italia, the liquidity of the markets and the possible volatility of the price of financial instruments**

The Shares and Warrants will not be listed on an Italian regulated market, and while they will be continuously traded on AIM Italia, it is not possible to guarantee that a liquid market will be formed or maintained for them, which therefore could present common and generalized liquidity problems regardless of the performance of the Issuer, since the requests for sales may not find adequate and timely counterparts, as well as being subject to fluctuations in price, even significant ones.

Furthermore, following admission to trading on AIM Italia, the market price of the financial instruments may fluctuate considerably due to a number of factors and events, some of which are beyond the control of the Issuer, and may therefore not reflect the Issuer's operating results or be lower than the subscription price at the time of placement. Such factors and events include but are not limited to market liquidity, differences in actual operating and financial results compared to those expected by investors and analysts, changes in analysts' forecasts and recommendations, changes in the general economic situation or market conditions, and significant market fluctuations.

An investment in financial instruments traded on AIM Italia could therefore involve a higher risk than for financial instruments listed on a regulated market.

#### **4.3.2 Risks related to the possibility of revocation of the Issuer's financial instruments from trading**

Pursuant to the AIM Italia Issuer Regulations, Borsa Italiana may order the revocation of the Issuer's financial instruments from trading in cases where:

- The Issuer does not replace the Nomad within 6 months from the date of suspension from trading due to its absence.
- The financial instruments have been suspended from trading for at least 6 months.
- The revocation is approved by shareholders representing at least 90% of the votes at the shareholders' meeting.

#### **4.3.3 Risks associated with dilution in the event of failure to exercise the Warrants**

By resolution of the shareholders' meeting of July 25, 2019, the Issuer resolved to issue a maximum of 2,500,000 Warrants linked without consideration to the Shares subscribed under the Institutional Placement and Retail Placement, to be issued and assigned without consideration at the terms and conditions referred to in the Warrant Regulation.

If some shareholders fail to exercise the Warrants by the deadline, the shareholders who do not exercise their right to subscribe the Converted Shares will be diluted by their shareholding in the Issuer.

For more information see the Warrant Regulation in the Appendix to the Admission Document.

#### **4.3.4 Risks related to the unavailability restrictions of the Shares taken by the shareholders**

Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati and Davide Cignatta and the Company have entered into specific lock-up commitments with respect to the Nomad valid up to 18 months from the Trading Start Date of the Shares and Warrants on AIM Italia.

Upon expiry of the aforementioned lock-up commitments, there is no guarantee that these parties will not proceed with the sale of the Shares (no longer subject to restrictions) with a consequent potential negative impact on their price.



For more information, see Section II, Chapter 5 of the Admission Document.

#### **4.3.5 Risks associated with uncertainty regarding the achievement of profits and the distribution of dividends**

As of December 31, 2018 and until the date of the Admission Document, the Issuer has not distributed dividends to its shareholders.

As of the date of the Admission Document, the Issuer has not identified a dividend distribution policy.

The amount of dividends that the Issuer will be able to distribute in the future will depend, among other things, on future revenues, its economic results, its financial situation, cash flows, requirements in terms of net working capital, capital expenditures, and other factors.

It is not possible to ensure that in the future the Issuer will distribute dividends notwithstanding the availability of funds, instead preferring to invest in the growth and expansion of its business.

#### **4.3.6 Risks related to the non-contestability of the Issuer following the admission to trading of the Shares and Warrants on the AIM Italia market**

As of the date of the Admission Document, the Issuer is controlled as per art. 2359 of the Italian Civil Code by Fabio Leonardi (Chief Executive Officer of the Issuer) through Sedoc Digital Group S.r.l. (of which he owns a stake equal to 65% of the share capital), a company that in turn owns a stake equal to 97% of the Issuer's share capital (51.5% through SDG Innovative Technologies S.r.l.).

After admission to trading, taking over the full subscription of the Shares deriving from the Capital Increases, Fabio Leonardi will continue to exercise control of the Issuer by holding a direct and indirect stake equal to approximately 42.33% of the Issuer's share capital. Therefore, the Issuer will not be contestable. Taking into account that Fabio Leonardi will continue to exercise control of the Issuer, the same will have a decisive role in the adoption of the resolutions of the Shareholders' Meeting of the Issuer, such as, for example, the approval of the financial statements, the distribution of dividends, the appointment and revocation of the boards of directors and statutory auditors, changes to the share capital, and changes to the by-laws.

For more information, see Section II, Chapter 5 of the Admission Document.

#### **4.3.7 Risk related to the conflict of interest between the Nomad and the Global Coordinator**

EnVent Capital Markets Ltd, which has been named Nominated Adviser pursuant to the Nominated Advisers Regulation for the admission to trading of the Company's Shares and Warrants on AIM Italia, may be in a situation of conflict of interest as it may in the future provide advisory and equity research services on an ongoing basis to the Issuer or the other Group companies.

EnVent Capital Markets Ltd, which also holds the role of Global Coordinator for the admission to trading of the Shares and Warrants, is in a conflict of interest situation as it will receive commissions for the aforementioned role assumed within the Offer.

## **5 INFORMATION ON THE ISSUER**

### **5.1 History and development of the Issuer**

#### **5.1.1 Company name**

The Issuer is called "Cyberoo S.p.A."

#### **5.1.2 Registration in the Company Register and LEI Code**

The Company is registered in the Reggio Emilia Company Register with tax code and registration number 04318950286, EAI (Economic and Administrative Index) of Reggio Emilia no. 288453, Legal Entity Identifier (LEI) code 8156001FD5FBB4BA9F35.

#### **5.1.3 Date of establishment and duration of the Issuer**

The Issuer is a "corporation" and was incorporated in Italy on July 23, 2008 by deed of Mr. Alberto Benazzato, notary in Padua (PD), index no. 21727, folder no. 3168 in the form of a "limited liability company" with the original corporate name of "AT STORE S.r.l."

On July 5, 2018, by resolution of the shareholders' meeting by deed of Mr. Alessandro Frigo, notary in Modena (MO), index no. 115840, folder no. 33402, among other things the Issuer changed its company name to "Managed Service Solution S.r.l."

On April 29, 2019, by resolution of the shareholders' meeting by deed of Cecilia Casasole, notary in Reggio Emilia, index no. 36161, folder no. 14402, the Issuer changed its company name to "Cyberoo S.r.l."

On July 25, 2019, by resolution of the shareholders' meeting by deed of Mr. Filippo Zabban, notary in Milan, index no. 72536, folder no. 14310, among other things the Issuer resolved on the transformation into a corporation and changed its company name to the current name of "Cyberoo S.p.A."

The duration of the Company is established by the by-laws until December 31, 2100 and may be extended by a resolution of the shareholders' meeting.

#### **5.1.4 Residence and legal form, legislation under which the Issuer operates, country of registration, registered office, and website**

The Issuer is a corporation under Italian law, incorporated in Italy and operating under Italian law, with registered office in Reggio Emilia, Via Brigata Reggio 37, tel. +39 0522385011, website [www.cyberoo.com](http://www.cyberoo.com).

Note that the information contained on the Issuer's website [www.cyberoo.com](http://www.cyberoo.com) is not part of the Admission Document, unless included by reference.

## 6 OVERVIEW OF ACTIVITIES

### 6.1 Main activities

#### 6.1.1 Overview of the Group's activities

The Group operates in the Information Technology sector and specializes in providing its customers with a wide range of services and technological solutions to support the businesses of customer companies with a focus on cybersecurity.

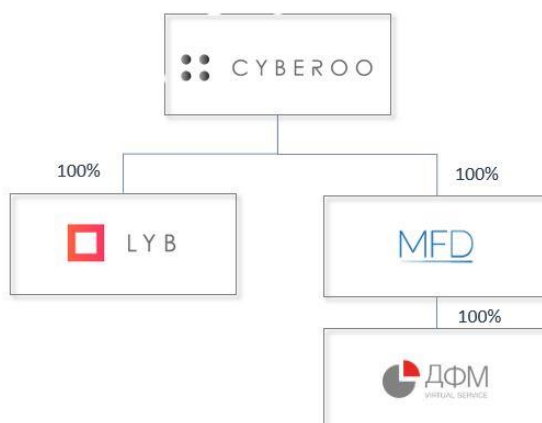
Thanks to many years of experience in the sector and a perfect synergy between innovative spirit and skill, the Group is able to develop strategic projects and innovative solutions nationally and internationally so that the technological innovation applied to the business model of its customers can generate competitive advantages for them. In fact, the Group supports companies in the securing of their companies as well as in the improvement and digitization of their organizational and business processes in order to offer customized solutions and services with a high level of technological content.

The Issuer combines artificial intelligence with the human intelligence of highly qualified professionals to guarantee the security, continuity, and resilience of the investments of customer companies. The Group implements a strategy aimed at protecting, monitoring, and managing the value of the information in any IT ecosystem, with the goal of simplifying business complexity.

The Issuer strengthens its distinctive skills by investing in technological skills to support data and behavior analysis and in certain technologies such as artificial intelligence, machine learning, deep learning, and big data in order to support its managed services that it offers to the market, focusing on the area of cybersecurity.

Established in 2008, the Group specializes in the sale of predictive services and solutions for national and international markets, also with the help of a structure of partners and/or with the support of one or more distributors, in order to offer its customers a proactive service of managing IT security, infrastructure, and software solutions.

The Issuer owns a 100% stake in the share capital of Life Your Brand S.r.l. (**LYB**) and MFD International S.r.l. (**MFD**). The latter in turn owns the entire share capital of the company DFM Virtual Service LLC based in Ukraine.



Established in 2014, LYB is a consultant in the IT sector, offering custom software and cloud computing solutions, as well as planning the correct marketing and support

strategy in companies' communication choices. Specifically, LYB offers the following services:

- Software development, consulting, and support services with software developed by the Issuer itself; collaboration platforms to manage and speed up business processes; solutions to automate internal procedures and document management in customer companies.
- Digital marketing, which includes the creation of pathways for the development of digital processes and skills in customer companies, the definition of the marketing strategy, assistance in communication choices and web design, the design and implementation of platforms dedicated to web sales.
- Software as a Service, corporate compliance consulting services with the use of third-party software.

Established in 2017, MFD provides telemarketing services and the management of inbound and outbound call centers mainly for companies that are part of the Group. MFD is primarily engaged in three activities:

- Advertising campaigns and other advertising services by means of telemarketing
- Inbound and outbound call centers
- Technical consulting for software development
- Research and development

MFD holds a 100% stake in the share capital of DFM Virtual Service LLC, a company based in Ukraine, in Kiev, which operates 24 hours a day, 7 days a week, 365 days a year and, for the companies belonging to the Group, performs a synergistic activity with that of MFD in the following sectors:

- Managed Services
- Help desk (unlimited telephone or remote support)
- Development of software such as Wordpress, Web Design, Python, iOS, Android, SAP Business One
- Accounting outsourcing, provision of administrative services through processes and software engineered in terms of operational efficiency and digitization of data relating to accounting documents

The Issuer is 97% controlled by Sedoc Digital Group S.r.l. (specifically for 51.5% through SDG Innovative Technologies S.r.l.), an established group in the Information Technology sector with many years of experience that has reached fourth place in the MSP EMEA 501 2019 ranking and 95th place in the world ranking. The Sedoc Group is able to draw on 46 years of experience, over 150 human resources, more than 1,500 customers, and over 30,000 managed devices.

Thanks to the know-how acquired and a modern, innovative approach, the Issuer is able to offer the market a wide range of services to exploit market trends and meet customer needs.

In fact, the Issuer's range of services consists of three main business units: (i) cybersecurity services, (ii) managed services, and (iii) digital transformation.

A breakdown of the Issuer's sales revenues by business unit as of June 30, 2019 and December 31, 2018 is provided below.

<b>Revenues from sales and services</b>	<b>12.31.2018</b>	<b>Impact %</b>	<b>06.30.2019</b>	<b>Impact %</b>
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Cybersecurity & Device Security	865	19%	512	19%
Managed Services	2,873	63%	1,915	73%
Digital Transformation	837	18%	207	8%
<b>Total</b>	<b>4,575</b>	<b>100%</b>	<b>2,634</b>	<b>100%</b>

The Issuer constantly invests in innovative skills and technologies, with the strong awareness that only through these two engines is it possible to increase the quality of the services offered to customers. In fact, the Issuer has strengthened its distinctive expertise by investing in technological skills that support data and behavior analysis (artificial intelligence, machine learning, deep learning, and big data).

In 2017, the Issuer launched the Cyberoo Lab project, a network of proprietary technological hubs with the ambitious goal of creating intelligent solutions to support the security and continuity of customer companies that can compete in the international market. In fact, the Issuer established the first hub in Kiev, a high-potential technological center with ample availability of human resources with excellent technical skills in the cybersecurity sector.

In 2018, among other things the Issuer developed a research and development project based on analysis, study, and design activities, carried out in an experimental development context. This project produced two solutions: Cyber Security Intelligence (CSI) and Open Source Intelligence (OSINT).

CSI is a solution launched in 2018 that aims to provide innovative services for the Group and its customers. CSI leverages different services aimed at identifying any signals on the web (clear, dark, and deep) that may suggest that there is a pending breach of the cybersecurity of the monitored entities, or that an attack has already occurred and which services/information were impacted. OSINT is the collection and analysis of the information available on public or restricted-access sources in order to protect the security posture of the potential customer, providing an outside view of the cyber threats to the customer's business.

The Issuer also developed *Cypeer* (CY), an advanced system that in a single platform with user-friendly dashboards collects and correlates all the information and logs from security applications already present within the IT ecosystem of the customer companies and beyond, identifying attacks and latent issues that are not otherwise visible, and immediately notifying the *i*-SOC (Intelligence Security Operation Center) 24 hours a day, 7 days a week, 365 days a year. *Cypeer's* (CY) intelligent platform integrates the vertical security services owned by customer companies, essential for primary defense but not sufficient due to the lack of communication between them, which, by their nature, have gaps exploited by cyber crime to implement complex attacks.

The Issuer offers medium-sized businesses having more than 600 customers a wide-ranging portfolio of enterprise solutions developed using the most advanced technologies and a well-structured value chain that allows offering the market prices that are in line with its spending power.

The Group's customer portfolio is very loyal: indeed, cross-selling and up-selling are facilitated by the customers' trust in the solutions offered by the Issuer and the Group.

Considering the different needs of its customers, the Issuer proposes solutions that tend towards simplicity and efficiency, but at the same time to personalization. In fact,

the Issuer allows composing the offer in a flexible, modular manner so as to be able to meet any need, building packages of services together with the customer aimed at specifically satisfying the needs of its customers by using standard modules that can be customized according to the type of service available, the level of service desired (basic, pro, and full service) and the number of users per service.

The Group's services are sold in three different ways:

- Direct sales through a dedicated team of five people who make about 250 useful calls and set about 75 appointments per week.
- Partnerships with qualified retailers that can sell proprietary Cyberoo solutions. A collaboration contract is currently being stipulated with one of the world's leading players in strategic consulting, research, and analysis in the field of technology, which will focus on the following points: market intelligence; messaging & positioning; sales effectiveness.
- e-commerce sales. The Issuer is developing a proprietary e-commerce system through which it can initially sell basic products, and then offer the proprietary solutions through its retailers.

The Issuer combines artificial intelligence with the human intelligence of professionals having specific skills to protect, monitor, and manage the value of its customers' information. The ability to attract, maintain and manage these resources is an important aspect for the Issuer and for the Group: the quality of the resources, their talent, and their wealth of experience are in fact one of the main factors of success for the sale of the services proposed by the Issuer and the Group, as well as ensuring customers the necessary skills for the provision of high-quality services. As of the date of the Admission Document, the Group employs 77 highly qualified employees, of which 40 in Italy and 37 abroad.

### 6.1.2 Description of the Issuer's services

The highly reliable services offered by the Issuer are divided into three main business lines: (i) cybersecurity services, (ii) managed services, and (iii) digital transformation.

#### **A) Cybersecurity services**

The Issuer has expanded its range of services by adding a security management system to its traditional security products, aimed at analyzing and controlling the tools and data they produce. The services included in the scope of cybersecurity are described below.

##### **Anti-spam**

The anti-spam service, purchased from third parties, provides customers with a remote infrastructure, operating at a leading national provider. The infrastructure consists of an Active-Active cluster in Software as a Service (SaaS) mode operating at two data centers located in Italy, one Tier IV and one Tier III, able to analyze email messages and identify both unwanted messages and any computer threats. The service checks both incoming and outgoing emails.

Offering multi-level protection, among other things the service includes URL checking in emails through a dedicated sandbox (URL Sender) and attachments to emails through a dedicated sandbox (QuickSand), able to deliver the attached files together with the message itself without delay. The service also provides protection for outgoing emails, immediate details on the emails received and sent, as well as protection against phishing, whaling, and malware.

Thanks to the cloud environment, customers therefore have a chance to improve the reliability of their email solution: in the event of problems, they can use the solution offered by the Issuer to read, send, and forward emails. Furthermore, based on their needs, customers can choose to activate the service 24 hours a day, 7 days a week.

### Antivirus

The antivirus service, purchased from third parties, is available in three different versions:

- i. Basic: provides for the provision of the antivirus program and its management (updates, installation and alerts). If a system should fall victim to a virus, a report is sent to the customer.
- ii. Pro: includes the basic service and adds remote removal (so-called remote assistance) of viruses by technical and specialized personnel, as well as the entire management of updates of systems and major personal productivity applications.
- iii. FSS: includes the Pro service, with the addition of malware and virus removal directly on the customer's premises.

The antivirus service is characterized by the simplicity of its installation, complete management, and proactivity as specialists proactively remove threats upon notification of an infected workstation.

### Web security

The web security service, which leverages the Cisco Umbrella cloud solution, allows companies to define and enforce rules on Internet use in order to prevent employees from engaging in unlawful behavior that could also damage the company's reputation. At the same time, the software provided secures Internet access, preventing attacks on the DNS protocol, a protocol used by over 90% of malware, and protecting people from accessing compromised or fraudulent websites. The service provides for the registration of the websites visited by the customer's users, and where applicable the blocking of access to websites. More generally, the service makes it possible to combat malware infections, reduce, or mitigate the effects of phishing and ransomware. The service is also able to regulate Internet access on devices that operate outside the customer's corporate network. As it is a cloud-based solution, the service allows the constant control and protection of Internet browsing even via mobile devices and the restriction of Internet access for certain categories (white list and black list), and also offers advanced reports for the analysis of corporate security that is also available to customers.

### Log management

In light of the Privacy Authority's introduction of the System Administrator Access Control (Log) legislation, which requires that accesses to data processing systems and archives must be recorded in such a way as to include the time and the description of the event that required access, the Issuer offers a log management service using a product developed by the Issuer that stores and catalogs logins, logouts, and log fail events generated by the Windows, Linux and AS400 operating systems, thus ensuring the optimal management of the company's specific needs. The service collects the logs in order to verify anomalies in the frequency of accesses and in their characteristics (times, duration, systems accessed), guaranteeing the integrity, inalterability, and

availability of the logs. The service also includes (i) a quarterly check of the proper operation of the proposed solution in order to verify the proper operation of the virtual appliance, the saving of the analyzed logs, and, if requested by the customer, a recovery process for previously saved logs; (ii) updating to ensure compliance with the functional specifications of the virtual appliance and its configuration, as well as the physical resources made available; and (iii) remote support to the head of corporate security in the use of the proposed solution. This service is simple to activate and makes it possible to keep logs on the customer's premises.

### Threat hunting

In view of the fact that cyber attacks are no longer attacks on a large number of devices but rather limited attacks designed by expert personnel, the detection of these sophisticated and targeted attacks on a given target cannot be guaranteed with the usual defense solutions such as antivirus, anti-spam and web security. In this regard, the Issuer offers a threat hunting service that involves a high level of cooperation between the security experts of the Kaspersky Lab (Security Operations Center, SOC) – a company that sells the antivirus software used by the Group – and the Issuer's specialized personnel. Specifically, the data collected by the agents of the antivirus program are forwarded in a non-anonymous manner for automatic analysis by the systems of Kaspersky Lab for in-depth study. If a threat is detected, it is analyzed by a Kaspersky security expert, and if a danger is confirmed the staff of the Company will involve the Issuer's experts. The Issuer's specialized staff, in cooperation with the customer and the staff of the Kaspersky Lab, then work together to resolve the threat identified. The service, which is easy to activate, is unique in its ability to detect custom attacks or attacks not based on malware.

### Security awareness

In light of incidents that cause increasingly frequent data leaks caused by users, the security awareness service provides customers with a cloud-based e-learning platform on cybersecurity. With this platform it is possible to take courses on different topics related to IT security in order to increase the awareness of the customer's employees of cyber threats in the market and on the Internet. The service also provides the customer with a platform for simulated phishing attacks, in order to evaluate the reactions of each employee. The simulation of phishing attacks also allows understanding what each employee has learned from the courses they have taken and to respect the company's procedures. The courses are available in different languages and allow assessing the level of learning by conducting simulated campaigns of phishing attacks, in cooperation with the Issuer's staff.

A distinctive characteristic of the Issuer is its ability to offer cybersecurity services that guarantee an overall visibility of the corporate security perimeter, also in light of the obsolescence of traditional systems that are no longer sufficient to protect companies against complex attacks, for the following reasons:

- They are limited to identifying and blocking common (uncomplicated) threats, vulnerabilities that are already known, and unknown threats created using methods that are already known.
- They are not designed to display and monitor several endpoints simultaneously in real time in a single centralized interface.
- They do not provide IT administrators with the necessary threat information that could provide a more complete picture of the situation, and do not have a complete



view of the activity of each endpoint, the processes, and the potential relationships between endpoints within the company.

- They do not provide an integrated mapping or correlation between different findings from true identification mechanisms to create a complete picture of the incident.
- They do not support features for identifying activities that deviate from the norm, nor can they analyze the work of legitimate programs.
- They have a limited ability to identify fireless attacks, memory injections, or malwareless threats.

In light of these considerations, thanks also to its skills and knowledge in terms of cybersecurity services and the different types of threats to customers, the Issuer has developed innovative, highly reliable proprietary solutions. In this regard, in addition to the services described above and as part of its cybersecurity services, the Issuer offers services related to (i) *Cyber Security Intelligence* ("**CSI**") aimed at protecting customers against external threats; and (ii) *Cypeer* ("**CY**") to guarantee the company's internal security.

### **Cyber Security Intelligence (CSI)**

The CSI service is based on Open Source Intelligence, which consists of the collection and analysis of data from the deep and dark web in order to protect the customer's security posture and to provide an external view of the cyber threats to the customer's business.

Thanks to the expertise of a cybersecurity team consisting of so-called ethical hackers who are certified in the world of the deep web and the dark web, the CSI service sifts through sources of information not accessible to most people and includes:

- A data breach identification system in order to check if company credentials have been exposed. The data breach service offers a complete view of the extent to which users' company credentials have been compromised. Prior knowledge of these problems therefore allow the client to take the steps required to prevent a security incident caused by the illegal exploitation of the compromised credentials by an unauthorized person.
- A domain checker that checks for clone domains used to commit fraud. Specifically, by preventively checking the customer's Internet domains it is possible to identify, by sending a notification to the client, any necessary activities to prevent attacks before they take place.
- Checks of malicious attachments.
- Monitoring the information of the customer's VIP users. In order to prevent possible attacks and leaks of important information, the intelligence service is able to correlate and skim the vast amount of data available on the Internet in order to identify significant events.
- Clean/dark/deep web analysis for the analysis of information likely to have an impact on the client. Specifically, in light of the fact that not all the information on the web is public and not all the public information is easily available, thanks to expertise, knowledge, and the correct use of the necessary tools the service makes it possible to perform analyses, exploiting information channels that are

not easily accessible but that often represent the most substantial source of evidence relating to cybersecurity.

- Notification of new vulnerabilities. In fact, this service allows the constant updating and monitoring of the main cybersecurity issues and anomalies, allowing the customer to maintain a robust corporate security posture even in the face of new threats. The service therefore aims to proactively identify the latest cybersecurity issues that may impact the customer's ecosystem.

CSI services ensure the constant monitoring by the Issuer's i-SOC of the deep and dark web in order to find information relevant to customer security and to stay up to date on the latest hacking techniques. The i-SOC (Intelligence Security Operation Center), which operates 24 hours a day, 7 days a week, 365 days a year, is also able to act promptly in the event of an unknown vulnerability, a leak of information, or an attempt at fraud, ensuring a proactive service aimed at prevention in the management of vulnerabilities. Thanks to the intelligence and correlation work done by cybersecurity specialists, the customer is immediately alerted only in the event of a certain threat, thus eliminating wasted analyzing false positives.

Below is a summary of the fees relating to the Cyber Security Intelligence solution offered by the Issuer.

<b>Cyber Security Intelligence (CSI)</b>	
<b>Server+Client</b>	<b>Annual fee</b>
Up to 5,000	€6,000-€54,000
Over 5,000	Based on the project

### **Cypeer (CY)**

CY's intelligent platform seamlessly integrates with customer investments in vertical security services, essential for primary defense, but not sufficient as they are not able to communicate with each other, by their nature leaving gaps that are exploited by cyber criminals to carry out complex attacks. CY is an advanced system that collects and correlates all the information and logs from security applications already present within the customer's ecosystem, identifying attacks and latent issues that are not otherwise visible. This system makes it possible to highlight the events tracked by these systems and provide timely alerts, reducing the issue of false positives.

CY is a product and service that allows companies to have an integral, complete view of the security perimeter, collecting all security information in a single dashboard. By way of example, the url filtering appliance verifies Internet calls, categorizes websites, and blocks them if they are malicious.

Within the customer dashboard, the CY service allows viewing the correlation of data from various corporate security systems such as, among other things, web filtering, anti-spam, security agent, firewall, threat hunting, IDS/HIDS, DHCP, antivirus.

The CY service includes the following:

- Malicious browsing divided by categories: integrating the webfiltering service, CY monitors and categorizes malicious browsing such as, for example, P2P, file sharing, enterprise malware.
- Malicious access detection: CY detects users accessing the system considered to be malicious, automatically creating a density classification, a map of origin, and an access timeline with detailed information.
- Event correlation: using a compromise indicator (IOC), CY creates a correlation that fills the "gray areas" of URL filtering, identifying the events that in a given category are malicious and that other systems would not be able to classify as such.
- File transfer service analysis: the system allows monitoring the file transfer services displayed in the tag cloud, as well as all possible leaks of important information.
- Spam campaign monitoring: CY monitors the non-malevolent emails in correspondence with suspicious emails. In fact, if an anomaly is noticed, a spam campaign may be in progress and in this case the Issuer's team of specialists acts in order to block the sending domains.
- Attachment check: the system is able to view which and how many appliances are sending attachments, analyzing their content and possible compromise.
- Mail server analysis: the system is able to understand which mail servers are sending emails and their geographical location, acting through a so-called honeypot system, i.e., a mechanism set up to detect and divert attempts at unauthorized use of information systems.
- Horizontal event correlation: CY monitors the progress of security events on each individual client and server through the installation of an agent with a negligible impact on machine performance;
- Event severity: the correlation of security events makes it possible to define their severity and divide them into categories useful also for identifying possible suspicious events, such as connections to the Tor domain, access to the powershell, unauthorized installations.
- Proactive response: CY detects hidden exploit processes that can be used to circumvent traditional antivirus systems. Moreover, the agent provides proactive response capabilities that can be used to block a network attack, interrupt a malicious process, or quarantine a malware-infected file.

With regard to the back-end dashboard, this is entrusted to the Issuer's i-SOC and its expert skills. The resources dedicated to this service are responsible for constantly monitoring correlated data of a deep technical level in order to provide alerts and take prompt action at any time. This dashboard is equipped with artificial intelligence that analyzes and correlates detailed information from the integrated applications. In fact, often the information from the individual security applications is not sufficient to classify its severity and identify the most appropriate strategy. Furthermore, the dashboard features preventive and proactive characteristics to fully manage corporate security. In addition to preventing possible threats, the i-SOC is able to interact with some security applications integrated within the platform to manage the problem.

The CY service has a clear, understandable dashboard that provides an overall view of internal security, able to bring together the logs of all security services (antivirus, anti-spam, web filtering) into a single view, also integrating third-party services. The service also offers the ability to correlate data in order to eliminate gray areas. In this regard, in fact, CY correlates the data from the logs of the various security systems to cover all the security gaps between them. Thanks to the correlation of data and the artificial intelligence system, the customer is alerted in case of a certain threat, eliminating time wasted analyzing false positives.

Moreover, the i-SOC is able to act promptly in the event of an unknown threat that cannot be eliminated through vertical security services.

Finally, the CY service includes, among other things, maintenance to ensure an optimal service, updates to the purchased version, support of all product features, as well as daily management of reports and alerts.

Below is a summary of the fees relating to the Cypeer solution offered by the Issuer.

Cypeer (CY)	
Server+Client	Annual fee
Up to 5,000	€7,200-€168,000
Over 5,000	Based on the project

## **B) Managed services**

In the exercise of its activities, the Issuer performs the function of Managed Security Service Provider (MSSP).

The services included in this business line fall into three main categories: (i) data center management, (ii) cloud management, and (iii) device management.

### **(i) Data center management**

With these services, the Issuer is able to manage the infrastructure and ensure the protection of its customers' data in order to ensure business continuity thanks to the proven experience and expertise of specialists who constantly monitor customers' systems. The data center management service provides for the management of servers, physical or virtual, network devices (switches, routers, firewalls and fibre channel switches), as well as disk drives (NAS and SAN) in a data center. Specifically, the service provides a proactive management of any problems that may occur both on the hardware side and on the software side on the managed devices through remote or local interventions, depending on the type of contract signed by the customer.

As part of the data center management service, the Issuer also offers a backup management service, designed to guarantee customers complete management of the infrastructure for data storage and virtual machines, both by monitoring, controlling, and managing the entire data storage process and by executing any data recovery requests. More specifically, the Issuer uses an infrastructure called COMMCELL that among other things includes (i) a server called COMMSERVE, installed in the Issuer's private cloud, which has the purpose of piloting, managing, and controlling every single component and process present in the infrastructure; (ii) physical or virtual media agents located at the offices of the customers, which have the task of protecting the

production data by means of a local copy and/or in the cloud; (iii) IDA agents which, installed on the customer's servers and managed by the local media agent, are responsible for saving the data present in specialized applications; and (iv) the content store, a logical union of all the disk, tape, and cloud devices that the backup data are saved and stored on. The backup management service is highly scalable, as the solution can manage small, medium, and large companies. In fact, since it is calibrated to the actual amount of data to be protected, the service is independent of the number of devices to be backed up.

In addition to data center management and backup management, the Issuer has also designed a cloud backup service in order to guarantee the customer greater reliability of the protection of company data and the integrity thereof. In fact, thanks to this service it is possible to archive the data stored in a secure container hosted at a data center owned by Sedoc Digital Group S.r.l. and operating on Italian territory and with a Tier III or higher level. In addition to the provision of remote disk space, the service includes the control and proactive monitoring of the entire process of remote data copying within the remote disk space. The backup software provided is able to optimize the use of Internet bandwidth and allows saving the data locally and then replicating it in the cloud in order to keep it for one, two or four weeks, depending on the specific needs of the customer.

#### (ii) Cloud management

The Issuer provides its customers with infrastructure and cloud applications that guarantee the highest levels of performance thanks to the most advanced technologies available on the market. In addition to reducing infrastructure costs, cloud services allow virtually unlimited scalability and usability, as well as a high degree of security and compliance.

Specifically, the Issuer proposes an Infrastructure as a Service (IaaS) solution based on market-leading products in their respective sectors in order to offer a "turnkey" type of service to its customers that, thanks to the high availability of its data and applications, can devote more resources to the development of its business lines. The IaaS service can be provided in two ways:

1. Cloud, where the customer's data and services are hosted at a data center owned by third parties of primary national importance (indicated for multi-site companies).
2. On premise, where the data and services are hosted in a local infrastructure within the customer's headquarters (indicated for production companies or with a single site).

Both solutions feature proactive, constant monitoring of the infrastructure and include maintenance and upgrades.

#### (iii) Device management

The Issuer performs management and monitoring using systems based on artificial intelligence that are able to detect the events of each device distributed within the customer's network, ensuring maximum operational efficiency to safeguard user operations.

The help desk service (24 hours a day, 7 days a week) allows the staff of the customer company to be more productive with their work, reducing the problems that may compromise the company's productivity. In fact, this service allows greater control of

the workstations, monitoring the hardware and software status of the workstations and the management of updates of systems and major applications.

This service is characterized by the simplicity of activation, the significant reduction of the daily problems of users with their workstations, as well as the professionalism of the Issuer's staff.

Thanks to its many years of experience and in-depth knowledge of the services related to the management of the IT ecosystem and the market for classic monitoring tools, the Issuer has designed, developed, and registered with SIAE an innovative solution called Titaan, which allows an even more efficient management of services, leveraging its expertise in artificial intelligence, deep learning, and big data.

Titaan is a System behavior analyzer, an IT monitoring system, that goes beyond the paradigm of classic monitoring systems in that it is able to collect and correlate the logs of services, applications, virtual servers, server infrastructure, and network assets in a single solution. With a single user-friendly dashboard with real-time reporting and forecasting, this system is able to prevent system inefficiencies, reducing the cost of managing them.

Using artificial intelligence, Titaan is able to understand when a device or application deviates from its usual behavior, as well as to automatically and promptly communicate the presence of an anomaly and to establish its degree of severity by eliminating false positives and allowing a proactive approach that solves the problem before it limits or prevents users' use of that system. The distinctive character of Titaan compared to classic monitoring systems lies precisely in the fact that the latter are based on an approach linked to thresholds and rules that often generate a mass of false positives that, on the one hand, increase the workload of an IT manager who must check them, and on the other hand do not allow a proactive management of problems.

The Titaan service has three unique profiles that contribute to ensuring a high level of IT system security:

1. Proactivity: Titaan is able to detect when a system or machine starts to degrade with a 70-second delay, and once an anomaly is detected it provides a proactive alert to prevent system malfunctions.
2. Root Cause Analysis: Titaan is able to limit the problem quickly based on a correlation between one or more metrics, monitoring the assumed values of these metrics and their current values and identifying exactly what is causing a malfunction and how.
3. Predictivity: Titaan performs a predictive analysis of machine sizing up to eight weeks. Based on this analysis, it is able to communicate what will happen in the event of any anomalies on the machine, recognizing the typical confidence interval of the specific machine.

The Titaan service offered by the Issuer is available in three different versions: (i) Titaan Atlaas, (ii) Titaan Croono, and (iii) Titaan Hyperioon.

### **Titaan Atlaas**

Titaan Atlaas allows customers to have a complete, integrated, and detailed view of their IT ecosystem in a clear, simple dashboard. Titaan Atlaas already incorporates the data and information coming from the Issuer's services, but thanks to the open API system third-party applications that the customer has in the company can also be

integrated. Titaan Atlaas integrates a machine learning algorithm able to proactively identify the degradation of a system and services.

The core of the Titaan Atlaas dashboard consists of the central dashboard (homepage) that shows a simple, user-friendly summary of the status of each system with problems. The dashboard provides immediate evidence of the problems (including serious alerts, saturated disks, virus infections) of the machine in a linear and understandable way, as well as the malicious sites that have been visited not only by company employees but also by the machines themselves. The last two tabs of the summary dashboard monitor the critical machines (management machines, CRM, domain controllers that must guarantee the operation of business continuity), and, finally, the evidence of the backup jobs that, in the event of errors or anomalies, are marked with a red line.

The service features different dashboards with specific functions:

- i. The flexible Product dashboard shows the active products for each monitored machine to immediately see if there are active or inactive services.
- ii. The Antivirus dashboard shows all notifications sent by antivirus systems including, among other things, the insertion of USB drivers by employees, failure to update the definitions, and problems related to the configuration of the software itself.
- iii. The Alert dashboard displays the complete history of CPU and RAM alerts for all machines being monitored. This dashboard offers a very detailed service as it classifies anomalies according to the different level of severity and the type of problem;
- iv. The Web Filtering dashboard makes it possible to understand the activities of both employees and machines, including filters for people, date ranges, blocked sites, or sites visited.
- v. The Backup dashboard offers visibility of the general status of all machines that are backed up with the relative start and/or end dates of the processes. Moreover, it is able to show the data of the last seven days, highlighting any processes that have not been successfully completed.
- vi. The ERP/CRM dashboard allows the intuitive detection of the status of a certain type of service. Furthermore, with a more in-depth analysis, it is possible to continuously extract data on the responsiveness of applications, understanding whether that service is deteriorating over time and when it is approaching becoming unusable. Thanks to the use of ARIMA, an autoregressive algorithm, Titaan Atlaas permanently eliminates false positives, identifying the average of the values and the precise moment in which the degradation is completely real, with response times between 70 and 80 seconds.
- vii. The Office 365 dashboard allows direct contact with Microsoft, as well as providing evidence of the status of the Office 365 tenant and the various related services. If a service does not work properly, Titaan Atlaas is also able to view the Microsoft incident report with the estimated recovery time and the reason for disruption.
- viii. The Server Metrics dashboard provides evidence of all the data in real time with a maximum margin of only 5 seconds, showing the machine's activities, the

current network traffic, all the disks and levels of assurance, and the processes it is engaged in.

- ix. The Performance Report dashboard allows monitoring the behavior of machines or groups of machines for the main usage metrics such as RAM and CPU over the course of many days. The selected servers allow you to identify any peak loads during the day. Moreover, this dashboard tracks the degradation of network devices.

### **Titaan Croono**

Titaan Croono represents the network asset inventory of the corporate infrastructure and can be fully integrated with Titaan Atlaas. It offers an extremely high and precise level of detail: for each single port of the device it provides the speed it is traveling and the native VLAN it is using, as well as the VLAN memberships. Titaan Croono allows going even deeper, understanding the sequence of machines that are connected to the ports of the devices and ensuring constant monitoring of the network hardware. Moreover, this system allows, among other things, viewing how long the device has been active as well as monitoring fans and power supplies.

Titaan Croono offers an all-encompassing view of all the assets in the network and their information, without having to physically access cables and server rooms. Furthermore, it is able to automatically map the network topology by identifying nodes, connections, and transfer rates (i.e., for each device the total number of ports available on the specific switch, how many are in use, how many have been switched off, and how many are still free).

Specifically:

- In the device section one can view the complete list of vendors, the type of model, the quantity, all versions of software installed on the devices and firmware.
- The device details screen shows the detail page of the individual device: the IP, the serial number, the first and last online access, as well as the uptime (for how long it has been active), and all the links for device maintenance.
- The ports screen shows an extremely high level of detail: for each single port of the device it indicates the speed at which it is traveling, which native VLAN it is using, and which VLAN membership, allowing a view of the sequence of connected devices, all the machines connected to a specific port, and the respective domain.
- For each device, the neighbors screen shows all the devices that it has been connected to, and the level of connection between the nodes, in order to also understand the relative speed.
- In the Inventory screen, Titaan Croono details the devices by model, in order to have a complete view of the number of devices installed, how many and which models are available, and the firmware versions installed globally.
- Finally, the reports section provides an accurate and timely level of reporting. Specifically, the Device Port Utilization Report allows viewing the total number of ports available on each switch, how many are in use, which are off, and which are free.



## **Titaan Hyperioon**

Titaan Hyperioon is the top-of-the-range solution for the most complex customers to ensure the business continuity of their systems. Available only through the cloud and with maximum computing power, it takes full advantage of artificial intelligence. The solution offered by the Issuer differs from other solutions on the market not only for its proactivity, but above all for its Root Cause Analysis and predictivity. Built on Kibana, it is customizable based on the following metrics: CPU, RAM, processes, disk, IOPS, and APM.

In addition to identifying the cause of system degradation, Titaan Hyperioon can identify the cause and predict malfunctions up to two months in advance. It also exploits an unsupervised artificial intelligence based only on data that learns on its own and then creates a behavioral model, adapts it, and establishes causal links.

Specifically:

- The Job Management dashboard allows viewing customized multimetric analyses based on different customer needs. Titaan Hyperioon monitors the behavior of all the processes of a given machine, the time that the CPU spends idle, and also performs a forecasting analysis, providing future indications on the sizing of the machine.
- The Anomaly Explorer dashboard is a summary dashboard of the monitored machines that shows the different anomalies present in the systems through the use of different colors, where red represents the most serious anomalies. Using the power of artificial intelligence, Titaan Hyperion identifies anomalies in the devices and performs a Root Cause Analysis to identify the cause of the anomaly in order to limit the problem and allow proactive action. This dashboard displays the anomalies present within the machines. These anomalies are ordered from most to least severe using an index ranging from 99 to 1. Each line concerns a problem that has been identified, specifying the machine on which the anomaly was detected, the type of metric that found it and a route code analysis that has the function of identifying the cause of the problem. Finally, the typical value that the metric should have compared to the current one is shown.

Among other things, the Titaan Hyperioon service ensures (i) identification of both the anomaly within 70 seconds and its cause through causal analysis; (ii) forecasts of up to two months, allowing the correct sizing of business-critical systems; (iii) elimination of false positives thanks to the correlation of data and the artificial intelligence system; and (iv) an extremely detailed, timely, and extensive view of those business-critical systems that are fundamental for the company's business continuity.

Titaan services include additional activities such as, among other things, service installation, free maintenance and updates of the purchased version, support of all product functions, and consulting on monitoring company systems.

Below is a summary of the fees relating to the Titaan services offered by the Issuer.

<b>Titaan Atlaas</b>		<b>Titaan Croono</b>		<b>Titaan Hyperioon</b>	
<b>Server+Client</b>	<b>Annual fee</b>	<b>Server+Client</b>	<b>Annual fee</b>	<b>Business Critical Server</b>	<b>Annual fee</b>

Up to 5,000	€1,200- €40,500	Up to 5,000	Up to €16,800	Up to 20	€4,800- €24,000
Over 5,000	Based on the project	Over 5,000	Based on the project	Over 20	Based on the project

### **C) Digital transformation**

With its digital transformation services, the Issuer seeks to bring the value and integration of digital technology to all areas of a company, radically changing the way companies operate, offering value to customers and supporting cultural change.

Digital transformation services include the solutions described below.

- CRM (Customer Relationship Management) is a managerial, strategic, and operational software that places the customer at the center of the company and offers extraordinary benefits to the business. Specifically, the CRM enables effective planning, management, and monitoring of all customer-related activities. For each module it is possible to set up automated processes to increase efficiency, especially if the amount of data entered is updated frequently.

Thanks to a high degree of organization and data processing, the functions of the CRM are not limited to the purely operational management of activities, but guarantee an effective advancement and progression through the entire sales process.

This software also allows personalizing relationships with contacts, creating targeted communications and activities and, consequently, developing the offer that best meets the particular needs of each interlocutor in a timely manner.

- HRM (Human Resources Management) is a software designed by LYB to support the daily activities of each employee and the entire company, guaranteeing immediate results and high performance in terms of optimization. Among other things, the application is able to efficiently manage company attendance, employee income/expenses, holiday and/or leave requests, and expense reimbursement processes.

Furthermore, the software can include modules for the assignment of project tasks, with a consequent measurement of individual performance per employee. HRM also helps guests connect to the corporate Wi-Fi network independently and allows creating a section where important documents can be exchanged between co-workers. This software is also able to manage any process related to human resources, also providing reports on work performance.

- PMS (Product Management System) is a solution that allows companies to organize the data of their products, such data often being fragmented because they are conveyed by specific departments, and to concentrate them in a single system to make them available and usable.

The functions for integrating with management and business programs make PMS a tool with a structured interface that automates the processes of management, search, extrapolation, collection, and publication of data relating

to the various products and services offered across multiple corporate channels (website, B2B, B2C).

- Check In Point is a solution designed by LYB to meet a specific need within companies, i.e., managing the access and reception of visitors in an organized and automated manner, satisfying security needs. At the same time this solution improves the company's image, helping to ensure the idea of a cutting-edge company.

This application therefore allows controlling access flows in the company using innovative methods. Specifically, it is an app capable of automating and managing check-in both via iPad and in Kiosk mode, where new or recurring guests can log in both at the company and via reception, providing a panel where the status of accesses within the company is displayed in real time.

Furthermore, with this solution the guest also has the opportunity to view the company's privacy policy in order to protect them while in the company.

- Digital marketing: includes all the marketing activities of a company aimed at developing its commercial network, analyzing market trends, predicting developments, and creating offers in the profile of the target customer, with the aim of selling goods or services, increasing customers, and strengthening the brand. The activities included in the digital marketing services are:
  - a) SEO (Search Engine Optimization): allows optimization based on search methods to act on the content of a website so that its structure is easy to index.
  - b) Social media marketing: based on the operational management of social channels, creation of a customizable, coordinated image, and promotional campaigns in line with the company.
  - c) Web advertising: includes all the activities and promotional campaigns with which it is possible to communicate on the web to increase the brand's visibility and acquire new customers.
  - d) Web marketing: communication of the brand through online channels and more traditional means aimed at increasing visibility with the aim of reaching customers.
  - e) Web design: creation and development of websites and portals combining the latest programming, scripting, and storage technologies for the web, offering graphics, content marketing, and programming skills.
  - f) e-commerce: design and implementation of platforms dedicated to online sales, starting from an analysis of the product or service, followed by the study of market players and critical success factors.
- Mobile apps: creation of mobile applications for iOS and Android devices such as smartphones, tablets and various touch systems, useful for internal and external communications to companies, allowing interaction between users anywhere and at any time in a simple way. The activities included in the mobile app services are:
  - a) Mobile application design: collection of requirements and objectives, prototype of the storyboard, as well as graphic representation of the application, definition and design of the graphic layout and ergonomics, technical design of the application.

- b) Mobile application development: application development based on what is defined in the mobile application design phase, as well as support during the application publication and certification process.
- c) Mobile application maintenance & upgrade: provision of a corrective and evolutionary maintenance service.

### 6.1.3 **Business model**

The companies belonging to the Group operate with a commercial structure identified in the subsidiary MFD, where in addition to commercial transactions, there is also a telemarketing organization.

The Issuer has adopted a business model characterized by resources with strong commercial skills that oversee the development of the customer portfolio in a cross-cutting manner, integrated and supported by business solutions specific to each area of competence able to meet the needs of customers.

The Group's business model is based on in-depth knowledge of customer needs and high technical specialization.

To carry out its activities, the Issuer uses consolidated partnerships and highly qualified and specialized professionals for the sector of reference, which requires a marked and specific professionalism as well as the ability to integrate complex technological solutions. This organization allows each project to be handled in an integrated manner.

The Group operates by offering IT services and solutions along the various stages of the value chain, as described below.

#### **Analysis and identification of customer needs**

The Group's work starts with an accurate analysis of customer needs and business processes that lead to the identification of possible implementations of systems serving the management of information systems. In this phase, the Group's team of specialists, composed of resources with specific skills, collects information that is unique to the customer and their business requirements, analyzing both explicit and latent needs regardless of the technology that will be used. In fact, the analysis of organizational aspects is of particular importance in order to identify technological gaps and the best solutions to be implemented.

#### **Comparison of applicable solutions**

During this phase, the main solutions applicable to the customer's needs are analyzed. Specifically, customized solutions are analyzed thanks to the contribution of the highly specific professional skills of the Issuer's resources.

#### **Solution design**

Once the analysis has been completed, the Group's team of specialists internally designs the technological solutions to be offered to the customer to support the implementation of its organizational and operational processes in order to also guarantee the comprehensive security of the company's perimeter.

Following the identification of the technological solutions and services to be offered to the customer, the economic offer to be submitted for the customer's approval is drawn up. Taking into account the needs of the customer, the Group prepares a structured

technological solution through the combination of software and/or hardware produced and distributed by its partners and/or technological solutions developed internally by the Group and licensed to customers. In order to offer the end customer a solution that is suitable to their needs, the Group identifies and selects individual applications, integrating them into a single technological solution that interfaces with the customer's platform and provides a customized solution to the needs of its business model.

### **Solution installation**

Once the solution has been identified, the Group carries out the activities necessary for the activation and installation of the chosen solution on the customer's systems, which is assisted and supported by the Group's specialized resources.

### **Provision of solution management services**

Finally, the Group offers its customer services for the management of the chosen solution that include, among other things, the service of constantly monitoring possible malfunctions, routine maintenance of the solution, resolution of possible procedural errors, as well as installation of updates.

#### **6.1.4 Key success factors**

The Issuer believes that the Group's activities are characterized by the following critical success factors:

##### **Strong growth**

The Group operates in a growing sector offering a wide range of development opportunities.

##### **Personnel with specific professional skills and management with extensive know-how**

The Group offers a complete portfolio of value-added solutions for customers thanks to the contribution of specialized professionals with advanced skills in the sector. The Group was founded by a team of entrepreneurs with many years of experience in the Information Technology sector with distinctive skills in the management of projects and complex IT solutions for customers belonging to strategic sectors for the Italian economy. The Group has the ability to develop and promptly offer its customers customizable solutions and integrated services to support the main infrastructure platforms.

##### **Proven M&A capability**

In pursuit of the growth strategy undertaken since its founding by management through merger & acquisition operations, the Group has gained considerable experience in the selection of companies and target companies and in their integration within the Group.

##### **Ability to offer innovative technological solutions**

Thanks to a constant investment in research and development, the Group is strongly oriented towards the innovation of services and the offer of proprietary solutions developed in-house, and is able to maintain high competitiveness at a technological level.

##### **Cyberoo LAB in Kiev**

In 2017 the Group founded Cyberoo LAB, a network of proprietary technological HUBS with the ambitious goal of creating intelligent solutions that support security and can compete in the international market. In fact, the decision to create the first hub in Kiev was dictated by the region's extensive human specialization in the cybersecurity sector. The location in a strategic geographical area, together with the presence of highly specialized human resources and low costs, constitutes a great competitive advantage for the Group.

#### Recurring fees and competitive pricing

The Group operates mainly with annual recurring fee contracts. Moreover, with regard to proprietary solutions, it offers services at a competitive price when compared to IT spending and other solutions in the market.

#### Membership in Sedoc Digital Group

Sedoc Digital Group offers great opportunities for strong expansion in the target market, operating as a vendor of the Issuer's products.

#### **6.1.5 New products and/or services introduced**

As of the date of the Admission Document, there are no significant new products and/or services.

### **6.2 Main target markets and competitive positioning**

The Company operates through three main lines of business: the Cybersecurity division, the Managed Security Services part, which acts as an external provider, and finally Digital Transformation.

The target market is therefore represented by the different sectors in which the issuing Company operates, both at an Italian and a global level.

These areas will be analyzed individually below.

In drafting these paragraphs, the Issuer used information extracted from the following sources and reports:

- 2019 Clusit report
- Statista
- Digital in Italy 2018, prepared by Assinform
- Industry 4.0: building the digital enterprise, prepared by PwC
- Cybersecurity trends, prepared by Crowd Research Partners

#### **6.2.1 The digital market**

Digitization is a fundamental pillar for the development of businesses and for ensuring the sustainability of the business model within a competitive context characterized by high technological content and the rapid introduction of disruptive technologies capable of radically changing this context.

This strong acceleration was possible thanks to the convergence of three conditions:

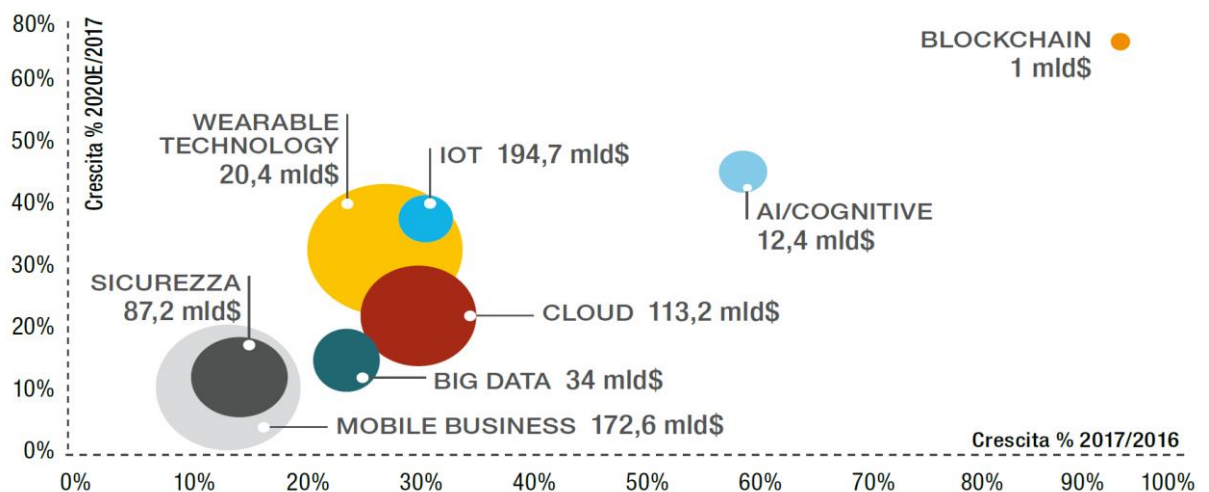
- The availability of increasingly intelligent devices at decreasing prices.
- The deployment of more advanced network infrastructure.
- The multiplication of content and applications that make the digital experience of the public, workers, and consumers more and more alive.

The factors that trigger this digital revolution are called "Digital Enablers" and are the same ones that will lead to great growth in the global digital market.

The main drivers of this revolution, not in order of magnitude or importance, are: Blockchain, AI, IoT, Cloud, Big Data, Security, Mobile Business, Wearable Technologies.

Below is an explanatory table of the relative past and future global growth of each area.

**Chart 1**  
**Global size and growth of each Digital Enabler**

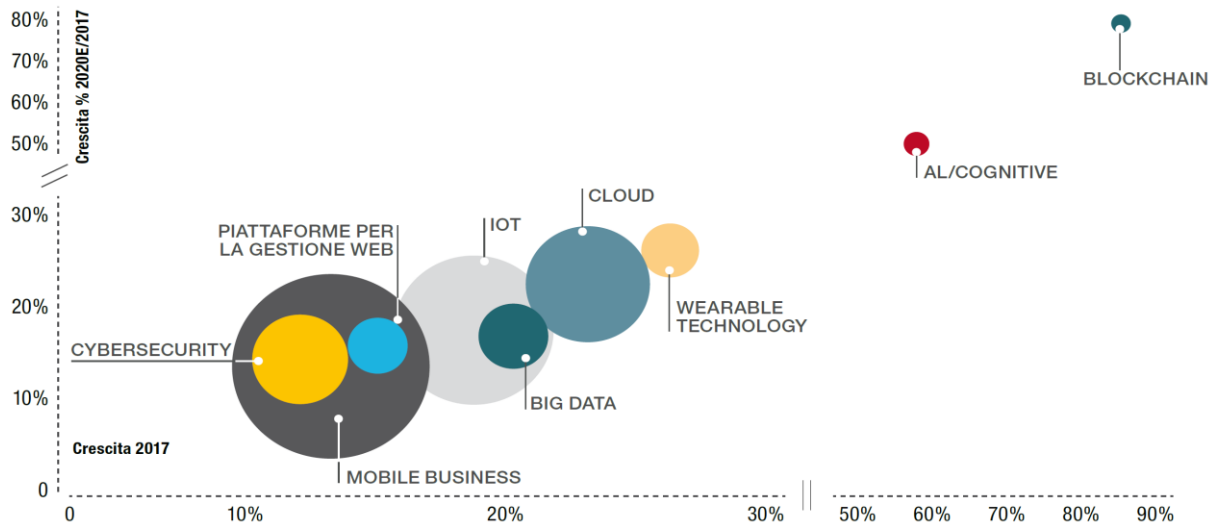


Source: Digital in Italy 2018, Assinform

As can be seen from the previous chart, the global demand for Security solutions (\$87.2 billion, +11.8%) is growing and will continue to increase with the growth of threats. In Europe, it will also be driven by companies' need to comply with the requirements of the General Data Protection Regulation (GDPR). Therefore, the adoption of highly evolved solutions such as intelligent security systems (ISS), endpoint detection and response (EDR) solutions, network traffic analysis (NTA) tools, threat intelligence, and real-time change auditing solutions will grow.

In Italy, the digital market grew by 2.3% in 2017, promising even higher growth in the medium term. This effect is due to a profound change in demand in all major sectors, from Finance to Industry, Distribution, and Utilities. A demand that, even in Italy, is now attentive to the potential of the platforms that animate the digital transformation. For this reason, the segments associated with the main Digital Enablers are growing by double digits, driving the entire market for now and for the near future.

**Chart 2**  
**Italian size and growth of each Digital Enabler**



Source: Digital in Italy 2018, Assinform

As for the rest of the world, there was growth in the Italian Security market from 2016 to 2017, just over 10%. This trend will continue in the coming years, with an estimated growth of about 12%, slightly more than in previous years.

The development trajectories of the Italian technological market are focused on digital trends common to the rest of the world. However, some of these appear to be more consolidated, and thus they were included in the investment plans of Italian companies some time ago. Examples are Cloud Computing, Cybersecurity, Big Data, Mobility, IoT, and Social platforms.

The interest of companies in all these issues remains very high. The corresponding markets continue to grow at a steady pace, in line with investments that have now surpassed the typical initial phases and that today concern a broader scale.

Generally speaking, the digital market in Italy exceeds 68 billion and by 2020 is expected to reach 75 billion with a CAGR growth of 2.74%.

### 6.2.2 Cybersecurity

An element of serious concern is related to cyber espionage and sabotage, which are growing and are now taking the most varied forms, from infiltration into critical infrastructure, companies, and institutions to the systematic theft of all kinds of information for geopolitical purposes, for economic and technological predominance, for reconnaissance and for "preparing the ground" for future attacks.

This type of threat is increasingly widespread for two fundamental reasons: on the one hand, the victims are absolutely not structured to defend themselves against this type of attackers, and on the other hand law enforcement and security services do not have sufficient resources to effectively guard this front, also considering that the potential targets for attacks are essentially infinite.

A further cause for concern related to cyber espionage and sabotage stems from the fact that for the attackers the "entry barriers" are very low and the cost-benefit ratio is very favorable.

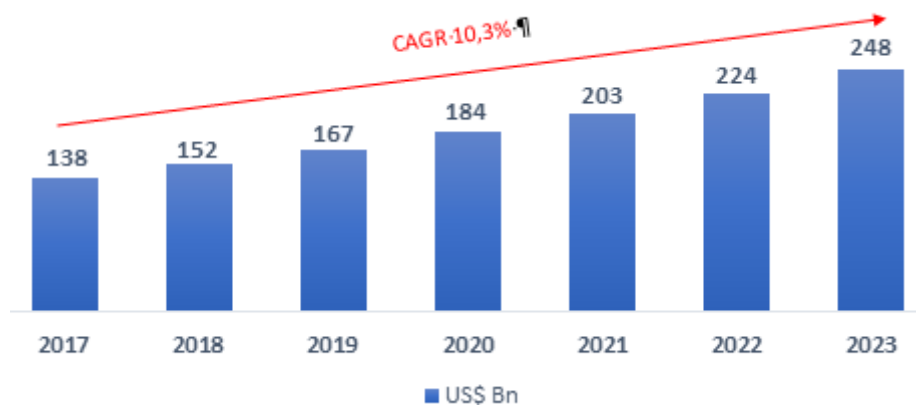
#### 6.2.2.1 Cybersecurity around the world



The global Cybersecurity market has grown significantly in recent years and is set to grow even more over the next five years.

In 2017-2018 alone there was a growth of 10.14%, with an increase in the market value from 138 billion to 152 billion. This trend will continue over the years and will bring the total value to 250 billion in 2023, with a total CAGR of 10.3%.

**Chart 3**  
**The global Cybersecurity market (2017-2023E, values in billions)**



Source: Statista

According to a study by Crowd Research Partners, 52% of companies are increasing their security budget, on average by 21%. This is due to the fact that 54% of cybersecurity professionals anticipate the success of cyberattacks of organizations in the next 12 months.

Areas of intervention where companies will increase their security spending include cloud infrastructure (33%) and cloud applications (28%), not to mention training (23%), which ranks third.

However, there are some challenges that all these companies must face before implementing these strategies. The three main obstacles to strengthening cybersecurity are the lack of qualified staff (45%), which is linked to the intervention strategy in training, the lack of budget (45%), and the lack of security awareness among employees (40%).

To overcome these challenges and create a better security position, 54% of organizations want to train and certify their current IT staff.

Once these systems are in place, 58% of organizations estimate that they have reduced the number of security breaches by at least 25% using better threat information and internal and external monitoring solutions.

#### 6.2.2.2 Cybersecurity in Italy

As mentioned, the growing attention to Cybersecurity is linked both to an increase in threats that are in turn increasingly difficult to protect against, and to the regulatory evolution at a European level, with the entry into force on May 25, 2018 of the General

Data Protection Regulation (GDPR) and the transposition of the NIS (Network Information Security) directive.

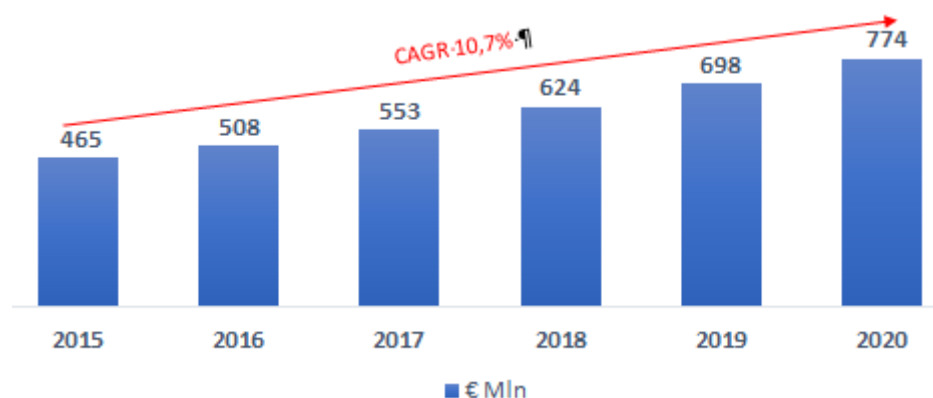
Increasing the risks of companies and organizations are contributing technologies that have become essential to the operations of organizations. These include Mobile technologies, with apps – whether they support the work of internal staff or used by customers – being seen by most organizations as having the greatest impact on levels of cyber risk.

This factor is accompanied by the growing need to open corporate services to third parties through APIs and IoT technologies, which, assuming the exchange of data and information between connected objects, present themselves as the new vectors of attacks and primary areas of investment to protect an increasingly extensive perimeter of networks and connected software/sensors.

The confirmation of the centrality of the issue is also evident in the trends of the Cybersecurity market.

In 2018 its value was around €624 million, but this positive future trend will rise to almost 700 million in 2019 and 774 million in 2020, registering a CAGR of 11.4% in just these two years. In the period 2015-2020 the CAGR was 10.7%.

**Chart 4**  
**The Italian Cybersecurity market (2015-2023E, values in millions)**



Source: Digital in Italy 2018, Assinform

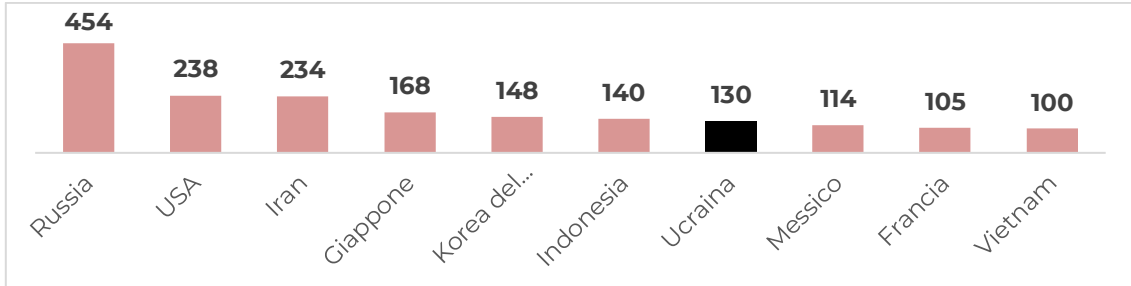
Another important point in the fight against cyber crime concerns awareness of these attacks and their intensity. According to Clusit estimates, the number of serious attacks in Italy (defined as those attacks capable of causing financial or reputational damage of millions of euros) has almost doubled over the course of only four years. This number reached 1,550 in 2018, with an increase of 38% compared to the previous year alone. Of these 1,550 61% were considered of high severity, a significant increase when compared to the 51% in 2017. The remaining 39% had a medium severity, down compared to 2017.

These data highlight how Cybersecurity is becoming and must become a concern for every single company, capable not only of avoiding but also of preventing these types of problems. The benefits of this protection are not limited to organizational and privacy aspects but also have great financial and cost implications.

### 6.2.2.3 Cybersecurity in Ukraine

The decision to create a research hub in Ukraine was dictated by the region's extensive human specialization in the cybersecurity sector.

Each year in Ukraine 130,000 new engineers graduate from the university, of which 16,000 with specializations in IT (the highest number in Europe and the seventh in the world).



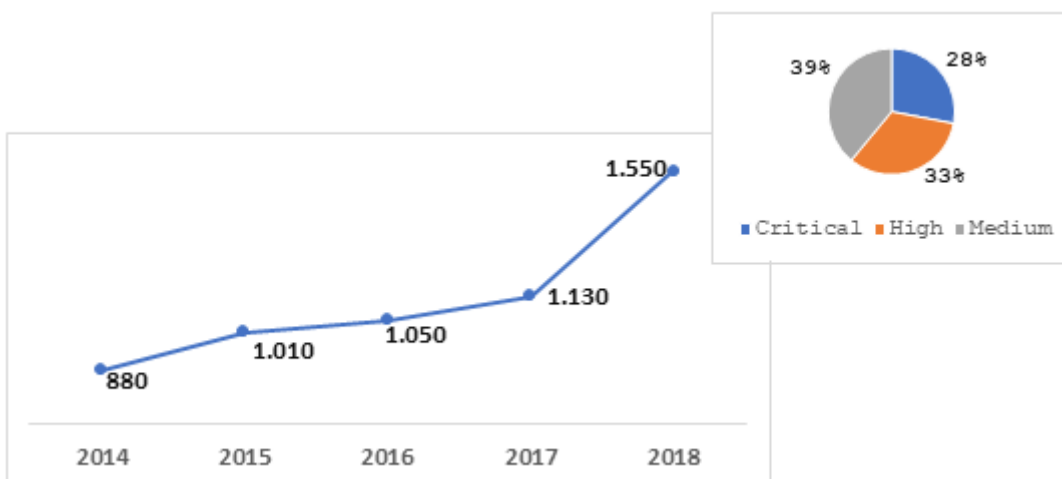
Source: World Economic Forum, FORBES

In 2016, HackerRank ranked the best IT developers in different segments, and Ukraine was in first place in the cybersecurity sector.

1	<b>Ucraina</b>
2	China
3	Svizzera
4	Repubblica Ceca
5	Colombia

Source: HackerRank

**Chart 5**  
Number of serious attacks in Italy (2014-2018) and severity level (2018)



Source: 2019 Clusit report

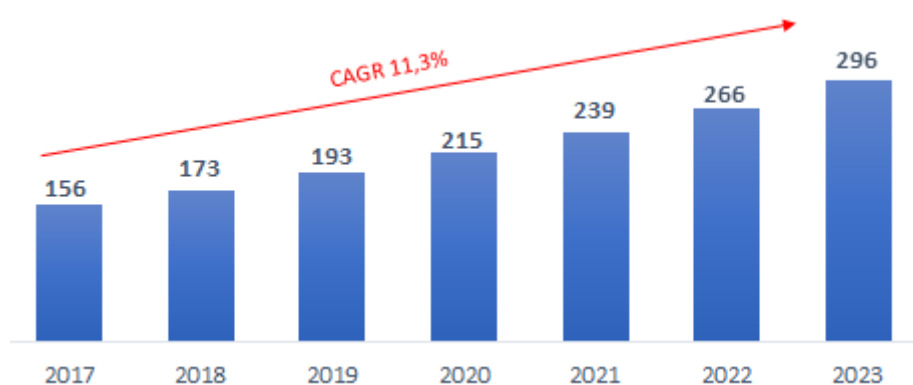
### 6.2.3 Managed Security Service Providers (MSSP)

A first analysis that underscores the importance of outsourcing and of all those companies offering such services considers the size of this market.

A Managed Service Provider is a practical solution to all the problems of companies that, instead of investing resources and time in an activity and division (often ancillary), outsource it, leaving the burden of managing the entire process to this provider.

This market has been growing strongly in the last year, with an increase of 10.9% between 2017 and 2018 and reaching a value of €173 billion. More growth is expected in the coming years, with a market of over 200 billion in 2020 and almost 300 billion by 2023, with a total CAGR of 11.3%.

**Chart 6**  
**The global Managed Service Provider market (2017-2023E, values in billions)**



Source: Statista

Returning to the central topic of MSSPs, there are many reasons why companies turn to outsourced security service providers. The most common concern the possibility of relieving pressure that companies themselves have to deal with, like how to evaluate and remedy new types of attacks. Furthermore, other issues such as protecting one's organization against data theft, having to address and resolve a skills shortage, and having to fill resource gaps open the door to all those providers that offer themselves as a solution to all these problems.

According to research by Crowd Research Partners, leveraging third-party security solutions (47%), collaborating with a managed service provider (41%), or hiring additional security personnel (32%) are complementary alternatives to internal investment to solve these types of problems.

Outsourced security services include a range of professional services such as assessments, penetration tests, and other advisory services, and are provided by a third party (MSSP) on behalf of the client. These include but are not limited to monitoring the network 24 hours a day, 7 days a week, 365 days a year and managing security controls, supervising patch management, and responding to emergencies.

Going further into these external solutions, it is useful to understand the expectations of the market and of companies. To make this outsourcing service a standard, to better manage cyber threats and reduce the risk of a security breach, companies prioritize

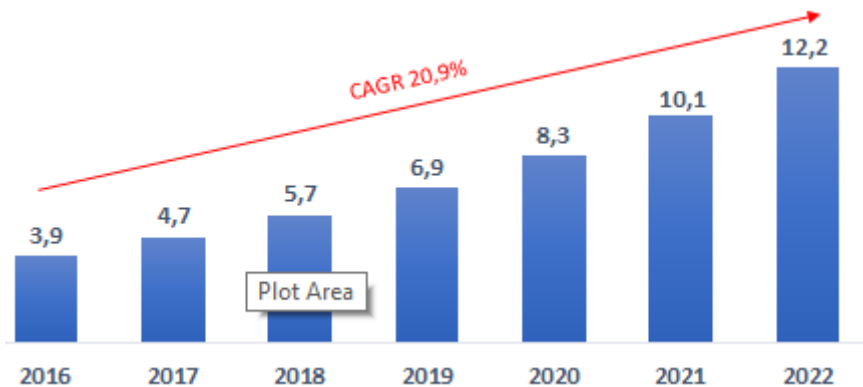
three key capabilities that Managed Security Service Providers must have: better detection of threats (62%), better analytical capabilities (43%), and blocking of threats (39%) are the first three and the most considered.

### 6.2.3.1 MSSPs around the world

The global market for Managed Security Service Providers has been on the rise in recent years and will grow even more in the years to come.

From 2016 to date it has gone from almost 4 billion in market value to 5.7, while in the next 4 years it will reach 12.2 estimated for 2022, with a total CAGR of 20.9%.

**Chart 7**  
**The global Managed Security Service Provider market (2016-2022E, values in billions)**



Source: Statista

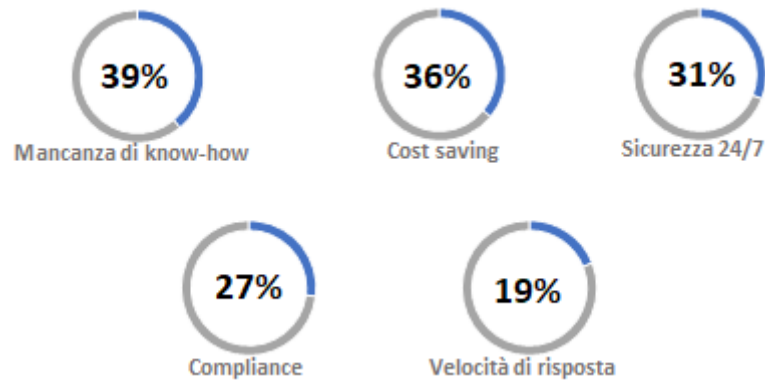
A survey prepared by Crowd Research Partners highlights all the main aspects and benefits that MSSPs bring to companies and that companies themselves expect.

Security expertise (71%) is by far the most critical capability that organizations seek in MSSPs, followed by the capacity to reduce costs and cost-effectiveness of the service (54%), and breadth of the services and capabilities (50%). These are followed by reputation (48%) and flexibility (31%), which, while less prominent, still account for high percentages.

The main factor that drives organizations to consider third-party-managed security services is the lack of internal security resources (39%) to address the growing needs for data protection, systems and applications against organized crime, and increasingly sophisticated threats.

This is followed by the desire to reduce the cost of security (36%), moving towards continuous security coverage 24 hours a day, 7 days a week, 365 days a year (31%), improving compliance (27%), and increasing the speed of incident response (19%).

**Chart 8**  
**MSSP implementation drivers**



Source: Cybersecurity Trends, Crowd Research Partners

Looking at the process of outsourcing after the fact, the two main benefits that organizations have derived from MSS services are those of increased security and reduced costs. These benefits are very important and highly regarded by organizations seeking to outsource this type of activity.

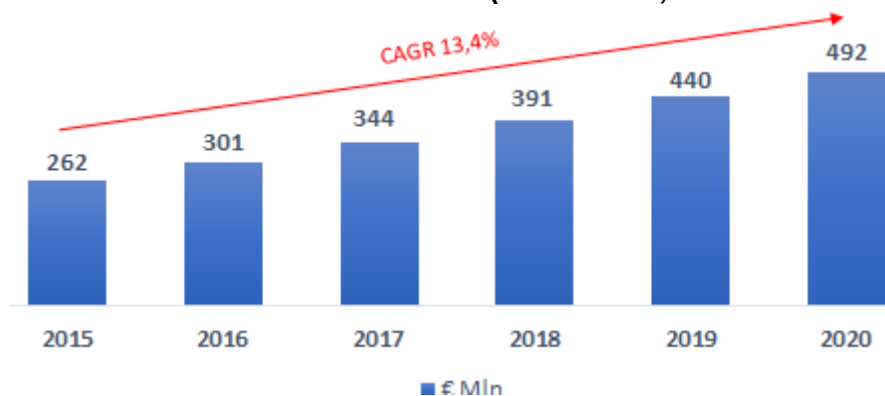
Greater availability, flexibility, capacity and scalability, and greater efficiency complete the five main benefits.

These results confirm how organizations receive large overall benefits promised by MSS providers.

### 6.2.3.2 MSSPs in Italy

The Managed Security Service market has been growing in Italy as well since 2015, and will continue to do so in the coming years. Its current market value stands at 391 million, up 13.66% versus 2017. From 2015 to date, it has recorded a CAGR of 14.28% and in 2020 is estimated to reach a value of 500 million with a CAGR in the entire period 2015-2020 of 13.43%.

**Chart 9**  
The Italian MSSP and Cloud market (2015-2020E, values in millions)



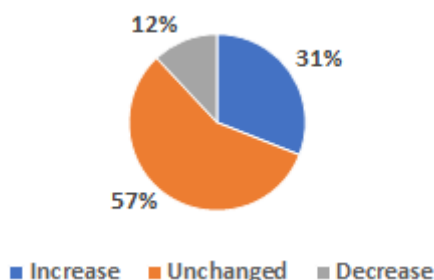
Source: Digital in Italy 2018, Assinform

While cloud computing has become a mainstream deployment choice for applications, services, and systems, in-the-cloud security concerns remain high. The top three, according to an estimate by Crowd Research, are protection against data loss (57%), threats to data confidentiality (49%), and breaches of confidentiality (47%).

To address this issue and prevent future problems, approximately one-third of organizations expect the budget for managed security services to increase over the next 12 months. 57% will leave this amount unchanged while only 12% will reduce it.

Going into more detail, considering the 31% mentioned above, this area is expected to receive one of the largest shares of the expected budget increase in all areas of IT security, a sign of how cybersecurity is increasingly placed at the center of business strategies.

**Chart 10**  
**Changes in budgets for Managed Security Services (next 12 months)**



Source: Cybersecurity Trends, Crowd Research Partners

#### 6.2.4 Digital Transformation

The term "Industry 4.0" commonly refers to the fourth industrial revolution.

While Industry 3.0 was focused on the automation of individual machines and processes, Industry 4.0 focuses on the end-to-end digitization of all physical assets and their integration into digital ecosystems.

Industry 4.0 can be said to be driven by three trends: the digitization and integration of the value chain, the digitization of the product and services offered, an innovative digital business model.

In any case, we are no longer talking about a mere "future trend." In fact, for many companies it is the basis of their strategy and research for development. Companies are combining advanced connectivity and automation, cloud computing, sensors and 3D printing, connection capabilities, smart algorithms, and IoT to completely transform their business.

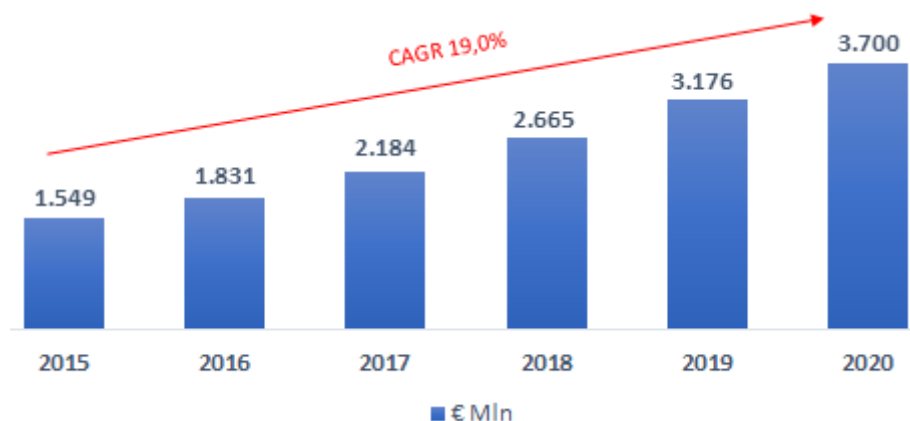
##### 6.2.4.1 Digital Transformation in Italy

With regard to the Italian Digital Transformation market, the growth of recent years denotes and underscores the great potential of this sector.

From 2015 to date it has gone from 1,549 million to 2,665 with a CAGR of 19.83%. In the years 2017-2018 alone there was an increase of 22.02%.

The value of this market will reach €3,700 million in 2020, recording +1,000 million compared to 2018, and a CAGR in five years of 19.0%.

**Chart 11**  
**The global Digital Transformation market (2015-2020E)**



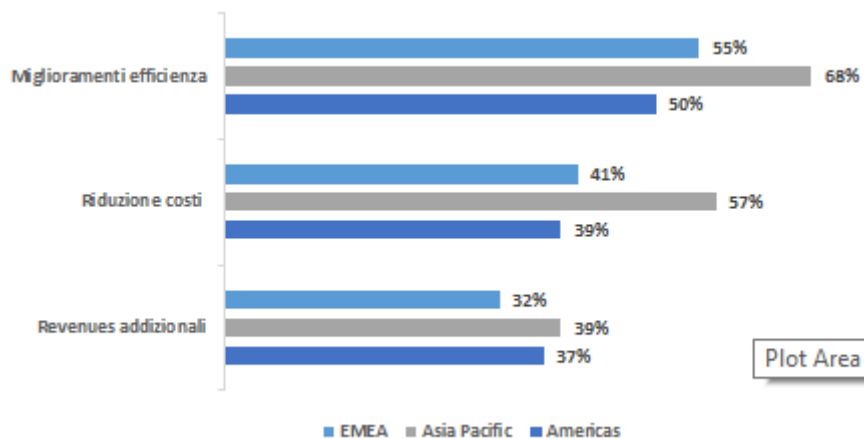
Source: Digital in Italy 2018, Assinform

Many international industry leaders have been and will be very successful through the implementation of Industry 4.0. However, these advantages are not limited to specific countries or regions. The future trend is that many applications will connect closely with local companies, as customized products often require regional production capabilities.

While the already developed economies could be the ones that benefit most from Industry 4.0, at least in the short term, the emerging economies are the ones that will probably have the most to gain from this global development.

In any case, according to a PwC survey, the global benefits are divided into three categories: efficiency improvements, cost reduction, and additional revenues. Considering the results achieved, the advantage that is most shared is the first, reaching peaks of 68% for respondents in the Asia/Pacific area, 55% for EMEA, and 50% for the Americas.

**Chart 12**  
The three main advantages of digitization



Source: Industry 4.0: building the digital enterprise, PwC

### 6.2.5 Competitive positioning

In the opinion of the Issuer, competitors can be divided by market:



- **Cyber Security:** Italian competitors are small and medium-sized companies, including: Cynet Srl, Yarix Srl, Cybonet, Certego Srl, Yoroj Srl. Cyberoo expects to differentiate itself from the market with the two proprietary solutions Cypeer and CSI, developed in-house.
- **Managed Services:** currently in Italy there are a few small MSPs, including: Var Group Spa, Elmec Informatica Spa, Sinergy Spa, Matica Net Srl, Errevi System Srl. Cyberoo expects to differentiate itself from the market with the proprietary Titaan solution, developed in-house.
- **Digital Transformation:** with regard to the digital transformation sector, while there are no fully comparable competitors, at a local level Cyberoo competes with software developers and digital marketing agencies, including: Relatech SpA, Webranking Srl, Neosperience SpA, Lovemark Srl.

### **6.3 Significant events in the evolution of the Group's activities**

On July 23, 2008, the Issuer was incorporated as AT STORE S.r.l. through the acquisition of a business unit from AT S.r.l. in liquidation, initially selling and reselling IT devices.

In August 2008 Sedoc S.r.l. acquired 51% of the Issuer's share capital, and in April 2010 the remaining 49%.

In December 2011, the Issuer acquired a business unit from the company Sedoc Digital Group S.r.l. and began providing device management services.

November 2014 saw the merger by incorporation of the sole shareholder Sedoc S.r.l. into Sedoc Digital Group S.r.l. (formerly Atena S.r.l.).

In 2015, the Issuer began operating as a Managed Service Provider and subsequently as a cyber security provider, expanding its offer to the management, monitoring, and protection of its customers' entire IT infrastructure.

In December 2018 Sedoc Digital Group S.r.l. conferred on SDG Innovative Technologies S.r.l. (a 100% subsidiary of Sedoc Digital Group S.r.l.) a shareholding of the Issuer equal to 60% of the share capital.

Also in December 2018, the Issuer resolved a capital increase reserved for the shareholder Sedoc Digital Group S.r.l. for a total of €1,806,800.00 paid by means of a contribution of the shares representing 100% of the share capital of Life Your Brand S.r.l. As a result of this capital increase, the Issuer's share capital was held (i) for 46.90% by Sedoc Digital Group S.r.l. and (ii) for 53.10% by SDG Innovative Technologies S.r.l.

In February 2019, the Issuer resolved a new capital increase for a total of €485,500.00 reserved for Messrs. Fabio Leonardi, Massimo Bonifati and Davide Cignatta, paid through the transfer of the shares representing 100% of the share capital of MFD International S.r.l. As a result of this capital increase, the Issuer's share capital was held (i) for 45.50% by Sedoc Digital Group S.r.l., (ii) for 51.50% by SDG Innovative Technologies S.r.l., (iii) for 1.95% by Fabio Leonardi, (iv) for 0.45% by Massimo Bonifati, and (v) for 0.60% by Davide Cignatta.

In 2019, as a seller of services, the Issuer became a real tech company, launching innovative proprietary cybersecurity and monitoring solutions on the market, including among other things machine learning and big data.

#### **6.4 Strategy and objectives**

The Group intends to continue its development and growth strategy in the following directions:

➤ *Growth through internal lines*

The Group intends to increase the number of its customers and the services offered to them through the following strategies:

- Marketing to reduce the time-to-market of new solutions developed.
- Strengthening of the sales force and structure to expand the customer base thanks to cross-selling and up-selling strategies.
- Updating of the solutions already developed, considered strategic for the Group's growth.
- Strengthening of research and development, including through the development of the Cyberoo Lab in Kiev.
- Development of new proprietary solutions in the cybersecurity market to deal with the continuous evolution of IT attacks.

➤ *Growth through external lines*

The Group intends to implement its growth strategies through the targeted acquisition of companies, seeking to acquire:

- New customers in order to offer them the Issuer's proprietary solutions.
- Partnerships with retailers that can sell the Issuer's proprietary solutions, reducing time-to-market.
- Personnel highly specialized in the development and management of cybersecurity solutions.
- Access to foreign markets.

#### **6.5 Dependence on patents, licenses, industrial, commercial, or financial contracts or new manufacturing processes**

As of the date of the Admission Document, the Group is not dependent on the use of patents, licenses, industrial, commercial, or financial contracts, concessions or manufacturing processes.

##### **6.5.1 Trademarks owned by the Group**

As of the date of the Admission Document, the Group is not the owner of any trademarks.

##### **6.5.2 Patents**

As of the date of the Admission Document, the Group does not have any patents.

##### **6.5.3 Certifications**

As of the date of the Admission Document, the Group has not acquired any certifications.

#### **6.5.4 Domain names**

Below is a list of the main domain names owned by the Group:

- cyberoo.com
- cyberoo.eu
- cyberoo.it
- lyb.it
- lybconsulting.it
- lybhrm.it
- lybweb.it
- lifeyourbrand.com
- lifeyourbrand.eu
- lifeyourbrand.it
- lifeyourbrand.net
- smtplyb.it
- opencrm.info
- lifeyoursite.it
- mfdint.eu
- dfm.com.ua
- at-solution.it
- atstore.it
- atserve.it
- atpro.it

#### **6.6 Sources of the statements made by the Issuer regarding its competitive position**

The Admission Document contains statements of key information on the Company's positioning, market assessments, and comparisons with competitors made, unless otherwise specified, by the Company based on specific knowledge of the sector it belongs to, its experience, as well as public data.

#### **6.7 Investments**

##### **6.7.1 Investments made**

The most significant investments made by the Company in 2018 were aimed at the development and improvement of proprietary software, in particular referring to the "OSINT Open Source Intelligence" and "DATA MINING" projects – "TITAN" PROJECT, through the capitalization of the related costs.

##### **6.7.2 Investments in progress**

As of the date of the Admission Document, there are no investments in progress that represent definitive and/or binding commitments for the Group.

##### **6.7.3 Future investments**

With regard to future investments, note that no commitments have been made to this effect by the Issuer's board of directors on the date of the Admission Document

**6.7.4 Joint ventures and undertakings in which the Issuer holds such a proportion of the capital as to have a significant impact on the valuation of the assets and liabilities, financial position, or profits and losses of the Issuer**

As of the date of the Admission Document, the Issuer is not part of a joint venture and does not hold investments other than those described in Paragraph 7.2 below.

**6.8 Environmental issues**

As of the date of the Admission Document, also in consideration of the activities carried out by the Group, the Issuer is not aware of environmental issues that significantly affect the use of tangible fixed assets.

## **7 ORGANIZATIONAL STRUCTURE**

### **7.1 Description of the Group**

The Issuer is the parent company of the Cyberoo Group.

As of the date of the Admission Document, the share capital of the Issuer is held: (i) for 97% by Sedoc Digital Group S.r.l. (51.5% through SDG Innovative Technologies S.r.l.), a company controlled by Fabio Leonardi (Chief Executive Officer of the Issuer) with a stake equal to 65% of the share capital and for the remaining 35% by Davide Cignatta (20%) and Massimo Bonifati (15%); and (ii) for 3% directly by Fabio Leonardi, Davide Cignatta, and Massimo Bonifati, directors of the Issuer, with a stake of 1.95%, 0.6%, and 0.45%, respectively.

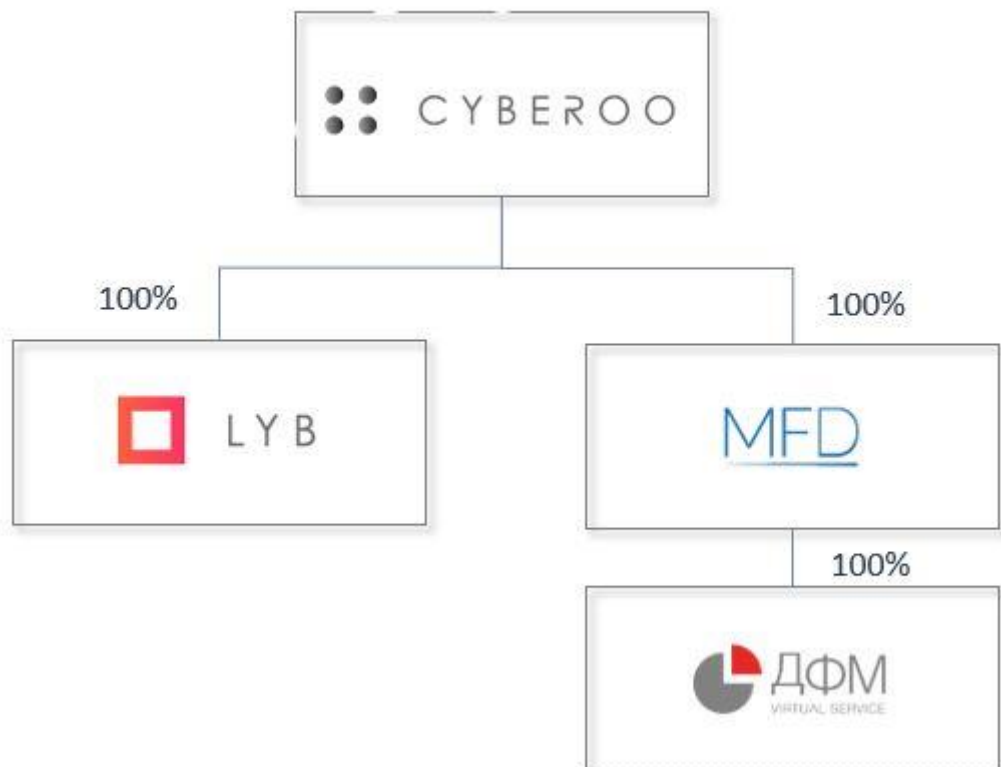
The Issuer considers that it is not subject to direction and coordination pursuant to articles 2497 and following of the Italian Civil Code by SDG Innovative Technologies S.r.l., as the latter: (i) does not exercise any active influence on the operations of the Issuer or the group headed by it, resulting in complete autonomy of action by the Issuer's directors; (ii) does not prepare strategic, industrial, financial, commercial, or budget policies for the Issuer and/or the group headed by it; (iii) does not exercise effective decision-making powers over the Issuer, not issuing directives relating to financial and credit policies and/or directives relating to the acquisition, disposal, and concentration of shares/assets; (iv) does not centralize any function, such as treasury, administration, or control of the strategic direction of the group; and (v) limits the relationship with the Issuer to the simple exercise of the administrative and financial rights deriving from the status of shareholder.

Moreover, the Issuer believes that it operates in a condition of total corporate and entrepreneurial autonomy with respect to SDG Innovative Technologies S.r.l., acting autonomously in negotiations with customers and suppliers and in the definition of its strategy and development, not being in any way influenced in its operations by SDG Innovative Technologies S.r.l.

### **7.2 Description of the Group companies**

As of the date of the Admission Document, the Issuer directly and fully controls Life Your Brand S.r.l. and MFD International S.r.l., and, through the latter, 100% of the share capital of DFM Virtual Service LLC, a company based in Kiev (Ukraine).

Below is a diagram of the companies that belong to the Group:



The Issuer performs direction and coordination pursuant to article 2497 of the Italian Civil Code with respect to the subsidiaries.

## 8 LEGAL CONTEXT

Below are the main legislative and regulatory provisions that are most relevant to the Issuer's business.

### Regulations on the protection of personal data

On May 25, 2018, EU Regulation 679/2016 (the "GDPR") on the protection of individuals with regard to the processing of personal data became directly applicable in all EU Member States. Provisions of the GDPR include:

- Fines of up to €20 million or 4% of the total annual turnover for each violation.
- Stringent requirements for the consent that the data subject is required to provide in specific cases.
- Enhanced rights for data subjects, including the right to data portability or the "right to be forgotten," which in certain circumstances provides for the permanent erasure of the data subject's personal data.
- The obligation for data controllers to implement adequate technical and organizational measures to ensure a level of security adequate to the risk.

In Italy, on September 20, 2018, Legislative Decree 101/2018, which adapts the provisions of Italian Legislative Decree 196/2003 (the "Privacy Code") to those of the aforementioned GDPR came into force.

### Regulations on intellectual property

The main regulations in the area of trademarks, patents, and designs are: (i) the "Code of Industrial Property Rights" (Italian Legislative Decree no. 30 of February 10, 2005), as subsequently amended and supplemented, (ii) the Paris Convention for the Protection of Industrial Property and (iii) the so-called TRIPs (Trade Related Aspects of Intellectual Property Rights), relating to trade-related aspects of intellectual property rights.

With particular regard to patent protection, the following should be noted: (i) the Patent Cooperation Treaty, as subsequently amended and supplemented, which provides for the unified protection of patents in the countries acceding to the Convention by filing a unified international patent application; and (ii) the European Patent Convention, which provides for a single procedure for filing, examining, and granting patent certificates for all the countries designated and acceding to the Convention. While this latter Convention is fully transposed into Italian law with Italian Legislative Decree no. 18 of February 19, 2019, following an application for constitutional legitimacy filed before the German Constitutional Court, the application of the unitary patent legislation is currently suspended.

With regard to the protection of trademarks, among other things the following should be noted: (i) the Madrid Agreement of April 14, 1891, as subsequently amended and supplemented, and the Madrid Protocol of June 27, 1989, which provide for a unified procedure for filing trademarks with all the countries designated and acceding to the Convention; (ii) the Nice Agreement of June 15, 1957 on the international classification of products and services to which trademarks apply, as subsequently amended and supplemented; (iii) Directive (EU) 2015/2436 of December 16, 2015 on the approximation of the laws of the Member States relating to trademarks (implemented in

Italy with Legislative Decree no. 15 of February 20, 2019); (iv) the Community Trade Mark Regulation (no. 1101/2017 of June 14, 2017), as subsequently amended and supplemented by Regulation (EU) 2018/625 and Commission Regulation (EU) 2018/626, both of March 5, 2018 establishing a single and indivisible title effective throughout the Community; and (v) Commission Implementing Regulation (EU) 2018/626 of March 5, 2018 establishing detailed rules for the application of certain provisions of Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trademark, and repealing Implementing Regulation (EU) 2017/1431.

Finally, with regard to the legal protection of designs, of note are Directive 98/71/EC (with the effect of harmonizing the rules at a Community level), Regulation (EC) no. 6/2002 of December 12, 2001 (lastly supplemented by Regulation (EC) no. 1891/2006 of December 18, 2006) on Community designs, and the 1968 Locarno Agreement on the international classification of industrial designs, as subsequently amended and supplemented. Regulation (EC) no. 2245 of October 21, 2002 is an addition to the regulatory framework set out above, marking the methods of implementation of the aforementioned Regulation (EC) no. 6/2002 of December 12, 2001.

### Regulations on Innovative SMEs

#### *Discipline and requirements*

Italian Decree Law no. 3 of January 24, 2015 (the so-called "Investment Compact"), converted by Italian Law no. 33 of March 24, 2015, defines Innovative SMEs as small and medium-sized enterprises pursuant to Recommendation 2003/361/EC meeting the following requirements:

- They employ fewer than 250 people (employees) and have an annual turnover (production revenues) not exceeding €50 million or total balance sheet assets not exceeding €43 million. Note that the SME size calculation also includes data relating to the companies in which the company has qualifying shareholdings.
- They have their residence in Italy or in one of the Member States of the European Union or in States party to the Agreement on the European Economic Area, provided that they have a production site or a branch in Italy.
- They have certified their latest financial statements and any consolidated financial statements prepared by an auditor or an auditing firm included in the register of auditors.
- The companies are not listed on the regulated market.
- They are not included in the register of companies in the special section of Innovative Start-ups envisaged by Italian Legislative Decree no. 179/2012.
- They meet at least two of the following requirements:
  - Volume of expenditures in research, development, and innovation equal to or greater than three per cent of the larger of the total costs and the value of production of the Innovative SME.
  - Employment as employees or contractors in any capacity in a percentage equal to or greater than one fifth of the total workforce, of personnel holding a PhD or earning a PhD at an Italian or foreign university, or in possession of a degree and who for at least three years have carried out certified research at public or private research institutes in Italy or abroad, or, in a percentage equal to or greater than one third of the total workforce, of personnel in possession of a master's degree.
  - Ownership, also as a depositary or licensee, of at least one industrial property right relating to an industrial or biotechnological invention, to a topography of semiconductor products or to a new plant variety, or ownership of the rights



relating to an original computer program registered in the Special Public Registry for computer programs, provided that this right is directly related to the corporate purpose and business. Once the relevant registration has been received, Innovative SMEs are registered in a special section in the relevant Business Register.

In order to obtain and maintain the status of Innovative SME, the Issuer must among other things comply with at least two of the requirements referred to in article 4, paragraph 1, letter e) of Italian Decree Law no. 3 of January 24, 2015. In this respect, the Issuer: (i) registered various industrial rights; and (ii) as of December 31, 2018 and December 31, 2017 invested in research, development and innovation for volumes greater than 3% of the greater of the total costs or value of production.

#### *Tax incentives for investments in Innovative SMEs*

By virtue of the referral made by article 4, paragraph 9 of Italian Decree Law no. 3 of January 24, 2015, converted by Italian Law no. 33 of March 24, 2015, to article 29 of Italian Decree Law no. 179 of October 18, 2012, converted with amendments by Italian Law no. 221 of December 17, 2012 and according to the provisions of article 4 of the implementing decree of the Ministry of Economy and Finance of May 7, 2019, starting from the tax period following December 31, 2016, the subsidized investments (as defined by article 3 of the implementing decree of the Ministry of Economy and Finance of May 7, 2019) – directly or indirectly (through UCI or other capital company that invests mainly in Innovative SMEs) – in one or more "eligible innovative SMEs":

- (i) if made by a taxpayer subject to IRPEF, are deductible from the gross tax to the extent of 30% of the investment up to a maximum invested – in each tax period – equal to €1 million, and
- (ii) if made by a taxpayer subject to IRES, are deductible for the purposes of calculating the tax to the extent of 30% of the investment up to a maximum invested – in each tax period – equal to €1.8 million.

If the deductions (or IRES deductions) due are greater than the gross tax (or the total declared income), the surplus may be carried forward as a deduction from the taxes due (or calculated as an increase in the amount deductible from the total income) in subsequent tax periods but not more than one third, up to the limit of its amount.

Pursuant to art. 1 of the Decree of the Ministry of Economy and Finance of May 7, 2019, "Eligible innovative SMEs" are defined as Innovative SMEs that: (i) fall within the definition of Innovative SMEs in art. 4, paragraph 1 of Italian Decree-Law no. 3 of January 24, 2015, even if not resident in Italy, provided that they meet the same requirements, where compatible, provided that they reside in Member States of the European Union or in States party to the Agreement on the European Economic Area and have a production site or a branch in Italy; (ii) receive the initial investment as part of the measure before the first commercial sale in a market or within seven years of their first commercial sale. After seven years from their first commercial sale, Innovative SMEs are considered eligible as they are still expanding or in the initial stages of growth: 1) up to ten years from their first commercial sale if they certify through an evaluation carried out by an external expert that they have not yet sufficiently demonstrated their potential to generate returns; 2) without age limits if they make an investment in risk capital on the basis of a business plan relating to a new product or a new geographic market that is greater than 50 percent of the average annual turnover of the previous five years, in line with art. 21, paragraph 5, letter c) of Regulation (EU) no. 651/2014.

The benefits are payable up to a total amount of the eligible contributions in the tax periods of the facilitated regime not exceeding €15 million for each eligible Innovative SME. For the purposes of calculating this maximum amount, all the eligible contributions received by the Eligible Innovative SME during the tax periods of the facilitated regime are taken into account.

Article 5 of the aforementioned implementing decree sets out the conditions for benefiting from the benefits:

1. Receipt and retention by the investor of a certification of the Eligible Innovative SME, which certifies that it has not exceeded the maximum limit of eligible contributions of €15 million, or, if exceeded, the amount for which the deduction is due, to be issued within sixty days of the contribution or within ninety days of the publication of the Decree in the Official Gazette.
2. Receipt and retention by the investor of a copy of the investment plan of the Eligible Innovative SME containing detailed information on the object of the planned activity of said company with respect to the related products, as well as on the expected or current trend of sales and profits.

For the Eligible Innovative SME, the following must be attached to the investment plan after the period of seven years from the first commercial sale: (i) for an undertaking up to ten years after the first commercial sale, an assessment performed by an external expert that the undertaking has not yet demonstrated the potential to generate returns or the absence of a sufficiently sound credit history and that it does not have collateral; (ii) for an undertaking without age limits, a business plan relating to a new product or a new geographic market that is greater than 50 percent of the average annual turnover of the previous five years, in line with art. 21, paragraph 5, letter c) of Regulation (EU) no. 651/2014. See article 5 of the aforementioned implementing decree for a list of all the cases covered by the legislation in question.

The sale – even partial – of a shareholding in the Innovative SME fore consideration before the expiry of three years, as well as the reduction of the capital, withdrawal, exclusion, or loss of the requirements, entail the forfeiture of the benefit and the obligation for the taxpayer (i) to return the amount deducted, together with interest, if the investor is subject to IRPEF, and (ii) to recover the amount deducted plus legal interest if the investor is subject to IRES.

For more details about the application of the legislation in question, refer to the implementing decree of the Ministry of Economy and Finance of May 7, 2019. Due to the newness of the aforementioned initiative, it is not possible to exclude that – in the process of implementing the legislation by the competent authorities – clarifications and interpretations may be provided that could lead to the non-applicability or non-usability of the tax benefits by the investors. For this reason, it is advisable not to base one's investment choice on the amount of the aforementioned tax incentives. For more information, see Section I, Chapter 4, Paragraph 4.1.26 of the Admission Document.

Note that, in any event concessions for investors in Innovative SMEs shall be granted subject to the conditions and limits established in the state aid guidelines.

Finally, it should also be noted that article 1, paragraph 218 of Italian Law no. 145 of December 30, 2018 (the "2019 Budget Law") provided – for the year 2019 alone – for the increase from 30% to 40% of the rates referred to in article 29, paragraphs 1, 4, and 7 of Italian Legislative Decree no. 179/2012. However, pursuant to art. 1, paragraph 220 of the 2019 Budget Law, pursuant to art. 108, paragraph 3 of the Treaty

on the Functioning of the European Union the effectiveness of the increase in the rate in question is subject to the authorization of the European Commission, not yet issued on the date of the Admission Document.

In carrying out its activities, the Issuer considers that it operates in substantial compliance with the above regulations, and on the date of the Admission Document it is not aware of any changes to the aforementioned regulations that may have significant impacts on company operations.

## **9 INFORMATION ON FUTURE TRENDS**

### **9.1 Recent trends in production, sales, and inventory and in the evolution of costs and sales prices; significant changes in the Group's financial results**

Between the closure of the Issuer's financial statements as of June 30, 2019 and the date of the Admission Document: (a) there were no particularly significant trends in production or in the evolution of costs and sales prices that could positively or negatively affect the Issuer's business; (b) there were no significant changes in the Group's financial results.

### **9.2 Trends, uncertainties, demands, commitments, or known facts that could reasonably have significant repercussions on the Issuer's prospects for at least the current financial year**

As of the date of the Admission Document, except as specified in the Admission Document (and in particular in Section I, Chapter 4 - Risk Factors), the Company is not aware of any trends, uncertainties, requests, commitments, or known facts that could reasonably have significant repercussions on the prospects of the Issuer at least for the current year.

## 10 PROFIT FORECASTS AND ESTIMATES

### 10.1 Forecast for the 2019 financial year

As part of the preparation of the business plan approved by the Company's Board of Directors on September 28, 2019 (the "**Business Plan**"), the Issuer has drawn up a consolidated forecast as of December 31, 2019 (the "**2019 Forecast**").

The Business Plan was prepared in accordance with the Italian Accounting Principles, the same as those used by the Issuer for the preparation of the Condensed Consolidated Half-Yearly Financial Statements ("Half-Yearly Financial Statements") as of June 30, 2019 and the Proforma Consolidated Financial Statements as of December 31, 2018 from which the selected financial information contained in Section I, Chapter 3 of the Admission Document is taken. The scope of consolidation considered in the preparation of the Business Plan is the same as the one used by the Company in the preparation of the Half-Yearly Financial Statements as of June 30, 2019 and the Proforma Consolidated Financial Statements as of December 31, 2018.

The Business Plan is based on assumptions regarding future events that by their nature are subject to uncertainty and therefore not controllable by the Directors. The Business Plan was prepared from a "pre-money" perspective, therefore not taking into account the flows deriving from the Capital Increases deriving from the listing of ordinary shares and warrants on AIM Italia.

The Business Plan is also based on a set of actions already taken, the effects of which will however manifest themselves in the future, and on a set of estimates and assumptions relating to the implementation of future events and actions to be taken by the Issuer's Directors. Among other things, these estimates and assumptions include hypothetical assumptions subject to the risks and uncertainties of the current macroeconomic scenario relating to future events and actions of the directors that will not necessarily occur, and to events and actions that the directors cannot or can only partially influence with respect to the performance of the main assets and liabilities and economic or other factors that influence their evolution (overall the "**Hypothetical Assumptions**"), presented in greater detail in the following section. It should therefore be noted that, due to the randomness of any future event, both with regard to the occurrence of the event and to the extent and timing of its manifestation, the deviations between final values and estimated values could be significant, even if the events envisaged in the hypothetical assumptions actually occur. In this regard, appropriate sensitivity analyses were performed on the main assumptions that confirmed the reasonableness thereof.

### 10.2 Main Guidelines and Hypothetical Assumptions of the 2019 Forecast

The 2019 Forecast reasonably foresees the achievement of a consolidated production value of approximately €6,614 thousand and a consolidated EBITDA of approximately €2,408 thousand with a percentage incidence of 36.4% with respect to the expected consolidated production value.

The 2019 Forecast was prepared taking into account (i) the consolidated final data prepared as of June 30, 2019, (ii) the aggregation of final data prepared by the Company and the estimated values of the subsidiaries LYB and MFD for Q3 2019, and (iii) the forecasts for the last three months of the 2019 financial year ("**Estimated Data**") in light of the contracts already executed and yet to be executed.

The value of consolidated production at December 31, 2019 and the consolidated EBITDA of approximately €6,614 thousand and approximately €2,408 thousand respectively are the results of estimates made considering the contracts in place, the budget for the last quarter of 2019 taking into account the effect of seasonality, and the historical revenues achieved as a trend in the last quarter of the previous year. Their estimate therefore also derives from the effects of certain information that are not yet available to date, also in consideration of the Issuer's type of business.

The estimation of the costs and the determination of the consolidated EBITDA was based on the trend of the revenues, taking into account the variable nature of a part of them related to the revenues, and of a recurring fixed and more easily determinable part, such as the structural costs, the personnel costs, and the general and administrative costs.

In conclusion, on the Date of the Admission Document it is believed that there are no elements that suggest that, in the absence of strong disruptions that could arise in the finalization of the operations relating to the fourth quarter of 2019, the Issuer is not in a position to achieve the estimates of the consolidated production value as of December 31, 2019 of approximately €6,614 thousand and a consolidated EBITDA of approximately €2,408 thousand with a percentage impact of 36.4% with respect to the expected consolidated production value.

The 2019 Forecast includes innate elements of subjectivity and uncertainty, and in particular a risk that estimated events and actions from which the data originate may occur to an extent and in times other than those envisaged, while effects may occur that are not foreseeable at the time of the preparation of the Business Plan. Therefore, it is not possible to guarantee the achievement of these objectives in the expected times or that they will then be maintained. Consequently, the differences between final values and estimated values could be significant.

### **10.3 Declaration of the Directors and the Nomad pursuant to the AIM Italia Issuers' Regulation (Schedule two, point (d)) on the estimated objectives**

Taking into account the assumptions set out in the preceding paragraphs, the Issuer's directors declare that the 2019 Forecast illustrated above was prepared after carrying out the necessary thorough investigations.

In this regard, note that for the purposes of the provisions of Schedule Two, letter (d) point (iii) of the AIM Italia Issuers' Regulation, with a statement submitted to the Company on September 30, 2019 the Nomad confirmed that it is reasonably convinced that the 2019 Forecast was prepared after careful and thorough examination of the economic and financial prospects by the Company's Board of Directors.

Without prejudice to the above, in view of the uncertainty of any forecast, when making investment decisions investors are in any case required not to unduly rely on them. In this regard, reference is also made to Section I, Chapter 4 ("Risk Factors") of the Admission Document for a description of the risks associated with the Group's business and the market it operates in. The occurrence of even one of the risks described therein could have the effect of not allowing the 2019 Forecast to be achieved as detailed in this Admission Document.

## 11 BOARD OF DIRECTORS, MANAGEMENT, SUPERVISORY BOARD, AND SENIOR EXECUTIVES

### 11.1 Board of directors, management, supervisory board, and senior executives

#### 11.1.1 Board of Directors

Pursuant to article 20 of the By-laws, the administration of the Issuer is entrusted to a board of directors composed of a minimum of 3 to a maximum of 11 members appointed by the Shareholders' Meeting, of which at least 1 (one) must meet the independence requirements referred to in article 148, paragraph 3 of the TUF, as referred to in article 147-*ter*, paragraph 4 of the TUF.

The board of directors of the Issuer in office on the date of the Admission Document was appointed by the ordinary shareholders' meeting of September 28, 2019 and will remain in office until the approval of the financial statements for the year ended December 31, 2021.

The members of the board of directors are listed in the table below.

Name and surname	Position	Place and date of birth	Executive director
Massimo Bonifati	Chairman of the Board of Directors	Brescia (BS), 01/30/1967	-
Fabio Leonardi	Chief Executive Officer	Modena (MO), 11/07/1962	√
Davide Cignatta	Director	Castel San Giovanni (PC), 05/11/1980	-
Veronica Leonardi	Director	Correggio (RE), 07/23/1989	√
Renzo Bartoli	Independent director*	Reggio Emilia (RE), 10/22/1952	-
Alessandro Viotto	Independent director*	Udine, 09/19/1981	-
Marco Orlandi	Director	Castelnovo Né Monti (RE), 04/26/1975	-

\* Director who meets the independence requirements of article 148, third paragraph of the TUF.

The members of the Company's Board of Directors are domiciled for the position at the Company's registered office.

Below is a brief curriculum vitae of the members of the board of directors.

#### **Fabio Leonardi**

Fabio Leonardi was born in Modena on November 7, 1962. Having earned a high school diploma in Electronics, he is responsible for the Reggio Emilia Branch of Decision System International, a multinational of the Olivetti Group. His entrepreneurial career began in 1991 when he entered the share capital of Sedoc Digital Group S.r.l. and became a member of its board of directors, actively participating in its strategic initiatives and related acquisitions and contributing decisively to the evolution of the group by progressively assuming the position of Sales Director, General Manager, and Chief Executive Officer of Sedoc Digital Group S.r.l. In 2011 he was among the main architects of the MBO operation that made it possible to acquire the Group from the

MBFG curatorship. Subsequently, together with the Group's other shareholders and managers, he implemented a series of important extraordinary operations that have allowed the Group to develop its core business. As of the date of the Admission Document he holds the position of Chairman of Sedoc Digital Group S.r.l. and Chief Executive Officer of the Issuer.

### **Massimo Bonifati**

Massimo Bonifati was born in Brescia on January 30, 1967, he graduated in Economics and Business at the University of Verona and completed his managerial training at SDA Bocconi in Milan. He worked as administrative manager in companies in the ceramics sector, then for 10 years he was Project Manager in the area of Administration, Finance & Control information systems until he became sole director of the consulting company Four Consulting Srl. In this capacity he provided significant consulting for important companies operating in Italy and abroad, gaining an excellent knowledge of business processes in these contexts. In 2005 he began working with Sedoc Digital Group S.r.l., and as of the date of the Admission Document he is Chief Executive Officer and CFO of the related group. Involved in the MBO operation together with the other Group managers, he coordinated and followed all the extraordinary operations subsequently carried out by the Group from a technical and administrative point of view.

### **Veronica Leonardi**

Veronica Leonardi was born in Correggio on July 23, 1989, graduated in Management Engineering at Milan Polytechnic, and completed her education with a master's degree in Marketing and Communications at SDA Bocconi. She has been involved in several important projects related to brand management and trade marketing with companies such as L'Oreal, Pirelli, and Magneti Marelli that have allowed her to strengthen her knowledge in the world of marketing. In 2014 she held the role of Web Marketing Consultant at LYB and in 2016 she joined the Beauty Care division of Henkel as a Marketing Specialist, managing the launch plans of the division's main new products in 2018. She joined CYBEROO in December 2018 as Chief Marketing Officer (CMO).

### **Davide Cignatta**

Davide Cignatta, born in Castel San Giovanni (PC) on May 11, 1980, following his education in the IT sector, worked in the service area where he acquired specific skills by designing and implementing network infrastructures. His entrepreneurial career began in 2001 when he entered the share capital of Oversystem Computer Service, where he held the position of Director and Sales Director. In 2005, with the acquisition of Oversystem by Sedoc Digital Group S.r.l. and with the subsequent integration with Gamma Servizi, he gradually took on increasingly important assignments until he became Sales Director of Sedoc Digital Group S.r.l. As of the date of the Admission Document he is a member and director of Sedoc Digital Group S.r.l., as well as a Brand Ambassador of the related group.

### **Renzo Bartoli**

Renzo Bartoli was born in Reggio Emilia (RE) on October 22, 1952. After earning a diploma in Accounting in 1972, in 1990 he was appointed Official Auditor of the Accounts and subsequently enrolled in the Register of Statutory Auditors of the Ministry of Economy and Finance. Since 2003 he has been enrolled in the Reggio Emilia Labor Consultants' Association. Over the years he has participated in numerous tax and non-tax training courses and several master's degrees on both national and international



accounting standards (IAS/IFRS), and recently in courses on new accounting standards. In the years 1970-1974 he was employed in a commercial company, from 1974 to 1976 in an industrial company, and from 1976 to 1979 he worked as an official at a bank. From 1980 to 1983 he was a member of the Board of Directors of a commercial company that was a licensee of a famous brand of a German multinational. Since 1983 he has worked freelance in an Associated Firm that deals with tax, legal, and labor consulting (Bartoli & Arveda Associazione Professionale) in Reggio Emilia. He has held and continues to hold administrative and control positions in several companies, both in national and international groups.

### **Alessandro Viotto**

Alessandro Viotto, born in Udine on September 19, 1981, registered in the Rome Bar since March 2013. Founder of the Viotto Law Firm based in Udine and Rome. He has worked with companies and investment funds (SGR) providing legal advice. In the field of commercial law he dealt with extraordinary transactions, M&A (specifically leveraged buy outs), restructuring procedures, compositions with creditors, bankruptcy, the organization of business models, models for Italian Law 231, and the drafting of shareholders' agreements. Until September 2018 he held the position of independent director in several boards of directors. He has personally followed many tenders, including for the construction of complex infrastructure (ports and airports), and has acted as an advisor in finance projects pursuant to art. 183 of the Procurement Code. In the two-year period 2015-2016, on behalf of the SIREI platform, he consulted on the implementation of two infrastructure urbanization operations directly relating to the governments of Cameroon and Morocco. Author of texts on economics for the Bruno Leoni Institute in Milan.

### **Marco Orlandi**

Marco Orlandi, born in Castelnovo Né Monti on April 26, 1975. Having earned his technical diploma, he acquired over 20 years of experience as an IT technician within the Sedoc Group, over the years working as a coordinator and team leader thanks to his knowledge and technical skills. As of the date of the Admission Document he holds the position of IT Operations Manager at the Issuer.

To the best of the Issuer's knowledge, the following table details all the corporations or partnerships (other than Group companies) for which the members of the Company's board of directors are or have been members of the administrative, management or supervisory bodies or shareholders in the last five years, with an indication of their status on the date of the Admission Document.

<b>Name and surname</b>	<b>Company</b>	<b>Office / participation</b>	<b>Office status</b>
<b>Fabio Leonardi</b>	Sedoc Digital Group	Shareholder	In office
		Chairman of the Board of Directors	In office
	BDH Consulting & Facility Management S.r.l. in liquidation	Shareholder	In office
	SDG Innovative Technologies S.r.l.	Chairman of the Board of Directors	In office

	Core Solution S.r.l.	Chairman of the Board of Directors	In office
	SDG Solution & ICT S.r.l.	Chairman of the Board of Directors	No longer in office
<b>Massimo Bonifati</b>	Sedoc Digital Group	Shareholder	In office
		Director	In office
	SDG Innovative Technologies S.r.l.	Director	In office
	Core Solution S.r.l.	Director	In office
	SDG Solution & ICT S.r.l.	Director	No longer in office
<b>Davide Cignatta</b>	Sedoc Digital Group	Shareholder	In office
		Director	In office
	SDG Innovative Technologies S.r.l.	Director	In office
	Core Solution S.r.l.	Director	In office
	SDG Solution & ICT S.r.l.	Director	No longer in office
<b>Veronica Leonardi</b>	-	-	-
<b>Renzo Bartoli</b>	Apple S.p.A. in liquidation	Statutory Auditor	In office
	Apple Italia S.r.l.	Statutory Auditor	In office
	Credito Cooperativo Reggiano SC	Chairman of the Board of Statutory Auditors	No longer in office
	Idromeccanica Bertolini S.p.A.	Statutory Auditor	In office
	Terminal One S.p.A.	Statutory Auditor	In office
	Banca Centro Emilia SC	Chairman of the Board of Statutory Auditors	In office
	Know How S.r.l.	Director	In office
	Meridiana S.r.l.	Director	No longer in office
	La Fenice S.r.l.	Sole Director	No longer in office
	Pegaso S.r.l.	Sole Director	No longer in office
	Sedoc Digital Group S.r.l.	Sole Statutory Auditor	No longer in office

	Embassy Freight Service S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Longwave S.r.l.	Sole Statutory Auditor	No longer in office
	Gestio S.r.l.	Non-executive director	No longer in office
	ACV S.r.l.	Sole Director	No longer in office
	Consulting Group S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Neri S.p.A.	Statutory Auditor	No longer in office
	Work Shop S.r.l.	Director	No longer in office
	Secur Service S.r.l.	Director	No longer in office
	Secur Line S.r.l.	Sole Director	No longer in office
	Rettifica Lasagni S.r.l.	Sole Director	No longer in office
	Atena S.r.l.	Sole Statutory Auditor	No longer in office
	Imm. Ippica Reggiana S.p.a.	Chairman of the Board of Directors	No longer in office
	Fisioemme S.r.l.	Shareholder	In office
	Boston Immobiliare SAS	Shareholder	In office
	Immobiliare 4 Sas	Shareholder	In office
	Bartoli & Arveda Associazione Professionale	Shareholder	In office
	HI-Tide S.r.l.	Shareholder	In office
<b>Alessandro Viotto</b>	ATS S.p.A.	Director	No longer in office
<b>Marco Orlandi</b>	-	-	-

To the best of the Company's knowledge, in the last five years none of the members of the Issuer's board of directors has been convicted of any offense of fraud or bankruptcy or in the course of the performance of their duties been associated with bankruptcy, receivership or involuntary liquidation, nor have they been declared bankrupt, nor, finally, have they been the subject of official indictments and/or the recipient of sanctions by public or regulatory authorities (including designated professional

associations) or disqualification by a court from serving as a member of the Issuer's administrative, management, or supervisory bodies, or from directing or managing another company.

#### *Powers assigned to the managing directors*

On September 28, 2019, the Board of Directors decided to confer:

(i) to Fabio Leonardi the broadest powers of ordinary and extraordinary administration, with free and separate signature, so that he can represent the Company in all acts of ordinary and extraordinary administration not reserved by law or by the by-laws to the exclusive competence of the board of directors and/or the shareholders' meeting, up to an amount of maximum €1,000,000.00 (one million/00) per single transaction.

(ii) to the Director Veronica Leonardi, individually and with sole signature, the following powers:

- Develop marketing strategies (market definition, customer segment/target, competitive intelligence, market research).
- Define effective marketing policies, the design of promotional initiatives and the development of product and service strategies.
- Go-to-market management (management of distribution channels, identification of strategic partnerships, pricing).
- Brand management.
- Marketing communications (advertising, promotions, digital and social strategy, PR).
- Management of communications with internal/external stakeholders.
- Customer service management and customer support.
- Propose medium- and short-term business and product/service plans that implement the company strategy and ensure the achievement of the expected marketing and sales objectives.
- Identification of Key Performance Indicators (KPIs) for marketing.
- Ensure the timely and correct preparation of reports, forecasts, and final marketing budgets, accompanying them with deviation analysis reports.

Assigning to the aforementioned directors the legal representation of the Company within the limits of the powers conferred, with the right to appoint and revoke attorneys-in-fact for specific assignments.

#### **11.1.2 Board of Statutory Auditors**

The board of statutory auditors of the Issuer in office on the date of the Admission Document was appointed by the shareholders' meeting of July 25, 2019, and will remain in office for a period of three years until the approval of the financial statements for the year ended December 31, 2021.

The members of the Company's board of statutory auditors as of the date of the Admission Document are listed in the table below.

<b>Name and surname</b>	<b>Position</b>	<b>Date and place of birth</b>
Giacomo Ramenghi	Chairman of the Board of Statutory Auditors	October 9, 1970, Bologna
Mara Lugli	Standing auditor	July 13, 1953, Formigine (MO)
Alberto Ventura	Standing auditor	November 15, 1990, Bologna
Claudia Peri	Alternate auditor	February 7, 1977, Bologna
Mariangela Rossetti	Alternate auditor	March 20, 1971, Bologna

The members of the board of statutory auditors are domiciled for the position at the Company's headquarters.

All members of the board of statutory auditors meet the requirements of integrity and professionalism required by article 2399 of the Italian Civil Code.

A brief curriculum vitae of the members of the Company's board of statutory auditors is provided below, demonstrating the expertise and experience gained in the field of business management.

### **Giacomo Ramenghi**

Giacomo Ramenghi, born in Bologna on October 9, 1970, graduated in Economics and Business at the University of Bologna. Since 2011 he has been a professor under contract in the Faculty of Economics at the University of Bologna. He has been registered in the Register of Chartered Accountants and Accounting Experts of the Court of Bologna, as well as in the Register of Statutory Auditors since 2003. From 1995 to 1996 he collaborated with Studio Moruzzi accountants in Bologna; from 1996 to 2000 he was an auditor at PWC PriceWaterhouseCoopers Italia, and from 2001 he collaborated with Studio Gnudi, becoming a partner in 2006.

### **Mara Lugli**

Mara Lugli, born in Formigine on July 13, 1953, after completing her studies worked at a company in Modena until 1986, gaining excellent experience to the point of being named administrative manager. From 1989 to 1994 she worked at a firm of accountants in Modena, where she gained experience in various sectors. She has been registered in the Register of Chartered Accountants and Accounting Experts of Modena since 1996 at no. 560/A, and in the Register of Statutory Auditors since 1999 at no. 76067. She works professionally on a personal basis for various corporations and partnerships, sole proprietorships, and professionals, gaining experience of different kinds in the different areas of accounting, tax consulting, accounting consulting, tax forms, corporate transactions of various kinds, preparation of tax forms, auditing, assistance in tax disputes, expert reports, chamber of commerce and administrative services for artisanal, commercial, and industrial companies.

### **Alberto Ventura**

Alberto Ventura, born in Bologna on November 15, 1990, graduated in Economics. He became a chartered accountant in February 2018 and collaborates with the Gnudi firm. From January 2014 to February 2015 he collaborated with K Studio Associato, member firm of the KPMG network, and from February 2015 to February 2018 he worked with Studio Pirola Pennuto Zei & Associati.

### **Claudia Peri**

Claudia Peri, born in Bologna on February 7, 1977, graduated in Economics and Business. She is a chartered accountant registered in the Order of Bologna since 2006 and in the Register of Statutory Auditors since 2007. From 2002 to 2005 she worked as an auditor at a leading international audit firm. She attended the master's degree in tax law at the Business School of *Il sole 24 Ore* and from 2005 she began a collaboration with Studio Gnudi. She mainly deals with consulting on corporate, accounting, and tax matters, extraordinary transactions (mergers, demergers, transfers), and assistance in the preparation of financial statements.

### **Mariangela Rossetti**

Mariangela Rossetti, born in Bologna on March 20, 1971, graduated in Economics and Business at the University of Bologna in 1997. She qualified to practice as a chartered accountant at the University of Bologna in 2003 and enrolled in the Register of Chartered Accountants and Accounting Experts of Bologna in the same year. She was included in the Register of Statutory Auditors established at the Ministry of Justice in 2005. From May 1997 she collaborated with Studio Gnudi in Bologna, first as an accountant and then as a freelancer.

To the best of the Issuer's knowledge, the following table details all the corporations or partnerships (other than Group companies) for which the members of the Company's board of statutory auditors are or have been members of the administrative, management or supervisory bodies or shareholders in the last five years, with an indication of their status on the date of the Admission Document.

<b>Name and surname</b>	<b>Company</b>	<b>Office / participation</b>	<b>Office status</b>
Giacomo Ramenghi	Airplus International S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	B&B Costruzioni S.p.A.	Statutory Auditor	No longer in office
	Bluo Electronics S.r.l.	Statutory Auditor	No longer in office
	Cap Design S.r.l.	Statutory Auditor	No longer in office
	Cassina S.p.A.	Statutory Auditor	No longer in office
	Covance Clinical Development S.r.l.	Statutory Auditor	In office
	Elcam Medical S.p.A.	Chairman of the Board of Statutory Auditors	In office

	Haworth Italy Holding S.r.l.	Statutory Auditor	No longer in office
	Paolo Castelli S.p.A.	Director	In office
	Piquadro Holding S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Piquubo S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Procond Elettronica S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Prometeia Advisor SIM S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Prometeia S.p.A.	Statutory Auditor	In office
	Selcom Elettronica S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Selital S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	YAC S.r.l.	Director	No longer in office
	ATOP S.p.A.	Statutory Auditor	No longer in office
	ATOPBI S.p.A.	Statutory Auditor	No longer in office
	ATOP Gestione Immobiliare S.p.A.	Statutory Auditor	No longer in office
	Sartor S.p.A.	Statutory Auditor	No longer in office
	Rotor S.p.A.	Statutory Auditor	No longer in office
	Iseo S.p.A.	Statutory Auditor	In office
	OCS S.p.A.	Statutory Auditor	In office
	OCSBI S.p.A.	Statutory Auditor	In office
	Arcobaleno 2 S.p.A.	Statutory Auditor	No longer in office
	BPER Banca S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Octocam S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Martelli Lavorazioni Tessili S.p.A.	Statutory Auditor	No longer in office

	MIRE SGR	Statutory Auditor	No longer in office
	Santander Consumer Unifin S.p.A.	Statutory Auditor	No longer in office
	MAIE S.p.A.	Statutory Auditor	No longer in office
	Rinaldi Holding S.r.l.	Statutory Auditor	No longer in office
	Romagnoli F.LLI S.p.A.	Statutory Auditor	No longer in office
	Sicura S.p.A.	Chairman of the Board of Statutory Auditors	In office
Mara Lugli	Società Modenese Esposizione Fiere e Corse di Cavalli S.r.l.	Sole Statutory Auditor	No longer in office
	L.I.T. Logistica Soc. Cooperativa	Sole Statutory Auditor	No longer in office
	LAM S.p.A.	Statutory Auditor/Auditor	No longer in office
	Veronica S.p.A.	Statutory Auditor/Auditor	In office
Alberto Ventura	L.E.S. S.r.l.	Statutory Auditor	In office
	Mario Cucinella Architects S.p.A.	Statutory Auditor	In office
Claudia Peri	Perimeccanica S.r.l.	Director	In office
	Immobiliare S. Nicolò S.p.A.	Statutory Auditor	In office
	Solano S.p.A.	Statutory Auditor	In office
	Nute Partecipazioni S.p.A.	Statutory Auditor	In office
	Meliconi S.p.A.	Statutory Auditor	In office
	Soverini S.p.A.	Statutory Auditor	In office
	Finross S.p.A.	Statutory Auditor	No longer in office
Mariangela Rossetti	Paolo Castelli S.p.A.	Statutory Auditor	In office
	Nuova Eurozinco S.p.A.	Statutory Auditor	In office
	Meliconi S.p.A.	Statutory Auditor	In office
	IMM.RE San Nicolò S.p.A.	Statutory Auditor	In office



	Nute Partecipazioni S.p.A.	Statutory Auditor	In office
	Piqubo S.p.A.	Statutory Auditor	In office

To the best of the Company's knowledge, in the last five years none of the members of the Company's board of statutory auditors has been convicted of any offense of fraud or bankruptcy or in the course of the performance of their duties been associated with bankruptcy, receivership or liquidation, nor have they been declared bankrupt, nor, finally, have they been the subject of official indictments and/or the recipient of sanctions by public or regulatory authorities (including designated professional associations) or disqualification by a court from serving as a member of the Issuer's administrative, management, or supervisory bodies, or from directing or managing another company.

### 11.1.3 Family relationships

As far as the Issuer is aware, on the date of the Admission Document there are no family relationships referred to in Title I, Book V of the Italian Civil Code between members of the board of directors and the board of statutory auditors, with the exception of the family relationship – first degree and in a straight line – between Fabio Leonardi (father), Chief Executive Officer, and Veronica Leonardi (daughter), director.

### 11.1.4 Senior executives

As of the date of the Admission Document, no employee of the Company holds the position of executive.

## 11.2 Conflicts of interest of members of the Board of Directors, the Board of Statutory Auditors, and senior executives

### 11.2.1 Conflicts of interest between the obligations towards the Issuer and its own private interests and/or other obligations

As of the date of the Admission Document, to the best of the Issuer's knowledge, none of the members of the board of directors or the members of the board of statutory auditors have private interests in conflict with their obligations deriving from the position or office held within the Issuer.

On the date of the Admission Document, the following directors directly or indirectly hold a stake in the share capital of the Issuer:

- The director Fabio Leonardi directly owns 136,500 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 4,413,500 Shares, representing a total of 65.00% of the Issuer's share capital.
- The director Davide Cignatta directly owns 42,000 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 1,358,000 Shares, representing a total of 20.00% of the Issuer's share capital.
- The director Massimo Bonifati directly owns 31,500 Shares and indirectly, through Sedoc Digital Group S.r.l. and SDG Innovative Technologies S.r.l., 1,018,500 Shares, representing a total of 15.00% of the Issuer's share capital.

**11.2.2 Any agreements or understandings with the Issuer's main shareholders, customers, suppliers, or other agreements**

The Issuer is not aware of agreements or understandings with the main shareholders, customers, suppliers, or others as a result of which the members of the Issuer's board of directors and board of statutory auditors were appointed.

**11.2.3 Any restrictions on the sale and transfer of the Issuer's Shares held by members of the board of directors, the board of statutory auditors, and the Issuer's main executives**

As of the date of the Admission Document, to the best of the Company's knowledge there are no restrictions on the sale and transfer of any Company Shares held by the members of the Issuer's board of directors and board of statutory auditors.

## 12 PRACTICES OF THE BOARD DIRECTORS

### 12.1 Date of expiry of the current term of office, if any, and period during which the person held that position

The board of directors of the Issuer in office on the date of the Admission Document was appointed by the shareholders' meeting of September 28, 2019 with effect from the Admission Date and will remain in office until the approval of the financial statements for the year ended December 31, 2021.

For each director in office on the date of the Admission Document, the following table indicates the date of first appointment as a member of the Issuer's board of directors.

Name	Position	Date of first appointment
Massimo Bonifati	Chairman of the Board of Directors	June 30, 2011
Fabio Leonardi	Chief Executive Officer	September 23, 2008
Davide Cignatta	Director	June 30, 2011
Veronica Leonardi	Director	December 01, 2018
Renzo Bartoli	Independent director	September 28, 2019
Alessandro Viotto	Independent director	September 28, 2019
Marco Orlandi	Director	September 28, 2019

The Issuer's current board of statutory auditors was appointed by the ordinary shareholders' meeting of July 25, 2019 and will remain in office until the approval of the financial statements for the year ended December 31, 2021.

For each statutory auditor in office on the date of the Admission Document, the following table indicates the date of first appointment as a member of the Issuer's board of statutory auditors.

Name	Position	Date of first appointment
Giacomo Ramenghi	Chairman of the Board of Statutory Auditors	July 25, 2019
Mara Lugli	Standing auditor	July 25, 2019
Alberto Ventura	Standing auditor	July 25, 2019
Claudia Peri	Alternate auditor	July 25, 2019
Mariangela Rossetti	Alternate auditor	July 25, 2019

### 12.2 Employment contracts with directors and statutory auditors providing for severance pay

As of the date of the Admission Document, no employment contract is in force between the Issuer and the members of the board of directors or of the board of statutory auditors that provides for a severance indemnity.

### **12.3 Transposition of corporate governance rules**

On July 25, 2019, the Company's shareholders' meeting approved a text of the By-laws that will enter into force on the Trading Start Date.

While the Issuer is not obliged to transpose the governance provisions envisaged for companies listed on regulated markets, the Company has applied certain provisions to its corporate governance system aimed at promoting the protection of minority shareholders. Specifically, the Issuer has:

- Included slate voting in the by-laws for the election of the Board of Directors and Board of Statutory Auditors.
- Established in the by-laws that shareholders who alone or together with other shareholders hold Shares totaling at least 10% of the share capital have the right to submit slates.
- Established in the by-laws that at least one director of the Board of Directors must meet the independence requirements established by article 148, paragraph 3 of the TUF.
- Established in the by-laws that from the time the Shares are listed on AIM Italia, the prior authorization of the Shareholders' Meeting will be required in the following cases: (i) acquisitions of equity investments or companies or other assets that execute a "reverse takeover" pursuant to the AIM Italia Issuers' Regulation; (ii) sales of equity investments or companies or other assets that make a "substantial change of business" pursuant to the AIM Italia Issuers' Regulation; and (iii) resolutions that entail the exclusion or revocation of the Company's shares from trading on multilateral trading systems (including, if the effects occur, merger or demerger resolutions), it being understood that in this case the favorable vote of at least 90% of the shareholders present at the Shareholders' Meeting is necessary.
- Establish in the by-laws a disclosure obligation for shareholders whose shareholding reaches, exceeds, or falls below one of the thresholds set by the AIM Italia Issuers' Regulation.
- Adopted a procedure for the management of transactions with Related Parties.
- Approved a procedure for the management of disclosure requirements regarding internal dealing.
- Approved rules on mandatory communications to the Nomad.
- Approved a procedure for the management of inside information.

#### *Model pursuant to Italian Legislative Decree 231/2001*

As of the date of the Admission Document, the Issuer and the Group companies have not updated their internal procedures to the provisions of Italian Legislative Decree no. 231 of June 8, 2001. Therefore, in the event of offenses committed by their officials in the performance of administration, management, and control activities and/or by their

subordinates, the Issuer and the Group companies may be exposed to the risk of any sanctions envisaged by the legislation on the liability of entities.

In this regard, it should be remembered that the aforementioned legislation establishes the liability of entities (i.e., entities with legal personality, companies, and associations even without legal personality) for administrative offenses unless the entity has an organization and management model suitable to prevent such crimes.

#### Management control system

As of the date of the Admission Document, the Issuer has implemented a management control system involving data collection and processing that are not fully automated and that will require development consistent with the growth of the Group. Specifically, not all critical risk factors are formally monitored on a continuous basis, therefore the evolution of some risk factors that may compromise the Group's competitiveness may not be perceived in a timely manner.

On the date of the Admission Document, the Company is developing some solutions with the aim of improving the reporting system used, through a progressive integration and automation thereof.

The Issuer also believes that, on the date of the Admission Document, the reporting system in operation at the Issuer and the main Group companies is adequate with respect to their size and business, and in any case makes it possible to correctly monitor revenues and margins for the main business lines.

#### **12.4 Potential significant impacts on corporate governance**

As of the date of the Admission Document, no resolutions have been taken by the Issuer's corporate bodies that provide for changes in the composition of its board or committees or in general significant impacts on its corporate governance.

## 13 EMPLOYEES

### 13.1 Number of Group employees

The following table details the total number of employees employed by the Group as of the date of the Admission Document, as well as as of June 30, 2019 and December 31, 2018, broken down according to the main categories.

QUALIFICATION	Date of the Admission Document	June 30, 2019	December 31, 2018
Executives	-	-	-
Middle managers	1	1	1
White-collar	27	28	30
Apprentices	8	6	5
Other persons (continuous collaboration., project workers, seconded workers, trainees/interns)	4	8	5
<b>Total</b>	<b>40</b>	<b>43</b>	<b>41</b>

Of the 40 employees of the Group as of the date of the Admission Document, 14 are employed by the Issuer.

As of the date of the Admission Document and as of June 30, 2019, the Group employed, respectively, 40 and 43 employees in Italy and 37 and 37 abroad.

Furthermore, as of the date of the Admission Document, the Group does not employ temporary workers.

### 13.2 Share ownership and stock options

As of the date of the Admission Document, there are no stock option plans in place.

### 13.3 Any employee share ownership agreements

As of the date of the Admission Document, to the best of the Issuer's knowledge there are no contractual agreements or statutory rules that provide for forms of employee participation in the capital or profits of the Company.

## 14 MAIN SHAREHOLDERS

### 14.1 Shareholders holding financial instruments in excess of 5% of the share capital

According to the results of the shareholders' register, as well as on the basis of the other information available to the Company, on the date of the Admission Document the share capital, equal to €700,000 and represented by 7,000,000 Shares, is broken down as follows.

Shareholder	Number of Shares	% share capital
SDG Innovative Technologies S.r.l.	3,605,000	51.50%
Sedoc Digital Group S.r.l.	3,185,000	45.50%
Fabio Leonardi	136,500	1.95%
Davide Cignatta	42,000	0.60%
Massimo Bonifati	31,500	0.45%
<b>Total</b>	<b>7,000,000</b>	<b>100.0%</b>

The following table illustrates the corporate structure of the Issuer in the event of full subscription of 2.5000.000 Shares deriving from the Institutional Capital Increase and the Retail Capital Increase.

Shareholder	Number of Shares	% share capital
SDG Innovative Technologies S.r.l.	3,605,000	37.95%
Sedoc Digital Group S.r.l.	3,185,000	33.53%
Fabio Leonardi	136,500	1.44%
Davide Cignatta	42,000	0.44%
Massimo Bonifati	31,500	0.33%
Market	2,500,000	26.32%
<b>Total</b>	<b>9,500,000</b>	<b>100.0%</b>

The following table illustrates the Issuer's shareholding structure at the outcome of the Warrant Capital Increase, assuming the full exercise of the Warrants and the

corresponding full subscription of the Converted Shares by all the shareholders the Warrants have been allocated to.

Shareholder	Number of Shares	% share capital
SDG Innovative Technologies S.r.l.	3,605,000	33.53%
Sedoc Digital Group S.r.l.	3,185,000	29.63%
Fabio Leonardi	136,500	1.27%
Davide Cignatta	42,000	0.39%
Massimo Bonifati	31,500	0.29%
Market	3,750,000	34.88%
<b>Total</b>	<b>10,750,000</b>	<b>100.0%</b>

For more information on the dilutive effects of capital increases, see Section II, Chapter 7 of the Admission Document.

#### 14.2 Voting rights of the main shareholders

As of the date of the Admission Document, the Company has only issued ordinary shares. No other shares have been issued attributing voting or other rights other than ordinary shares.

#### 14.3 The Issuer's parent company

As of the date of the Admission Document, the Issuer is controlled as per art. 2359 of the Italian Civil Code by Fabio Leonardi (Chief Executive Officer of the Issuer) through Sedoc Digital Group S.r.l., of which he holds a shareholding equal to 65% of the share capital.

Sedoc Digital Group S.r.l. owns a stake equal to 97% of the Issuer's share capital (51.5% through SDG Innovative Technologies S.r.l.). The remaining 3% of the Issuer's share capital is directly held by Fabio Leonardi, Davide Cignatta, and Massimo Bonifati, directors of the Issuer, with a stake of 1.95%, 0.6%, and 0.45%, respectively.

Also following the subscription of the Shares deriving from the Institutional Capital Increase and the Retail Capital Increase and also assuming the full assignment of the Warrants, Fabio Leonardi will continue to exercise control of the Issuer through Sedoc Digital Group S.r.l.

#### 14.4 Agreements that may lead to a change in the Issuer's control structure after the publication of the Admission Document

As of the date of the Admission Document, the Issuer is not aware of shareholders' agreements between shareholders or agreements whose implementation may result in a change in the Issuer's control structure at a later date.



## 15 RELATED PARTY TRANSACTIONS

The transactions with related parties carried out by the Issuer identified on the basis of the criteria defined in the regulation adopted by CONSOB with resolution no. 17221 of March 12, 2010, in the year ended December 31, 2018 and June 30, 2019 until the date of the Admission Document, are mainly of a commercial and financial nature.

While transactions with related parties are in line with current market conditions, there is no guarantee that if such transactions had been concluded between or with third parties they would have negotiated and entered into the relevant contracts or executed the transactions themselves under the same conditions and in the same manner.

Note that on September 18, 2019 the Issuer's Board of Directors approved the "Procedure for related party transactions" (the "**RPT Procedure**").

Finally, note that after December 31, 2018 and June 30, 2019 the Issuer has not carried out transactions with related parties that are unusual in characteristics or significant in amount other than those of a continuous nature and/or represented in this Chapter 15.

The RPT Procedure governs the rules relating to the identification, approval, and execution of transactions with Related Parties carried out by the Issuer in order to ensure the transparency and material and procedural fairness thereof.

### 15.1 Intercompany transactions

The Issuer has relations with subsidiaries, parent companies, and companies controlled by the parent companies.

The transactions were carried out on the basis of evaluations of mutual cost-effectiveness, and the definition of the conditions to be applied was done in respect of propriety and therefore no atypical and/or unusual transactions have been executed that for significance and/or relevance may give rise to doubts regarding the safeguarding of company assets and the protection of minority shareholders, neither with related parties nor with entities other than related parties, and therefore according to current legislation no additional information is provided.

The following table summarizes the Issuer's relationships with related parties in the period ended on June 30, 2019 and in the period ended on December 31, 2018 (Figures in €/000):

Company	Relationship	12.31.2018			
		Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	1,060	1,371	77	626
SDG inntech	Parent company	-	-	-	-
CORE Solution	Subject to the control of the parent company	-	3	21	-
LYB	Subsidiary	0	13	38	-
MFD	Subsidiary	57	-	82	-
DFM Virtual Service	Subsidiary	91	-	12	-
Total		1,208	1,387	230	626

		06.30.2019			
Company	Relationship	Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	1,154	842	138	794
SDG inntech	Parent company	-	-	-	40
CORE Solution	Subject to the control of the parent company	8	-	14	-
LYB	Subsidiary	17	143		126
MFD	Subsidiary	-	-	48	-
DFM Virtual Service	Subsidiary	48	-	-	-
Total		1,227	986	200	960

The following table summarizes MFD International S.r.l.'s relationships with related parties in the period ended December 31, 2018 and in the period ended June 30, 2019 (Figures in €/000):

		12.31.2018			
Company	Relationship	Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	21	151	-	0
SDG inntech	Parent company	-	-	-	-
CORE Solution	Subject to the control of the parent company	-	-	9	-
LYB	Subsidiary	0	108		
Cyberoo	Parent company	-	57	-	82
DFM Virtual Service	Subsidiary	-	-	-	-
Total		21	316	9	82

		06.30.2019			
Company	Relationship	Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	-	72	8	-
SDG inntech	Parent company	-	-	-	-
CORE Solution	Subject to the control of the parent company	-	31	-	21
LYB	Subsidiary	0	80	10	16
Cyberoo	Parent company	-	-	-	48
DFM Virtual Service	Subsidiary	-	-	-	-
Total		0	183	18	85

The following table summarizes Life Your Brand .S.r.l.'s relationships with related parties in the period ended December 31, 2018 and in the period ended June 30, 2019 (Figures in €/000):

Company	Relationship	12.31.2018			
		Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	326	76	40	160
SDG inntech	Parent company	-	-	-	-
CORE Solution	Subject to the control of the parent company	7	0	-	0
Cyberoo	Parent company	13	0	-	38
MFD	Subsidiary	108	0	-	-
DFM Virtual Service	Subsidiary	63	-	-	-
Total		516	77	40	198

Company	Relationship	06.30.2019			
		Costs	Revenues	Payables	Receivables
SEDOC DG	Parent company	99	7	16	593
SDG inntech	Parent company	-	0	-	0
CORE Solution	Subject to the control of the parent company	-	0	-	15
Cyberoo	Parent company	143	17	126	-
MFD	Subsidiary	80	0	-	10
DFM Virtual Service	Subsidiary	-	-	-	-
Total		322	25	142	618

Below are the remuneration and residual debt of the Directors of the companies falling within the scope of consolidation for the year ended December 31, 2018 and for the interim situation as of June 30, 2019 (Figures in euros):

Directors' fees		
Company	12/31/2018	Residual debt
Cyberoo S.p.A.	32,900	4,047
Life Your Brand S.r.l.	51,000	3,245
MFD International S.r.l.	3,000	3,000
Company	06/30/2019*	Residual debt**
Cyberoo S.p.A.	65,000	6,463
Life Your Brand S.r.l.	17,000	489
MFD International S.r.l.	8,000	345

\*The fee is paid annually

\*\*Residual debt as of 06.30.2019

## 15.2 Relations with Sedoc Digital Group S.r.l.

Sedoc Digital Group S.r.l. is a distribution partner of the Cyberoo Group's solutions, and to date has also held a role as a supplier of solutions for software and hardware as well as services. In the future, the Cyberoo Group will increasingly purchase directly from third-party suppliers. Relations with Sedoc Digital Group S.r.l. are regulated by specific contracts that among other things govern the conditions and terms of payment. As of the date of the Admission Document, the average days of collection and payment provided therein are in line with those of the market.

The balances shown in the table referred to in the previous paragraph relating to June 30, 2019 for Sedoc Digital Group S.r.l. (hereinafter "**Sedoc**") refer mainly to:

- Revenues/receivables and purchases/payables arising from business relations connected to the Group's core business.
- Receivables of a financial nature for an amount equal to €246 thousand and €533 thousand respectively from the Issuer and Life Your Brand S.r.l. (hereinafter "LYB") relating to the net book balance deriving from the collection and payment mandates conferred on Sedoc. With regard to treasury management, the Issuer and LYB have signed contracts with Sedoc that provide for the possibility for Sedoc to make payments and collections in the name and on behalf of Cyberoo and LYB. Note that this method of using the treasury, normal for a Group such as the one in question, has ceased as of the date of the Admission Document. Finally, note that on the date of the Admission Document the financial receivables amounted to €0 thousand for both Cyberoo and LYB since they were used to pay for the purchases made by Sedoc after June 30, 2019.
- Payables of a financial nature for an amount equal to €138 thousand and €16 thousand respectively to the Issuer and Life Your Brand S.r.l. (hereinafter "LYB") attributable to the Tax Consolidation.

Note also that as of December 31, 2018 and June 30, 2019, Sedoc provided guarantees to some credit institutions in favor of Cyberoo and LYB for the assignment of current accounts for an amount equal to a total of €1,000 thousand (€600 thousand to Cyberoo and €400 thousand to LYB).

Finally, note that on September 18, 2019 with immediate effect the Issuer revoked the mandate conferred on Sedoc by means of a contract stipulated on June 17, 2009 pursuant to which Sedoc had been authorized by the Issuer, through its attorneys-in-fact vested with appropriate powers, to act in the name and on behalf of the Issuer, carrying out any collection and payment transaction with the receivables and payables on Sedoc's accounts. Note also that Sedoc has expressed its consent to the revocation of the mandate by Cyberoo.

## 15.3 Loans and guarantees issued to directors and statutory auditors

As of the date of the Admission Document, there are no loans and/or guarantees issued to directors and/or statutory auditors.

## **16 ADDITIONAL INFORMATION**

### **16.1 Share capital**

#### **16.1.1 Issued capital**

As of the date of the Admission Document, the share capital of the Issuer, fully subscribed and paid in, is equal to €700,000 and is divided into 7,000,000 shares without nominal value.

#### **16.1.2 Shares not representing the share capital**

As of the date of the Admission Document, the Issuer has not issued any shares that are not representative of the share capital.

#### **16.1.3 Treasury shares**

As of the date of the Admission Document, the Issuer does not hold any treasury shares.

#### **16.1.4 Securities that are convertible, exchangeable, or with warrants**

As of the date of the Admission Document, the Issuer has not issued any bonds or other securities that are convertible, exchangeable, or cum warrants.

#### **16.1.5 Any acquisition rights and/or obligations over the authorized but unissued capital or commitment to increase the capital**

Without prejudice to the provisions of the Institutional Capital Increase, the Retail Capital Increase, and the Warrant Capital Increase approved by the Company on July 25, 2019, for a description of which reference is made to Section I, Chapter 16, Paragraph 16.1.7 of the Admission Document, as of the date of the Admission Document no option rights have been granted to the Issuer's Shares or other financial instruments.

#### **16.1.6 Information regarding the capital of any members of the group offered as options**

Not applicable.

#### **16.1.7 Evolution of the share capital from the date of incorporation**

Below are detailed the transactions concerning the share capital of the Issuer from the date of incorporation to the date of the Admission Document.

The Issuer was incorporated in Italy on July 23, 2008 by deed of Mr. Alberto Benazzato, notary in Padua (PD), index no. 21727, folder no. 3168 in the form of a "limited liability company" with the original corporate name of "AT STORE S.r.l." and share capital of €20,000.

On the date:

- August 6, 2008 the company Sedoc S.r.l. (subsequently in 2014 merged by incorporation into Sedoc Digital Group S.r.l.) acquired from the other shareholders 51% of the Issuer's share capital.

- November 10, 2008 the Issuer increased its share capital to €100,000 by means of a proportional subscription of the shareholders.
- April 16, 2010 Sedoc S.r.l. acquired 49% of the share capital of the Issuer from the additional shareholders, thus reaching 100%.
- July 5, 2018, by resolution of the shareholders' meeting by deed of Mr. Alessandro Frigo, notary in Modena (MO), index no. 115840, folder no. 33402, among other things the Issuer changed its company name to "Managed Service Solution S.r.l."
- December 14, 2018, by deed of Mr. Massimiliano Palmeri, notary in Bologna (BO), index no. 9338, folder no. 4399, Sedoc Digital Group S.r.l. sold to the company SDG Innovative Technologies S.r.l. (100% controlled by Sedoc Digital Group S.r.l.) 60% of the Issuer's share capital.
- December 20, 2018, by deed of Mr. Massimiliano Palmeri, notary in Bologna (BO), index no. 9351, folder no. 4407, the Issuer increased its share capital to €113,000 by means of a contribution by the shareholder Sedoc Digital Group S.r.l. of 100% of the share capital of the company Life Your Brand S.r.l. As a result of this operation, the Issuer's share capital was therefore held (i) for 46.90% by Sedoc Digital Group S.r.l. and (ii) for 53.10% by SDG Innovative Technologies S.r.l.
- February 22, 2019, by deed of Mr. Massimiliano Palmeri, notary in Bologna (BO), index no. 9389, folder no. 4436, the Issuer increased its share capital to €116,495 through the transfer by Mr. Fabio Leonardi, Mr. Massimo Bonifati, and Mr. Davide Cignatta of 100% of the share capital of the company MFD International S.r.l. As a result of this operation, the Issuer's share capital was therefore held (i) for 45.50% by Sedoc Digital Group S.r.l., (ii) for 51.50% by SDG Innovative Technologies S.r.l., (iii) for 1.95% by Fabio Leonardi, (iv) for 0.45% by Massimo Bonifati, and (v) for 0.60% by Davide Cignatta.

On April 29, 2019, by resolution of the shareholders' meeting by deed of Cecilia Casasole, notary in Reggio Emilia, index no. 36161, folder no. 14402, the Issuer changed its company name to "Cyberoo S.r.l."

On July 25, 2019, by resolution of the shareholders' meeting by deed of Mr. Filippo Zabban, notary in Milan, index no. 72536, folder no. 14310, among other things the Issuer resolved on the transformation into a corporation and changed its company name to the current name of "Cyberoo S.p.A."

On the same date, the Issuer also increased its share capital without consideration to €700,000, imputing as capital the share premium reserve resulting from the financial statements for the year ended December 31, 2018 up to the amount of €583,505 with the issue of shares to be assigned to the shareholders in proportion to the shares held by them. As a result of this operation, the Issuer's share capital was therefore held (i) for 45.50% by Sedoc Digital Group S.r.l., (ii) for 51.50% by SDG Innovative Technologies S.r.l., (iii) for 1.95% by Fabio Leonardi, (iv) for 0.45% by Massimo Bonifati, and (v) for 0.60% by Davide Cignatta.

On July 25, 2019, among other things, the Issuer resolved:

- a) To execute the following paid capital increases in a divisible manner, with the exclusion of the option right pursuant to article 2441, paragraph 5 of the Italian Civil

Code, in service to the offer aimed at trading the Shares on AIM Italia, under the following conditions:

- First increase (Institutional Capital Increase): intended for Qualified Investors ("**Institutional Placement**"), for a maximum nominal amount of €175,000.00 and a maximum number of 1,750,000 Shares, without prejudice to the increase referred to below for the incomplete Retail Placement.
  - Second increase (Retail Capital Increase): intended for unqualified investors ("**Retail Placement**"), for a maximum nominal amount of €75,000.00 and a maximum number of 750,000 Shares.
  - All newly issued shares offered are used for listing on AIM Italia, recognizing the existence of the related corporate interest.
  - The effectiveness of the subscriptions collected will be suspensively conditioned on the achievement of sufficient subscriptions allowing the constitution of the minimum float of 10% required for the issuance of the order for the start of trading by Borsa Italiana.
  - The subscription of the Institutional Capital Increase may also take place after the start of trading of the Company's financial instruments on AIM Italia, and therefore also on separate occasions, it being understood that those who subscribe after that time will not be entitled to the attribution of Warrants and that the price due by them may not be lower than the price paid by those who subscribe until the start of trading of the Shares on AIM Italia.
  - The final term for the subscription of the Institutional Capital Increase is set at June 30, 2020.
  - The final term for the subscription of the Retail Capital Increase is set at December 31, 2019, or the last date of settlement of the placement transactions for admission to the AIM if earlier, specifying that the shares that may not be subscribed under the Retail Placement may be offered under the Institutional Placement, as already envisaged above.
  - The newly issued ordinary shares will have regular dividend rights.
  - The increases will remain effective even if partially subscribed.
- b) To issue a maximum number of 2,500,000 Warrants combined without consideration with the Shares subscribed as part of the placement for the purpose of admission of the Shares and Warrants to AIM Italia at a ratio of 1 Warrant for each 1 subscribed Share, of which:
- Maximum 1,250,000 to be issued on the date of commencement of trading, traded on AIM Italia separately from the Shares from that date, in the ratio of 1 Warrant for every 2 Shares.
  - Maximum 1,250,000 to be issued on the date falling 180 days after the starting trading date ("Second Issue Date"), and traded on AIM Italia separately from the Shares from that date, it being understood that the right to receive such additional Warrants will lapse for the portion of the Shares that may have been sold before the Second Issue Date, in the ratio of 1 Warrant every 2 Shares.

Warrant holders have the right to subscribe 1 Converted Share for every 2 Warrants exercised.

- c) To increase the paid share capital, with the exclusion of the option right, in a divisible manner, for the maximum amount of nominal €125,000.00 plus share premium, in service of the exercise of the Warrants, through the issuance of a maximum number of 1,250,000 Shares. Those who subscribe the capital increase after the start of trading of the Shares on AIM Italia will not be entitled to the attribution of Warrants.

## **16.2 Articles of incorporation and By-laws**

### **16.2.1 Description of the corporate purpose and purposes of the Issuer**

The corporate purpose of the Issuer is defined by art. 3 of the By-laws, which states as follows:

*“The purpose of the company is the activity of:*

- Sale of managed services and solutions, or the activity of Managed Service Provider, sold nationally and internationally also with the help of a structure of Partners and/or with the support of one or more Distributors; specifically, monitoring, management, and maintenance of the IT infrastructure with the use of automated tools and processes aimed at proactively solving potential problems, ensuring the customer first- and second-level remote service, even 24 hours a day, for the resolution of problems in areas including but not limited to; Datacenter Management, Service Desk, Backup Management, Antivirus, Anti-spam and Web Security, Managed Print Service, Cloud Service, IT Consulting.*
- The sale of integrated software solutions in Pay per Use mode, which can be used both as independent solutions to complete existing applications and as a complete suite of products, reducing the duplication of processes, providing solutions in areas including but not limited to: ERP, CRM, HRM, O365, Check in Point – Easy Lead.*

*In order to achieve the corporate purpose, the Company may: assume and grant mandates, representations, agencies with or without warehouse and concessionaires, as well as grant sub-agencies, carry out all commercial, industrial, banking, mortgage, securities, and real estate transactions, including the purchase, sale, and exchange of movable property, including registered, immovable property and real estate rights; carry out, in a non-prevalent manner and entirely ancillary and instrumental and in any case with the express exclusion of any activity carried out towards the public, financial, credit, and securities transactions, grant guarantees, endorsements, sureties, and any other guarantee of any kind, both unsecured and secured and exchangeable also for obligations of shareholders and third parties; compete in contracts and tenders in general; assume, only for the purpose of stable investment and not placement, both directly and indirectly, interests, shares, equity investments in companies, entities, and bodies in general both foreign and domestic having a similar purpose, related or connected to its own in compliance with the provisions of the law on the subject, participate in networks of companies.*

*All such activities must be carried out within the limits of and in accordance with the regulations governing their exercise. Specifically, financial activities must be carried out in compliance with applicable laws.”*



**16.2.2 Description of the rights, privileges, and restrictions attached to each class of existing shares**

The Shares confer the right to vote at the Issuer's ordinary and extraordinary Shareholders' Meetings as well as other property and administrative rights, in accordance with the applicable laws and the By-laws.

**16.3 Description of any provisions of the Issuer's By-laws that may have the effect of delaying, postponing, or preventing a change in the Issuer's control structure**

The By-laws do not contain provisions that could have the effect of delaying, postponing, or preventing a change in the Issuer's control structure.

**16.4 Indication of any provisions of the Issuer's By-laws governing the ownership threshold above which there is an obligation to publicly disclose the number of Shares held**

In accordance with the provisions of the AIM Italia Issuers' Regulation, pursuant to article 13 of the By-laws, for the entire period in which the shares are admitted to trading on AIM Italia, the shareholders must notify the Company of any Substantial Change relating to the shareholding held in the Company's share capital.

Failure to notify the board of directors of a Substantial Change shall entail the suspension of the right to vote of the shares or financial instruments for which the communication was not made.

## 17 MAIN CONTRACTS

This chapter contains a summary of each important contract, other than contracts concluded during the normal course of business, that the Group is a party to in the two years immediately preceding the publication of the Admission Document; as well as contracts not concluded during the normal course of business stipulated by the Group and containing provisions under which the Group has an obligation or a relevant right.

### 17.1 Loan contracts

As of the date of the Admission Document, the Group is part of the loan agreements described below. The contracts themselves contain standard clauses and commitments on the part of the debtor, whose violation could trigger the acceleration clause, express termination, or withdrawal from the contractual relationship, and consequently the early repayment of the amounts disbursed.

#### 17.1.1 First BPM loan

On January 15, 2019 the Issuer signed a loan agreement with Banco BPM S.p.A. for an amount equal to €151,376.99 (the "**First BPM Loan**"). The First BPM Loan has a duration of 19 months (expiring on July 31, 2020) and constant monthly installments at a floating interest rate based on the 3-month/360 Euribor increased by 2.1000 points. Any default interest is calculated based on the applicable rate plus 2.0000 points.

The First BPM Loan grants the bank the right to avail itself of the acceleration clause upon the occurrence of one of the cases referred to in art. 1186 of the Italian Civil Code, including the case of legal proceedings, protests, seizure and enforcement proceedings, confiscation of assets, registration of legal or judicial liens placed on the Issuer or any guarantor that in the opinion of the bank may cause damage to the security of the loan; the Issuer's failure to comply fully and punctually with bankruptcy proceedings, liquidation, transfer of assets to creditors; the occurrence of events that adversely affect the financial position of the Issuer or of the guarantors in such a way as to jeopardize the satisfaction of the bank's interests; failure by the Issuer to fully and punctually fulfill its obligations of a credit/financial nature with respect to other transactions in place with the bank; a change in the activity of the Issuer, the occurrence of one of the cases envisaged by art. 2743 of the Italian Civil Code, without prejudice to the possibility for the bank to request a guarantee on other assets. The First BPM Loan also gives the bank the right to terminate the contract pursuant to art. 1456 of the Italian Civil Code among other things in the event of failure to pay all or part of any sum due on time depending on the loan and/or interest and related accessories; failure to use the loan for the purposes it was granted for; lack of truthfulness in the documentation produced and communications made to the bank. If the acceleration clause is triggered and the contract is terminated, the Issuer and any guarantor will be required to immediately pay any overdue and unpaid installments and the residual principal.

The First BPM Loan provides the right for the Issuer to request the full or partial early repayment of the loan by written notice and with at least 30 days' notice, and in any case coinciding with the due dates of the installments. In this case the Issuer is required to pay the bank any pertinent expenses and charges in addition to the capital and interest.

The First BPM Loan is secured by a surety guarantee of €150,000.00 granted by Sedoc Digital Group S.r.l. to guarantee the fulfillment of all the obligations assumed by the Issuer referred to in the First BPM Loan.

As of June 30, 2019, the residual debt relating to the First BPM Loan amounted to €109,820.26.

#### 17.1.2 Second BPM loan

On August 29, 2019 the Issuer signed a loan agreement with Banco BPM S.p.A. for an amount equal to €300,000.00 (the "**Second BPM Loan**") to meet part of the financial needs related to the realization of the working capital increase. The Second BPM Loan has a duration of 24 months, with a pre-amortization period of 1 month (expiring on August 31, 2021) and constant deferred monthly installments at a nominal annual interest rate convertible based on the frequency of the installments, from the date of disbursement to the date of full repayment of the Second BPM Loan, to the extent equal to the IRS rate, with a duration corresponding to the duration of the Second BPM Loan increased by 4.2500 percentage points per year. Any default interest is calculated based on the applicable rate plus 2 percentage points per year.

The Second BPM Loan provides the right of the Issuer to terminate the loan in advance by written notice and with at least 45 days' notice, paying a commission equal to 3% of the amount repaid in advance.

The Second BPM Loan also provides for obligations on the part of the Issuer, including among other things promptly notifying the bank of any change in the corporate form, change in the share capital, issue of bonds, change in owners, directors, statutory auditors, as well as the merger, demerger, spin-off or transfer, sale or lease of a company, voluntary liquidation, or admission to bankruptcy proceedings, as well as the termination or change in its main business.

The Second BPM Loan provides for the right of the bank to avail itself of the acceleration clause upon the occurrence of one of the cases referred to in art. 1186 of the Italian Civil Code, including the case of (i) legal proceedings, seizure and enforcement proceedings, confiscation of assets, registration of legal or judicial liens that, in the opinion of the bank, may cause damage to the bank; (ii) events (including changes in the corporate form, changes in the share capital, bond issues, changes in the corporate structure and/or directors) such as to adversely affect the financial position of the Issuer and the guarantors in such a way as to jeopardize the satisfaction of the bank's interests; (iii) failure by the Issuer to fully and punctually fulfill its obligations of a credit or financial nature with respect to other transactions in place with the bank; and (iv) change in the Issuer's business.

The Second BPM Loan gives the bank the right to terminate the contract by right pursuant to art. 1456 of the Italian Civil Code among other things in the event of (i) failure by the Issuer to comply with the contractual obligations; (ii) factual circumstances or defects in the documents that if they had been known or occurred beforehand would have prevented the granting of the loan; (iii) failure to pay all or part of any sum due on time depending on the loan and/or interest and related accessories; and (iv) failure to use the loan for the purposes it was granted for.

The Second BPM Loan is secured by a specific surety of €300,000.00 issued by Sedoc Digital Group S.r.l. to guarantee the fulfillment of all the obligations assumed by the Issuer referred to in the Second BPM Loan.

#### 17.1.3 Third BPM loan

Life Your Brand S.r.l. ("**LYB**") on August 29, 2019 stipulated a loan agreement with Banco BPM S.p.A. for an amount equal to €100,000.00 (the "**Third BPM Loan**") to

meet part of the financial needs related to the realization of the working capital increase. The Third BPM Loan has a duration of 24 months, with a pre-amortization period of 1 month (expiring on August 31, 2021) and constant deferred monthly installments at a nominal annual interest rate convertible based on the frequency of the installments, from the date of disbursement to the date of full repayment of the Third BPM Loan, to the extent equal to the IRS rate, with a duration corresponding to the duration of the Second BPM Loan increased by 4.2500 percentage points per year. Any default interest is calculated based on the applicable rate plus 2 percentage points per year.

The Third BPM Loan provides the right of LYB to terminate the loan in advance by written notice and with at least 45 days' notice, paying a commission equal to 3% of the amount repaid in advance.

The Third BPM Loan also provides for obligations on the part of LYB, including among other things promptly notifying the bank of any change in the corporate form, change in the share capital, issue of bonds, change in owners, directors, statutory auditors, as well as the merger, demerger, spin-off or transfer, sale or lease of a company, voluntary liquidation, or admission to bankruptcy proceedings, as well as the termination or change in its main business.

The Third BPM Loan provides for the right of the bank to avail itself of the acceleration clause upon the occurrence of one of the cases referred to in art. 1186 of the Italian Civil Code, including the case of (i) legal proceedings, seizure and enforcement proceedings, confiscation of assets, registration of legal or judicial liens that, in the opinion of the bank, may cause damage to the bank; (ii) events (including changes in the corporate form, changes in the share capital, bond issues, changes in the corporate structure and/or directors) such as to adversely affect the financial position of LYB and the guarantors in such a way as to jeopardize the satisfaction of the bank's interests; (iii) failure by LYB to fully and punctually fulfill its obligations of a credit or financial nature with respect to other transactions in place with the bank; and (iv) change in LYB's business.

The Third BPM Loan gives the bank the right to terminate the contract by right pursuant to art. 1456 of the Italian Civil Code among other things in the event of (i) failure by LYB to comply with the contractual obligations; (ii) factual circumstances or defects in the documents that if they had been known or occurred beforehand would have prevented the granting of the loan; (iii) failure to pay all or part of any sum due on time depending on the loan and/or interest and related accessories; and (iv) failure to use the loan for the purposes it was granted for.

**SECTION II**

## **1 RESPONSIBLE PERSONS, INFORMATION FROM THIRD PARTIES AND EXPERT REPORTS**

### **1.1 Persons responsible for information**

Responsibility for the information provided in the Admission Document is assumed by the party indicated in Section I, Chapter 1, Paragraph 1.1.

### **1.2 Declaration of the responsible persons**

The declaration of responsibility for the information contained in the Admission Document is reproduced in Section I, Chapter 1, Paragraph 1.2.

### **1.3 Expert declarations or reports**

There are no opinions or reports attributed to experts in Section II of the Admission Document.

### **1.4 Information from third parties**

There is no information from third parties in Section II of the Admission Document.

## **2 RISK FACTORS**

### **2.1 Risk factors relating to financial instruments**

For a detailed description of the risk factors relating to the financial instruments offered, see Section I, Chapter 4 of the Admission Document.

### **3 ESSENTIAL INFORMATION**

#### **3.1 Statement on working capital**

After having completed all the necessary and thorough investigations, based on the definition of working capital – as the means by which the Company obtains the liquid resources necessary to meet upcoming obligations – contained in the "Recommendations for the uniform implementation of the European Commission Regulation on the prospectuses of the CESR (Committee of European Securities Regulators)," the Directors believe that the working capital available to the Issuer and the Group is sufficient for the current needs, meaning those relating to at least twelve months from the Admission Date.

#### **3.2 Reasons for the Offer and use of proceeds**

The Institutional Capital Increase and the Retail Capital Increase are mainly aimed at the establishment of the float necessary to obtain admission to the trading of the Shares on AIM Italia, with consequent benefits in terms of image and visibility, as well as to provide the Company with financial resources to support its operations and growth.

The proceeds will be used primarily to strengthen the Issuer's capital structure and to pursue the strategic objectives outlined in Section I, Chapter 6, Paragraph 6.4 of the Admission Document.



## 4 INFORMATION CONCERNING THE FINANCIAL INSTRUMENTS TO BE OFFERED AND ADMITTED TO TRADING

### 4.1 Description of the financial instruments

The financial instruments for which admission to trading on AIM Italia has been requested are the Issuer's Shares and Warrants.

The Issuer's Shares are ordinary shares without nominal value. The Shares and Converted Shares are assigned the ISIN code (International Security Identification Number) IT 0005383671.

#### Description of the Warrants

The Warrants are issued in implementation of the resolution of the extraordinary shareholders' meeting of July 25, 2019 which among other things provided for the issue of a maximum of 2,500,000 Warrants combined without consideration with the ordinary shares subscribed as part of the placement for the purpose of admission of the shares and warrants to AIM Italia at a ratio of 1 Warrant for each 1 subscribed Share, of which:

- Maximum 1,250,000 Warrants issued on the starting trading date of the Shares on AIM Italia ("**First Issue Date**") in the ratio of 1 Warrant for every 2 subscribed Shares, traded on AIM Italia separately from the Shares from that date.
- Maximum 1,250,000 Warrants issued on the date falling 180 days after the starting trading date of the Shares on AIM Italia ("**Second Issue Date**") in the ratio of 1 Warrant every 2 subscribed Shares, traded on AIM Italia separately from the Shares from that date (it being understood that the right to receive such additional Warrants will lapse for the portion of the Shares that may have been sold before the Second Issue Date).

The Warrants are valid to subscribe – under the conditions and in accordance with the Warrant Regulation – Shares of the Company (the "**Converted Shares**") in the ratio of 1 Converted Share for 2 Warrants.

The Converted Shares will have regular dividend rights, equal to that of the Ordinary Shares of the Company traded on the AIM at the effective date of the exercise of the Warrants.

The Warrants are called "2019-2023 Cyberoo Warrants" and are assigned the ISIN code IT 0005383663.

### 4.2 Legislation under which the financial instruments are issued

The Shares and Warrants are issued under Italian law.

### 4.3 Characteristics of the financial instruments

The Shares are registered, indivisible, freely transferable, without indication of the nominal value and with regular dividend rights.

The Warrants are bearer, circulate separately from the Shares they were matched to, and are freely transferable.

The Shares and Warrants are subject to dematerialization pursuant to articles 83-*bis* and following of the TUF and its implementing regulations and are entered into the centralized management system at Monte Titoli.

#### **4.4 Currency of issue of the financial instruments**

The Shares and Warrants are issued in euros.

#### **4.5 Description of the rights attached to the financial instruments**

##### Shares

All the Shares have the same characteristics and grant the same rights. Each Share grants the right to one vote at all ordinary and extraordinary shareholders' meetings of the Company as well as the other administrative rights envisaged by the applicable provisions of the law and the By-laws.

##### Warrants

The Warrants will circulate separately from the shares they are matched to from the date of issue and will be freely transferable.

The holders of the Warrants have the right to subscribe the Converted Shares in the ratio of 1 Converted Share for each 2 Warrants held.

The Converted Shares may be subscribed at any time during the Exercise Periods (as defined in the Warrant Regulation).

Requests must be submitted to the intermediary affiliated with Monte Titoli where the Warrants are deposited. The subscription price of the Warrant Converted Shares must be paid in full at the time of submission of the subscription request, without any additional fees and expenses to be borne by the requesting parties.

For more information see the Warrant Regulation in the appendix to the Admission Document.

#### **4.6 Resolutions by virtue of which the financial instruments will be issued**

For information on the resolutions of the Issuer's shareholders' meeting relating to the issuance of the Shares, see Section I, Chapter 16, Paragraph 16.1.7 of the Admission Document.

#### **4.7 Expected date of issue of the financial instruments**

Concurrent with the payment of the price, the Shares and Warrants shall be made available to the entitled parties by the start date of trading on AIM Italia, in a dematerialized form with accounting in the relative deposit accounts held with Monte Titoli.

#### **4.8 Possible restrictions on the free transferability of the financial instruments**

There are no restrictions on the free transferability of the Shares and Warrants.

For more information on the contractual lock-up commitments assumed by the Issuer's shareholders, see Section II, Chapter 5, Paragraph 5.2 of the Admission Document.

#### 4.9 Any regulations regarding public offer to buy and/or residual offer to buy and sell in connection with the Shares

In accordance with the AIM Italia Issuers' Regulation, the Issuer has established in its by-laws that, from the moment the Shares issued by the Company are admitted to trading on AIM Italia and until, if necessary, similar rules are made mandatory, the provisions (hereinafter, the "**Pertinent Regulation**") relating to listed companies referred to in the TUF and CONSOB implementing regulations on public purchase and mandatory exchange – articles 106 and 109 of the TUF (also with regard to the guidelines expressed by CONSOB on the matter) shall apply voluntarily and insofar as they are compatible. It is understood that the offer obligation envisaged in article 106, paragraph 3, letter b) of the TUF shall not apply, under the conditions envisaged in paragraph 3-c of the same provision, until the date of the meeting called to approve the financial statements for the fifth year following the admission of the Company's Shares to AIM Italia. The period of acceptance of public purchase and exchange offers is agreed with the panel of experts called "Panel." The Panel also dictates the appropriate or necessary provisions for the proper execution of the offer. The Panel exercises these administrative powers after consulting Borsa Italiana. The exceeding of the shareholding threshold envisaged by art. 106, paragraph 1 of the TUF (also following the possible increase of the voting rights) not accompanied by the communication to the board of directors and the presentation of a total public offer within the terms envisaged by the aforementioned regulations shall entail the suspension of the right to vote on the excess shareholding, which may be ascertained at any time by the board of directors. The regulations referred to are those in force at the time the shareholder's obligations are triggered. As a condition of admissibility, any dispute relating to the interpretation and execution of this clause must be submitted in advance to the panel of experts called "Panel." The Panel consists of 3 (three) arbitrators appointed by Borsa Italiana, which also selects the Chairman from among them. The Panel is based at Borsa Italiana. The members of the Panel are chosen from independent persons with proven expertise in the field of financial markets. The term of office is three years and is renewable only once. If one of the members ceases to hold office before the end of the term, Borsa Italiana shall appoint a replacement. This appointment shall last until the end of the panel's term of office. The decisions of the Panel on disputes relating to the interpretation and execution of the clause on the public purchase offer shall be made according to law, with respect for the principle of adversarial proceedings, within 30 (thirty) days from the appeal and shall be promptly communicated to the parties. The language of the proceedings is Italian. The Chair of the Panel may, in agreement with the other members of the panel, assign the matter to a single member of the panel. Companies, their shareholders, and any bidders may refer to the Panel to request its prior interpretation and recommendations on any issue that may arise with respect to the public purchase offer. The Panel shall respond to any request orally or in writing as soon as possible, with the right to ask all interested parties for all the information necessary to provide an adequate, correct response. The Panel also exercises the powers of administration of the public purchase and exchange offer referred to in the clause on public purchase offers, after consulting Borsa Italiana. The fees of the members of the Panel are charged to the requesting party. "Shareholding" means a quota – even held indirectly through trustees or nominees – of securities issued by the Company that allocate voting rights in shareholders' meetings relating to the appointment or removal of directors. These provisions apply only in cases where the public purchase and exchange offer is not otherwise subject to the supervisory powers of CONSOB and the provisions on public purchase and exchange offers in the TUF.

For more information see article 12 of the By-laws available on the Issuer's website at [www.cyberoo.com](http://www.cyberoo.com).

#### 4.10 **Public purchase offers made by third parties on financial instruments during the last financial year and the current financial year**

As far as the Issuer is aware, the Shares have never been the subject of any public purchase or exchange offers.

#### 4.11 **Tax aspects**

##### **Warnings**

The tax legislation of the investor's Member State and the Italian legislation may have an impact on the income generated by the Issuer's Shares and Warrants.

##### **Introduction**

For the purposes of this analysis, the terms below are defined as follows:

**"Transfer of Qualified Shareholdings"**: transfer of shares, other than saving shares, rights, or securities through which shares may be acquired that over a period of twelve months exceed the limits for the qualification of Qualified Shareholding. The twelve-month period starts when the securities and the rights held represent a percentage of voting or shareholding rights above the aforementioned limits. For rights or securities through which shareholdings may be acquired, account shall be taken of the percentages of voting rights or participation in the capital potentially attributable to the shareholdings.

**"Transfer of Unqualified Shareholdings"**: transfer of shares, rights, or securities through which shares may be acquired, which is not a Transfer of Qualified Shareholdings.

**"Unqualified Shareholdings"**: shareholdings in companies listed on regulated markets other than Qualified Shareholdings.

**"Qualified Shareholdings"**: shares, other than saving shares, as well as the rights or securities through which the aforementioned shares may be acquired that represent a total percentage of voting rights that may be exercised in the ordinary Shareholders' Meeting of the issuer greater than:

- 2% or a participation in the capital or assets of the issuer of more than 5%, in the case of shares traded on regulated markets.
- 20% or a participation in the capital or assets exceeding 25%, in the case of companies not listed on regulated markets.

For rights or securities through which shares may be acquired, account shall be taken of the percentages of voting rights or participation in the capital potentially attributable to the shares.

**"States or territories that allow an adequate exchange of information" means:** States and territories with which agreements for the exchange of information are in force. Italian Legislative Decree no. 147 of September 14, 2015, containing measures for the growth and international expansion of companies (the so-called "*International Expansion Decree*") and Italian Law no. 208 of December 28, 2015 (the so-called "*2016 Stability Law*") introduced significant changes to the regulations on the identification of countries that allow an adequate exchange of information and so-called "tax havens," respectively providing for the repeal of article 168-bis of Italian Presidential Decree no. 917 of December 22, 1986 (hereinafter "TUIR") and the

modification of the criteria for identifying the States or territories with a preferential tax regime pursuant to art. 167, paragraph 4 of the TUIR with the consequent introduction of specific coordination provisions. Specifically, any reference contained in laws, regulations, decrees, other rules, or measures to:

- a) The list of States and territories that allow an adequate exchange of information referred to in paragraph 1 of the aforementioned repealed art. 168-*bis* refers to the decrees issued in implementation of art. 11, paragraph 4, lett. c) of Italian legislative decree no. 239 of April 1, 1996.
- b) States or territories other than those that allow an adequate exchange of information and in which the level of taxation is not significantly lower than what is applied in Italy pursuant to paragraph 2 of the same art. 168-*bis* means the States or territories referred to in the decree and provision issued pursuant to art. 167, paragraph 4 of the TUIR.
- c) States or territories referred to in the decree and provision issued pursuant to article 167, paragraph 4 of the TUIR means the States or territories with preferential taxation as identified on the basis of the criteria envisaged in article 167, paragraph 4, as amended by the 2016 Stability Law according to which "*The tax regimes, including special tax regimes, of States or territories are considered privileged where the nominal level of taxation is less than 50 percent of what is applied in Italy.*"

#### 4.11.1 Taxes on warrants

The following is a mere summary of the taxes specific to the holding and sale of warrants – in accordance with Italian tax law – applicable to certain specific categories of investors and is not intended to be an exhaustive analysis of all the possible tax consequences related to the holding and sale of such securities. For further references and details on the taxation of the aforementioned income, please refer to the regulations contained in Italian Legislative Decree no. 461 of November 22, 1997, as subsequently amended and supplemented ("**Italian Legislative Decree no. 461/1997**") and the TUIR, as well as the related additional regulatory and administrative measures. Investors are therefore required to consult their advisors on the taxes specific to the purchase, holding, and disposal of warrants.

According to the regulations in force on the date of preparation of this Admission Document, the capital gains deriving from the sale for consideration of warrants for the subscription of investments in companies resident in Italy, if not achieved in the exercise of companies, constitute different income of a financial nature subject to taxation in the same manner as envisaged for the capital gains deriving from the sale of shareholdings (articles 67 et seq. of the TUIR). The sale of "securities or rights through which shareholdings may be acquired" (such as warrants) are in fact considered similar to the sale of shareholdings, and subject to the same tax regime. Specifically:

- a) The capital gains deriving from the sale of warrants – even with different parties over a period of 12 months, even if falling within different tax periods – which allow the acquisition of a Qualified Shareholding, for this purpose also taking into account the direct sale of the shareholdings and other rights executed in the same period of 12 months, contribute to taxable income to the extent of 58.14% (percentage thus modified by art. 2 of the Ministerial Decree of May 26, 2017 for the capital gains and losses realized from January 1, 2018). Based on the changes made by Italian Law no. 205/2017, from January 1, 2019 these capital gains will be subject to withholding tax at a rate of 26%.
- b) Capital gains deriving from the sale of warrants – again, carried out over a period of 12 months, even with different parties – which do not allow the acquisition of a

Qualified Shareholding, even together with the direct sale of the shareholdings and other rights, are subject to substitute tax at a rate of 26%.

In order to establish the limits for the qualification of Qualified Shareholding, account must also be taken of the securities or rights through which qualified shareholdings may be acquired (e.g., subscription and purchase warrants, share purchase options, option rights pursuant to articles 2441 and 2420-bis of the Italian Civil Code, convertible bonds). Consequently, there may be a case of sale of a qualifying shareholding even if only securities or rights are sold that, considered independently or together with the other shareholdings sold, represent a percentage of voting rights and shareholdings above the limits specified to define a Qualifying Shareholding. In order to identify the percentages of voting rights and shareholdings, it is necessary to sum the sales made over a period of 12 months, even with different parties. Therefore, with each sale, all the sales made by the same party that took place in the 12 months from the date of the sale must be considered, even if they fall within different tax periods. Therefore, if after having made a first unqualified sale a party executes other sales within 12 months of the first sale that in sum exceed the aforementioned percentages of voting rights or shareholdings, a sale of qualified shareholdings is considered to have been made. However, the application of the rule requiring account to be taken of all disposals made over a period of 12 months is subject to the condition that the taxpayer have a shareholding greater than the percentages specified above for at least one day.

Pursuant to article 5, paragraph 5 of Italian Legislative Decree no. 461/1997, capital gains realized as a result of the sale of warrants that allow – even together with the direct sale of the shares – the acquisition of an **Unqualified Shareholding** are not subject to taxation in Italy if they are obtained by taxpayers residing in States and territories that allow an adequate exchange of information and without a permanent establishment in Italy to which these warrants can be considered effectively connected. Pursuant to article 23, paragraph 1, letter f), point 1) of the TUIR, capital gains realized as a result of the sale of warrants listed on regulated markets that allow – even together with the direct sale of the shares – the acquisition of an Unqualified Shareholding are not subject to taxation in Italy. Conversely, capital gains realized by non-residents in Italy without a permanent establishment in Italy as a result of the sale of warrants that allow the acquisition of a **Qualified Shareholding** are subject to withholding tax at a rate of 26%. These capital gains are subject to taxation only at the time of the annual tax return. In any case, the possibility of requesting the application of the non-taxation regime in Italy envisaged by international conventions against double taxation in force between Italy and the State of residence remains unaffected for non-residents.

If a loss is generated by the sale, the entire amount may be deducted from the capital gains of the subsequent tax periods, but not more than the fourth, provided that it is specified in the tax return for the tax period in which the loss was incurred. The possibility of benefiting from the aforementioned capital gains tax exemption schemes could be subject to the submission of appropriate documentation attesting to the existence of the relevant conditions of application.

#### 4.11.2 Taxes on Ordinary Shares

The information below summarizes the taxes specific to the purchase, holding, and disposal of the Company's Ordinary Shares in accordance with current Italian tax law and with respect to specific categories of investors. Therefore, the following is not nor is it intended to be an exhaustive analysis of the tax consequences related to the purchase, holding, and sale of Ordinary Shares for all possible categories of investors, representing a mere introduction to the subject.

The taxes on the purchase, holding, and sale of shares shown below are based on current legislation as well as on ministerial practice existing on the date of the Admission Document, it being understood that these remain subject to possible changes, even with retroactive effect. In the future, legislative measures could be taken to revise the rates of withholding tax on capital gains and other income of a financial nature or the rates of substitute taxes relating to such income. The passing of such provisions amending the regulations currently in force could therefore affect the tax regime of the Company's shares as described in the following paragraphs. Investors are required to consult their advisors on the taxes specific to the purchase, holding, and disposal of shares, and to verify the nature and origin of the amounts received as distributions on the Company's shares (dividends or reserves).

#### 4.11.3 Taxes on dividends

Dividends allocated to the Ordinary Shares of the Company are subject to the tax treatment ordinarily applicable to dividends paid by corporations fiscally resident in Italy.

The tax applicable to the distribution of dividends depends on the nature of the party receiving them, as described below.

##### (A) Natural persons fiscally resident in Italy not carrying out business activities

In general, a **withholding tax of 26% is applied** to dividends paid to resident natural persons who do not carry out business activities, relating both to Qualified Investments and to Unqualified Investments. The withholding must then be paid to tax authorities.

If the dividends derive from shares entered into the central deposit system managed by Monte Titoli, instead of the aforementioned withholding tax a substitute tax is applied to income at the same rate and under the same conditions envisaged by art. 27, paragraph 1 of Italian Presidential Decree no. 600 of September 29, 1973 (hereinafter "Italian Presidential Decree no. 600/1973"). The above substitute tax is applied by the entities the securities are deposited with that belong to the centralized deposit system managed by Monte Titoli, as well as through a tax representative appointed in Italy (i.e., a bank or a broker resident in Italy, a permanent establishment in Italy of non-resident banks or investment companies, or a centralized manager of financial instruments authorized pursuant to art. 80 of the TUF), by the non-resident subjects (depositories) that belong to the Monte Titoli system or to foreign centralized deposit systems belonging to the Monte Titoli system.

The new form of generalized taxation referred to above, regardless of the qualification of Qualified Shareholding or Unqualified Shareholding, applies to capital income realized and received from January 1, 2018. However, there is a specific transitional regime for dividends deriving from Qualified Shareholdings consisting of profits produced up to the current fiscal year as of December 31, 2017, the distribution of which is resolved between January 1, 2018 and December 31, 2022. In fact, these dividends retain the previous taxation (Ministerial Decree of May 26, 2017 published in Official Gazette no. 160 of July 11, 2017), partially contributing to the taxpayer's total income as follows:

- 40% in the case of dividends deriving from profits produced up to the current tax period as of December 31, 2007:
- 49.72% in the case of dividends deriving from profits as of the tax period following the one in progress as of December 31, 2007 and up to the one in progress as of December 31, 2016.
- 58.14% in the case of dividends deriving from profits formed as of the tax period following the one in progress as of December 31, 2016.

(B) Natural persons fiscally resident in Italy not carrying out business activities that hold unqualified shareholdings under an asset management regime

For dividends paid and received from January 1, 2018 to natural persons with tax residence in Italy with respect to shares not held for business activities and constituting Unqualified Shareholdings, held as part of an asset management relationship with an authorized broker, with respect to which the option for the managed savings regime is exercised pursuant to art. 7 of Italian Legislative Decree no. 461 of November 21, 1997 ("**Italian Legislative Decree 461/1997**"), the substitute tax of 26% is applied and contribute to the annual operating result.

(C) Natural persons fiscally resident in Italy carrying out business activities

Dividends paid to natural persons fiscally resident in Italy on Ordinary Shares relating to the company are not subject to any withholding tax or substitute tax provided that the entitled parties declare at the time of receipt that the profits collected relate to investments pertaining to their business (article 27, paragraph 5 of Italian Presidential Decree 600/1973).

These dividends contribute to the total taxable income of the shareholder in an amount equal to 58.14% of their amount, for dividends deriving from profits produced as of the tax period following the one in progress as of December 31, 2016. In the case of distribution of profits produced as of the tax period following the one in progress as of December 31, 2007 up to the fiscal year in progress as of December 31, 2016, these contribute to the taxable income of the recipient in an amount equal to 49.72%, while in the case of distribution of profits produced up to the current year as of December 31, 2007, these contribute to the taxable income of the recipient in an amount equal to 40%.

It is understood that, for the distribution resolutions subsequent to the one concerning the profit for the fiscal year in progress as of December 31, 2007, for the purposes of taxing the recipient the dividends distributed are considered as primarily deriving from profits produced by the company up to that date.

(D) Unlimited partnerships, limited partnerships, and equivalent pursuant to art. 5 of the TUIR, companies referred to in article 73, paragraph 1, letters a) and b) of the TUIR with fiscal residence in Italy

Dividends received by unlimited partnerships, limited partnerships, and equivalent (excluding simple companies) pursuant to art. 5 of the TUIR, by companies and entities pursuant to art. 73, first paragraph, letters a) and b) of the TUIR, including, among other things, corporations and limited partnerships, limited liability companies, public and private entities whose exclusive or main purpose is the exercise of commercial activities (so-called "*commercial entities*"), fiscally resident in Italy, are not subject to any withholding tax or substitute tax in Italy and contribute to the total taxable income of the recipient to be subject to taxation according to the ordinary rules, with the following methods:

- For taxpayers subject to IRPEF (e.g., unlimited partnerships, limited partnerships), the dividends contribute to the total taxable income of the recipient in an amount equal to 58.14% of their value. In the case of distribution of profits produced as of the tax period following the one in progress as of December 31, 2007 up to the fiscal year in progress as of December 31, 2016, these contribute to the taxable income of the recipient in an amount equal to 49.72%, while in the case of distribution of profits produced up to the current



year as of December 31, 2007, these contribute to the taxable income of the recipient in an amount equal to 40%.

- For taxpayers subject to IRES that have as their purpose the exercise of commercial activities (e.g., corporations, limited liability companies, share partnerships, commercial entities), the dividends contribute to the total taxable income of the recipient (subject to ordinary rate equal to 24% as of the year following the one in progress as of December 31, 2016) limited to 5% of their amount, or for the entire amount if related to securities held for trading by subjects that apply IAS/IFRS international accounting standards.

For certain types of companies (e.g., banks and other financial companies, insurance companies, etc.) and subject to certain conditions, the dividends received also partially contribute to the relative value of net production, subject to regional tax ("IRAP").

#### (E) Entities referred to in article 73, paragraph 1, letter C) of the TUIR, with fiscal residence in Italy

Dividends received by the entities referred to in art. 73, first paragraph, letter c) of the TUIR, i.e. public and private entities other than companies, trusts that do not have as their exclusive or main purpose the exercise of commercial activities, as well as undertakings for collective investment ("UCI") resident in the territory of the State are not subject to any withholding tax or substitute tax and contribute to taxable income for:

- 100% of their amount, for dividends received and deriving from profits produced as of the fiscal year following the one in progress as of December 31, 2016.
- 77.74% for dividends deriving from profits produced up to the fiscal year in progress as of December 31, 2016, except as specified in the following paragraph (G) for the UCI referred to in art. 73, paragraph 5-quinquies of the TUIR.

#### (F) Parties exempt or excluded from corporate income tax

For the Shares entered into the centralized deposit system managed by Monte Titoli, the dividends received by residents exempt from corporate income tax (IRES) are subject to a substitute tax at the rate of 26% applied by the resident entity (belonging to the centralized deposit system managed by Monte Titoli) the Shares are deposited with, or, through a tax representative appointed in Italy, by the non-resident (depository) that belongs to the Monte Titoli System or to foreign centralized depository systems belonging to the Monte Titoli System.

The tax is not applied to parties "excluded" from income tax pursuant to art. 74, paragraph 1 of the TUIR (i.e. bodies and administrations of the State, including those with an autonomous system, even if they have legal personality, municipalities, consortia between local authorities, associations and entities managing collective property, mountain communities, provinces and regions).

#### (G) Italian pension funds and Italian UCIs (other than Real Estate UCIs)

The profits received from (a) Italian pension funds referred to in Italian Legislative Decree no. 252/2005 and (b) Italian undertakings for collective investment ("UCI"), other than real estate mutual investment funds and fixed capital investment companies investing in real estate ("Real Estate UCI"), are not subject to any withholding or substitute tax. These profits contribute – according to the ordinary rules – to the total annual operating result accrued, subject to substitute tax at a rate of 20%.

The UCIs established in Italy subject to supervision (other than Real Estate UCI and historical Luxembourg funds) are exempt from income taxes pursuant to art. 73, paragraph 5-*quinquies* of the TUIR, provided that the fund or the entity in charge of management is subject to forms of prudential supervision. Profit distributions received by these investment firms do not incur any tax.

Proceeds of the aforementioned UCIs received by the participants as redemption or distribution while holding the units/shares are subject to withholding pursuant to art. 26-*quinquies* of Italian Presidential Decree 600/1973.

#### (H) Italian Real Estate UCIs

Pursuant to Italian Decree Law no. 351 of September 25, 2001, converted with amendments by Italian Law no. 410 of November 23, 2001, in the version currently in force ("Italian Decree Law 351/2001"), the distribution of profits received by Italian real estate mutual investment funds established pursuant to article 37 of the TUF or article 14-*bis* of Italian Law no. 86 of January 25, 1994 are not subject to withholding or substitute tax and do not incur any tax on the part of these investment undertakings.

Subject to certain conditions, the income earned by an Italian Real Estate UCI could be charged for transparency and thus contribute to the total income of participants other than institutional investors (art. 32, paragraph 3 of Italian Decree Law 78/2010) who hold more than 5% of the assets of the investment.

#### (I) Parties not fiscally resident in Italy which hold the shares through a permanent establishment in the territory of the State

Dividends received by parties not resident in Italy that hold the investment through a permanent establishment in Italy are not subject to any withholding tax in Italy or substitute tax and contribute to the total income of the permanent establishment to the extent of 5% of their amount, or for the entire amount if related to securities held for trading by subjects that apply IAS/IFRS international accounting standards.

If the dividends are attributable to a shareholding not connected to a permanent establishment in Italy of the non-resident recipient, refer to the following section.

#### (L) Parties not fiscally resident in Italy which do not hold the shares through a permanent establishment in the territory of the State

Dividends received by subjects not fiscally resident in Italy, without a permanent establishment in the territory of the State to which the investment is attributable, are in principle subject to a substitute tax of 26% pursuant to art. 27-ter of Italian Presidential Decree 600/1973.

This substitute tax is applied by the resident entities that the securities are deposited with that belong to the centralized deposit system managed by Monte Titoli, as well as through a tax representative appointed in Italy (i.e., a bank or a broker resident in Italy, a permanent establishment in Italy of non-resident banks or investment companies, or a centralized manager of financial instruments authorized pursuant to art. 80 of the TUF), by the non-resident subjects that belong to the deposit system managed by Monte Titoli or to foreign centralized deposit systems belonging to the centralized deposit system managed by Monte Titoli.

Shareholders not fiscally resident in Italy that deduct the aforementioned substitute tax of 26% in relation to dividends, other than saving shareholders and pension funds referred to in the second period of paragraph 3 of art. 27 of Italian Presidential Decree

600/1973 are entitled to reimbursement against an application to be submitted according to the conditions and within the terms of the law and up to the amount of eleven twenty-sixths of the substitute tax paid in Italy pursuant to art. 27-ter of Italian Presidential Decree 600/1973, of the tax that they demonstrate that they have definitively paid abroad on the same profits, upon presentation to the competent Italian tax authorities of the relative certification of the tax office of the foreign State.

As an alternative to the aforementioned reimbursement, persons residing in States with which Italy has concluded agreements to avoid double taxation on income may request the application of substitute tax on dividends to the (reduced) extent envisaged by the convention applicable from time to time. To this end, the entities the shares are deposited with, members of the centralized deposit system managed by Monte Titoli, must promptly acquire:

- A declaration by the beneficial owner of the profits showing the identification of the person concerned, the existence of all the conditions that the application of the Convention is subject to, and any elements necessary to determine the measure of the applicable rate pursuant to such Convention.
- A certificate (included in the form referred to in the previous point) from the competent tax authority of the State where the beneficial owner of the profits resides proving residence in such State within the meaning of the Convention.

In agreement with the tax authorities of certain States the Italian tax authorities have also produced a specific form aimed at ensuring a more efficient and easy refund or total or partial exemption from the levy at the source applicable in Italy. Indeed, the forms for the request for application of the reduced rate under the conventions against double taxation of income stipulated by Italy were approved with the Order of the Director of the Revenue Agency dated July 10, 2013. If the documentation is not submitted to the depository prior to the payment of the dividends, the substitute tax is applied in full (26% rate). In this case, the beneficial owner of the dividends may in any case ask the Italian tax authorities to reimburse the difference between the substitute tax applied and the tax applicable pursuant to the agreement through a specific request for reimbursement accompanied by the aforementioned documentation, to be submitted according to the conditions and within the terms of the law.

If the recipients and beneficiaries of the dividends are companies or entities *(i)* fiscally resident in one of the Member States of the European Union or in one of the States party to the Agreement on the European Economic Area that are included in the list referred to in the Decree of the Minister of Economy and Finance to be issued pursuant to art. 168-bis of Italian Presidential Decree 917/86 and *(ii)* therefore subject to a corporate income tax, these subjects may benefit from the application of a reduced substitute tax on dividends of 1.20%. With regard to requirement *(i)*, it is recalled that pending the issuance of the aforementioned ministerial decree reference is made to the list referred to in the Decree of the Minister of Finance of September 4, 1996 and subsequent amendments. Pursuant to art. 1, paragraph 68 of Italian Law 244/2017, the substitute tax of 1.375% applies only to dividends deriving from profits from the fiscal year following the one in progress as of December 31, 2007. For the purpose of applying the substitute tax of 1.375%, non-resident beneficiaries must promptly make a specific request to the depository of the shares required to collect the substitute tax, accompanied by a suitable certificate of residence and tax status issued by the competent authorities of the State they belong to.

If the recipients and beneficiaries of the dividends are pension funds instituted in one of the Member States of the European Union or in one of the States party to the Agreement on the European Economic Area that are included in the list referred to in the Decree of the Minister of Economy and Finance to be issued pursuant to art. 168-

bis of Italian Presidential Decree 917/86, such funds may benefit from the application of a reduced substitute tax on dividends of 11%. Pending the issuance of the aforementioned ministerial decree, the Member States of the European Union or the States party to the Agreement on the European Economic Area that currently qualify for the 11% tax are those included in the list referred to in the Decree of the Minister of Finance of September 4, 1996 and subsequent amendments. For the purpose of applying the substitute tax of 11%, non-resident pension funds must promptly make a specific request to the depositary of the shares required to collect the substitute tax, accompanied by the necessary documentation.

In accordance with art. 27-bis of Italian Presidential Decree 600/1973, approved in implementation of Directive no. 435/90/EEC of July 23, 1990, then transfused into Directive no. 2011/96/EU<sup>1</sup> of November 30, 2011, if the dividends are received by a company **(a)** that takes one of the forms envisaged in the annex to the same Directive no. 435/90/EEC, **(b)** that is tax resident in a Member State of the European Union, without being considered resident outside the European Union pursuant to a double income tax convention with a third State, **(c)** that is subject in the State of residence to one of the taxes indicated in the annex to the aforementioned Directive without benefiting from options or exemptions that are not territorially or temporarily limited, and **(d)** that holds a direct shareholding in the Issuer equal to no less than 10% of the share capital for an uninterrupted period of at least one year, said company has the right to ask Italian tax authorities for the reimbursement of the substitute tax applied on the dividends received.

To this end, the non-resident company must produce a certification issued by the competent tax authorities of the foreign State certifying that the non-resident company meets the aforementioned requirements, as well as a declaration from the non-resident company that the conditions indicated above have been met. Furthermore, as clarified by the Italian tax authorities, upon the occurrence of the aforementioned conditions and as an alternative to the submission of a request for reimbursement after the distribution of the dividend, provided that the minimum annual period of holding the investment in the Company has already elapsed at the time of distribution of the dividend itself, the non-resident company may directly request the depositary intermediary of the shares not to apply the substitute tax by promptly presenting the same documentation indicated above to the intermediary in question. By Order of July 10, 2013, the Revenue Agency approved the forms for the purpose of disapplying the substitute tax.

For non-resident companies that are directly or indirectly controlled by subjects not resident in States of the European Union, the aforementioned regime of reimbursement or non-application of the substitute tax can be invoked only on the condition that the same companies demonstrate that they do not hold the investment in the Company for the exclusive or main purpose of benefiting from the taxation in question.

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<sup>1</sup> Article 1 of Directive no. 2011/96/EU of November 30, 2011 was amended by EU Directive no. 2015/121 of January 27, 2015. Based on para. 2 of the new article 1, "Member States shall not grant the benefits of this Directive to an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of this Directive, are not genuine having regard to all relevant facts and circumstances." The following para. 3 further states that "For the purposes of paragraph 2, an arrangement or a series of arrangements shall be regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality." Article 26 of Italian Law no. 122 of July 7, 2016 (the so-called "2015-2016 European Law"), in transposing EU Directive 121/2015, replaced paragraph 5 of art. 27-bis with the following wording: "Council Directive (EU) 2015/121 of January 27, 2015 is implemented by national law through the application of art. 10 bis of Law no. 212 of July 27, 2000," which regulates the abuse of tax law or tax evasion.

Dividends pertaining to international entities or bodies that enjoy tax exemption in Italy as a result of laws or international agreements made enforceable in Italy are not subject to substitute tax.

#### 4.11.4 **Taxation of the distribution of reserves referred to in the fifth paragraph of article 47 of the TUIR**

The information provided in this Section summarizes the tax applicable to the distribution by the Company – other than in the event of a reduction in surplus capital, withdrawal, exclusion, redemption, or liquidation – of the Capital Reserves referred to in article 47, paragraph 5 of the TUIR, i.e., among other things, reserves or other funds made up of share premium issues, with interest paid by the subscribers, with payments made by non-repayable shareholders, or on capital account and with tax-exempt monetary revaluation balances (hereinafter also "**Capital Reserves**").

Article 47, paragraph 1, last sentence of the TUIR establishes an absolute presumption of priority in the distribution of profits by the companies referred to in article 73 of the TUIR: "*Regardless of the shareholders' meeting resolution, the profits for the year and the reserves other than those of paragraph 5 for the portion of them not allocated for tax suspension are assumed to be distributed as a priority.*" In the presence and up to the capacity of these reserves ("*profit reserves*"), therefore, the amounts distributed qualify as dividends and are subject to the taxes set out in the previous sections.

Note that in the case of investments held in usufruct, the party that is the beneficiary of the distribution of the Capital Reserves is the usufructuary (unless otherwise agreed).

##### (A) Natural persons fiscally resident in Italy not carrying out business activities

Pursuant to the provision contained in article 47, first paragraph of the TUIR, regardless of the provisions of the shareholders' resolution, the sums received by natural persons fiscally resident in Italy by way of distribution of capital reserves constitute profits for the recipients within the limits and to the extent that there are, for the distributing company, operating profits and profit reserves (without prejudice to their share set aside for tax suspension or allocated to non-distributable reserves). Depending on whether they are Unqualified Shareholdings and/or not related to the company, the sums classified as profits are subject to the taxation detailed above with respect to dividends. The sums received by way of distribution of the Capital Reserves net of the amount that may qualify as profit based on the above reduce the taxable cost of the shareholding by the same amount. It follows that at the time of the subsequent sale the taxable capital gain is calculated as the difference between the sale price and the fiscally recognized cost of the investment reduced by an amount equal to the sums received by way of distribution of the capital reserves (net of the amount that may qualify as profit).

According to the interpretation adopted by tax authorities, the sums received by way of distribution of the Capital Reserves constitute profits for the part exceeding the fiscal cost of the shareholding, with the application of the tax envisaged for dividends.

##### (B) Unlimited partnerships, limited partnerships, and equivalent pursuant to article 5 of the TUIR, partnerships, companies and entities referred to in article 73, first paragraph, letters a) and b) of the TUIR, and natural persons with fiscal residence in Italy

For natural persons, partnerships, limited partnerships, and equivalent (excluding simple companies) referred to in article 5 of the TUIR, companies and entities referred

to in article 73, first paragraph, letters a) and b) of the TUIR that hold shares in the exercise of their business and that are fiscally resident in Italy, the sums received by way of distribution of the Capital Reserves constitute profits to the extent that there are operating profits and profit reserves (without prejudice to their share set aside for tax suspension or allocated to non-distributable reserves). The sums classified as profits are subject to the same taxation detailed above and analyzed for dividends.

The sums received by way of distribution of the Capital Reserves, net of the amount that may qualify as profit, reduce the fiscally recognized cost of the shareholding by an equal amount. The sums received by way of distribution of the Capital Reserves constitute capital gains for the part exceeding the fiscal cost of the shareholding, and as such are subject to the taxation illustrated in Section 4.11.6.

**(A) Entities referred to in article 73, paragraph 1, letter c) of the TUIR, with fiscal residence in Italy**

The sums received by the entities referred to in article 73, first paragraph, letter c) of the TUIR, i.e., public and private entities other than companies (excluding undertakings of collective investment, "UCIs") and trusts that do not have as their exclusive or main purpose the exercise of commercial activities and which are fiscally resident in Italy, by way of distribution of the Capital Reserves, net of the amount qualifiable as profit, do not constitute income for the recipient and reduce the recognized fiscal cost of the investment by the same amount. The sums received by way of distribution of Capital Reserves constitute distributed profits for the part exceeding the fiscal cost of the shareholding, and as such are subject to the taxation illustrated in Section 4.11.4.

**(B) Parties exempt and excluded from corporate income tax**

The sums received by way of distribution of the Capital Reserves, net of the amount qualifiable as profit, by entities resident in Italy for tax purposes and exempt or excluded from IRES do not constitute income for the recipient and reduce the fiscally recognized cost of the shareholding by the same amount. The sums received by way of distribution of Capital Reserves constitute profits for the part exceeding the fiscally recognized cost of the shareholding, and as such are subject to the taxation illustrated in Section 4.11.4.

**(C) Italian pension funds and Italian UCIs (other than Real Estate UCIs)**

The sums received from Italian pension funds subject to the scheme referred to in art. 17 of Italian Legislative Decree no. 252/2005 by way of distribution of the Capital Reserves contribute to the net operating result accrued for the tax period in which the distribution took place, subject to a substitute tax of 20%. As already noted above, UCIs established in Italy subject to supervision (other than Real Estate UCIs) are exempt from income taxes pursuant to art. 73, paragraph 5-quinquies of the TUIR, and the sums received by way of distribution of the Capital Reserves by these investment organizations do not incur any tax.

**(D) Italian Real Estate UCIs**

Pursuant to Italian Legislative Decree 351/2001, the sums received by way of distribution of Capital Reserves by the Italian Real Estate UCIs are not subject to withholding or substitute tax and do not incur any tax on the part of these investment undertakings. These funds are not subject to income tax or IRAP.

Subject to certain conditions, the income earned by an Italian Real Estate UCI could be charged for transparency and thus contribute to the total income of participants other

than institutional investors (art. 32, paragraph 3 of Italian Decree Law 78/2010) who hold more than 5% of the assets of the investment.

**(E) Parties not fiscally resident in Italy without a permanent establishment in the territory of the State**

For taxable entities not resident in Italy (whether natural persons or companies) without a permanent establishment in Italy to which the shareholding is attributable, the fiscal nature of the sums received by way of distribution of the Capital Reserves is the same as described in point (A) above for natural persons fiscally resident in Italy not carrying out business activities. The sums classified as profits are subject to the taxation on dividends described in Section 4.11.4 above.

As shown for individuals and corporations fiscally resident in Italy, the sums received by way of distribution of the Capital Reserves, net of the amount that may qualify as profit, reduce the fiscally recognized cost of the shareholding by a corresponding amount.

**(F) Parties not fiscally resident in Italy with a permanent establishment in the territory of the State**

With regard to non-residents that hold the shareholding through a permanent establishment in Italy to which the shareholding is effectively connected, the sums received by way of distribution of the Capital Reserves are subject to the same tax on the companies and entities referred to in art. 73, paragraph 1, letters a) and b) of the TUIR, fiscally resident in Italy, illustrated in point (B) above.

If the distribution of capital reserves derives from a shareholding not connected to a permanent establishment in Italy of the non-resident recipient, refer to the provisions of section 4.11.4, point (J) above.

**4.11.5 Taxes on capital gains from the sale of shares**

**(a) Natural persons fiscally resident in Italy not carrying out business activities**

With regard to capital gains other than those obtained in the exercise of commercial companies, earned by natural persons fiscally resident in Italy through the sale for consideration of shareholdings, as well as securities or rights through which the aforementioned shareholdings can be acquired, following the regulatory changes made by paragraphs 999 and 1005 of art. 1 of the 2018 Budget Law, it is necessary to distinguish between the tax applicable to those realized until December 31, 2018 and those realized from January 1, 2019.

*Financial capital gains from sundry income realized up to December 31, 2018*

With regard to the capital gains realized up until December 31, 2018, a different tax continues to apply depending on whether it is a sale of Qualified Shareholdings or Unqualified Shareholdings. Specifically:

- The capital gains deriving from the sale of a Qualified Shareholding obtained outside the exercise of commercial companies by natural persons fiscally resident in Italy and realized by December 31, 2017 contribute to the taxable income of the recipient limited to 49.72% of their amount, while those realized from January 1, 2018 contribute to the taxable income to the extent of 58.14%.

These capital gains are taxed at the time of the annual tax return. If the sale of the shares involves the realization of a loss, such loss is deducted – up to a maximum of 49.72% if done by December 31, 2017, and up to a maximum of 54.18% if done from January 1, 2018 – from the capital gains of the subsequent tax periods, but not more than the fourth, provided that the loss is specified in the tax return for the tax period in which it was incurred.

- Capital gains not obtained in the exercise of commercial companies earned by natural persons fiscally resident in Italy through the sale for consideration of Unqualified Shareholdings, as well as securities or rights through which the aforementioned shareholdings can be acquired, are subject to a substitute tax of 26%. The taxpayer may opt for one of the following methods of taxation:
  - o *Tax return option*: the taxpayer must specify any capital gains and losses incurred during the year in the tax return. The substitute tax is determined on the capital gains net of the related losses and is fully paid as calculated on the return by the deadline for the payment of income taxes. Excess losses, provided they are disclosed in the tax return, may be deducted up to the amount of the capital gains in the subsequent tax periods, but not more than the fourth. The use of the return is mandatory if the taxpayer does not choose one of the two methods referred to in points (b) and (c) below. Capital losses are deducted from capital gains realized after June 30, 2014 as follows: (i) for an amount of 48.08% if realized up to the date of December 31, 2011; (ii) for an amount of 76.92% if realized from January 1, 2012 to June 30, 2014; (iii) for an amount of 100% if realized from July 1, 2014. The time limits for deduction envisaged in article 68, paragraph 5 of the TUIR remain unaffected.
  - o *Administered savings option*: This arrangement may be applied provided that: (i) the shares are deposited with banks or resident security brokerage companies or other resident entities identified by specific ministerial decrees and (ii) the shareholder opts (with a signed communication sent to the intermediary) for the application of the administered savings method referred to in article 6 of Italian Legislative Decree 461/1997. If the taxpayer opts for this method, the substitute tax at the rate of 26% is calculated and paid at the time of the sale by the intermediary with which the shares are deposited in custody or administration, on each capital gain realized. Any losses may be offset within the same ratio by calculating the amount of the losses up to the amount of the capital gains in the subsequent transactions executed in the same or subsequent tax periods, but not more than the fourth. If the custody or administration relationship is no longer in place, any losses may be deducted – no later than the fourth tax period after they were realized – from the capital gains realized in the context of another administered savings relationship in the name of the same owners as before, or they may be deducted at the time of the tax return. Capital losses are deducted from capital gains realized after June 30, 2014 as follows: (i) for an amount of 48.08% if realized up to the date of December 31, 2011; (ii) for an amount of 76.92% if realized from January 1, 2012 to June 30, 2014; (iii) for an amount of 100% if realized from July 1, 2014. The time limits for deduction envisaged in article 6, paragraph 5 of Italian Legislative Decree no. 461/1997 remain unaffected.
  - o *Managed savings option*: The prerequisite for choosing such an option is the appointment of an authorized intermediary to perform asset management. In this scenario, at the end of each tax period a substitute tax of 26% is applied by the intermediary to the increase in the value of the assets under management accrued in the tax period, even if not received, net of the income subject to withholding tax, the income that is



exempt or in any case not subject to tax, the income that contributes to the total income of the taxpayer, the income deriving from shares of collective investment undertakings in Italian transferable securities subject to substitute tax referred to in article 8 of Italian Legislative Decree no. 461/1997. In the asset management scenario, the capital gains realized through the sale of Unqualified Shareholdings contribute to the increase in assets under management accrued in the tax period, subject to substitute tax. The negative operating result achieved in a tax period can be computed as a decrease in the operating result of the next four tax periods for the entire amount that can be accommodated in each. In the event of the termination of the management relationship, any negative results of the managed savings (as declared in a certificate issued by the manager) may be deducted no later than the fourth tax period after they are incurred from the capital gains realized in the context of another relationship to which the administered savings regime is applicable, or used (for the amount that can be accommodated) in the context of another relationship for which the managed savings option was selected, provided that the relationship or deposit in question is in the name of the same owners as before, or the losses may be deducted by the same parties in the tax return, in accordance with the same rules as those applicable to the excess losses referred to in the tax return option.

#### Financial capital gains from sundry income realized from January 1, 2019

Capital gains not obtained in the exercise of commercial companies earned from January 1, 2019 by natural persons fiscally resident in Italy through the sale for consideration of Qualified and Unqualified Shareholdings, as well as securities or rights through which the aforementioned shareholdings can be acquired, are all subject to a substitute tax of 26%. Paragraph 1003 of article 1 of Italian Law no. 205/2017 (2018 Budget Law) amended article 27 of Italian Presidential Decree no. 600 of 1973 to make it possible to also apply the substitute tax to capital gains from Qualified Investments. Therefore, the partial contribution of these capital gains to the total income of the natural person recipient and taxation for IRPEF purposes with the progressive rate was eliminated. In the explanatory report of Italian Law no. 205/2017 (2018 Budget Law), it was specified that "*the taxpayer can opt for the so-called administered savings and managed savings options also for qualifying shareholdings*" and that "*other income realized by qualified and unqualified shareholdings converge into a single, indistinct mass within which capital gains can be offset with the related capital losses. Therefore, the obligation to disclose in the tax return any capital gains and losses arising from qualifying shareholdings separately from those arising from unqualified shareholdings has been eliminated.*" Therefore, with regard to capital gains realized from January 1, 2019, the taxpayer may opt for one of the following methods of taxation:

- Tax return option: The taxpayer must specify any capital gains and losses incurred during the year in the tax return. The substitute tax of 26% is calculated on the capital gains net of the related losses of the same nature (with the possibility of offsetting the capital gains and losses both deriving from the Sale of Qualified and Unqualified Shareholdings) and is paid in full as specified in the return by the deadline for the payment of income taxes. Excess losses, provided they are disclosed in the tax return for the tax period in which they were incurred, may be deducted up to the amount of the capital gains in the subsequent tax periods, but not more than the fourth. Note that even if in art. 5, paragraph 3 of Italian Legislative Decree no. 461 of 1997 the obligation to specify in the return the capital gains and losses from qualified shareholdings has been eliminated, as well as the possibility of not submitting a return when the administered

savings option is chosen, the provision is maintained on the basis of which, with one or more ministerial decrees, "*particular obligations and documentation are envisaged for the calculation of the aforementioned income.*" Therefore, it is considered that these decrees govern the cases in which the possibility of filing a tax return continues to exist.

- Administered savings option: without prejudice to the clarifications made at the beginning of the paragraph on capital gains and losses realized from January 1, 2019 relating to the changes to this option, please refer to what has already been detailed regarding administered savings with respect to capital gains realized by December 31, 2018.
- Managed savings option: without prejudice to the clarifications made at the beginning of the paragraph on capital gains and losses realized from January 1, 2019 relating to the changes to this option, please refer to what has already been detailed regarding administered savings with respect to capital gains realized by December 31, 2018.

**(b) Natural persons carrying out business activities, partnerships, limited partnerships, and equivalent pursuant to art. 5 of the TUIR, with fiscal residence in Italy**

Capital gains realized by natural persons fiscally resident in Italy in the exercise of a business, as well as by partnerships, limited partnerships and equivalent pursuant to art. 5 of the TUIR, excluding simple companies, through the sale for consideration of shareholdings contribute for the entire amount to the taxable business income, subject to taxation in Italy according to the usual method. Pursuant to art. 86, paragraph 4 of the TUIR, if the shares have been recorded among the financial fixed assets in the last three financial statements, the capital gains may, at the choice of the taxpayer, contribute to the determination of the taxable income in constant shares in the year of realization and in the subsequent years, but not more than the fourth. This choice must be specified in the tax return. If a return is not filed, the capital gain contributes to the income for the entire amount in the year in which it is incurred. As clarified by the tax authorities, the losses realized by natural persons in the exercise of a company, partnerships, limited partnerships and equivalent pursuant to article 5 of the TUIR through the sale for consideration of the shares are fully deductible from the taxable income of the seller.

However, where the conditions set out in paragraphs (a), (b), (c) and (d) of the following paragraph (C) are met, the capital gains contribute to the taxable corporate income in a partial amount equal to 58.14% for the capital gains realized from January 1, 2018. In the event of deferred receipt of fees deriving from sales made before January 1, 2018, the previous percentage of 49.72% continues to apply. Realized losses relating to shareholdings meeting the requirements of points (a), (b), (c) e (d) of the following paragraph are partially deductible in the same way as the provisions for the taxation of capital gains. For the purposes of calculating tax-relevant capital gains and losses, the fiscal cost of the shareholdings sold is assumed net of the write-downs deducted in previous tax periods.

**(c) Companies and entities referred to in art. 73, paragraph 1, letters a) and b) of the TUIR, with fiscal residence in Italy.**

The capital gains realized by the companies and entities referred to in art. 73, paragraph 1, letters a) and b) of the TUIR, including corporations and limited partnerships, limited liability companies, public and private entities whose exclusive or main purpose is the exercise of commercial activities, fiscally resident in Italy, through the sale for consideration of shareholdings, contribute to the taxable business income for their entire amount in the year in which they were made, or, for shareholdings

recorded among the financial fixed assets in the last three financial statements, as an option, in constant shares in the same year and in the following, but not more than the fourth.

However, pursuant to art. 87 of the TUIR (containing the so-called participation exemption), the capital gains realized with respect to shareholdings in companies and entities indicated in art. 73 of the TUIR do not contribute to the taxable income, as they are exempt, to the extent of 95% of their amount, if the aforementioned investments meet the following requirements:

- 1 Uninterrupted possession from the first day of the twelfth month preceding that of the sale, considering the shares or units acquired more recently as the first to be sold.
- 2 Classification in the category of financial fixed assets in the first financial statements during the period of ownership.
- 3 Tax residence of the investee company in a State or territory referred to in the Decree of the Ministry of Economy and Finance issued pursuant to art. 168-bis of the TUIR (following the changes introduced by the International Expansion Decree and the 2016 Stability Law, it is necessary to refer to States or territories other than those with a preferential tax regime – identified according to the criteria of art. 167, paragraph 4 of the TUIR following the changes introduced by the 2016 Stability Law), or, alternatively, following the exercise of the request in the manner referred to in paragraph 5, letter b) of art. 167 of the TUIR, the demonstration that since the beginning of the period of ownership the shareholdings have not achieved the effect of locating income in States or territories with a preferential tax regime referred to in paragraph 4.
- 4 The investee company exercises a commercial undertaking as defined in article 55 of the TUIR. However, this requirement does not apply in the case of the sale of shareholdings in companies whose securities are traded on regulated markets (like Ordinary Shares).

The requirements referred to in paragraphs (c) and (d) must exist continuously, at the time of the realization of the capital gains, at least from the beginning of the third tax period prior to the realization itself. The sale of shares or units belonging to the category of financial fixed assets and those belonging to the category of current assets must be considered separately for each category. Financial instruments other than those held for trading are considered to be financial fixed assets for the entities that draw up the financial statements on the basis of the international accounting standards referred to in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. In the presence of the aforementioned requirements, the losses realized from the sale of shareholdings are non-deductible from business income.

For the purposes of calculating tax-relevant capital gains and losses, the fiscal cost of the shares sold is assumed net of the write-downs deducted in previous tax periods. Losses and negative differences between revenues and costs relating to shares that do not meet the requirements for exemption do not accrue up to the non-taxable amount of dividends or their advances received in the 36 months prior to their realization/receipt. This provision: (i) applies to the shares acquired in the 36 months prior to the realization/receipt, provided that the conditions referred to in points (c) and (d) above are met, but (ii) does not apply to those that prepare financial statements based on the international accounting standards referred to in Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002.

With regard to capital losses and negative differences between revenues and costs relating to shares deductible from corporate income, note also that, pursuant to article

5-quinquies, paragraph 3 of Italian Decree Law no. 203 of September 30, 2005, converted with amendments by Italian Law no. 248 of December 2, 2005, if the amount of the aforementioned capital losses and/or negative differences deriving from transactions on shares traded on regulated markets exceeds €50,000, even following multiple transactions, the taxpayer must provide the Revenue Agency with the data and information relating to the transaction, necessary in order to allow the verification of the compliance of the related transactions with the provisions of article 37-bis of Italian Presidential Decree no. 600/1973 (article 37-bis of Italian Presidential Decree 600/1973 was repealed with effect from September 2, 2015 and, pursuant to article 1 of Italian Legislative Decree no. 128 of August 5, 2015, the provisions that refer to art. 37-bis of Italian Presidential Decree 600/1973 are understood to refer to article 10-bis of Italian Law no. 212 of July 27, 2000, as compatible).

Furthermore, pursuant to article 1, paragraph 4 of Italian Decree Law no. 209 of September 24, 2002, converted with amendments by Italian Law no. 265 of November 22, 2002, with regard to capital losses of a total amount exceeding €5,000,000 deriving from the sale of investments constituting financial assets, even as a result of multiple transactions, the taxpayer must provide the Revenue Agency with the data and information necessary to allow the verification of the compliance of the sale transactions with the provisions of article 37-bis of Italian Presidential Decree 600/1973 (as mentioned, art. 37-bis of Italian Presidential Decree 600/1973 was repealed with effect from September 2, 2015 and, pursuant to article 1 of Italian Legislative Decree no. 128 of August 5, 2015, the provisions that refer to art. 37-bis of Italian Presidential Decree 600/1973 are understood to refer to article 10-bis of Italian Law no. 212 of July 27, 2000, as compatible). This obligation does not apply to entities that prepare financial statements in accordance with international accounting standards.

With effect from the 2013 tax period, the aforementioned reporting obligations for capital losses are fulfilled in the annual tax return.

For certain types of companies (e.g., banks and other financial companies) and under certain conditions, the capital gains realized by the aforementioned entities through the sale of shares also contribute to the relative net value of production, subject to regional tax on productive activities (IRAP).

**(d) Entities referred to in art. 73, paragraph 1, letter c) of the TUIR, and simple companies and equivalent pursuant to art. 5 of the TUIR, with fiscal residence in Italy**

Capital gains realized outside the business by non-commercial entities resident in Italy (other than the UCI referred to in art. 73, paragraph 5-quinquies of the TUIR) and by simple companies resident in the territory of the State are subject to taxation with the same rules as those for capital gains realized by natural persons fiscally resident in Italy on investments not held for business purposes.

**(e) Italian pension funds and Italian UCIs (other than Real Estate UCIs)**

The capital gains relating to shares held by Italian pension funds subject to the scheme referred to in art. 17 of Decree 252/2005 are included in the calculation of the annual operating result accrued subject to substitute tax at a rate of 20%.

The capital gains relating to investments held by UCIs established in Italy subject to supervision (other than Real Estate UCIs) referred to in art. 73, paragraph 5-quinquies of the TUIR do not incur any tax for these investment organizations.

**(f) Italian Real Estate UCIs**

Pursuant to Italian Decree 351/2001, in the version currently in force, income including capital gains deriving from the sale of shares received by Italian real estate mutual investment funds established pursuant to art. 37 of the TUF and art. 14-*bis* of Italian Law 86, and by Real Estate SICAFs, do not incur any tax for these investment organizations.

In some cases, the income earned by an Italian Real Estate UCI could be charged for transparency and thus contribute to the total income of participants other than institutional investors who hold more than 5% (*five percent*) of the assets of the investment.

**(g) Parties not fiscally resident in Italy with a permanent establishment in the territory of the State**

With regard to non-residents that hold the shareholding through a permanent establishment in Italy to which the shareholding is effectively connected, the capital gains realized through the sale of the shareholding contribute to the income of the permanent establishment according to the tax on the capital gains realized by the companies and entities referred to in art. 73, paragraph 1, letters a) and b) of the TUIR, fiscally resident in Italy, detailed above in paragraph (C). If the shareholding is not connected to a permanent establishment in Italy of the non-resident recipient, refer to section (H) below.

**(h) Parties not fiscally resident in Italy without a permanent establishment in the territory of the State**

Qualified Shareholdings

Pursuant to article 23 of the TUIR, the capital gains realized from January 1, 2018 to December 31, 2018 by parties not fiscally resident in Italy without a permanent establishment in Italy (through which the shareholdings are held) deriving from the Sale of Qualified Shareholdings contribute to the taxable income of the recipient according to the same rules envisaged for resident natural persons not exercising business activities for the capital gains from the Sale of Qualified Shareholdings realized from January 1, 2018 to December 31, 2018. These capital gains are subject to taxation only at the time of the annual tax return since they cannot be subject to the administered savings option or the managed savings option. In any case, the application of the provisions of international conventions against double taxation remains unaffected, where applicable.

The capital gains realized from January 1, 2019 by parties not fiscally resident in Italy without a permanent establishment in Italy (through which the shareholdings are held) deriving from the Sale of Qualified Shareholdings are subject to taxation to the extent of 26% (*twenty-six percent*) according to the same rules envisaged for resident natural persons not exercising business activities for the capital gains from the Sale of Qualified Shareholdings realized from January 1, 2019. In any case, the application of the provisions of international conventions against double taxation remains unaffected, where applicable.

Unqualified Shareholdings

Pursuant to art. 23, paragraph 1, letter f), no. 1 of the TUIR, the capital gains realized by parties not fiscally resident in Italy without a permanent establishment in Italy

(through which the shareholdings are held) deriving from the Sale of Unqualified Shareholdings in Italian companies traded on regulated markets are not subject to taxation in Italy, even if held there.

In order to benefit from this exemption from taxation in Italy, shareholders not fiscally resident in Italy that the administered savings option applies to or who have opted for the managed savings option referred to in articles 6 and 7 of Italian Legislative Decree 461/1997 could be asked by the Italian intermediary to present a self-certification certifying their non-residence for tax purposes in Italy.

#### 4.11.6 Tax on stock exchange contracts and registration tax

Pursuant to art. 37 of Italian Decree Law no. 248 of December 31, 2007, converted into Italian Law no. 31 of February 28, 2008, the tax on stock exchange contracts referred to in Royal Decree no. 3278 of December 30, 1923 has been repealed. Following the repeal of the tax on stock exchange contracts, according to current legislation documents concerning the trading of securities are subject to the registration tax as follows:

- Public deeds and authenticated private deeds are subject to a fixed registration tax of €200.00.
- Unauthenticated private agreements pay the registration tax at the rate of €200.00 only "in case of use" or following voluntary registration or "declaration."

#### 4.11.7 Tax on financial transactions ("Tobin Tax")

##### Tax on the transfer of ownership of Ordinary Shares

Except for certain exclusions and exemptions envisaged by law, the tax on financial transactions referred to in art. 1, paragraphs 491 to 500 of Italian Law no. 228 of December 24, 2012 (so-called "Tobin Tax") is generally applied to the transfers of ownership of shares issued by companies resident in the territory of the State.

Ministerial Decree of February 21, 2013, as amended by Ministerial Decree of September 16, 2013 ("**Ministerial Decree February 21, 2013**") provides the implementing provisions for the application of the tax. As established by art. 2, paragraph 1 of Ministerial Decree February 21, 2013, for the purposes of determining the Issuing Company's State of residence, reference is made to the place where the headquarters of the Issuing Company are located.

The tax does not apply to entities that intervene in the transaction. However, parties located in States and territories where agreements for the exchange of information or for assistance in the recovery of receivables identified by Order of the Revenue Agency of May 30, 2016 without a permanent establishment in Italy are considered to be buyers for all intents and purposes, regardless of the title with which they intervene in the execution of the operation, provided that they do not identify themselves according to the procedures defined by Order of the Revenue Agency of July 18, 2013.

Banks and other qualified intermediaries involved in the execution of transactions are generally responsible for paying the tax. If in the execution of the transaction more than one of the parties mentioned above intervenes, the tax is paid by the party that receives the execution order directly from the buyer. In the absence of intermediaries in the transaction, the tax must instead be paid by the taxpayer. For the obligations due with respect to transactions subject to the Tobin Tax, intermediaries and other parties not resident in Italy without a permanent establishment in the territory of the State

involved in such transactions may appoint a tax representative identified among those enumerated in art. 23 of Italian Presidential Decree 600/1973. The intermediaries and other parties not resident in Italy that intervene in the transactions having a permanent establishment in the territory of the State instead fulfill the obligations deriving from the application of the Tobin Tax through the permanent establishment.

The payment of the tax shall be made no later than the 16th day of the month following the month in which ownership of the shares, participatory financial instruments, or representative securities were transferred.

The tax is generally applied at a rate of **0.20%** of the value of the transactions, calculated on the basis of the net balance of daily transactions (calculated for each taxable party with reference to the number of securities subject to transactions settled on the same day per individual financial instrument), multiplied by the weighted average price of purchases made on the day of reference.

The rate is reduced by half (0.10%) for transfers that take place as a result of transactions concluded on regulated markets or multilateral trading systems.

The reduced rate of 0.10% also applies in the case of the purchase of shares through the intervention of a financial intermediary between the parties to the transaction and purchases the aforementioned instruments on a regulated market or a multilateral trading system, provided that the price, total quantity, and settlement date of the purchase and sale transactions coincide. The reduced rate does not apply to transfers of ownership of shares that occurred as a result of the settlement of derivatives pursuant to art. 1, paragraph 3 of the TUF, or as a result of transactions in transferable securities pursuant to art. 1, paragraph 1-bis, letters c) and d) of the TUF.

The following are excluded from the scope of the tax:

- Transfers of ownership of shares that take place by succession or donation.
- The issue and cancellation of shares, including transactions involving the repurchase of the securities by the Issuer.
- The purchase of newly issued shares even if as a result of the conversion, exchange, or redemption of bonds or the exercise of the option right due to the shareholder of the Issuing company.
- The allocation of shares for the distribution of profits, reserves, or return of share capital.
- The temporary acquisition of securities indicated in art. 2, point 10 of Commission Regulation (EC) no. 1287/2006 of August 10, 2006.
- Transfers of ownership of securities between companies having a control relationship pursuant to art. 2359, paragraph 1, no. 1) and 2), and paragraph 2 of the Italian Civil Code, or which are controlled by the same company and those deriving from corporate restructuring operations pursuant to art. 4 of Directive 2008/7/EC.
- Transfers of ownership of securities between master UCI and feeder UCI pursuant to art. 1, paragraph 1 of the TUF.
- Mergers and demergers of UCIs.

Transfers of ownership of shares traded on regulated markets or multilateral trading systems issued by companies whose average capitalization in the month of November of the year preceding that in which the transfer of ownership takes place is less than €500,000,000 are also excluded from the tax, as are transfers of ownership of securities representing shares issued by such companies. As envisaged by art. 17, Ministerial Decree of February 21, 2013, by December 10 of each year Consob must prepare and submit to the Ministry of Economy and Finance a list of companies with shares traded on regulated markets or in Italian multilateral trading systems that comply with the aforementioned capitalization limit. Based on the information received, by December 20 of each year the Ministry of Economy and Finance prepares and

publishes on its website the list of companies resident in the territory of the State for the purpose of exemption. The exclusion also applies to transfers that do not take place in markets and multilateral trading systems. In the event of admission to trading on regulated markets or multilateral trading systems, the verification of inclusion in the aforementioned list takes place from the financial year following that for which an average capitalization for the month of November can be calculated. Up to that financial year, a capitalization below the limit of €500 million is presumed.

Furthermore, pursuant to article 15, paragraph 2 of Ministerial Decree February 21, 2013, the tax also does not apply to:

- Purchases and transactions carried out by a financial intermediary between two parties acting as a counterparty of both parties, buying on the one hand and selling a security or a financial instrument to the other, if the two transactions coincide in price, total quantity, and settlement date, except in cases where the subject to whom the financial intermediary transfers the security or the financial instrument does not fulfill its obligations.
- Purchases of the instruments referred to in paragraph 491 put in place by systems that interfere in the purchases or transactions for the purpose of compensation and guarantee of the purchases or transactions themselves. To this end, reference is made to parties authorized or recognized pursuant to Regulation (EU) no. 648/2012 that intervene in a transaction on financial instruments for the purposes of clearing and guarantee. For countries where the aforementioned Regulation is not in force, reference is made to equivalent foreign systems authorized and supervised by a national public authority, provided that they are established in States and territories included in the list referred to in the ministerial decree to be issued pursuant to art. 11, paragraph 4, letter c) of Italian Legislative Decree no. 239/1996 (currently Ministerial Decree September 4, 1996) as amended by art. 10, paragraph 2, letter b) of Italian Legislative Decree no. 147 of September 14, 2015.

Pursuant to art. 16 of Ministerial Decree February 21, 2013, transactions with the following counterparties are exempt from the Tobin Tax:

- The European Union, i.e., the European institutions, the European Atomic Energy Community, the bodies which the Protocol on the Privileges and Immunities of the European Union applies to.
- The European Central Bank and the European Investment Bank.
- The central banks of the Member States of the European Union.
- Central banks and bodies that also manage the foreign reserve assets of other States.
- International entities or bodies established on the basis of international agreements made enforceable in Italy.

The following are also exempt from the share transfer tax:

- a) Transfers of ownership and transactions concerning shares or units of the undertakings for collective investment referred to in art. 1, paragraph 1, letter m) of the TUF, qualified as ethical or socially responsible pursuant to art. 117-ter of the TUF, for which an information prospectus has been published, drawn up according to the layouts established in Annex 1B of the regulation adopted by Consob resolution no. 11971 of May 14, 1999 and subsequent amendments, containing the additional information required by art. 89, paragraph 1 of the regulation adopted by Consob ruling no. 16190 of October 29, 2007 as amended.
- b) The signing of contracts concerning the provision of the portfolio management service referred to in art. 1, paragraph 5, letter d) of the TUF, qualified as ethical or socially responsible pursuant to art. 117-ter of the TUF, when the relative contract concluded with the customer shows the additional information required



by art. 89, paragraph 1 of the regulation adopted by Consob ruling no. 16190 of October 29, 2007 as amended.

- c) Parties that provide trade support activities (so-called "market making") and, limited thereto, as defined by article 2, paragraph 1, letter k) of Regulation (EU) no. 236/2012 of the European Parliament and of the Council of March 14, 2012.
- d) Entities that execute transactions on behalf of an issuing company with a view to favoring the liquidity of shares issued by the same issuing company, within the framework of accepted market practices, accepted by CONSOB in application of Directive 2003/6/EC and Directive 2004/72/EC.
- e) to pension funds subject to supervision pursuant to Directive 2003/41/EC and to compulsory social security institutions, established in the Member States of the European Union and in the States party to the Agreement on the European Economic Area included in the list referred to in the ministerial decree to be issued pursuant to art. 11, paragraph 4, letter c) of Italian Legislative Decree no. 239/1996, as well as to the other complementary pension institutions referred to in Italian Legislative Decree 252/2005. The exemption also applies in the case of entities and investees exclusively owned by the entities referred to in the previous period.
- f) For the transactions referred to in points c) and d) above, the non-application of the tax is limited exclusively to the operations and transactions carried out as part of the activity described above. Specifically, included are
- g) Only the cases where the party that executes the transactions and operations referred to in art. 1, paragraphs 491 and 492 of Italian Law no. 228 of December 24, 2012 has entered into a contract directly with the company issuing the security. The exemption is recognized exclusively to the parties that provide support to exchanges and the liquidity indicated therein, and limited to the operations carried out in the exercise of the aforementioned activities. The tax remains applicable to the counterparty within the limits and conditions envisaged in paragraph 494, first period of the aforementioned art. 1.

#### High frequency trading

Pursuant to art. 1, paragraph 495 of Italian Law 228/2012, transactions carried out on the Italian financial market are subject to a tax on high-frequency trading of financial instruments pursuant to art. 1, paragraphs 491 and 492 of Italian Law 228/2012.

High-frequency trading activities are those generated by a computer algorithm that automatically makes decisions relating to the submission, modification, or cancellation of orders and related parameters, where the submission, modification, or cancellation of orders on financial instruments of the same type are executed with a minimum interval less than the value established by the decree of the Minister of Economy and Finance of February 21, 2013.

The tax is applied with a rate of 0.02% on the value of canceled or modified orders that in a trading day exceed the numerical threshold established by the decree of the Minister of Economy and Finance of February 21, 2013. This threshold may not in any case be lower than 60% of the orders submitted.

The tax is payable by the party that, through the algorithms indicated in article 12 of the Decree of the Minister of Economy and Finance of February 21, 2013, enters the purchase and sale orders and the related modifications and cancellations referred to in article 13 of the same Ministerial Decree.

#### 4.11.8 **Stamp duty**

Article 13, paragraphs 2-*bis* and 2-*ter* of the Tariff, first part, annexed to Italian Presidential Decree no. 642 of October 26, 1972 (Italian Presidential Decree no. 642/1972) and the related notes 3-*bis* and 3-*ter* (and subsequent amendments) dictate the regulation of the proportional stamp duty generally applicable (except for some exclusions/exceptions) to periodic communications sent by Italian financial intermediaries to their customers, relating to financial instruments deposited with them, including shares.

Paragraph 2-*ter* of art. 13 of the Tariff, first part, attached to Italian Presidential Decree no. 642/1972 provides that, where applicable, the proportional stamp duty is applied in the amount of 2 per thousand per year. With effect from January 1, 2014, if the customer is an entity other than a natural person, the stamp duty applied may not exceed €14,000.00 on an annual basis, considering the total amount of financial products held by such customer (identically registered) with said manager.

The tax is collected by banks and other financial intermediaries and is related to the reported period. The statement is in any case considered to have been sent at least once during the year even when there is no obligation for submission or preparation. In this case, the stamp duty is applied according to the value as identified above of the financial products calculated at December 31 of each year, and in any case at the end of the relationship with the customer.

The tax rate is applied on the market value of the financial instruments, or, failing that, on the nominal or redemption value, as resulting from the communication sent to customers.

Stamp duty applies to both resident and non-resident investors provided that the related financial products are held with an Italian intermediary.

The statements and communications sent by Italian intermediaries to parties other than customers, as defined in the Provision of the Governor of the Bank of Italy of June 20, 2012, are not subject to proportional stamp duty. Instead, for these parties the stamp duty is applied in the fixed amount of €2.00 for each copy, in accordance with art. 13, paragraph 1 of the Tariff, first part, annexed to Italian Presidential Decree no. 642/1972. Moreover, the proportional stamp duty does not apply to communications received from pension funds and health funds.

#### 4.11.9 Tax on the value of financial assets held abroad

Art. 19, paragraph 18 of Italian Decree Law no. 201 of December 6, 2011, converted by Italian Law no. 214 of December 22, 2011, introduced a tax at a rate of 2 per thousand ("**IVAFE**") to be borne by natural persons residing in Italy who hold financial products abroad – such as Ordinary Shares – by way of ownership or other real right, regardless of the methods of their acquisition (therefore, even if these assets come from inheritance or donations).

Article 19, paragraph 18 of Italian Legislative Decree no. 201/2011 establishing the IVAFE was amended as a result of the provisions of Italian Law no. 161 of October 30, 2014, with effect from the 2014 tax period. Specifically, the prerequisite for the purposes of imposing the IVAFE tax is no longer the general possession of foreign financial assets, but rather the possession of financial products, bank accounts, and savings accounts.

IVAFE is calculated on the market value of the financial products held abroad at the end of each calendar year at the place where they are held, or – if this value is not available – at the nominal or redemption value, also using the documentation of the

foreign intermediary of reference. Pursuant to paragraph 19 of art. 19 of Italian Decree Law no. 201 of December 6, 2011, converted by Italian Law no. 214 of December 22, 2011, the tax is due in proportion to the quota of possession and the period of ownership. If the assets are no longer held at December 31, reference is made to the market value of the assets recognized at the end of the holding period. For financial assets that are listed on regulated markets, this market value must be used.

Regardless of the residence of the issuer or the counterparty, the IVAFFE tax does not apply to financial assets – such as Ordinary Shares – held abroad but entrusted for administration to Italian financial intermediaries (in this case, in fact, they are subject to the stamp duty referred to in paragraph 4.11.9 above) and to foreign assets physically held by the taxpayer in Italy.

A tax credit equal to the amount of any capital tax paid in the relevant year in the foreign State where the financial assets are held is deducted from the tax, up to the amount of the tax. In any case, the tax credit may not exceed the tax due in Italy. If there is an agreement in force with the country where the financial products are held to avoid double taxation even on property taxes that envisages sole taxation in the country of residence of the holder, no tax credit is due for the property taxes paid abroad. In such cases, reimbursement of taxes paid can generally be requested from the tax authorities of the country where the aforementioned taxes were applied notwithstanding the provisions of the convention.

Data on financial products held abroad must be indicated in Schedule RW of the annual tax return (please refer to paragraph 4.11.11 below).

#### 4.11.10 Tax monitoring obligations and any additional information requirements

Pursuant to Italian Decree Law no. 167 of June 28, 1990, converted with amendments by Italian Law no. 227 of August 4, 1990, as currently in force following the amendments made, natural persons, non-commercial entities, and simple companies and equivalent entities with fiscal residence in Italy are required to specify in Schedule RW of the annual tax return (or in a designated form, in some cases with exemption from the obligation to submit the annual tax return) the amount of investments (including any Ordinary Shares) held abroad in the tax period, through which taxable income can be received in Italy.

With regard to Shares, these monitoring obligations are not applicable if the Ordinary Shares are not held abroad, and in any case if they are deposited with an Italian intermediary in charge of the collection of the relative income, if the cash flows and income deriving from the Ordinary Shares are subject to withholding or substitute tax by the intermediary itself (the Circulars of the Revenue Agency no. 38/E of December 23, 2013, no. 19/E of June 27, 2014 and no. 10/E of March 13, 2015 provide further clarifications regarding such monitoring obligations).

Moreover, following: *(i)* the intergovernmental agreement between Italy and the United States of America with regard to the transposition of the legislation on the Foreign Account Tax Compliance Act ("**FATCA**"), of Italian Law no. 95 of June 18, 2015 containing the ratification and execution of this agreement and of the Implementation Decree of August 6, 2015, as well as *(ii)* provisions concerning the obligations of financial institutions for the implementation of the automatic exchange of information deriving from the aforementioned agreement and from agreements between Italy and other foreign states ("Common Reporting Standard"), whose application principles are detailed within Italian Law no. 95 of June 18, 2015 and the Decree of the Ministry of Economy and Finance of December 28, 2015, some

information obligations may be required from holders of financial instruments (shares included), if certain conditions are met.

#### 4.11.11 Inheritance and donation tax

Transfers of shares or securities by succession due to death, by donation or without consideration generally fall within the scope of the current Italian Inheritance and Donation Tax. The tax also applies to the creation of destination constraints.

For subjects residing in Italy, the inheritance and donation tax is generally applied on all assets and rights transferred, wherever they exist (with some exceptions). For non-residents, the inheritance and donation tax is applied exclusively to assets and rights existing in the Italian territory. Shares in companies that have their headquarters or administrative office or main business in Italy are in any case considered to exist in the Italian territory.

##### Inheritance tax

Pursuant to art. 2, paragraph 48 of Italian Decree Law no. 262 of October 3, 2006 ("**Italian Decree Law no. 262/2006**") converted with amendments by Italian Law no. 286 of November 24, 2006) transfers of assets and rights due to death are generally subject to inheritance tax with the following rates applied to the total net value of the assets:

- For assets and rights donated to the spouse and relatives in a straight line, the rate is 4%, with an allowance of €1 million for each beneficiary.
- For assets and rights donated to other relatives up to the fourth degree and similar in a straight line, as well as kin in a collateral line up to the third degree, the rate is 6% (with an allowance of €100,000 for each beneficiary, only for brothers and sisters).
- For goods and rights donated to other parties, the rate is 8% (without any allowance).

If the beneficiary is a person with a serious disability within the meaning of Italian Law no. 104 of February 5, 1992, the inheritance tax applies exclusively to the part of the value of the share or inheritance that exceeds the amount of €1,500,000.

##### Donation tax

Pursuant to art. 2, paragraph 49 of Italian Decree Law 262/2006, for donations and free transfers of assets and rights and the establishment of restrictions on the use of assets, the tax on donations is generally calculated by applying the following rates to the total value of the assets and rights net of the charges borne by the beneficiary, or, if the donation is made jointly to several parties or if several deeds of disposition to various parties are included in the same deed, to the value of the shares of the attributable assets or rights:

- In the case of donation or transfer without consideration to the spouse and relatives in a straight line, the tax on donations applies with a rate of 4% with an allowance of €1 million for each beneficiary.
- in the case of donations or transfers without consideration to other relatives up to the fourth degree and similar in a straight line, as well as kin in a collateral line up to the third degree, the tax on donations is applied at a rate of 6% (with an allowance of €100,000 for each beneficiary, only for brothers and sisters).
- In the case of donation or transfer without consideration to other parties, the tax

on donations is applied at a rate of 8% (without any allowance).

If the beneficiary is a person with a serious disability within the meaning of Italian Law no. 104 of February 5, 1992, the donation tax applies exclusively to the part of the value that exceeds the amount of €1,500,000.

If the beneficiary of a donation between living persons involving transferable securities included in the scope of application of the substitute tax referred to in art. 5, Italian Legislative Decree no. 461/1997, or an assignee without consideration, transfers the same values within the following five years, such beneficiary is required to pay the substitute tax as if the donation had never been made (pursuant to art. 16, paragraph 1, Law no. 383 of October 18, 2001).

## 5 OWNERS OF SECURITIES THAT SELL

### 5.1 Information on the parties selling their financial instruments

As of the date of the Admission Document, there are no holders of financial instruments that have sold their shareholding to third parties. For information on the evolution of the shareholding following Institutional Placement, see Section I, Chapter 14.

### 5.2 Lock-up agreements

The Shares issued by the Company under the Institutional Capital Increase and the Retail Capital Increase will be freely available and transferable. Without prejudice to the restrictions detailed below, there are no restrictions on the free transferability of the Shares.

The Issuer, Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati, and Davide Cignatta, have signed a lock-up agreement ("**Lock-Up Agreement**") with EnVent, as Nomad and Global Coordinator.

For a period of 18 months from the Trading Start Date ("**Lock-Up Period**"), the Issuer has made the following commitments to the Nomad and Global Coordinator:

- (a) Not to directly or indirectly execute sales, transfers, disposals, or in any case transactions that have as their object or effect the attribution or transfer to third parties (including the granting of option rights, pledges, or other constraints, securities loans), for any reason and in any form, directly or indirectly, of Shares issued by the Company that may be held by the Company (or of other financial instruments, including but not limited to equity instruments, that grant the right to purchase, subscribe, convert into, or exchange with Shares or other financial instruments, including shareholdings, that grant inherent or similar rights to such shares or financial instruments), except for the execution of the Capital Increases.
- (b) Not to issue or place (including through third parties) shares on the stock market either directly or in the context of the issuance of bonds convertible into Shares by the Company or third parties or in the context of the issuance of warrants by the Company or third parties or in any other way, except for capital increases made pursuant to articles 2446 and 2447 of the Italian Civil Code, up to the threshold necessary for compliance with the legal limit, except for Capital Increases.
- (c) Not to issue and/or place on the market bonds convertible or exchangeable with Shares of the Company or purchase or subscription vouchers for Shares of the Company, or other financial instruments, including equity, that attribute inherent or similar rights to such shares or financial instruments.
- (d) Not to make any change in the size and composition of its capital without having previously informed the Nomad and the Global Coordinator.
- (e) Not to approve and/or carry out transactions in derivative instruments that have the same effects, even if only economic, as the transactions referred to above.

The above commitments, in the event that they are inherent in the Shares, shall concern the Cyberoo shares possibly owned and/or possibly purchased by the Company during the Lock-Up Period.

The commitments made by the Company may be waived only (i) with the prior written consent of the Nomad and the Global Coordinator, which consent may not be unreasonably withheld or delayed, or (ii) in compliance with legal or regulatory obligations or with measures or requests from competent Authorities.

Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati, and Davide Cignatta have entered into the following commitments with respect to the Nomad and the Global Coordinator for the Lock-Up Period:

- (a) Not to directly or indirectly execute sales, transfers, disposals, or in any case transactions that have as their object or effect, directly or indirectly, the attribution or transfer to third parties, for any reason and in any form (including the granting of option rights, pledges, or other constraints, securities loans) of the Shares of the Company (or of other financial instruments, including but not limited to shareholdings, that grant the right to purchase, subscribe, convert into, or exchange with Shares of the Company or other financial instruments, including shareholdings, that grant inherent or similar rights to such shares or financial instruments).
- (b) Not to directly or indirectly approve and/or carry out transactions in derivative instruments that have the same effects, even if only economic, as the transactions referred to above.
- (c) Not to promote and/or approve operations of capital increase or issuance of bonds convertible into (or exchangeable with) shares or purchase/subscription vouchers for Shares of the Company or other financial instruments, including shareholdings, that attribute inherent or similar rights to such Shares or financial instruments, except for capital increases made pursuant to articles 2446 and 2447 of the Italian Civil Code, up to the threshold necessary for compliance with the legal limit, including through contributions in kind.

The above lock-up commitments relate to 100% of the Shares held by Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati, and Davide Cignatta on the date of the Admission Document, without prejudice to the Shares intended to exercise the over allotment option for the amount that may be exercised and the Shares that may be subject to a loan to the specialized operator in charge of the Shares of the Company, and may be waived only with the prior written consent of the Nomad and the Global Coordinator, which consent may not be unreasonably withheld. In any case, the following are excluded from the commitments made by Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati, and Davide Cignatta:

- (a) Transactions executed in compliance with legal or regulatory obligations.
- (b) Transactions with the specialized operator referred to in the AIM Issuers' Regulation.
- (c) Transfers following the launch of a public purchase or exchange offer of the Company's securities.
- (d) The constitution or pledge of the Company Shares owned by Sedoc Digital Group S.r.l., SDG Innovative Technologies S.r.l., Fabio Leonardi, Massimo Bonifati, and Davide Cignatta, on the strict condition that they have the right to vote, it being understood that any enforcement of the pledge by the secured creditor must be considered as a breach of the above prohibitions on disposal.

(e) Transfers in the event of death.

### **5.3 Lock-in for new businesses**

Not applicable. In any case, see Section II, Chapter 5, Paragraph 5.2 of the Admission Document.



## **6 EXPENSES RELATED TO THE TRADING OF THE SHARES ON AIM ITALIA**

### **6.1 Total net income and estimated total expenses related to the admission of the Shares to trading on AIM Italia**

The income deriving from the Offer, net of expenses and placement commissions, amount to approximately €6.2 million.

It is estimated that the expenses related to the Admission process and the Offer, including the commissions due to EnVent Capital Markets Ltd as the intermediary in charge of the reserved placement of the Shares and Global Coordinator, amount to approximately €0.94 million and will be incurred directly by the Issuer.

For information on the destination of the proceeds of the Offer, see Section II, Chapter 3, Paragraph 3.2 of the Admission Document.

## 7 DILUTION

### 7.1 Amount and percentage of immediate dilution resulting from the offer

As part of the Offer, Shares were offered for subscription to third parties at the placement price of €2.86 for each Share.

The table below illustrates the comparison between the value of equity per share at the date of the last balance sheet prior to the Capital Increases and the offer price per share in such Capital Increases.

Consolidated shareholders' equity per share as of June 30, 2019 (post fractionation shares)	Offer share price
€0.4487	€2.86

By assuming the full subscription of the Shares deriving from the Institutional Capital Increase and the Retail Capital Increase and also by assuming the full exercise of the Warrants, the shareholder SDG Innovative Technologies S.r.l. will see its shareholding diluted by 33.53%

For more information on the participation in the share capital of the Issuer's shareholders in the event of full subscription to the Institutional Capital Increase and the Retail Capital Increase, and also assuming the full exercise of the Warrants and the full subscription of the Converted Shares, see Section I, Chapter 14, Paragraph 14.1 of the Admission Document.

### 7.2 Dilution effects in case of non-subscription of the offer

Not applicable.

## 8 ADDITIONAL INFORMATION

### 8.1 Consultants

The participants in the transaction are as follows:

Participant	Role
Cyberoo S.p.A.	Issuer
EnVent Capital Markets Ltd	<i>Nominated Adviser and Global Coordinator</i>
Banca Akros S.p.A.	<i>Specialist</i>
BDO Italia S.p.A.	Auditing Firm
Grimaldi Studio Legale	Legal consultant
Studio Consulenti Associati di Palmieri F. & Partners	Tax consultant

In the opinion of the Issuer, the Nomad operates independently of the Issuer and the members of the Issuer's Board of Directors.

Directa also acts as settlement agent for the settlement of commitments relating to the orders it collects from investors. Moreover, note that EnVent Capital Markets Ltd, as Global Coordinator, makes use of certain intermediaries who operate as settlement agents (e.g. Kepler Cheuvreux and Intermonte Sim S.p.A.) for the settlement of commitments relating to orders collected from investors. These intermediaries operate exclusively as settlement agents and do not carry out any activity related to the offer of the Financial Instruments and to the Placement in general, and therefore are exempt from any liability related to the offer of the Ordinary Shares and to the Private Placement in general. Note that the cost of the service provided by the settlement agents does not affect the total cost of the subscription, as it is included in the Private Placement fees.

### 8.2 Indication of other information contained in the notes on financial instruments audited fully or on a limited basis by statutory auditors

Section II of the Admission Document does not contain any additional information with respect to what is contained in Section I that has been subjected to a complete or limited audit.

### 8.3 Places where the Admission Document is available

This Admission Document is available in the Investor Relations section of the website [www.cyberoo.com](http://www.cyberoo.com).

### 8.4 Documentation incorporated by reference

The following documentation is incorporated into the Admission Document by reference and available on the website [www.cyberoo.com](http://www.cyberoo.com):

- Issuer By-laws

### 8.5 Annex

The following documentation is annexed to the Admission Document:

- Warrant Regulation
- Proforma consolidated financial statements of the Issuer as of December 31, 2018, including the related report
- Consolidated half-yearly financial statements of the Issuer as of June 30, 2019, including the related report
- Financial statements of the Company as of December 31, 2018, including the related report