

## **OLIDATA S.p.A.**

SOCIAL CAPITAL ENTIRELY PAID Euro 4,025,480.00.

REGISTERED OFFICE IN PIEVESESTINA DI CESENA (FC) VIA FOSSALTA 3055

ENROLLED IN THE REGISTER OF FORLI COMPANIES No. 01785490408

R.E.A. DI FORLI 'No. 216598

### **Illustrative Report of the Board of Directors**

Prepared pursuant to art. 2441, sixth paragraph of the Civil Code and pursuant to art. 125-ter of the Legislative Decree February 24, 1998, n. 58 (the "TUF") and of the art. 72 and Annex 3A of the Regulation adopted by Consob with resolution no. 11971 of May 14, 1999 as subsequently amended and supplemented (the "Issuer Regulation").

#### **Dear Shareholders,**

at the proposal of the Board of Directors and following a notice of convocation published pursuant to the law and the bylaws on March 21, 2019, the shareholders' meeting of Olidata S.p.A. (hereinafter "**Olidata**" or the "**Company**") is called upon to resolve, in extraordinary session, on the following agenda:

- 1) Capital increase against payment and in divisible form, up to a maximum amount of Euro 30,000,000.00 (thirty million / 00), through the issue, at a price higher than the accounting nominal value, of new ordinary shares without nominal value, having the same characteristics as those in circulation to be offered to third-party investors with the exclusion of the option right pursuant to art. 2441, paragraphs 5 and 6, of the Civil Code, and consequent modification of the art. 4 of the Bylaws.**

This Illustrative Report (the "Report") - prepared pursuant to art. 2441, paragraph 6 of the Civil Code and pursuant to art. 125-ter of the TUF and pursuant to art. 72 and Annex 3A of the Issuers Regulation is intended to illustrate the content and the reasons for the proposed capital increase - item 1 on the agenda - with the exclusion of the option right pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code by issuing ordinary shares with the proposed characteristics.

#### **Premise**

The capital increase proposal, as set out below in this Report, is to be considered instrumental and preparatory and therefore connected to the project and the relative business Plan adopted by the Company. Consequently, the Chairman and the Chief Executive Officer, assisted by the company's advisors, began negotiations with financial parties potentially interested in participating in the Company's relaunch plan.

## **Proposed increase in share capital - Evaluations regarding the exclusion of the option right**

### **Description and purpose of the transaction - Evaluations regarding the exclusion of the option right**

The capital increase proposal described in this Report is intended to be instrumental and preparatory to the implementation of the company's relaunch plan.

In consideration of the foregoing, it is therefore proposed to the shareholders' meeting to resolve a capital increase according to the following terms:

- increase in share capital against payment, in divisible form, for a maximum amount of Euro **30,000,000.00 (thirty million / 00)** with the exclusion of the option right of the shareholders pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code, to be **placed and signed by May 31, 2019**.

The exclusion of the option right pertaining to Olidata shareholders is justified by the Company's interest in positively and quickly concluding the recovery process. The proposed exclusion of the option right also has an essential foundation in the clear need to allow the entry into the share capital of strategic and financial investors willing to provide the Company with sufficient funding to guarantee the availability of the resources necessary to support the implementation of the long-term business plan

The Board of Directors therefore believes that there is an objective and concrete interest of the Company so that the option right of the shareholders pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code are excluded with reference to the capital increase operations outlined above.

### **Determination of the issue price**

As previously described, the proposed transaction is legally configured as a capital increase with the exclusion of the option right pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code.

In these cases, for shares listed on regulated markets, the listing price of the shares is determined based on the price trend in the last semester. Since the stock exchange title Olidata has been suspended since March 29, 2016, the determination was made based on the value of the sector multiples applied to the new Business Plan, not taking into account, as usual, the price trend in the last six months.

### **Determination of the value of Olidata before the capital increase**

Please note that with reference to the legislative provision of the art. 2441 paragraph 6 of the Civil Code, it was decided to follow the application of the sole methodology of the "net asset value" as it is not possible to proceed with the reference "to the price trend in the last six months" since the stock exchange title Olidata was suspended from negotiations with a provision issued by Borsa Italiana SpA on March 29, 2016.

With regard to the term "net asset value", the doctrine does not believe that the legislator intended to refer to the net equity of accounting and even that to define this value only valuation methods known as "patrimonial" in the strict sense should be used. The interpretation most followed by doctrine and practice is that the legislator intended to refer to the value of the economic capital of the company and in this regard, in the absence of more specific indications within the norm, it is certainly necessary to refer to the criteria of evaluations developed by economic science and considered commonly usable in the best evaluation practice.

In the case in question, it is obviously important to reiterate that the current situation of the Company makes it difficult to apply commonly used estimation methodologies adopted by practice and doctrine.

It should be noted that the company completed a Restructuring Plan pursuant to Article 67 LF on December 28, 2017, completed the revocation of the liquidation status on June 27, 2018, completed a first capital increase of Euro 3,500,000.00 on June 19, fully subscribed and paid up, it completed the acquisition of 100% of the capital of Italdata SpA on June 28, 2018 and consequently started a development phase which saw the Company's entry into new business in implementation of the project presented at the meeting on April 13, 2018.

*“The objective of Olidata's relaunch plan is to become one of the main active players in Europe, in the area defined as the Internet of Things (IoT), in a B2B (Business to Business) perspective, marking an important change in operating scope, compared with to the recent past.*

*Olidata is currently engaged in a process of growth through external lines, sequencing a series of acquisitions of companies and technologies present in different European markets, focusing on the construction of a portfolio of vertical solutions that embrace the most recent developments in the sectors related to home automation, automotive, smart grids (smart grids), enabling technologies for the improvement of urban networks (smart cities), the world of smart white appliances, applications in the Industry 4.0 field.*

*To this end, and with the aim of becoming one of the leading aggregating players in Europe, Olidata intends to implement a corporate governance model aimed at presenting a composition of its corporate bodies, starting with the board of directors and an advisory board, with the presence of directors of different nationalities, to underline the European scope of the relaunch initiative.*

*The industrial relaunch plan is followed by Kaufmann & Partners, in the person of the Executive Chairman, Francesco De Leo, appointed Young Global Leader by the World Economic Forum, formerly Executive Director of IFIL (now Exor), later General Manager of Telecom Italy and President of Stet International, then Chief Strategy Officer of WIND and Vice President of Tellas. From January 2012 for six years, Francesco De Leo was President of European Operations and then Senior Advisor of Prodea ([www.prodea.com](http://www.prodea.com)), one of the leading operators in the IoT in the United States”.*

As mentioned in the Introduction, the proposed increase in capital must also be understood as consequent to the financial and asset recovery plan adopted by the Company, to the development of new businesses related to the IoT sector and in particular in implementation of the business plan presented by the company and approved by the Board of Directors on December 20, 2018. It should also be noted that negotiations are still underway with leading industrial "players" operating in these sectors, aimed at following up on what has just been illustrated, whose success is obviously also subject to the correct finalization of this increase proposal of social capital. Taking into account what has been highlighted so far, it is believed that the Board of Directors, in determining the value of newly issued shares, must use a method that has the characteristics of caution, but which also has the best degree of viability in light of the prospective situation illustrated.

In this sense it is clear that:

the Business Plan approved by the company's Board of Directors on December 20, 2018;

- a) the authoritative figures and professionals involved both within the Board of Directors, Advisory Board and Management Team

lead us to believe that neither the pure equity methods, nor the so-called mixed "patrimonial - income" methods, nor, finally, the methods linked to the so-called expected cash flows can meet the aforementioned principle of "better feasibility" of the valuation method of the value inherent to newly issued shares.

It should be noted in particular that the most widespread methods are those that can be referred to:

- to market multiples
- to discounted cash flows (Dcf)

In any case, the measurement of the value of the companies is the objective that the various evaluation methods essentially refer to: market method, expected result flows and cost.

The value, according to the PIVs "Italian Evaluation Principles" published by the OIV (Italian Evaluation Body) and applicable on a voluntary basis from 01.01.2016, is the result of an estimate that has as its object the expected result flows on the date of evaluation, that is the fruits that the company will be able to produce in the future.

The expected flows can be determined by resorting to the "expected results flow method" (c.d. income approach) and, therefore, to the income and financial criteria that fall within this method.

Precisely the financial criteria, based on the discounting of the cash flows made available by the company being valued, are very widespread especially in the academic sphere where there is a wide use of the Discounted Cash Flow (DCF) method in the asset side or equity variants side; in the first case, the operating cash flows are discounted at the weighted average cost of capital (WACC); in the second, the cash flows available to shareholders are discounted at the cost of equity according to the Capital Asset Pricing Model (CAPM).

As stated by one of the leading experts in the field of company valuations, Prof. Luigi Guatri, the criterion of multiples, although falling within the market method and not in that of expected results flows, is a relative evaluation that allows to identify the value of the company "summarizing in a single number the process of discounting the expected result flows".

Starting from this authoritative observation, one immediately understands how the criterion of multiples, which in itself is represented by a quotient taken from a sample of comparable listed companies to be applied to the corresponding variable of the company being valued, actually looks like an articulated method. The articulation depends not only on the difficulty in identifying the sample of comparable companies from which to extract the multiple (usually using databases), but from the fact that the apparent conciseness of the method actually hides an articulated construction, where the numerator represents the result of an analytical evaluation criterion and the denominator is the guiding variable of that criterion.

It is undeniable that the multiples method is widely used in practice by analysts and managers who consider it a faster criterion than the financial one, this can be explained considering the different number of hypotheses that requires an assessment by cash flows with respect to the relative valuation, just look at how many hypotheses need to be explained by those who use a flow method (projection of flows and consequent estimate of growth rate, estimate of WACC, estimate of terminal value) with respect to the criterion of multiples. Added to this is the fact that an analytical method such as the DCF method bases the value on future results that are increasingly deferred over time and therefore increasingly uncertain, where the terminal value, ie the one following the explicit projection period, has a very heavy weight relevant.

In particular, the DCF method also presents:

- a subjectivity due to the hypotheses necessary for the precise estimate of the available cash flows during the explicit forecast period
- Limited reliability of the cash flow forecasting process available over a certain number of years
- Problems related to the determination of the  $K_e$  parameters (hence the discount rate) in the case of unlisted companies

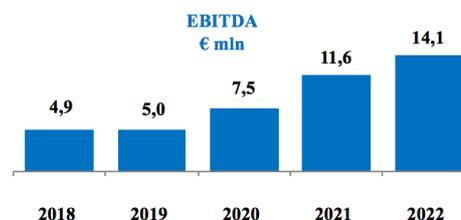
In essence, **"one should not therefore fall into the error of believing that the adoption of a relative evaluation does not contain the same hypotheses of an assessment by flows; simply the criterion of multiples avoids the typical estimates of the DCF method and relies directly on the market from which it assumes through the multiples the growth prospects and the risk estimate"**.

The approach underlying the criterion of multiples is that according to which the market as a whole and therefore in the average of the prices it expresses is efficient.

It is therefore believed that the so-called multiples method - in the delays of the current corporate situation - can better respond to this principle, integrating it from a prudential perspective, or considering only the 2018-2022 Business Plan.

### Criterion for determining the issue price of new shares

BUDGET					
€ '000	2018	2019	2020	2021	2022
<b>REVENUES</b>					
Cloud Zero Knowledge Offering	-	1.500	7.500	15.000	22.500
VTX Traditional Biz	26.500	28.355	31.191	35.869	41.249
Cyber Security Offering	-	500	2.200	4.400	6.600
IoT offering by Olidata	-	500	2.500	5.000	7.500
Mini Data Center for Proximity Services	-	250	1.000	2.000	3.000
Olidata Aggregated Revenues	7.133	4.090	4.600	4.900	5.200
<b>Total Revenues</b>	<b>33.633</b>	<b>35.195</b>	<b>48.991</b>	<b>67.169</b>	<b>86.049</b>
<b>COSTS</b>					
Operating costs	1.316	1.435	1.564	1.705	1.858
Zero Knowledge Cloud Costs	-	1.050	5.250	10.500	15.750
Cyber Security Offer Costs	-	348	1.531	3.062	4.594
IoT Offering Costs	-	348	1.740	3.480	6.960
Mini Data Center Offering Costs	-	180	720	1.440	2.160
Olidata Aggregated costs (Including Italdata)	6.374	3.400	3.900	4.100	4.300
<b>Total Infrastructure Costs</b>	<b>7.690</b>	<b>6.761</b>	<b>14.705</b>	<b>24.287</b>	<b>35.622</b>
<i>Total Number of FTEs</i>	<i>115</i>	<i>130</i>	<i>140</i>	<i>150</i>	<i>165</i>
<i>Avg. FTE Cost/Year</i>	<i>82</i>	<i>85</i>	<i>87</i>	<i>90</i>	<i>92</i>
<b>Total Personnel Costs</b>	<b>9.436</b>	<b>10.986</b>	<b>12.186</b>	<b>13.448</b>	<b>15.237</b>
Personnel Costs (Net of R&D)	656	1.944	2.872	3.855	5.356
Personnel Costs - R&D	8.779	9.043	9.314	9.593	9.881
Bad Debts	405	405	418	430	443
Marketing Costs	552	580	609	640	672
Sales Costs	8.348	8.765	9.642	11.088	12.751
Renting Costs	1.757	1.792	1.828	1.968	2.008
Administration Costs	518	544	571	599	629
<b>Total Costs</b>	<b>28.706</b>	<b>30.181</b>	<b>41.489</b>	<b>55.523</b>	<b>71.954</b>
<b>EBITDA</b>	<b>4.927</b>	<b>5.014</b>	<b>7.501</b>	<b>11.646</b>	<b>14.095</b>
<i>As % of Revenues</i>	<i>14,6</i>	<i>14,2</i>	<i>15,3</i>	<i>17,3</i>	<i>16,4</i>



Unlike traditional methods, the valuation methods based on market multiples allow to estimate the value of a company through the detection of prices traded in the market, usually in the financial one, for companies considered similar and comparable with the one being valued.

The observed prices are compared to the typical financial and balance sheet figures of the companies to which they refer (e.g. profits for the year, shareholders' equity, ebit, ebitda, etc.) thus obtaining the multiples with which to evaluate a similar company (for example the P / E price / earnings ratio or the P / BV equity / price ratio). From a mathematical point of view, therefore, the multiple is nothing but a relationship between different quantities. The use of multipliers is based on two approaches: the approach of comparable companies and that of comparable transactions. Both have substantial points in common and commonalities. In general, the first approach refers to a sample of companies considered comparable by a series of factors (obviously the more homogeneous the criteria will be, the smaller the sample will be), while the second approach relates to negotiation prices.

In practice, we can distinguish multipliers in two main categories:

- asset side, which put the market value of the entire company, or Enterprise value (EV), as numerator, and one of the following (main) variables expressing the company, namely EBIT, EBITDA, NOPAT, Sales, Invested capital;
- equity side, which relate to the numerator the price of the share capital (or stock market capitalization) with one of the following (main) variables, namely Earning, Cash earning, FCFE, Book Value.

In applying this method, the average European IT and Media multiples at 31/03/2018 were used. Applying the expected economic results of the Olidata 2018 -2022 Business Plan to the aforementioned multiples, and in particular considering the average of the three years (2019-2021) of prospective EBITDA for a multiple of EBITDA in a range between 7 and 7.5,

multiple lower than the reference sectors in order to make new investors better appreciate the investment and by subtracting the consolidated NFP of Olidata, Italdata and the acquired company, a corporate value was obtained - rounded to the nearest hundred thousand euros - of € 57,100,000. This value is reiterated solely as a dependent value in application of the Industrial Plan and from the completion of the resolution of share capital increase, while the current value of the shares based on the net equity recorded in the 2018 half-year financial statements stands at Euro 0.1493884841.

Therefore, given that the number of newly issued Olidata shares will be 45,000.001, for a total of n. 85,800,000 shares, the issue value of the new shares stands at € 0.6666666519, higher than the accounting par value of the current shares in circulation.

The reasons and economic and legal reasons are explained for which it is not intended to set an express premium for newly issued shares, which will therefore be offered at a value higher than the par value, therefore including a theoretical surcharge. The main reasons are of an economic and financial nature as described above and that the Company has an urgent need to be capitalized with money to face its financial tension and the acquisition of acquisitions as illustrated in the Business Plan, with the aim of becoming one of the leading European players in the IOT sector. In this context, the eventual provision for an explicit surcharge would make the placement of the shares very difficult and uncertain, if not feasible. The Board of Directors also illustrates how, based on the legal opinions acquired and as supported by the specialized doctrine on the subject and by numerous notaries of notarial bodies, it is fully legitimate to resolve a capital increase by majority without the express premium, provided that the issue price is fair and above par.

#### **Evaluation difficulties encountered in the estimation process**

In preparing this report, some difficulties and limitations related to the determination of Olidata's economic value were found. These difficulties can be summarized as follows:

- as described above, the suspension of the Olidata title on the market did not make it possible to apply the method, as required by the provisions of Article 2441 of the Civil Code, to analyze the trend in stock market prices over the last six months;
- precisely because of the crisis situation just overcome by Olidata, and for the reasons already highlighted above, it is difficult to pursue an evaluation approach based on methods commonly adopted by the practice.

#### **Period of execution of the transaction**

It is proposed that the capital increase reserved for the financial investor should be placed and completed by the deadline of 31 May 2019.

#### **Use of newly issued shares**

The newly issued shares will be ordinary, will have regular entitlement and, therefore, the rights related to them will compete starting from the moment in which the shareholder becomes the owner of them and will be provided with the coupons in progress on said date.

### Shareholder perspective evolution

Shareholding	%	Number of Shares	%	Number of Shares (Post resolution)
Historical Shareholders LFCP	24,89%	10.155.950	11,84%	10.155.950
Shareholder Redifin	8,61%	3.512.396	4,09%	3.512.396
Shareholder E-Tekne	6,84%	2.792.093	3,25%	2.792.093
Historical Shareholder Poseidone	3,48%	1.420.856	1,66%	1.420.856
Shareholders "Employees"	1,31%	535.855	0,62%	535.855
Shareholder Medion AG	1,12%	455.184	0,53%	455.184
New Share Capital Increase			52,45%	45.000.001
<b>Subtotal</b>	<b>46,26%</b>	<b>18.872.334</b>	<b>74,44%</b>	<b>63.872.335</b>
Free Float	53,74%	21.927.665	25,56%	21.927.665
<b>General Total</b>	<b>100,00%</b>	<b>40.799.999</b>	<b>100,00%</b>	<b>85.800.000</b>

### Subject of the resolution - Amendment of the bylaws

In consideration of the above, it is proposed that the assembly approve the following:

### RESOLUTION

1) Capital increase against payment, in divisible form, for a maximum amount of Euro 30,000,000.00 through the issue of 45,000.001 (Forty-five million one) new ordinary shares without nominal value and, with the exclusion of the option right of the shareholders pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code, to be placed and subscribed by May 31, 2019.

Current text	New Text
The share capital is Euro 4,025,480.00(four million twenty five thousand four hundred eighty / 00) fully paid up and represented by n. 40.799.999 (forty million seven hundred and ninety nine thousand nine hundred and ninety nine) shares with no nominal value.	The share capital is Euro 34,025,480 (thirty four million twenty-five thousand four hundred eighty) fully paid up and represented by n. 85.800.000 (Eighty five million eight hundred) shares with no nominal value.

	<p>The Extraordinary Shareholders' Meeting of April 30, 2019 resolved a capital increase structured as follows:</p> <p>(a) increase of the same for a fee, for a maximum amount of Euro 30,000,000.00 represented by 45,000,001 new ordinary Olidata shares, without nominal value, regular entitlement, with the exclusion of the option right of the shareholders of Olidata pursuant to art. 2441, paragraphs 5 and 6 of the Civil Code, to be signed by the deadline of May 31, 2019</p>
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- 1) to approve the related resolutions and consequent to the modification of the art. 4 of the by-laws;
- 2) to grant to the Administrative Body, and for it to the legal representatives pro-tempore with the right to sub-delegate, the power to carry out everything necessary in order to execute this resolution and to register it in the competent Register of Companies, making modifications, additions and deletions, provided they are not substantial, possibly requested by the competent authorities;
- 3) to grant to the Administrative Body, and for it to the legal representatives pro-tempore with the faculty of sub-delegation, within the limits of the foregoing, any wider power necessary to execute, in the shortest possible terms and times taking into account the necessary obligations procedures, to the capital increase.

**Evaluations regarding the existence of the right of withdrawal**

It is believed that the statutory changes described above do not constitute any right of withdrawal for the Company's shareholders.

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March 15, 2019

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**ATTACHMENT (A)**

**Opinion of the Independent Auditors**