



**Directors' Report**  
**on the Topics on the Agenda**

Ordinary and Extraordinary General Meeting of Shareholders

Convened on 29 December 2017 (and, if necessary, on 30 December 2017 on second call)

**DIRECTORS' REPORT ILLUSTRATING THE ITEMS ON THE AGENDA OF THE ORDINARY  
AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 29  
DECEMBER 2017 (AND, IF NECESSARY, ON 30 DECEMBER 2017 ON SECOND CALL) DRAWN  
UP PURSUANT TO ARTICLE 125-ter OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998  
AND ARTICLE 72 OF THE ISSUER REGULATION**

During the meeting held on 13 December 2017, the Board of Directors of axélero S.p.A. resolved to convene the ordinary and extraordinary General Meeting of Shareholders on first call in Milan at the office of Notaries Zabban Notari Rampolla e Associati, in Via Metastasio 5, on **29 December 2017 at 10.00 am** and, if necessary, on 30 December 2017 on second call, at the same time and place, to discuss and resolve on the following

**Agenda**

**Ordinary General Meeting:**

1. Supplementary appointments to the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code. Resolutions pertaining thereto and resulting therefrom.

**Extraordinary General Meeting:**

2. Issue of a convertible bond cum warrant, pursuant to Article 2420-*bis*, paragraph 1, of the Italian Civil Code for a total maximum amount of € 16,000,000.00, divided into eight tranches - resolutions pertaining thereto and resulting therefrom;
3. Share capital increase pursuant to Article 2420-*bis*, paragraph 2, of the Italian Civil Code, in tranches, with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for the conversion of the convertible bond cum warrant, for a maximum amount of € 16,000,000.00, including the share premium, by issuing ordinary shares - resolutions pertaining thereto and resulting therefrom;
4. Issue of warrants to be assigned free of charge to the subscribers of the convertible bond cum warrant and with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, which will give the bearer the right to subscribe for the Company's ordinary shares - resolutions pertaining thereto and resulting therefrom;

5. Share capital increase, in tranches and for consideration, with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for the exercise of the warrants, with share premium, by issuing ordinary shares - resolutions pertaining thereto and resulting therefrom;
6. Resulting amendments to Article 6 of the Bylaws - resolutions pertaining thereto and resulting therefrom.

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Ordinary part:

- 1. Supplementary appointments to the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code. Resolutions pertaining thereto and resulting therefrom.**

Shareholders,

we submit for your examination and your approval the candidacy of Mr. Fabio Giovanni Todaro as Statutory Auditor of axélero S.p.A., in order to replace the standing Auditor Mr. Marco Nava as a result of his resignation, to be replaced by the same alternate Auditor Mr. Giovanni Fabio Todaro until the expiry of the original term of office, which will be as at the date of approval of the financial statements at 31.12.2019. The standing Auditor will become a member of the pre-established Board of Statutory Auditors, accepting the same salary as the resigning auditor's.

We therefore invite you to:

- confirm Mr. Giovanni Fabio Todaro as standing Auditor and
- present candidacies for the alternate Auditor.

Extraordinary part:

- 2. Issue of a convertible bond cum warrant, pursuant to Article 2420-bis, paragraph 1, of the Italian Civil Code for a total maximum amount of € 16,000,000.00, divided into eight tranches - resolutions pertaining thereto and resulting therefrom;**
- 3. Share capital increase pursuant to Article 2420-bis, paragraph 2, of the Italian Civil Code, in tranches, with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for the conversion of the convertible bond cum warrant, for a maximum amount of € 16,000,000.00, including the share premium, by issuing ordinary shares - resolutions pertaining thereto and resulting therefrom;**
- 4. Issue of warrants to be assigned free of charge to the subscribers of the convertible bond cum**

axélero S.p.A.

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warrant and with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, which will give the bearer the right to subscribe for the Company's ordinary shares - resolutions pertaining thereto and resulting therefrom;

5. Share capital increase, in tranches and for consideration, with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for the exercise of the warrants, with share premium, by issuing ordinary shares - resolutions pertaining thereto and resulting therefrom;
6. Resulting amendments to Article 6 of the Bylaws - resolutions pertaining thereto and resulting therefrom.

Shareholders,

we inform you that axélero has signed a non-binding agreement with Atlas Special Opportunities LLC and Atlas Capital Markets (hereinafter "Atlas") relating to the transaction detailed below.

## 1. CHARACTERISTICS OF THE TRANSACTION

On 30 November 2017, the Company signed a Term Sheet with Atlas Special Opportunities and Atlas Capital Markets (hereinafter the "Term Sheet", "Atlas" and "ACM"), which provides for the issue of a convertible bond *cum Warrants* for a total of € 16 million (the "Bond Loan") and, more specifically, the commitment of Atlas to subscribe for, in various tranches and following specific subscription requests of axélero S.p.A., a maximum of 800 convertible bonds, with a unit value of € 20,000 each (the "Bonds"), which will be accompanied by the issue and free-of-charge assignment of a number of Warrants (called AXE) representing 30% of the amount of each tranche divided by the weighted average price of the prices per volume of qualifying transactions for the axélero security as detected by Bloomberg during a stock trading period of 30 days prior to receipt by the bond loan subscriber of the Company's notification to issue a tranche of the loan.

The Term Sheet, in particular, provides that these bonds should be issued in eight tranches, as described below:

- (i) a first tranche consisting of 150 Bonds for a total nominal amount of € 3 million, to which the AXE 1 Warrants are linked;
- (ii) a second tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 2 Warrants are linked;
- (iii) a third tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 3 Warrants are linked;
- (iv) a fourth tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 4 Warrants are linked;
- (v) a fifth tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 5 Warrants are linked
- (vi) a sixth tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 6 Warrants are linked
- (vii) a seventh tranche consisting of 100 Bonds for a total nominal amount of € 2 million, to which the AXE 7 Warrants are linked
- (viii) an eighth tranche consisting of 50 Bonds for a total nominal amount of € 1 million, to which the AXE 8 Warrants are linked

The Bonds and Warrants will be issued in dematerialized form to the bearer and will not be listed on regulated markets or other organized trading systems. The above dematerialization method ensures the traceability of the relevant movements and transfers in accordance with the provisions of the current regulations, which legitimizes their nature as bearer securities.

## **2. OPERATING MECHANISM FOR LOAN SUBSCRIPTION REQUESTS AND ISSUANCE**

The Term Sheet provides that, during the period between the subscription date and the expiry of the 36<sup>th</sup> month thereafter, axélero may issue the Bond Loan in the 8 different tranches described above, at its discretion, in compliance with the 30-day stock trading period as from the subscription date of the previous tranche, except for the second tranche, which may be issued after a stock trading period of 40 days as from the subscription date of the first tranche.

The subscription for each tranche of the Bond Loan may be requested by axélero S.p.A. by submitting the appropriate written notification to Atlas with a notice of at least 10 business days prior to the issue date.

The Bonds will be offered for subscription at a price representing 98% of their nominal value. The bonds will accrue a gross annual interest rate of 2% as of the issue date, calculated on the value of each convertible bond issued.

### 3. PROCEDURE AND TERMS FOR THE LOAN CONVERSION AND MANDATORY CONVERSION

The Bond Loan will have a maximum value of € 16 million and will consist of a maximum of 800 Bonds with a nominal value of € 20,000 each.

The Bonds will have a maturity of 5 years as from the issue date and subscribers may request their full or partial conversion at any time by simply sending the appropriate notification to the Company (the “**Conversion Notification**”).

The issue price of the shares to be converted will be 92% of the weighted average price of the prices per volume of the qualifying transactions as detected by Bloomberg during one day to be chosen by the subscriber from among 20 consecutive stock trading days prior to the receipt of a Conversion Notification. The number of shares to be issued will therefore be equal to the value of the individual tranche of the bond loan divided by the share price, as calculated above.

The Term Sheet provides for the mandatory conversion of all the Bonds that will still be outstanding as at the maturity date.

Bondholders will also have the right to request the full repayment of the Bonds upon the occurrence of certain events, including in particular:

- i) Leonardo Cucchiarini and Stefano Maria Cereseto have jointly ceased to - directly or indirectly - hold at least 35% of the share capital;
- ii) Material adverse effects, such as: non-payment of amounts due to the subscriber; failure to fulfil the obligations provided under the subscription agreement and/or the bond loan regulation; state of insolvency; submission to bankruptcy proceedings.
- iii) Suspension of the security from trading for a period of more than 5 trading days.

### 4. WARRANTS AND CAPITAL INCREASE FOR THE PURPOSE THEREOF.

The Warrants may be exercised in whole or in part at any time between the issue date and the expiry of the fifth subsequent anniversary. Any Warrants not exercised as at the latter date will cease to be effective against the Company.

Each Warrant will entitle to subscribe for an ordinary share of axélero S.p.A.

In the event of exercise of the Warrants, the exercise price for each conversion share that will be subscribed will be equal to the weighted average price of the prices per volume of the qualifying transactions as detected by Bloomberg during the period of 30 consecutive stock trading days prior to receipt by the bond loan subscriber of the company's notification regarding the issue of a loan tranche, plus an amount representing 20% of the weighted average price of the prices per volume of the qualifying transactions as detected by Bloomberg as at the relevant issue date.

The Warrants will be issued in dematerialized form to the bearer and will not be listed on regulated markets or other organized trading systems.

The Warrants will be assigned free of charge in a fixed number representing 30% of the amount of the individual tranche.

The maximum amount of the increase for the issue of the Warrants, including the share premium, will in no event exceed € 4,800,000.00, with the result that the Warrants whose exercise may have caused a capital increase value exceeding the amount of € 4,800,000.00 will be considered as invalid.

All the necessary evidence will be given of the possibility of such invalidity in order to inform any assignees.

## **5. TRADING OF BONDS AND WARRANTS**

The Bonds and Warrants will be transferable to third parties in compliance with the "selling restrictions" set forth in the Term Sheet.

## **6. TRANSFER OF AXÉLERO SHARES BY ATLAS**

There will be no obligation to maintain the shares subscribed as a result of the conversion of the Bonds or exercise of the Warrants.

## **7. COMMISSIONS**

For the subscription commitments undertaken by Atlas and the role of arranger performed by Ambromobiliare S.p.A., the Company has undertaken to pay a total commission amounting to a maximum of € 390,000.00, after deducting Retainer Fees of € 90,000.00 already paid.

## **8. LISTING PROSPECTUS AND OFFER PROSPECTUS**

The issue of the Bonds and Warrants does not require the publication of any offer or listing prospectus by the Company.

## **9. DILUTION**

Any conversion of the Bonds and any exercise of the Warrants will entail a certain, but variable, dilution, which is non-quantifiable for the time being, of the investments held by the Company's current shareholders.

Such dilution will in particular depend on the portion of the Company's capital actually subscribed as a result of the conversion of the Bonds and exercise of the Warrants and therefore also on the number thereof and relevant subscription price, to be calculated according to the above method.

The calculation of the share issue price upon conversion of the Bonds is closely linked to the performance of the market price of the security detected in the reference periods prior to the relevant conversion requests, as further specified in paragraph 3.

The maximum dilution in terms of shareholdings of the current shareholders will, in particular, depend on the amounts of the tranches that will actually be issued by AXE and on the relevant subscription price, which has not been calculated to date, but will in due time be calculated.

## **10. ALLOCATION OF AND GROUNDS FOR THE CAPITAL INCREASE - REASONS FOR EXCLUDING OPTION RIGHTS**

The transaction aims to:

- i) support the Company's working capital in the context of the fulfilment of its business plan;
- ii) provide the Company with additional financing instruments;
- iii) expand the Company's shareholding structure in the event of conversion of the Bonds and exercise of the Warrants;
- iv) find new financial resources to support the investments set out in the business plan; and



v) obtain more financial flexibility, including in the extremely short term.

With regard to the Warrants, it should be noted that their possible exercise will provide the Company with additional financial resources, enlarging its shareholding structure, and will be inserted in a plan that is instrumental to supporting its growth plans with no additional charges.

The issue of a convertible bond loan reserved for an institutional investor provides the Company with the possibility to draw from, with a quick instrument and for a certain amount, any resources that may be necessary or appropriate to make the investments set out in its development plan.

The Board of Directors believes that a Bond issue is the most appropriate instrument with the greatest certainty of collection of resources useful to improving and strengthening the Company's capital and financial structure. With the support of Ambromobiliare acting as arranger of the transaction, the Company has chosen Atlas for this reason, taking into account the specific characteristics of the products offered by the same.

ACM is an investment company that has global operations and provides solutions to increase the growth prospects of its investment partners. Established in 2012, ACM has maintained constructive relations with every company in its portfolio and has been offering them its experience and strategic vision, in addition to invested capital. The management team of ACM, with over a decade of experience, is based in London and has made numerous successful investments throughout Europe.

ACM has a joint venture agreement, Atlas Special Opportunities LLC, with the investment company Arena Investors LP, an investment fund with headquarters in New York.

Finally, the instrument adopted will make it possible to submit Subscription Applications in a flexible manner also taking into account the evolution of the Company's economic and financial situation over a medium-term period.

The issue of the Warrants, and the resulting possible subscription of the capital increase for the purpose of the same, may provide the Company with additional capital and financial resources to be used in support of its plans without any additional charges.

Therefore, the Board of Directors considers that the issue of the Warrants reserved for Atlas is in the corporate interest for the reasons set out above and therefore believes that any option rights should be excluded.

## 11. METHOD TO CALCULATE THE PRICE OF NEWLY ISSUED SHARES ARISING FROM THE CONVERSION OF BONDS AND RELEVANT CONVERSION RATIO

With reference to the method for setting the price of newly issued shares as indicated above, the decision not to set a pre-established price, but to adopt a method to be followed for setting the price of newly issued shares in each tranche appears in line with the market practice followed for similar transactions, characterized by allowing for an ample period of time during which the capital increase can be subscribed for the purpose of the Bond conversion (5 years).

The adoption of a pre-established price could, in the event that in the future such price is lower than the stock market price of axélero securities, have the consequence of penalizing the Company and its shareholders for the benefit of Atlas.

The adoption of a method based on the performance of the security makes it possible to issue shares at a price that follows the stock value performance as set by the market.

In particular, the price calculation with regard to the stock market value that the axélero security will have on the trading days immediately preceding the subscription of the conversion shares appears suitable to ensuring that the price of newly issued shares is referred to the market value thereof (representative of the Company's value) and can be considered in line with the market practice established for transactions similar to the one being proposed herein.

Article 2441, paragraph 6, of the Italian Civil Code sets forth that the share issue price calculation should be based on the value of the shareholders' equity; according to the checks carried out, as at the date hereof, the above parameter appears to be fully complied with in light of the foregoing, in relation to the conversion of the Bond Loan.

In this regard, it should be noted that, at 30/6/2017, the Company's shareholders' equity amounted to € 24,313,317, against a market capitalization amounting to approximately € 40,664,000 at the date of the Board of Directors' report (13 December 2017).

With reference to the transaction developing over a reasonably extended period of time such as not to enable the verification of compliance with such parameter over time, it should be noted that the above parameter, as referred to in the aforementioned Article 2441, paragraph 6, of the Italian Civil Code, should not be interpreted in such a restrictive way, if one only considers that the entry into the Company's shareholding structure of a new investor in support thereof is an essential prerequisite for the same Company's development plan and strengthening. On the other hand, the

method to calculate the price as set out above reflects the provisions of the law for the issue of securities listed on regulated markets; although such situation does not apply to the Company, there is no doubt that the adoption of a system capable of ensuring consistency of the issue price with stock market values is a guarantee for the Company and its current shareholders, as well as for the investor.

## **12. METHOD TO CALCULATE THE PRICE OF NEWLY ISSUED SHARES ARISING FROM THE CAPITAL INCREASE FOR THE PURPOSE OF THE WARRANTS AND RELEVANT ASSIGNMENT RATIO**

The issue of the Warrants, and consequently the capital increase for the purpose thereof, is an integral part of the agreements reached during the negotiation of the Term Sheet, whereby Atlas has undertaken the commitment to subscribe for the Bonds for up to a maximum amount of € 16 million under the terms and conditions set out above.

In particular, Atlas was willing to negotiate the transaction only on condition that it was also offered the opportunity to receive the Warrants so as to allow it to invest further financial resources through a dedicated capital increase.

The issue price of the capital increase for the purpose of the Warrants, as provided for in paragraph 4 above, is equal to the weighted average price of the prices per volume of the qualifying transactions as detected by Bloomberg during a period of 30 consecutive stock trading days prior to receipt by the bond loan subscriber of the Company's notification regarding the issue of a loan tranche, plus an amount representing 20% of the weighted average price of the prices per volume of the qualifying transactions as detected by Bloomberg as at the relevant issue date.

With regard to the reasons that have led to the establishment of this method, reference should be made to the considerations made in paragraph 11 above, which also appear adequate here, including with regard to the expected 20% increase, concerning the method making reference to market values.

Therefore, the Directors believe that this price is fair for the purposes of Article 2441, paragraph sixth, of the Italian Civil Code.



### 13. AMENDMENTS TO THE BYLAWS

The share capital increases discussed in this report require a corresponding amendment to Article 6 of the Company's Bylaws by adding a further paragraph.

Leonardo Cucchiarini

Chairman of the Board of Directors