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DIGITAL BROS S.P.A.

VALUATION PURSUANT TO ART. 2343-TER, PARAGRAPH 2 B), OF THE ITALIAN CIVIL CODE AS AT 31 DECEMBER 2016 CONCERNING THE VALUATION OF THE EQUITY INTEREST REPRESENTING 36.66% OF THE CAPITAL OF KUNOS SIMULAZIONI S.R.L. CONSTITUTING THE CONTRIBUTION TO DIGITAL BROS S.P.A.

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1. FOREWORD

1.1 Purpose and scope of the engagement

DIGITAL BROS S.P.A. (hereinafter: "DB") and the owners of KUNOS SIMULAZIONI S.R.L. (hereinafter: "KUNOS" or the "Company"), together the "Parties", have entered into a preliminary agreement for the acquisition via contribution by DB of an equity interest representing 36.66% of the capital of KUNOS.

Specifically, the transaction envisages the acquisition by DB of a 100% equity interest in KUNOS as follows:

- the acquisition by DB of a 63.34% equity interest in KUNOS for a cash consideration of Euro 2,750,000; and

- the contribution to DB by the Current Owners, in exchange for 150,000 newly issued DB shares, of the residual 36.66% equity interest in KUNOS (the "Contribution").

DB and KUNOS have appointed STUDIO ASSOCIATO LEGALE E TRIBUTARIO – BDO (hereinafter "SALT" or the "Expert"), in the person of Mr. Gianluca Marini, partner, pursuant to Art. 2343-ter, paragraph 2 b), of the Italian Civil Code, as an independent expert to prepare a valuation report concerning the equity interest representing 36.66% of the capital of KUNOS constituting the Contribution (hereinafter "Report").

With reference to the requirements to be met by the Expert for the purpose of the Valuation, confirmation is hereby provided thatSALT and Mr. Gianluca Marini meet the professional and independence requirements for the Valuation as laid down by Art. 2343-ter, paragraph 2 b), of the Italian Civil Code.

In accordance with the aforementioned legislation, the scope of the engagement is to estimate the fair value of the equity interest representing 36.66% of the capital of KUNOS, which must "comply with generally accepted principles and concepts for the valuation of the assets constituting the contribution".

Legislation laid down by paragraph 2 a) of Art. 2343-ter of the Italian Civil Code is that "for the definition of fair value, reference should be made to international accounting standards endorsed by the European Union". The same definition has been used for the purpose of this Report as regards the provisions of paragraph 2 b).

Accordingly, the definition of fair value used herein ("Fair Value") is that relating to the amount at which the equity interest representing 36.66% of the capital of KUNOS constituting the contribution could be exchanged between knowledgeable and willing parties.

This report has been prepared by taking account of the overall structure of the transaction and the general aim that the provisions of the law intend to pursue, that is, to prevent the assets of the conferee company from being artificially inflated by means of an overstatement of the assets contributed in kind.

With reference to this aim and as required by Art. 2343 and 2465 of the Italian Civil Code, this report estimates the fair value of the equity interest representing 36.66% of the capital of KUNOS constituting the contribution that represents the upper limit in order to establish the capital increase of DB and any premium relating to the shares issued in view of the contribution.

Our engagement has been carried out based on data, information and the methodology set out in the paragraphs that follow, subject to the clarifications and warnings specified below.

1.2 Reference date for the estimate

The reference date for this estimate concerning the equity interest representing 36.66% of the capital of KUNOS constituting the Contribution is 31 December 2016, being the reference date for the most recent data provided to us for the purpose of our engagement.

The valuation has been performed based on KUNOS'S financial projections for the period 2017-2021 provided to us by the parties.

With respect to this date, applicable legislation establishes the time limits for the use of this Report by DB should it be decided to proceed with the proposed Contribution.

1.3 Documentation examined

The main documentation provided by the Parties and which was examined for the purpose of our engagement is as follows:

- 2017-2021 business plan of KUNOS;
- Preliminary agreement between DIGITAL BROS S.P.A. and the owners of KUNOS:
- Results and financial position of KUNOS up to and as at 31 December 2016;
- Financial statements of KUNOS for the year ended 31.12.2014;
- Financial statements of KUNOS for the year ended 31.12.2015;
- Rome Chamber of Commerce certificate dated 13 January 2017;
- Deed of incorporation of KUNOS;
- Other data and information pertinent to KUNOS'S operational and financial profile and other information pertinent to the transaction and considered significant for the purpose of the Report, as provided by the Parties.

2. ASSUMPTIONS AND LIMITATIONS OF LIABILITY

The Parties are aware of the fact that the valuation of the equity interest representing 36.66% of the capital of KUNOS has been based on the following assumptions and limitations of liability:

- The data, the documents and the information constituting the quantitative and qualitative support for the report have been provided by the Parties.
- SALT, despite having performed the engagement with diligence, professionalism and independence of judgement, has not audited the data provided and is not liable for the completeness, accuracy, reliability and representativeness of the data, documents and information. The foregoing is without prejudice to KUNOS'S liability for any error or omission concerning the documents, data and information and for any error or omission impacting the valuation as a result of the use thereof.
- The Report was prepared with reference to current economic and market conditions and based on reasonably forecastable elements. In this regard, due consideration should be given to the difficulties involved in the preparation of forecasts in the current economic and financial environment.

- Accordingly, the Report does not take account of the possible occurrence of extraordinary and unforeseeable events.

- The scope of the Expert's engagement does not extend to the performance of any voluntary and/or statutory audit of the accounts of the company that have been deemed thereby to provide a clear, true and fair view of the results and financial position of the company.

- Our work was performed based on data, information and explanations provided by the Parties. No independent verification or testing of any type has been performed with respect to the data and the information obtained and, accordingly, we do not express any opinion or any view on the accuracy, correctness or completeness thereof. The data, information and explanations remain the exclusive domain and responsibility of the Parties.

- The scope of the engagement does not extend to the performance of any audit procedures to ascertain the existence of any liabilities of a tax, contractual or social security nature not reported by the documentation used for the valuation.

- The content of the Report should be interpreted as an indicative estimate of the company's valuation, based on the assumptions and generally accepted valuation concepts applied in the case in question via the use of valuation methodologies deemed to be the most appropriate for the performance of our engagement.

- The estimate of the value of the equity interest was arrived at irrespective of the synergies and the economies and diseconomies that could arise from the equity interest being held by a specific purchaser.

- The existence or not of new, significant facts, that could considerably change the value attributed to the equity interest representing 36.66% of the capital of KUNOS for the purpose of the Contribution, shall be subjected to verification by the Directors of DB pursuant to Art. 2343-quater of the Italian Civil Code within thirty days from the registration of the resolution concerning the capital increase associated with the contribution.

- The conclusion that we arrived at was based on the valuations as a whole contained in the report and, accordingly, no part thereof may be used separately from the document in its entirety and within the time limits established by applicable legislation.

3. DESCRIPTION OF KUNOS SIMULAZIONI S.R.L

3.1 Company data

KUNOS SIMULAZIONI S.R.L. was set up on 23.5.2013 and is based at Via degli Olmetti 39/B, Formello.

The company's Rome Business Register number is 12417031007 and its Chamber of Commerce number is 1372716. The capital at 31.12.2016 was subscribed and fully paid and amounted to Euro 10,000.

The capital was held as follows:

Owner	Subscribed capital	% held
Stefano Casillo	€ 5,000	50%
Marco Massarutto	€ 5,000	50%

The Company has a Sole Director in the person of Ms. Valeria Bozzolan, who was born in Rome on 23.08.1974, whose tax code is BZZ VLR 74M63 H501G and who is resident at Via Gennaro Righelli 53, Rome. The position shall be held until revoked.

At 31 December 2016 the Company had no employees.

3.2 History of the company and its activities

KUNOS was set up in May 2013 to develop and produce driving simulator software mainly for Windows PCs and consoles. The main product created by KUNOS to date is "Assetto Corsa", developed for PC, PS4 and Xbox One platforms.

This product, which was launched in 2013 for Windows PCs and which was subsequently developed and distributed for PS4 and Xbox One platforms, was considered by critics and the public to be the PC version of Gran Turismo. The video owes part of its popularity to the use of personalised and ad hoc versions thereof in official Ferrari and Porsche simulators, due to the high level of sophistication of the mathematical models that provide the correct dynamic simulation of vehicles and the accuracy of the reproduction of the cars and the circuits present in the software.

Thanks to the commercial success and prestige achieved by the "Assetto Corsa" brand, KUNOS decided to start production of new products based on the same brand and on new software technology that built on earlier experiences.

3.3 The market

To date, Assetto Corsa has sold across all available formats more than 1.4 million copies, to which should be added more than 400,000 expansion packs that offer new cars and/or circuits.

Based on the software that analyses use by gamers, the current PC version sees substantial parity in the selection of racing cars vis-à-vis sports road and standard production cars, all of which are offered by the product. There has been greater loyalty towards the former, which represent the nucleus of Assetto Corsa's gamer community and which have clocked up the highest number of hours spent playing Assetto Corsa.

The original decision to produce a game dedicated to this genre was market driven. In fact, in 2013 Assetto Corsa filled a generational void for PC racing games, becoming the game of choice of an audience that had been overlooked by this industry sector. In order to achieve its goal, Assetto Corsa was conceived as a racing video game for all tastes, by offering the opportunity to use various types of car (historical racing and standard production cars, modern Gran Turismo, modern racing cars and hypercars), a strategy that has recently been followed by competitor products.

For future versions of Assetto Corsa, it is interesting to note there is an opportunity to produce themed products, which broaden and complement the dedicated gamer experience, being an aspect that other racing video game producers have overlooked, creating a void that KUNOS aims to fill.

4. VALUATION CRITERIA

Professional doctrine and practice have come up with numerous valuation methods that we have deemed appropriate to summarise below.

The aim of the valuation is to determine the company's **Equity Value**, given that this is representative of a company's ability to remunerate Equity.

This procedure requires the use of valuation criteria capable of producing results based on rationality, consistency, objectivity and verifiability.

The methods in question are: Income, Equity, Mixed, Financial and Market Multiples.

4.1 Income Method

The Income method is based on the assumption that a company will be capable of generating an income stream that is reproducible in the future.

Equity value (W) is estimated as a function of **Projected net income** (R).

Projected net income reflects the expected net income stream over the valuation time horizon determined based on assumptions concerning future operations that may be reasonably formulated at the valuation date.

Projected net income shows the following characteristics:

- Projected net income is withdrawable by capital providers, once all the factors of production have been fairly remunerated and a portion of the value added has been set aside for the preservation of long-term production conditions;
- Projected net income is prospective, that is, obtained via the projection into the future of the company's current earning potential;
- Projected net income is normalised, that is, adjusted for the effects of non-recurring extraordinary components and which are unrelated to ordinary operating activities and the core business. In any case, they are determined based on rational solutions that are commonly accepted from a technical point of view. This means that, for the determination of income (R), an adjustment must be made to eliminate all negative components, the recognition of which was solely to reduce taxable income for direct taxation purposes, or with the intention of applying certain financial reporting practices;

- For reasons of simplicity, Projected net income is calculated as an average, in order to reflect the company's ability over the long-term to achieve an average level of income, adjusted for the effects of adverse economic conditions.

In the event that the reference time horizon is deemed to be indefinite, the value of the company equates to the present value of a constant perpetuity, calculated using a discount rate, which is determined based on the following formula:

$$W = R/i$$

where:

W = Equity value of the company;

R = Average projected normalised income (sustainable);

i = Discount rate.

The approach generally used to estimate the discount rate is the so-called opportunity cost approach, which consists of choosing a discount rate that equates to the yield offered by alternative investments with the same risk.

4.2 Equity Method

The equity method is based on the fair value recognition of the individual asset components constituting the equity value of the company and an update of the liability components in order to arrive at a summary value entitled "**Adjusted Equity**" (AdjE).

AdjE is considered to be the amount of resources that needs be invested in order to have similar production and financial conditions in the same state and at the same location.

The equity method uses as a starting point the amount of equity recognised in the financial statements. Equity includes profit for the year, but excludes intangible assets for which it is not possible to demonstrate that they will generate future economic benefits, treasury shares held and amounts the distribution of which to shareholders has already been decided (dividends or distributable reserves).

Equity is then adjusted as follows:

- Adjustments to comply with correct accounting standards;

- Adjustments needed to reflect unrealised gains on specific assets (net of the tax effect).

AdjE is determined as follows:

- Synthetic, by summing the positive and negative adjustments to net asset components;
- Analytical, by summing the fair values of the individual net asset components.

The equity method may be computed by use of the following formula:

$$W = AdjE + IA$$

where:

W = Equity value of the company;

AdjE = Adjusted equity;

IA = Measurable intangible assets.

4.3 Mixed method

The mixed method is a sort of middle ground between the strengths and weaknesses of the Equity and Income methods and makes it possible to take account of, in the valuation process, the company's prospective income as well as its net assets: the estimate is thus suited to reflecting the objectivity and verifiability of the net asset components without overlooking income expectations.

The "Average value" represents a mere mode of quantification of the Equity value of the company, taken as a simple or weighted average of the values determined by applying methodology based on income streams and methodology based on equity.

It may be computed by use of the following formula (simple average):

$$W = \tfrac{1}{2}(R+AdjE)$$

where:

W = Equity value of the company;

R = Methodology based on income streams;

AdjE = Adjusted equity.

Of the valuation methods used to estimate the “Average value", the most widespread is that recommended by the European Federation of Accountants.

The mixed method envisages the determination of the value of the company's equity via the verification of the assets used by the company, net of the corresponding liabilities, plus goodwill, which either increases (goodwill) or decreases (badwill) the aforementioned equity value. Goodwill represents the company's ability to generate future income to remunerate capital employed to a larger (or lesser) extent than the yield offered by alternative investments with the same risk.

This methodology is based on the assumption that goodwill is a transitory phenomenon, that is, it is destined to disappear over a given number of accounting periods.

The formula used for the valuation is as follows:

$$W = AdjE + an\neg\, i^1 * (R - i^2 * AdjE)$$

where:

W = Equity value of the company;

R = Average projected normalised income

AdjE = Adjusted equity;

n = Number of accounting periods;

i^2 = Normal expected rate of return on capital invested in the

economic sector in which the company operates;

i^1 = Discount rate.

4.4 Financial Method

The Financial method is based on operating results interpreted in terms of cash flow available to the investor, rather than in terms of income.

Projected cash flow is determined by reference to the statement of cash flows, which reports cash flows from operating activities and cash flows from changes in uses of resources and in the sources of a company's financing.

Projected cash flow reflects cash flow that will be periodically generated from future operations, determined based on operational assumptions that are capable of being reasonably formulated at the valuation date.

The Financial method determines the Equity value of the company, by discounting the cash flow that it is capable of generating in the future using a discount rate that adequately reflects the risk associated therewith.

There are two alternatives that may be used: Fcfo (free cash flow from operations) or Fcfe (free cash flow to equity).

Based on these approaches it is possible to arrive at a valuation of the company by using a DCFM (Discounted Cash Flow Model) for which there are two alternatives:

- Unlevered Cash Flow, by means of which the Enterprise Value is determined, equating to free cash flow from operations (Fcfo) discounted using the weighted average cost of capital (WACC). Net debt is then subtracted from the Enterprise Value to arrive at the Equity Value;
- Levered cash flow, by means of which the Equity Value of a company is arrived at by discounting free cash flow to equity (Fcfe) using a discount rate that equates to the cost of Equity (K_e).

If the first of these methods is used, a calculation needs to be made of theoretical taxation, quantified with reference to operating income: this is tantamount to the valuation of a debt free company, the net invested capital of which financed solely by equity.

For greater clarity, set out below are the two formulas for the two previously described methods, assuming they apply to an indefinite time period (perpetuity):

ENTERPRISE VALUE	EQUITY VALUE
Enterprise Value = NOPAT / WACC	**Equity Value= Fcfe / K_e**

where:

W = Equity value of the company;

NOPAT = Net operating profit after tax;

Fcfe = Free cash flow to equity;

WACC = Weighted average cost of capital;

K_e = Cost of equity.

4.5 Market Multiples Method

The Market Multiples method is based on an analysis of stockmarket prices, or of transactions, relating to a sample of companies operating in the same sector as the company being valued (comparable companies) and on the subsequent application of multiples resulting from the analysis to financial variables of the company being valued.

The multiples are obtained from the ratio of the market capitalisation or price agreed between the counterparties with reference to the comparable companies to the related income, capital and financial variables deemed to be significant for valuation purposes.

Valuations performed using the Market Multiples method are based on two assumptions:

- That the expected growth rate for a company's cash flows and the degree of risk shall be the same;

- The assumption that the value of a company varies in a directly proportional manner to changes in the earnings variable chosen as a performance parameter.

The method in question is thus capable of providing an adequate measurement of value, given that it is based on market expectations regarding company growth and the discount rate.

In practice two types of multiples are used:

1. Multiples calculated with regard to the market value of equity (W). These multiples make it possible to arrive directly at an estimate of Equity Value;
2. Multiples calculated with regard to the Enterprise Value of a company (EV). In this second case the numerator of the multiple consists of the sum of the equity value (W) and the market value of debt. Applying this type of multiple, the estimate of equity value is arrived at indirectly, that is, the difference between Enterprise Value (EV) and the market value of debt.

With regard to the first type of multiples, the following are often used:

Price/Earnings ratio = P/E = Stockmarket Price / Earnings per share

Price/Book value = P/BV = Stockmarket Price / Equity per share

With regard to the second type of multiples, the following are used the most in practice:

Enterprise Value/Sales = EV/Sales = (Equity value + Debt) / Sales

Enterprise Value/EBITDA = EV/EBITDA = (Equity value + Debt) / EBITDA

Enterprise Value/EBIT = EV/EBIT = (Equity value + Debt) / EBIT

5. ESTIMATE OF THE EQUITY VALUE OF THE COMPANY: SELECTION OF THE VALUATION METHOD

Having considered the purpose of this valuation, the available financial information, the Company's target market and the nature of its activities, of the valuation methods summarised above that may be used to arrive at a company's Equity Value, it has been decided to use the **Financial Method** to estimate the equity value of KUNOS. Based on the amounts obtained from the use of the chosen valuation method, it is possible to establish the equity value of the company.

The adoption of the financial method can be justified by the fact that the methodology in question constitutes, in accordance with established doctrine, the most rational valuation method: the equity value of a company is, in fact, according to the classic business economics definition, a unique value resulting from the discounting of prospective cash flows. Accordingly, the financial method should be used whenever, as

in the present case, reasonably reliable forecasts are available that cover an adequate time period with respect to the results of the company being valued.

The financial method applied is that which envisages the discounting of unlevered discounted cash flow, which is typically used to value companies operating in the sector of development and production of driving simulators for PCs and consoles.

The **Reference Date** has been established as **31 December 2016**.

FINANCIAL METHOD (Discounted Cash Flow)

The DCF financial method arrives at the theoretical equity value of the company being valued based on discounted operating cash flows that it is expected to generate in the future. Specifically, equity value is equal to the sum of:

1. **Enterprise value**, which generally results from the sum of the present value of free cash flow from operations over an explicit projection period and its terminal value);
2. **Market value of any surplus assets** that are not essential for the operation of the business nor which have been taken into account for the determination of prospective operating cash flows;
3. **Amount of the Company's interest bearing debt** at the valuation reference date.

The computation of the Company's enterprise value involves the following steps:

- Computation of free cash flow from operations over the explicit projection period;
- Computation of free cash flow from operations beyond the explicit projection period (Terminal Value);
- Computation of the discount rate to be used for the previously identified cash flow (WACC);
- Discounting of cash flow using the WACC as the discount rate.

Surplus assets are identifiable as those assets, the hypothetical sale of which at the valuation reference date would not be deemed to compromise a company's future business operations.

The business plan provided to us and used for this appraisal is based on the following amounts/information:

- **Reference period** 2017 – 2021.

- **Revenue** - Revenue was estimated in an analytical manner for the PC version assuming turnover would be maintained at the same level of the previous calendar year partially due to the effect of the launch of new additional content in March, May and July. As regards the console version, revenue is generated by the publisher 505 Games, which directly invoices the digital marketplaces and the retailers for the physical distribution of the game. In order to estimate revenue, it was assumed that the current structure would be maintained that envisages the recognition of 50% and 40% of net revenue achieved by 505 Games for the digital version and the physical version, respectively. 505 Games provided the estimates assuming decay curves for the digital versions and by taking account of sales estimates received from the countries in which the physical distribution takes place up to June 2017 with no sales having been considered after this date. To reflect the recognition of this revenue over time, seeing that this takes place based on actual revenue collection by the publisher, a scalar curve was assumed.

  In order to plan revenue from subsequent versions, having access to monthly sales figures for the first version of the game since its PC platform launch in November 2013 and since the console version launch in August 2016, steps were taken to estimate a correction factor for revenue generated by the first version in order to estimate volumes, whereas use was made of a revenue curve for the first version for the distribution of revenue over time.

- **Production costs** - Production costs mainly consist of labour costs and were estimated based on the production plan, assuming annual growth of 2% for all resources involved, with the exception of the two selling owners for whom a bonus was envisaged of 10% of gross revenue generated by the PC version of Assetto Corsa and of 10% of net revenue generated by the console version of Assetto Corsa and of all future versions.

  Monthly costs were based on costs currently agreed with the individual professional staff members. For certain types of resources used in a specific manner for the creation of a number of game components, it was envisaged that use would be made thereof for a limited period of time, the quantification of which was performed by assuming that current contractual conditions would be maintained.

- **Royalties** - Royalty costs payable to the licensors for the cars and circuits used for Assetto Corsa were estimated based on existing contracts, applying the same

percentage rates in force and with assumptions made for the costs to be incurred for new cars expected to be included in the game in the near future.

Royalty costs for the cars and circuits to be used in future versions of Assetto Corsa were estimated based on the content expected to be included in future versions of Assetto Corsa.

- **General expenses** - Estimated general expenses, details of which are attached to the business plan, were prepared based on the current structure without any particular benefits in terms of cost reductions and with an expected increase of 2% per year.

- **Taxation** - For the purpose of the determination of taxation, a tax rate was applied of 28.82%, being an IRES rate of 24% and an IRAP rate of 4.82%, assuming that no further reductions in tax rates will occur in the period and that the company will not benefit from any kind of tax relief.

- **Net financial indebtedness** – there is no net financial indebtedness.

That said, set out below is the computation of 2017-2021 operating cash flows and the computation of the Terminal Value.

Unlevered cash flow (€)	2017	2018	2019	2020	2021
Revenue	4,738,753	3,101,157	1,339,359	2,020,886	2,056,770
Total revenue	**4,738,753**	**3,101,157**	**1,339,359**	**2,020,886**	**2,056,770**
Costs	(1,869,342)	(1,340,838)	(1,143,439)	(1,094,267)	(1,073,342)
EBITDA	**2,869,411**	**1,760,319**	**195,920**	**926,619**	**983,428**
Depreciation and amortisation	-				
EBIT	**2,869,411**	**1,760,319**	**195,920**	**926,619**	**983,428**
Total notional income tax expense	(720,500)	(1,135,000)	612,481	(104,931)	(469,105)
NOPLAT	**2,148,911**	**625,318**	**808,401**	**821,688**	**514,323**
Depreciation and amortisation	-	-	-	-	-
Change in NWC	-	-	-	-	-
Capital expenditure					
FCFO	**2,148,911**	**625,318**	**808,401**	**821,688**	**514,323**

For the purpose of the determination of the cash flow used to compute the Terminal Value, the following assumptions were made:

- zero growth rate, since it is prudently deemed to be risky and insignificant to assume a growth rate beyond the period considered;

- EBITDA and EBIT margins equal to those expected in 2021;

- theoretical tax rate applied to EBIT equal to that expected for 2021;

- an estimated headroom of 1.5% of additional risk determined with reference to the market sector in which the Company operates.

No allocations to provisions/writedowns, capital expenditure or changes in net working capital were noted in the business plan.

Set out below is the computation of the Terminal Value.

Unlevered cash flow (€)	TV
Revenue	2,056,770
Total revenue	**2,056,770**
Costs	(1,073,342)
EBITDA	**983,428**
Depreciation and amortisation	-
EBIT	**983,428**
Total notional income tax expense	(469,105)
NOPLAT	**514,323**
Depreciation and amortisation	-
Change in NWC	-
Capital expenditure	-
FCFO	**514,323**

Set out below are the assumptions made for the determination of WACC.

WACC		
COST OF EQUITY		
A)	Risk free rate (rf)	1.7%
B)	Unlevered Beta (beta)	1.1
C)	Debt/Equity comps	0.0
D)	Relevered beta	1.2
E)	ERP (CDS based)	8.40%
F)	**Cost of equity**	**11.5%**

COST OF DEBT		
A)	Risk free rate (rf)	1.7%
B)	Credit spread	2.2%
C)	TAX RATE	24.0%
D)	**POST-TAX COST OF DEBT (Kd)**	**3.0%**

WEIGHTED AVERAGE COST OF CAPITAL		
A)	POST-TAX COST OF DEBT	3.0%
B)	D/EV	1.2%
C)	COST OF EQUITY	11.5%
D)	E/EV	98.8%

E)	WACC	11.4%

Risk Free Rate: average for last three years of a generic curve representing all 10 year BTP issues existing as of December 2016 based on daily observations (source: Bloomberg).

Unlevered Beta: average unlevered beta for companies active in the same sector as the target (source: Bloomberg).

Debt / Equity: the Company's debt ratio computed as the ratio of net financial indebtedness to equity at 31.12.2016 as per the business plan prepared by the Company.

Market Risk Premium: risk premium based on an average risk rate for the Italian ERP market at 1 January 2017 (source: Damodaran).

Credit spread: additional spread needed to reflect the Company's average burden in the event of recourse to debt capital.

Growth rate used for Terminal Value "g": equates to zero, since it is prudently deemed to be risky and insignificant to assume a growth rate beyond the period considered.

Tax rate: Company's theoretical tax rate (IRES and IRAP).

The table below sets out the comparable listed companies and the related financials considered for the determination of the average unlevered beta for the Perimeter.

ASSUMPTIONS FOR COST OF CAPITAL

(Euro million)

Company	Country	Raw-Beta	Adj-Beta	D/E	Tax rate	unlevered	Mkt. Cap	Average B unlevered	D/E	relevered	D/E peers
STARBREEZE AB	Sweden	0.49	0.66	0.00	22.00	0.66	528	1.15	0.01	1.16	0.01
DOUBLEUGAMES CO LTD	South Korea	1.44	1.30	0.00	24.20	1.30	508				
INTERNATIONAL GAMES SYSTEM C	Taiwan	1.82	1.55	0.00	12.06	1.55	425				
BOY AA INTERACTIVE	China	1.68	1.45	0.00	14.56	1.45	362				
WEMADE ENTERTAINMENT CO LTD	South Korea	1.48	1.32	0.00	24.20	1.32	288				
GLU MOBILE INC	United States	1.02	1.01	0.00	40.00	1.01	275				
NHN ENTERTAINMENT	South Korea	1.22	1.15	0.05	27.13	1.11	788				
X LEGEND	Taiwan	0.78	0.85	0.01	73.41	0.85	243				
						0.00	0				
					tal Mkt. Cap. consider		3,418				

Source: Bloomberg

The table below sets out the discounting of explicit operating cash flows from 2017 to 2021 and the computation of the Terminal Value using a WACC discount rate of 11.4% with a headroom of 1.5%, giving a final discount rate of 12.9%.

Unlevered cash flow (€)	2017	2018	2019	2020	2021	TV
Time period	1	2	3	4	5	6
FCF	2,148,911	625,319	808,401	821,688	514,323	514,323
Terminal Value						4,000,018
Discount factor	0.89	0.79	0.70	0.62	0.55	0
Discounted FCF	1,904,084	490,949	562,380	506,497	280,914	1,935,831
Cumulated Discounted FCF	**1,904,084**	**2,395,033**	**2,957,413**	**3,463,910**	**3,744,825**	

Enterprise Value	**5,680,656**
Cash	-
Equity Value	**5,680,656**

The theoretical reference value of 36.66% of the equity value of the company at 31.12.2016 comes to Euro 2,082,528, which has been rounded down to Euro 2,000,000.

6. CONCLUSION

Based on the previously described work performed and pursuant to Art. 2343-ter, paragraph 2 b), of the Italian Civil Code, an estimate has been made of the fair value of the equity interest representing 36.66% of the capital of KUNOS constituting the Contribution.

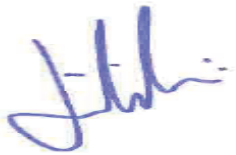
The reference date of the estimate is 31 December 2016. The Fair Value of the above mentioned equity interest representing 36.66% of the capital of KUNOS is estimated, as at 31 December 2016, to be Euro 2,000,000 (rounded-off amount).

Given the above, the value of the equity interest representing 36.66% of the capital of KUNOS constituting the Contribution represents the upper limit in order to establish the capital increase of DB and any premium relating to the shares issued in view of the contribution.

Rome, 20 January 2017

STUDIO ASSOCIATO LEGALE E TRIBUTARIO – BDO

(Gianluca Marini)



Attachments

- KUNOS'S 2017-2021 business plan;
- Preliminary agreement between DIGITAL BROS S.P.A. and the owners of KUNOS;
- Results and financial position of KUNOS up to and as at 31 December 2016;
- Financial statements of KUNOS for the year ended 31.12.2014;
- Financial statements of KUNOS for the year ended 31.12.2015;
- Rome Chamber of Commerce certificate dated 13 January 2017;
- KUNOS'S deed of incorporation;
- Other data and information pertinent to KUNOS'S operational and financial profile and other information pertinent to the transaction and considered significant for the purpose of the valuation, as provided by the Parties.