

PRESS RELEASE

*The BoD of the Digital Bros Group approves the draft financial statement for the year ending  
30 June 2017*

**DIGITAL BROS GROUP:**

**CONSOLIDATED GROSS REVENUES AT € 142.4 MILLION (+29.2%)**

**EBITDA AT € 21.3 MILLION (-15.1%)**

**NET PROFIT AT € 11.3 MILLION COMPARED TO € 12.5 MILLION AT 30<sup>th</sup> JUNE 2016**

**NET CASH AT THE END OF THE FISCAL YEAR IMPROVING BY € 8.5 MILLION**

**PROPOSED DIVIDEND OF € 0.15 PER SHARE**

- ✓ *Consolidated Gross Revenues of € 142.4 million, improving by 29.2 % compared to € 110.2 million at 30<sup>th</sup> June 2016*
- ✓ *EBITDA at € 21.3 million, down for 15.1% compared to € 25.1 million as at 30<sup>th</sup> June 2016*
- ✓ *EBIT at € 11.1 million, decreasing by 46.8% from € 20.8 million at 30<sup>th</sup> June 2016 including the sale of the PAYDAY2 rights*
- ✓ *Pre-tax profit at € 16.7 million compared to € 18.3 million at 30<sup>th</sup> June 2016*
- ✓ *Net profit at € 11.3 million, down 9.9% from € 12.5 million recorded at 30<sup>th</sup> June 2016*
- ✓ *Net cash at the end of the fiscal year was € 12.0 million, improving by € 8.5 million compared to 30<sup>th</sup> June 2016*
- ✓ *Proposed dividend of € 0.15 per share*

<b>RESULTS FY 2016-2017</b>				
<i>Amounts in EUR/000</i>	<b>30.06.17</b>	<b>30.06.16</b>	<b>Change</b>	<b>Change %</b>
<b>Revenues</b>	142,400	110,192	32,208	29.2%
<b>EBITDA</b>	21,298	25,095	(3,797)	-15.1%
<b>EBIT</b>	11,077	20,815	(9,738)	-46.8%
<b>Pre-tax profit</b>	16,712	18,338	(1,626)	-8.9%
<b>Net profit</b>	11,297	12,539	(1,242)	-9.9%

*Milan, 12<sup>th</sup> September 2017* - **The Board of Directors of the Digital Bros Group**, a digital entertainment company listed in the Star segment of the Milan Stock Exchange, **has approved today the Draft Financial Statement for fiscal year 2016-2017** (1<sup>st</sup> July 2016 – 30<sup>th</sup> June 2017).

The main results of the Digital Bros Group for FY 2016-2017, with comparative figures for the previous year are reported in the table below:

- **Gross consolidated revenues** of € 142.4 million, up by 29.2% compared to € 110.2 million recorded at 30<sup>th</sup> June 2016.
- **EBITDA** at € 21.3 million, decreasing by 15.1% compared to € 25.1 million at 30<sup>th</sup> June 2016.
- **EBIT** at € 11.0 million, down by 46.8% from € 20.8 million at 30<sup>th</sup> June 2016.
- **Pre-tax profit** at € 16.7 million down from € 18.3 million at 30<sup>th</sup> June 2016,
- **Net profit** at € 11.3 million, down compared to € 12.5 million at 30<sup>th</sup> June 2016.

## PERFORMANCE BY BUSINESS SEGMENT

The consolidated gross revenues of the fiscal year were € 142.4 million, increasing by 29.2% compared to € 110.2 million of the previous fiscal year. Factors that have driven the positive performance of the period are the launch of the console versions of the videogame Assetto Corsa, the continuous sales flow deriving from the videogame Rocket League, launched at the end of the previous fiscal year, and the production of significant orders with regards to the Studio activities. The Premium Games segment improved by € 22.4 million, the operating segment Free to Play increased by 2.5 million Euro, and Studios, grew by 8.0 million Euro. Italian Distribution revenues decreased by € 767 thousand in the fiscal year.

Revenue breakdown by business segment at 30<sup>th</sup> June 2017 compared with the same period of the last year is as follows:

Figures in EUR/000	Gross revenues				Net revenues			
	2017	2016	Change		2017	2016	Change	
Studio	9,719	1,736	7,983	n,s,	9,719	1,736	7,983	n,s,
Free to Play	7,736	5,275	2,461	46.7%	7,736	5,275	2,461	46.7%
Premium Games	105,618	83,204	22,414	26.9%	100,892	81,556	19,336	23.7%
Italian Distribution	18,464	19,231	(767)	-4.0%	16,613	17,958	(1,345)	-7.5%
Other Projects	863	746	117	15.7%	423	690	(267)	-38.7%
<b>Total Revenues</b>	<b>142,400</b>	<b>110,192</b>	<b>32,208</b>	<b>29.2%</b>	<b>135,383</b>	<b>107,215</b>	<b>28,168</b>	<b>26.3%</b>

The largest portion of the revenues came from the **Premium Games** segment at € 105.6 million, up by 26.9% or € 22.4 million compared to € 83.2 million recorded at 30<sup>th</sup> June 2016. The revenues at 30<sup>th</sup> June 2016 benefited from the sale of the PAYDAY2 rights (€ 26.8 million), while the revenues at 30<sup>th</sup> June 2017 benefited from the sale of the rights of the videogame Rocket League.

The decrease of the revenues of the operating segment **Italian Distribution** has been determined by the drop of the revenues of the distribution of videogames. During the same period of the previous fiscal year the operating segment benefited from the simultaneous launches of PES 2016 and Metal Gear Solid. The revenues of the collectable trading cards grow by 21.1%.

The revenues of the operating segment **Studio** refer to development contracts that the American subsidiary Pipeworks has signed with clients external to the Group. The focus of the activities almost exclusively on external clients' orders has allowed the revenues to improve significantly, from € 1.7 million of the previous fiscal year to € 9.7 million at 30<sup>th</sup> June 2017.

The best revenue growth has been achieved by the operating segment **Free to Play** with an increase of 46.7% from € 5.3 million of the previous fiscal year to € 7.7 million at 30<sup>th</sup> June 2017. The operating segment benefited from the launch of new products like Hawken and Prominence Poker, even though the videogame with the best performance was Gems of War, launched in November 2014, which has generated revenues of € 3.5 million in the period.

The **Other Projects** operating segment's revenue amounted to € 863 thousand and related to sales generated by the Daily Fantasy Sport Fantasfida and revenue generated by Training courses organised by Digital Bros Game Academy S.r.l.

The contribution made by **Digital Bros Group's** operating segments to profit margins of financial year 2016-2017 is as follows:

Euro thousand	Studio	Free to Play	Premium Games	Italian Distribution	Other Projects	Holding	Total
Gross revenue	9,719	7,736	105,618	18,464	863	0	<b>142,400</b>
EBITDA	2,585	155	26,412	565	(1,796)	(6,623)	<b>21,298</b>
EBIT	1,991	(2,587)	21,009	(116)	(2,175)	(7,045)	<b>11,077</b>

Cost of sales in the period amounted to € 76.9 million.

Operating costs increased by € 2.8 million (+7.8%), which was significantly lower than the revenue growth. In addition to the natural effect of operating leverage triggered by revenue growth, there was also a decrease in advertising expenditure on the Daily Fantasy Sport Fantasfida that had characterised the last financial year and that amounted to € 2.3 million.

The **gross operating profit** (EBITDA) amounted to € 21.3 million compared to € 25.1 million recorded at 30<sup>th</sup> June 2016.

Non-monetary operating costs, net of non-monetary income, increased by € 5.9 million mainly due to an increase in amortisation relating to intellectual property and in line with the investment in intellectual properties made by the Group.

Smaller increases are related to some asset write offs of activities and the provision for risks due to the tax audit on 505 Games S.p.A..

The **operating profit** (EBIT) therefore decreased by € 9.7 million to reach the actual € 11.1 million from € 20.8 million at 30<sup>th</sup> June 2016, that had benefited in fact from the rights' sale of PAYDAY2.

**Profit before tax** at 30<sup>th</sup> June 2017 came to € 16.7 million, down by € 1.6 million compared to € 18.3 million at 30<sup>th</sup> June 2016. **Net profit** amounted to € 11.3 million, decreasing by € 1.2 million compared to the net profit of € 12.5 million recorded at 30<sup>th</sup> June 2016.

## **NET CASH/DEBT**

In line with the trend of the last fiscal years **Net cash improves in the current fiscal year by € 8.5 million**. At the end of the year it has been positive at € 12.0 million, up by € 3.8 million compared to 31<sup>st</sup> March and better than the expected outlook at the last quarter end.

## **THE PARENT COMPANY DIGITAL BROS SPA**

On the 30<sup>th</sup> of June 2017 the parent company Digital Bros S.p.A. realized **gross revenues** of € 20.3 million, down by 3.5% compared to roughly € 21 million realized in the previous fiscal year. **Net profit** at € 4.2 million from the net loss of € 3.7 million of the last fiscal year.

## **TREASURY SHARES**

Pursuant to Art. 2428 paragraph 2.3 of the Italian Civil Code, it is hereby disclosed that at 30<sup>th</sup> June 2017 Digital Bros S.p.A. did not hold any treasury shares. The 130,247 treasury shares that were held at 30 June 2016 were sold during the period just ended.

## **DIVIDEND**

The Board of Directors has decided to propose the distribution of dividend of € 0.15 per share. The dividend will be paid out on December 13<sup>th</sup>, 2017 (record date December 12<sup>th</sup>), subject to Shareholders' resolution, excluding treasury shares held by clipping coupon number 9 on the 11<sup>th</sup> December 2017.

## **CALLING OF THE ANNUAL GENERAL MEETING**

The Board of Directors has resolved to convene the Annual Shareholders General Meeting on the 27<sup>th</sup> October 2017 at 9 a.m.

The Shareholders approval will be requested: to approve the financial statements for the fiscal year 2016-2017, the Directors' Report, the Statutory Auditors Report, the Auditors Review Report, to propose the distribution of dividend of € 0.15 per share, approve the remuneration report pursuant to article 123-ter of Legislative Decree no. 58/98 and to appoint the members of the BoD and Board of the Statutory Auditors, both the mandates will terminate with the Shareholders Meeting.

The appointment of Directors and of members of the Board of Statutory Auditors will be made, in compliance with compulsory requirements for balanced gender representation, by means of the list voting method and the shareholding necessary for the presentation of candidacy lists is 4.5% of the share capital with voting rights in the Ordinary Assembly.

The Shareholders approval will also be requested: to authorize the Board of Directors, by the date of approval of the Financial Statements at June 30, 2018, to purchase and sale of own shares. To underline, that the objective of this proposal has the

aim to give to the Company an useful strategic investment opportunity for any possible purpose allowed by the current rules, included the purposes foreseen in Art. 5 of the Regulation (UE) 596/2014 (Market Abuse Regulation, follows "MAR") and in the accepted procedures with respect to Art. 13 MAR, according to the terms and in the ways that will be eventually approved by the dedicated corporate bodies.

The approval is requested to purchase, also in multiple installments, of Digital Bros ordinary shares until a maximum number that, considering the Digital Bros shares owned from time to time in the Company portfolio and by the company's subsidiaries, won't exceed in total the limit determined by the valid regulations (as of today this limit is fixed at 20% of the share capital in respect of Art. 2357, comma 3, c.c.).

As of today, the share capital of Digital Bros is € 6.024.334,80, € 5.704.334,80 of which subscribed. The subscribed capital is divided in 14,260,837 ordinary shares of a nominal value of 0.4 each. At the same date, the Company does not hold any treasury shares. To specify that none of the Digital Bros subsidiaries holds, at the moment, shares of the Company.

The documentation for the Shareholders will be made available to the public within the mandatory terms.

## **SIGNIFICANT EVENTS OF FISCAL YEAR 2016-2017**

Significant events of the fiscal year are the following:

- On 27 September 2016, the Group announced it had entered into, through the subsidiary 505 Games S.p.A., an agreement with Starbreeze AB for the exclusive global distribution of the console versions for the retail market of the RAID: World War II video game with an investment by the Group of 4 million U.S. dollars. Its launch is planned for summer 2017.
- On 5 October 2016, Digital Bros Group, via its subsidiary 505 Games S.p.A., entered into an agreement with ArtPLay Inc. for the exclusive publication of all formats of the Bloodstained video game with the exclusion of the mobile versions thereof. The guaranteed minimum payable by the Group to the developer amounts to 4.4 million U.S. dollars. Its release is planned for the coming financial year.
- On 11 January 2017, the shareholders of Digital Bros Group in ordinary general meeting approved the "2016-2026 Stock Option Plan" aimed at a limited number of directors and managers of the Company and of the Group that had been identified by the Board of Directors.  
The Plan will last until 30th June 2026 and foresees the attribution of maximum 800,000 options in total divided as follows:
  - n. 240,000 options at 1<sup>st</sup> July 2019;
  - n. 240,000 options at 1<sup>st</sup> July 2022;
  - n. 320,000 options at 1<sup>st</sup> July 2025.The option exercise price is equal to the arithmetical average of the reference prices of the Digital Bros shares registered on the Italian Sock Market, segment STAR, in the previous half-year to the assignment date.  
During the fiscal year the options have been fully assigned for n. 744,000 at € 10.61 per share, on the date of 29<sup>th</sup> January 2017, and n. 56,000 at € 12.95 per share on the date of 12<sup>th</sup> May 2017.
- On 20 January 2017, the Board of Directors of Digital Bros S.p.A. approved the execution of an agreement for the acquisition of a 100% equity interest in Kunos Simulazioni S.r.l., the Italian developer of Assetto Corsa. The transaction refers to the acquisition by Digital Bros S.p.A. of 100% of Kunos Simulazioni S.r.l., held equally by the two founding owners Stefano Casillo and Marco Massarutto, for a total nominal consideration of Euro 4,341,500 that shall be paid as follows:
  - Euro 1,375,000 entirely in cash on the closing date;
  - Euro 1,375,000 entirely in cash within one year from the closing date;
  - Euro 1,591,500 via the issue of 150,000 new Digital Bros ordinary shares, with a par value of Euro 0.40 each, at a price of Euro 10.61 each, equating to the average reference price of Digital Bros shares in the previous six months.
- On the 4 April 2017, the Group signed a new worldwide console and mobile publishing agreement with Re-Logic for the next iteration in the multi-million selling videogame Terraria, Terraria: Otherworld across all platforms except for PC Steam. The Group will be involved in Terraria: Otherworld with 505 Games as publisher by promoting, marketing and distributing the console and mobile version worldwide and with the Group's internal development studio Pipeworks, who will complete the development of the game for an initial estimated development budget of 4.8 USD million. The publishing rights include the worldwide console and mobile rights for a minimum period of 5 years. The royalty provided will be 60% for digital versions sales and 30% for the retail version sales. Pipeworks will benefit from 5% royalty of the overall Terraria: Otherworld revenues including the PC version which will be directly published by Re-Logic.
- On the 6 April 2017, the Group has assigned the exclusive rights to the Chinese company Guangzhou Duoyi Network Co., Ltd. to launch its fully owned intellectual property, Portal Knights, in Greater China on PC and mobile platforms, with the exclusion of PC Steam version. The agreement provides for 50% royalty and the payment of a licensing fee and minimum guarantee to the Group. The agreement provides that Duoyi will also develop a new version of Portal Knights that Duoyi and 505 Games will distribute for the Greater China market and the rest of the world respectively. Portal Knights will be distributed in European and American markets by 505 Games directly in May 2017 and Duoyi will localize and adapt the same game for Greater China by summer 2017.

- On the 3 May 2017, the Group signed a new worldwide PC and console publishing agreement with Remedy Entertainment Ltd. for a brand-new game for PlayStation 4, Xbox One and PC, including Steam, across both digital and retail versions. The Group will publish a brand-new game by contributing €7.75 million in development funding and providing marketing and publishing services through 505 Games for digital and retail versions worldwide. The agreement includes a payment of 45% royalties on net sales.
- Effective 1 July 2017 505 Games S.p.A. and Psyonix have mutually agreed to terminate their Rocket League retail distribution contract. Psyonix will take on all retail responsibilities for physical copies of Rocket League. 505 Games will record the revenues at 30<sup>th</sup> June 2017 and will receive a significant reduction on the royalty contractually due. Psyonix will indemnify 505 Games of all the future potential liabilities for price protections, markdown or trade marketing about the product.

## **SUBSEQUENT EVENTS AFTER YEAR-END**

Details of key subsequent events have been:

- On 25th July 2017 the "Guardia di Finanza" (Finance Guard) – Milan Tax Police Unit – completed an inspection started back on 19<sup>th</sup> October 2016 at the subsidiary 505 Games S.p.A.. The inspection consisted of a tax audit for the purposes "IRES" and "IRAP" (Italian Income taxes) for the periods 2011, 2012, 2013 and 2014 and with regards to the withholdings for the years 2012, 2013, 2014 and 2015. The preliminary report concerns matters about transfer pricing and the incorrect application of the withholding tax. The risks related to this have been discussed by the Directors and an amount of €854 has been provided to cover such a risk. On the same date ended, without any evidence of irregularities, an inspection of the "Guardia di Finanza" (Finance Guard) – Milan Tax Police Unit – that started back on 10<sup>th</sup> February 2016 on Digital Bros S.p.A., that consisted in a tax audit for the purposes "IRES" and "IRAP" (Italian Income taxes) for the periods 2011, 2012, 2013 and 2014 and with regards to the withholdings for the years 2012, 2013, 2014 and 2015.
- Digital Bros S.p.A. has sold all the ordinary shares of Starbreeze B owned at 30<sup>th</sup> June 2017 at an average price of 15.24 Swedish Crowns with a gain of € 88 thousand.

## **BUSINESS OUTLOOK**

During the next twelve months the Group will launch relevant Premium products like, for example, Bloodstained and Mars, but the period will be preparatory for the release of the big productions, already started, like Overkill's the Walking Dead and the product of Remedy, which code name is P7, both expected to launch during the fiscal year ending by 30<sup>th</sup> June 2019. The sales of long-term products like Terraria and PAYDAY2 will continue to show interesting performances, but also new games recently launched like Portal Knights and Assetto Corsa. The activity of the operating segment will be positively impacted by the release of some new retail publishing products like, for example, Raid, with the additional sales of already published products like, in particular, Dead by Daylight, the sales' expectations will be below the impact the previous fiscal year that had seen the extraordinary success of Rocket League. The expectations are that the revenues of the operating segment Premium Games will decrease temporarily in the next fiscal year, to start to grow again in a quite significant and material way during the following fiscal year.

For all the other operating segments the expectations are increasing even without the launch of new products of the operating segment Free to Play, that will benefit from the good trend of Gems of War and will prepare the launch of the second version of the videogame Hawken, which should be released in the following fiscal year. Such growth will allow to balance, at a consolidated level, the temporary loss of revenues of the Premium Games sector.

On the profitability side, the expectations are quite the same. The Premium Games sector will lose profitability given the temporary expectations on the reduction of the revenues, even if it is expected to remain the most significant portion of the expected EBIT, and the rest of the operating segments will contribute to reduce such impact despite the minor expected losses in the operating segments Free to play and Other Projects and also from the reduction of the operating costs at the Holding operating sector.

The financial net position is expected to remain almost stable during the fiscal year with a decrease during the first half-year and a following realignment to the actual values in the second half, despite the significant investments in the new productions like Overkill's the Walking Dead and P7.

## **ART. 154-BIS OF THE CONSOLIDATED FINANCE ACT**

*As required by paragraph 2, Art. 154-bis of the Consolidated Finance Act, the financial reporting officer of the Digital Bros Group, Stefano Salbe, declares that the information contained in this press release corresponds to the Group's records, ledgers and accounting entries.*

## **DIGITAL BROS GROUP**

Listed on the Star segment of Borsa Italiana, Digital Bros Group is a global company that has been operating since 1989 as a developer, publisher and distributor of videogames through its brand 505 Games. The Group distributes its contents on both retail and digital channels. Digital Bros Group is active around the world through its own direct operations in Italy, the United States, the UK, France, Spain, Germany and China, with approximately 250 employees.

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**FINANCIAL STATEMENTS**
**DIGITAL BROS GROUP**
**CONSOLIDATED BALANCE SHEET AT 30 JUNE 2017**

	Thousands of Euro	30 June 2017	30 June 2016	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	6,619	7,032	(413)	-5.9%
2	Investment property	0	0	0	0.0%
3	Intangible assets	18,867	10,458	8,409	80.4%
4	Equity investments	1,345	898	447	49.7%
5	Non-current receivables and other assets	1,052	1,056	(4)	-0.4%
6	Deferred tax assets	2,807	2,619	188	7.2%
	<b>Total non-current assets</b>	<b>30,690</b>	<b>22,063</b>	<b>8,627</b>	<b>39.1%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(545)	(529)	(16)	2.9%
8	Non-current provisions	(79)	(36)	(43)	n.s.
9	Other non-current payables and liabilities	0	(252)	252	n.s.
	<b>Total non-current liabilities</b>	<b>(624)</b>	<b>(817)</b>	<b>193</b>	<b>-23.5%</b>
	<b>Net working capital</b>				
10	Inventories	12,815	11,933	882	7.4%
11	Trade receivables	36,763	34,840	1,923	5.5%
12	Tax credits	2,064	2,019	45	2.3%
13	Other current assets	3,263	5,034	(1,771)	-35.2%
14	Trade payables	(27,680)	(21,712)	(5,968)	27.5%
15	Taxes payable	(5,736)	(6,211)	475	-7.6%
16	Current provisions	(854)	0	(854)	n.s.
17	Other current liabilities	(3,954)	(2,312)	(1,642)	71.0%
	<b>Total net working capital</b>	<b>16,681</b>	<b>23,591</b>	<b>(6,910)</b>	<b>-29.3%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,644)	(60)	1.1%
19	Reserves	(19,805)	(20,804)	999	-4.8%
20	Treasury shares	0	390	(390)	n.s.
21	Profit (losses) carried forward	(33,265)	(22,290)	(10,975)	49.2%
	<b>Total capital and reserves</b>	<b>(58,774)</b>	<b>(48,348)</b>	<b>(10,426)</b>	<b>21.6%</b>
	<b>Total net assets</b>	<b>(12,027)</b>	<b>(3,511)</b>	<b>(8,516)</b>	<b>n.s.</b>
22	Cash and cash equivalents	12,136	2,785	9,351	n.s.
23	Short-term payables to banks	(1,942)	(25,929)	23,987	-92.5%
24	Other current financial assets and liabilities	950	28,913	(27,963)	-96.7%
	<b>Current net financial debts</b>	<b>11,144</b>	<b>5,769</b>	<b>5,375</b>	<b>93.2%</b>
25	Non-current financial assets	1,306	1,195	111	9.3%
26	Non-current payables to banks	(383)	(1,558)	1,175	-75.4%
27	Other non-current financial liabilities	(40)	(1,895)	1,855	-97.9%
	<b>Non-current net financial debts</b>	<b>883</b>	<b>(2,258)</b>	<b>3,141</b>	<b>n.s.</b>
	<b>Total net cash/debt</b>	<b>12,027</b>	<b>3,511</b>	<b>8,516</b>	<b>n.s.</b>

**DIGITAL BROS GROUP**
**CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2017**

	<b>Euro thousand</b>	<b>30 June 2017</b>		<b>30 June 2016</b>		<b>Change</b>	
1	Gross revenue	142,400	105.2%	110,192	102.8%	32,208	29.2%
2	Revenue adjustments	(7,017)	-5.2%	(2,977)	-2.8%	(4,040)	n.s.
<b>3</b>	<b>Net revenue</b>	<b>135,383</b>	<b>100.0%</b>	<b>107,215</b>	<b>100.0%</b>	<b>28,168</b>	<b>26.3%</b>
4	Purchase of products for resale	(31,206)	-23.1%	(21,193)	-19.8%	(10,013)	47.2%
5	Purchase of services for resale	(9,533)	-7.0%	(5,580)	-5.2%	(3,953)	70.8%
6	Royalties	(37,102)	-27.4%	(23,851)	-22.2%	(13,251)	55.6%
7	Changes in inventories of finished products	882	0.7%	(948)	-0.9%	1,830	n.s.
<b>8</b>	<b>Total cost of sales</b>	<b>(76,959)</b>	<b>-56.8%</b>	<b>(51,572)</b>	<b>-48.1%</b>	<b>(25,387)</b>	<b>49.2%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>58,424</b>	<b>43.2%</b>	<b>55,643</b>	<b>51.9%</b>	<b>2,781</b>	<b>5.0%</b>
10	Other income	1,959	1.4%	5,714	5.3%	(3,755)	-65.7%
11	Cost of services	(13,142)	-9.7%	(13,425)	-12.5%	283	-2.1%
12	Lease and rental charges	(1,476)	-1.1%	(1,555)	-1.5%	79	-5.0%
13	Labour costs	(22,469)	-16.6%	(19,861)	-18.5%	(2,608)	13.1%
14	Other operating costs	(1,998)	-1.5%	(1,421)	-1.3%	(577)	40.6%
<b>15</b>	<b>Total operating costs</b>	<b>(39,085)</b>	<b>-28.9%</b>	<b>(36,262)</b>	<b>-33.8%</b>	<b>(2,823)</b>	<b>7.8%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>21,298</b>	<b>15.7%</b>	<b>25,095</b>	<b>23.4%</b>	<b>(3,797)</b>	<b>-15.1%</b>
17	Depreciation and amortisation	(7,714)	-5.7%	(3,788)	-3.5%	(3,926)	n.s.
18	Allocations to provisions	(854)	-0.6%	0	0.0%	(854)	0.0%
19	Impairment losses recognised on assets	(1,653)	-1.2%	(1,080)	-1.0%	(573)	53.1%
20	Reversal of impairment losses and non-monetary income	0	0.0%	588	0.5%	(588)	0.0%
<b>21</b>	<b>Total non-monetary income and operating costs</b>	<b>(10,221)</b>	<b>-7.5%</b>	<b>(4,280)</b>	<b>-4.0%</b>	<b>(5,941)</b>	<b>n.s.</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>11,077</b>	<b>8.2%</b>	<b>20,815</b>	<b>19.4%</b>	<b>(9,738)</b>	<b>-46.8%</b>
23	Interest and finance income	8,772	6.5%	3,093	2.9%	5,679	n.s.
24	Interest expense and finance costs	(3,137)	-2.3%	(5,570)	-5.2%	2,433	-43.7%
<b>25</b>	<b>Net finance income (costs)</b>	<b>5,635</b>	<b>4.2%</b>	<b>(2,477)</b>	<b>-2.3%</b>	<b>8,112</b>	<b>n.s.</b>
<b>26</b>	<b>Profit before tax (22+25)</b>	<b>16,712</b>	<b>12.3%</b>	<b>18,338</b>	<b>17.1%</b>	<b>(1,626)</b>	<b>-8.9%</b>
27	Current tax	(5,140)	-3.8%	(6,644)	-6.2%	1,504	-22.6%
28	Deferred tax	(276)	-0.2%	845	0.8%	(1,121)	n.s.
<b>29</b>	<b>Total income tax expense</b>	<b>(5,415)</b>	<b>-4.0%</b>	<b>(5,799)</b>	<b>-5.4%</b>	<b>384</b>	<b>-6.6%</b>
<b>30</b>	<b>Profit for the period (26+29)</b>	<b>11,297</b>	<b>8.3%</b>	<b>12,539</b>	<b>11.7%</b>	<b>(1,242)</b>	<b>-9.9%</b>
	<b>Earnings per share:</b>						
<b>33</b>	<b>Basic earnings per share (in euros)</b>	<b>0,80</b>		<b>0,90</b>		<b>(0,10)</b>	<b>-11.0%</b>
<b>34</b>	<b>Diluted earnings per share (in euros)</b>	<b>0,80</b>		<b>0,90</b>		<b>(0,10)</b>	<b>-11.0%</b>



**DIGITAL BROS GROUP**
**CONSOLIDATED CASH FLOW STATEMENT AT 30 JUNE 2017**

	<b>Euro thousand</b>	<b>30 giugno 2017</b>	<b>30 giugno 2016</b>
<b>A.</b>	<b>Opening net cash/debt</b>	<b>3,511</b>	<b>(8,333)</b>
<b>B.</b>	<b>Cash flows from operating activities</b>		
	Profit (loss) for the period attributable to the Group	11,297	12,539
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment losses	1,653	0
	Amortisation of intangible assets	6,937	3,117
	Depreciation of property, plant and equipment	777	671
	Net change in other provisions	43	(134)
	Net change in employee benefit provisions	16	43
	Net change in other non-current liabilities	(252)	(470)
	<b>SUBTOTAL B.</b>	<b>20,471</b>	<b>15,766</b>
<b>C.</b>	<b>Change in net working capital</b>		
	Inventories	(882)	948
	Trade receivables	(2,343)	1,510
	Current tax assets	(72)	447
	Other current assets	1,771	1,114
	Trade payables	6,822	(5,217)
	Current tax liabilities	(475)	3,182
	Current provisions	0	0
	Other current liabilities	1,642	586
	<b>SUBTOTAL C.</b>	<b>6,463</b>	<b>2,570</b>
<b>D.</b>	<b>Cash flows from investing activities</b>		
	Net payments for intangible assets	(16,360)	(5,629)
	Net payments for property, plant and equipment	(364)	(2,862)
	Net payments for non-current financial assets	(823)	(1)
	<b>SUBTOTAL D.</b>	<b>(17,547)</b>	<b>(8,492)</b>
<b>E.</b>	<b>Flussi finanziari da attività di finanziamento</b>		
	Capital increase	60	0
	Increase share premium reserve	1,532	0
	<b>SUBTOTAL E.</b>	<b>1,592</b>	<b>0</b>
<b>F.</b>	<b>Changes in consolidated equity</b>		
	Dividends distributed	(1,834)	(1,818)
	Changes in treasury shares held	390	809
	Increases (decreases) in other equity components	(1,018)	3,009
	<b>SUBTOTAL F.</b>	<b>(2,462)</b>	<b>2,000</b>
<b>G.</b>	<b>Cash flow for the period (B+C+D+E+F)</b>	<b>8,516</b>	<b>11,844</b>
<b>H.</b>	<b>Closing net cash/debt (A+G)</b>	<b>12,027</b>	<b>3,511</b>

## SEGMENT REPORTING

### CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2017

	Thousands of Euro	Studio	Free to Play	Premium Games	Italian Distribution	Other projects	Holding	Total
1	Gross revenue	9,719	7,736	105,618	18,464	863	0	142,400
2	Revenue adjustments	0	0	(4,726)	(1,851)	(440)	0	(7,017)
<b>3</b>	<b>Net revenue</b>	<b>9,719</b>	<b>7,736</b>	<b>100,892</b>	<b>16,613</b>	<b>423</b>	<b>0</b>	<b>135,383</b>
4	Purchase of products for resale	0	0	(18,687)	(12,519)	0	0	(31,206)
5	Purchase of services for resale	(2,526)	(2,759)	(3,337)	(734)	(177)	0	(9,533)
6	Royalties	0	(382)	(36,648)	0	(72)	0	(37,102)
7	Changes in inventories of finished products	0	0	367	515	(0)	0	882
<b>8</b>	<b>Total cost of sales</b>	<b>(2,526)</b>	<b>(3,141)</b>	<b>(58,305)</b>	<b>(12,738)</b>	<b>(249)</b>	<b>0</b>	<b>(76,959)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>7,193</b>	<b>4,595</b>	<b>42,587</b>	<b>3,875</b>	<b>174</b>	<b>0</b>	<b>58,424</b>
10	Other income	894	823	200	42	0	0	1,959
11	Cost of services	(425)	(1,001)	(7,528)	(1,554)	(1,020)	(1,614)	(13,142)
12	Lease and rental charges	(0)	(62)	(606)	(44)	(18)	(746)	(1,476)
13	Labour costs	(4,935)	(4,127)	(7,650)	(1,549)	(883)	(3,325)	(22,469)
14	Other operating costs	(142)	(73)	(591)	(205)	(49)	(938)	(1,998)
<b>15</b>	<b>Total operating costs</b>	<b>(5,502)</b>	<b>(5,263)</b>	<b>(16,375)</b>	<b>(3,352)</b>	<b>(1,970)</b>	<b>(6,623)</b>	<b>(39,085)</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>2,585</b>	<b>155</b>	<b>26,412</b>	<b>565</b>	<b>(1,796)</b>	<b>(6,623)</b>	<b>21,298</b>
17	Depreciation and amortisation	(594)	(2,584)	(3,667)	(261)	(379)	(229)	(7,714)
18	Allocations to provisions	0	0	(854)	0	0	0	(854)
19	Impairment losses recognised on assets	(0)	(158)	(882)	(420)	0	(193)	(1,653)
20	Reversal of impairment losses and non-monetary income	0	0	0	0	0	0	0
<b>21</b>	<b>Total non-monetary income and operating costs</b>	<b>(594)</b>	<b>(2,742)</b>	<b>(5,403)</b>	<b>(681)</b>	<b>(379)</b>	<b>(422)</b>	<b>(10,221)</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>1,991</b>	<b>(2,587)</b>	<b>21,009</b>	<b>(116)</b>	<b>(2,175)</b>	<b>(7,045)</b>	<b>11,077</b>

**FINANCIAL STATEMENTS****DIGITAL BROS S,p,A****BALANCE SHEET AT 30 JUNE 2017**

	<b>EUR/000</b>	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>Change</b>	
	<b>Non-current assets</b>				
1	Property, plant and equipment	3,160	3,357	(197)	-5.9%
2	Investment property	0	0	0	n.s.
3	Intangible assets	367	399	(32)	-8.0%
4	Equity investments	18,919	13,948	4,971	35.6%
5	Non-current receivables and other assets	637	644	(7)	-1.0%
6	Deferred tax assets	406	531	(125)	-23.4%
	<b>Total non-current assets</b>	<b>23,489</b>	<b>18,879</b>	<b>4,610</b>	<b>24.4%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(417)	(495)	78	-15.7%
8	Non-current provisions	(79)	(36)	(43)	n.s.
9	Other non-current payables and liabilities	0	(252)	252	n.s.
	<b>Total non-current liabilities</b>	<b>(496)</b>	<b>(783)</b>	<b>287</b>	<b>-36.6%</b>
	<b>Net working capital</b>				
10	Inventories	3,958	7,013	(3,055)	-43.6%
11	Trade receivables	2,176	3,166	(990)	-31.3%
12	Due from subsidiaries	20,220	33,155	(12,935)	-39.0%
13	Tax credits	327	741	(414)	-55.9%
14	Other current assets	564	510	54	10.5%
15	Trade payables	(2,306)	(1,939)	(367)	18.9%
16	Due to subsidiaries	(16,262)	(5,407)	(10,855)	n.s.
17	Taxes payable	(615)	(3,965)	3,350	-84.5%
18	Current provisions	(1,246)	(3,808)	2,562	-67.3%
19	Other current liabilities	(2,277)	(797)	(1,480)	n.s.
	<b>Total net working capital</b>	<b>4,539</b>	<b>28,669</b>	<b>(24,130)</b>	<b>-84.2%</b>
	<b>Capital and reserves</b>				
20	Share capital	(5,704)	(5,644)	(60)	1.1%
21	Reserves	(19,764)	(20,129)	365	-1.8%
22	Treasury shares	0	390	(390)	n.s.
23	Profit (losses) carried forward	(7,237)	(3,323)	(3,914)	n.s.
	<b>Total capital and reserves</b>	<b>(32,705)</b>	<b>(28,706)</b>	<b>(3,999)</b>	<b>13.9%</b>
	<b>Total net assets</b>	<b>(5,173)</b>	<b>18,059</b>	<b>(23,232)</b>	<b>n.s.</b>
	<b>Current net debt</b>				
24	Cash and cash equivalents	3,872	577	3,295	n.s.
25	Short-term payables to banks	(1,558)	(22,900)	21,342	-93.2%
26	Other current financial liabilities	2,899	5,877	(2,978)	-50.7%
	<b>Current net debt</b>	<b>5,213</b>	<b>(16,446)</b>	<b>21,659</b>	<b>n.s.</b>
	<b>Non-current net debt</b>				
27	Non-current financial assets	0	0	0	n.s.
28	Non-current payables to banks	0	(1,558)	1,558	n.s.
29	Other non-current financial liabilities	(40)	(55)	15	-27.3%
	<b>Non-current net debt</b>	<b>(40)</b>	<b>(1,613)</b>	<b>1,573</b>	<b>-97.5%</b>
	<b>Total net debt</b>	<b>5,173</b>	<b>(18,059)</b>	<b>23,232</b>	<b>n.s.</b>

**DIGITAL BROS S.p.A.**
**INCOME STATEMENT AT 30 JUNE 2017**

	EUR/000	30 June 2017		30 June 2016		Change	
1	Gross revenues	20,281	106.3%	21,025	105.8%	(744)	-3.5%
2	Revenue adjustments	(1,198)	-6.3%	(1,156)	-5.8%	(42)	3.6%
<b>3</b>	<b>Total net revenues</b>	<b>19,083</b>	<b>100.0%</b>	<b>19,869</b>	<b>100.0%</b>	<b>(786)</b>	<b>-4.0%</b>
4	Purchase of goods for resale	(12,524)	-65.6%	(13,227)	-66.6%	703	-5.3%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Change in inventories of finished products	(3,055)	-16.0%	(2,253)	-11.3%	(802)	35.6%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(15,579)</b>	<b>-81.6%</b>	<b>(15,480)</b>	<b>-77.9%</b>	<b>(99)</b>	<b>0.6%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>3,504</b>	<b>18.4%</b>	<b>4,389</b>	<b>22.1%</b>	<b>(885)</b>	<b>-20.2%</b>
10	Other income	2,695	14.1%	3,439	17.3%	(744)	-21.6%
11	Cost of services	(2,970)	-15.6%	(3,752)	-18.9%	782	-20.9%
12	Rent and leasing	(752)	-3.9%	(779)	-3.9%	27	-3.5%
13	Payroll costs	(4,945)	-25.9%	(4,884)	-24.6%	(61)	1.3%
14	Other operating expenses	(592)	-3.1%	(683)	-3.4%	91	-13.3%
<b>15</b>	<b>Total operating expenses</b>	<b>(9,259)</b>	<b>-48.5%</b>	<b>(10,098)</b>	<b>-50.8%</b>	<b>839</b>	<b>-8.3%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(3,061)</b>	<b>-16.0%</b>	<b>(2,270)</b>	<b>-11.4%</b>	<b>(791)</b>	<b>34.8%</b>
17	Depreciation and amortization	(393)	-2.1%	(373)	-1.9%	(20)	5.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(2,190)	-11.5%	(3,001)	-15.1%	811	-27.0%
20	Impairment reversal	7,491	39.3%	0	0.0%	7,491	n.s.
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>4,908</b>	<b>25.7%</b>	<b>(3,374)</b>	<b>-17.0%</b>	<b>8,282</b>	<b>n.s.</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>1,847</b>	<b>9.7%</b>	<b>(5,644)</b>	<b>-28.4%</b>	<b>7,491</b>	<b>n.s.</b>
23	Interest income	3,861	20.2%	2,132	10.7%	1,729	81.1%
24	Interest expense	(1,907)	-10.0%	(916)	-4.6%	(991)	n.s.
<b>25</b>	<b>Net interest income (expense)</b>	<b>1,954</b>	<b>10.2%</b>	<b>1,216</b>	<b>6.1%</b>	<b>738</b>	<b>60.7%</b>
<b>26</b>	<b>Profit before taxes (22+25)</b>	<b>3,801</b>	<b>19.9%</b>	<b>(4,428)</b>	<b>-22.3%</b>	<b>8,229</b>	<b>n.s.</b>
27	Current taxes	557	2.9%	820	4.1%	(263)	-32.1%
28	Deferred taxes	(121)	-0.6%	(87)	-0.4%	(34)	38.8%
<b>29</b>	<b>Total taxes</b>	<b>436</b>	<b>2.3%</b>	<b>733</b>	<b>3.7%</b>	<b>(297)</b>	<b>-40.6%</b>
<b>30</b>	<b>Net profit (26+29)</b>	<b>4,237</b>	<b>22.2%</b>	<b>(3,695)</b>	<b>-18.6%</b>	<b>7,932</b>	<b>n.s.</b>

**DIGITAL BROS S.p.A.****CASH FLOW STATEMENT AT 30 JUNE 2017**

	EUR/000	30 giugno 2017	30 giugno 2016
<b>A.</b>	<b>Initial net cash and cash equivalents</b>	<b>(18,059)</b>	<b>(11,165)</b>
<b>B.</b>	<b>Cash flow from operating activities</b>		
	Net profit (loss) for the year	4,237	(3,695)
	<i>Provisions and non-monetary costs:</i>		
	Provisions and impairment of assets	612	639
	Intangible fixed assets	129	146
	Tangible fixed assets	233	227
	Net change to other provisions	43	(135)
	Net change to employee benefits	(78)	53
	Net change in other non-current liabilities	(252)	119
	<b>SUBTOTAL B.</b>	<b>4,925</b>	<b>(2,646)</b>
<b>C.</b>	<b>Changes in net working capital</b>		
	Inventories	3,055	2,253
	Trade receivables	570	1,640
	Due from subsidiarie	12,935	(19,024)
	Tax credits	414	(270)
	Other current assets	(54)	(11)
	Trade payables	367	(165)
	Due to subsidiaries	10,855	3,376
	Tax payables	(3,350)	3,679
	Current provisions	(2,562)	2,317
	Other current liabilities	1,480	(110)
	<b>SUBTOTAL C.</b>	<b>23,710</b>	<b>(6,315)</b>
<b>D.</b>	<b>Cash flow from investing activities</b>		
	Net investments in intangible fixed assets	(97)	(223)
	Net investments in tangible fixed assets	(36)	(249)
	Net investments in financial fixed assets	(5,032)	(31)
	<b>SUBTOTAL D.</b>	<b>(5,165)</b>	<b>(503)</b>
<b>E.</b>	<b>Cash flow from financing activities</b>		
	Capital increases	60	0
	<b>SUBTOTAL E.</b>	<b>1,532</b>	<b>0</b>
		<b>1,592</b>	<b>0</b>
	<b>Changes in shareholders' equity</b>		
<b>F.</b>	<b>Dividends distributed</b>		
	Changes in treasury shares held	(1,834)	(1,818)
	Increases (decreases) in other items of shareholders' equity	390	809
		(385)	3,579
	<b>SUBTOTAL F.</b>	<b>(1,829)</b>	<b>2,570</b>
<b>G.</b>	<b>Period cash flow (B+C+D+E+F)</b>	<b>23,233</b>	<b>(6,894)</b>
<b>H.</b>	<b>Closing net financial position (A+G)</b>	<b>5,173</b>	<b>(18,059)</b>