

PRESS RELEASE

*Board of Directors of Digital Bros Group approves the First quarterly report at 30 September 2018
(first three months of financial year 2018 – 2019)*

DIGITAL BROS GROUP:

CONSOLIDATED GROSS REVENUES OF EURO 17.4 MILLION

EBITDA OF EURO 1.2 MILLION

NET LOSS OF EURO 606 THOUSAND

NET DEBT POSITION AT EURO 6.4 MILLION

- ✓ **Ahead of the releases of OVERKILL's The Walking Dead and Bloodstained in the second half of the financial year, the first quarter ended 30 September 2018 did not see any significant new video game launches**
- ✓ **Consolidated Gross Revenues of €17.4 million, compared to €26.2 million on September 30th, 2017**
- ✓ **EBITDA decreased to €1.2 million compared to €2.1 million on September 30th, 2017**
- ✓ **Negative EBIT of €616 thousand, a decrease compared to positive €88 thousand on 30th September 2017**
- ✓ **Negative pre-tax results at €663 thousand, decreased compared to positive €345 thousand on 30th September 2017**
- ✓ **Net loss at €606 thousand, compared to net profit of €201 thousand on September 30th, 2017**
- ✓ **Net debt position stood at €6,4 million as at 30 September 2018**

| RESULTS FOR THE FIRST QUARTER OF FINANCIAL YEAR 2018–2019 (AT 30.09.18) | | | | |
|---|----------|----------|---------|----------|
| Amounts in Euro thousand | 30.09.18 | 30.09.17 | Change | Change % |
| Revenues | 17,427 | 26,207 | (8,780) | -33.5% |
| EBITDA | 1,236 | 2,087 | (851) | -40.8% |
| EBIT | (616) | 88 | (704) | n.m. |
| Pre-tax profit | (663) | 345 | (1,008) | n.m. |
| Net Profit | (606) | 201 | (807) | n.m. |

Note: "n.m." in this and the tables which follow stands for not meaningful

Milan, 8 November 2018 - The **Board of Directors of Digital Bros Group (DIB:MI)**, which is listed on the Star segment of Borsa Italiana and which operates in the digital entertainment sector, **today approved the quarterly report for the period ended 30 September 2018** (first quarter of the fiscal year from July 1st, 2018 to June 30th, 2018).

Digital Bros Group's key consolidated results for the first three months of financial year 2018-2019, together with prior period comparatives, are as follows:

- **Gross Consolidated Revenue** of €17.4 million, decreased by 33.5% compared to €26.2 million on September 30th, 2017.
- **EBITDA** of €1.2 million, decreased compared to €2.1 million for the period ended 30 September 2017.
- **EBIT** negative at €616 thousand versus positive €88 thousand Euro for the period ended 30 September 2017.

- **Pre-tax results** negative at €663 thousand compared to positive €345 thousand on September 30th, 2017.
- **Net loss** for the period of €606 thousand compared to net profit of €201 thousand on September 30th, 2017.

RESULTS OF OPERATING SEGMENTS

The first quarter ending 30th September 2018 did not see any significant launch of new products while we expect releases of OVERKILL's The Walking Dead in the third quarter and Bloodstained in the fourth quarter of the financial year. Consolidated gross revenues decreased by 33.5% compared to the first quarter of the previous fiscal year. The revenue trend determined a reduction of the net result of €807 thousand, from a net profit of €201 thousand to a net loss of €606 thousand.

A breakdown of revenue by operating segment for the periods ended 30 September 2018 and 2017 is provided below:

| Euro thousand | Gross revenue | | | | Net revenue | | | |
|-----------------------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| | 2018 | 2017 | Change | | 2017 | 2018 | Change | |
| Premium Games | 11,343 | 17,480 | (6,137) | -35.1% | 10,844 | 16,334 | (5,490) | -33.6% |
| Italian Distribution | 4,390 | 7,062 | (2,672) | -37.8% | 3,886 | 6,365 | (2,479) | -38.9% |
| Free to Play | 1,638 | 1,476 | 162 | 11.0% | 1,638 | 1,476 | 162 | 11.0% |
| Other Projects | 56 | 189 | (133) | -70.4% | 56 | 146 | (90) | -61.6% |
| Total gross revenues | 17,427 | 26,207 | (8,780) | -33.5% | 16,424 | 24,321 | (7,897) | -32.5% |

The revenue from the **Premium Games** operating segment amounted to €11,343 thousand, decreasing by 35.1% compared to €17,480 thousand in the same period of the previous fiscal year.

The **Italian Distribution** operating segment revenues decreased by 37.8% compared to previous year due to a major drop in retail videogames sales and a limited reduction in revenues from collectible cards distribution.

The growth in the **Free to Play** operating segment, +11%, is due to the positive performance of Gems of War videogame, now in its fourth year since its launch.

The contribution made by Digital Bros Group's operating segments to profit margins in the first third months of financial year 2018-2019 is as follows:

| Euro thousand | Premium Games | Free to Play | Italian Distribution | Other Projects | Holding | Total |
|---------------|---------------|--------------|----------------------|----------------|---------|--------|
| Gross revenue | 11,343 | 1,638 | 4,390 | 56 | 0 | 17,427 |
| EBITDA | 2,086 | 538 | 479 | (225) | (1,642) | 1,236 |
| EBIT | 866 | 48 | 403 | (245) | (1,688) | (616) |

Gross profit decreased by just €1,504 thousand after cost of sales for the period recorded a larger percentage decrease than revenue due to a lower amount of retail product sales on the total consolidated revenues.

Operating costs decreased by 7.7%, a lower percentage compared to revenues decrease. In particular, labor costs, which represent the largest portion of operating costs for €4,400 thousand, decreased by just 1.7% reflecting an organizational structure already sized for next product launches starting from the third quarter of the current financial year.

Depreciation and amortization decreased by €147 thousand due to the completion of the amortization period of some intellectual properties held by the Group.

The **balance of financial capital investment** was negative at €47 thousand compared to a net financial income of €257 thousand in the same period of the previous fiscal year.

The **loss before taxation** for the quarter ended 30 September 2018 amounted to €663 thousand, down by 1,008 thousand euros compared to the profit of €345 thousand realized at 30 September 2017.

The **consolidated net loss** amounts to €606 thousand compared to net profit of €201 thousand on 30 September 2017.

Basic loss per share and **diluted loss per share** stand at €0.04 compared to earnings per share of €0.014 of the previous financial year.

NET CASH/DEBT

As expected, the Group had a **net debt position** of €6,383 thousand, decreasing of €5,300 thousand compared to 30 June 2018 due to significant investments in new products expected to be launched from the third quarter of the financial year.

TREASURY SHARES

Pursuant to Art. 2428 paragraph 2.3 of the Italian Civil Code, it is hereby disclosed that at 30th September 2018 Digital Bros S.p.A. did not hold any treasury shares, as no transactions have been performed in the period.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER OF THE FY 2018-2019

The most significant events during the period were as follows:

- On August 6th, 2018 the non-executive director Bruno Soresina sadly passed away;
- On September 13th, 2018 the non-executive director Elena Morini resigned from the Board for personal reasons;
- As a result of the above, on 13 September 2018, the Board of Directors resolved to establish three Board committees comprising non-Executive Directors Guido Guetta, Luciana La Maida and Irene Longhin. On the same date, the Board of Directors resolved to propose to the General Meeting to reduce the number of Directors to nine.
- On September 19th, 2018 Digital Bros Asia Pacific (HK) was incorporated with the aim of focusing the business development activities on Asian territories beyond China.

SUBSEQUENT EVENTS

On October 26th, 2018, the Shareholders' General Meeting approved the Consolidated Financial Statements of the Group on 30 June 2018 and the Separate Financial Statements of Digital Bros S.p.a. on 30 June 2018. The Shareholders' Meeting also approved the Remuneration Report in accordance with articles 123-ter of Legislative Decree 58/1998. As a result of the passing of director Bruno Soresina and the resignation of director Elena Morini, the Shareholders' Meeting changed the number of the Board members - agreed to be eleven by the Shareholders' Meeting held on 27th October 2017 - to ten Directors. The Board shall remain in office until approval of the Financial Statement ending June 30th, 2020. The General Meeting also appointed Paola Mignani as new member of the Board; she will remain in office through the end of the term of the current Board.

On October 26th, 2018 the liquidation of the subsidiary Game Network S.r.l. was resolved after the end of gambling activities under AAMS concession.

On October 19th, 2018, the sale of the property held by the 133 W. Broadway was completed without the sales values diverging significantly from the book values.

BUSINESS OUTLOOK

The outlook for the year ahead remains unchanged compared to previous forecasts. We expect revenue of between Euro 145 million and Euro 190 million which takes into account the scheduled launch of the video game OVERKILL's the Walking Dead in February 2019.

The latest forecasts for the net financial position also remain in line with those already published with a deterioration expected in the second quarter of the year, followed by a marked improvement in the second half.

OTHER INFORMATION

The Board of Directors carried out its assessment to ensure that the new non-executive Director fulfilled the independence requirements. After the assessment was made, in accordance with the Code of Conduct of listed companies and in accordance with article 147-ter of the T.U.F, the Board confirmed fulfilment of the independence requirements of the new Board member Paola Mignani.

On November 8th, 2018 the non-executive director Guido Guetta resigned from the Board for personal reasons.

ART. 154-BIS OF THE T.U.F.

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

This press release is available on the websites www.digitalbros.com and www.1info.it

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 game entertainment content – video games - in a global market through various channels: retail and digital – web, social, mobile. Digital Bros Group is active around the world through its own direct operations in Italy, the United States, the UK, France, Spain, Germany China and Hong Kong, with approximately 180 employees. The Group's head office is located in Milan, from where all activities are coordinated. Digital Bros operates in three markets, namely, development, publishing and distribution, under its own brands 505 Games and Halifax.

For further information:

Digital Bros S.p.A.

Stefano Salbe

CFO

Tel. + 39 02 413031

ir@digitalbros.com

FINANCIAL STATEMENT
DIGITAL BROS GROUP

Consolidated Balance Sheet at 30 September 2018

| | Euro Thousand | 30 September 2018 | 30 June 2018 | Change | |
|----|--|------------------------------|-------------------------|----------------|--------------|
| | Non-current assets | | | | |
| 1 | Property, plant and equipment | 5,924 | 6,000 | (76) | -1.3% |
| 2 | Investment property | 0 | 0 | 0 | 0.0% |
| 3 | Intangible assets | 14,544 | 15,131 | (587) | -3.9% |
| 4 | Equity investments | 1,272 | 1,270 | 2 | 0.2% |
| 5 | Non-current receivables and other assets | 9,469 | 9,403 | 66 | 0.7% |
| 6 | Deferred tax assets | 2,182 | 2,365 | (183) | -7.7% |
| | Total non-current assets | 33,391 | 34,169 | (778) | -2.3% |
| | Non-current liabilities | | | | |
| 7 | Employee benefits | (531) | (516) | (15) | 2.9% |
| 8 | Non-current provisions | (80) | (80) | 0 | 0.3% |
| 9 | Other non-current payables and liabilities | (907) | (901) | (6) | 0.7% |
| | Total non-current liabilities | (1,518) | (1,497) | (21) | 1.4% |
| | Net working capital | | | | |
| 10 | Inventories | 15,632 | 15,059 | 573 | 3.8% |
| 11 | Trade receivables | 36,290 | 29,522 | 6,768 | 22.9% |
| 12 | Current tax assets | 5,130 | 4,316 | 814 | 18.9% |
| 13 | Other current assets | 11,297 | 10,052 | 1,245 | 12.4% |
| 14 | Trade payables | (22,098) | (20,811) | (1,287) | 6.2% |
| 15 | Current tax liabilities | (2,325) | (1,021) | (1,304) | n.m. |
| 16 | Current provisions | (854) | (854) | 0 | n.m. |
| 17 | Other current liabilities | (2,315) | (1,241) | (1,074) | 86.6% |
| | Total net working capital | 40,757 | 35,022 | 5,735 | 16.4% |
| | Shareholders' equity | | | | |
| 18 | Share capital | (5,704) | (5,704) | 0 | 0.0% |
| 19 | Reserves | (20,865) | (20,624) | (241) | 1.2% |
| 20 | Treasury shares | 0 | 0 | 0 | 0.0% |
| 21 | Retained earnings (accumulated losses) | (39,678) | (40,284) | 606 | -1.5% |
| | Total equity | (66,247) | (66,612) | 365 | -0.5% |
| | Total net assets | 6,383 | 1,083 | 5,300 | n.m. |
| | Current net financial position | | | | |
| 22 | Cash and cash equivalents | 2,780 | 4,282 | (1,502) | -35.1% |
| 23 | Current bank borrowing | (5,147) | (1,975) | (3,172) | n.m. |
| 24 | Other current financial assets and liabilities | (554) | (206) | (348) | n.m. |
| | Current net financial position | (2,921) | 2,101 | (5,022) | n.m. |
| | Non-current net financial position | | | | |
| 25 | Non-current financial assets | 1,371 | 1,374 | (3) | -0.2% |
| 26 | Non-current bank borrowing | (4,812) | (4,533) | (279) | 6.2% |
| 27 | Other non-current financial liabilities | (21) | (25) | 4 | -15.8% |
| | Non-current net financial position | (3,462) | (3,184) | (278) | 8.8% |
| | Total net financial position | (6,383) | (1,083) | (5,300) | n.m. |

DIGITAL BROS GROUP
Consolidated income statement for the period ended 30 September 2018

| | Euro Thousand | 30 September 2018 | | 30 September 2017 | | Change | |
|-----------|---|--------------------------|---------------|--------------------------|---------------|----------------|---------------|
| 1 | Gross revenue | 17,427 | 106.1% | 26,207 | 107.8% | (8,780) | -33.5% |
| 2 | Revenue adjustments | (1,003) | -6.1% | (1,886) | -7.8% | 883 | -46.8% |
| 3 | Net revenue | 16,424 | 100.0% | 24,321 | 100.0% | (7,897) | -32.5% |
| 4 | Purchase of products for resale | (4,841) | -29.5% | (7,779) | -32.0% | 2,938 | -37.8% |
| 5 | Purchase of services for resale | (1,506) | -9.2% | (1,707) | -7.0% | 201 | -11.7% |
| 6 | Royalties | (2,998) | -18.3% | (6,585) | -27.1% | 3,587 | -54.5% |
| 7 | Changes in inventories of finished products | 571 | 3.5% | 904 | 3.7% | (333) | -36.8% |
| 8 | Total cost of sales | (8,774) | -53.4% | (15,167) | -62.4% | 6,393 | -42.1% |
| 9 | Gross profit (3+8) | 7,650 | 46.6% | 9,154 | 37.6% | (1,504) | -16.4% |
| 10 | Other income | 563 | 3.4% | 492 | 2.0% | 71 | 14.6% |
| 11 | Cost of services | (1,958) | -11.9% | (2,437) | -10.0% | 479 | -19.7% |
| 12 | Lease and rental charges | (354) | -2.2% | (367) | -1.5% | 13 | -3.5% |
| 13 | Labour costs | (4,400) | -26.8% | (4,475) | -18.4% | 75 | -1.7% |
| 14 | Other operating costs | (265) | -1.6% | (280) | -1.2% | 15 | -5.3% |
| 15 | Total operating costs | (6,977) | -42.5% | (7,559) | -31.1% | 582 | -7.7% |
| 16 | Gross operating margin (EBITDA) (9+10+15) | 1,236 | 7.5% | 2,087 | 8.6% | (851) | -40.8% |
| 17 | Depreciation and amortisation | (1,852) | -11.3% | (1,999) | -8.2% | 147 | -7.4% |
| 18 | Allocations to provisions | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| 19 | Impairment adjustments to assets | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| 20 | Reversal of impairment losses and non-monetary income | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| 21 | Total non-monetary income and operating costs | (1,852) | -11.3% | (1,999) | -8.2% | 147 | -7.4% |
| 22 | Operating margin (EBIT) (16+21) | (616) | -3.8% | 88 | 0.4% | (704) | n.m. |
| 23 | Interest and finance income | 161 | 1.0% | 577 | 2.4% | (416) | -72.1% |
| 24 | Interest expense and finance costs | (208) | -1.3% | (320) | -1.3% | 112 | -34.8% |
| 25 | Net finance income (costs) | (47) | -0.3% | 257 | 1.1% | (304) | n.m. |
| 26 | Profit before tax (22+25) | (663) | -4.0% | 345 | 1.4% | (1,008) | n.m. |
| 27 | Current tax | 65 | 0.4% | (415) | -1.7% | 480 | n.m. |
| 28 | Deferred tax | (8) | -0.1% | 170 | 0.7% | (178) | n.m. |
| 29 | Total income tax expense | 57 | 0.3% | (245) | -1.0% | 302 | n.m. |
| 30 | Profit from continuous operations (26+29) | (606) | -3.7% | 100 | 0.4% | (706) | n.m. |
| | Profit from assets destined for sale | 0 | 0.0% | 101 | 0.4% | (101) | n.m. |
| | Profit for the period | (606) | -3.7% | 201 | 0.8% | (807) | n.m. |

EARNING PER SHARE AT 30 SEPTEMBER 2018

| | Earnings (loss) per share (in Euro): | 30 September 2018 | 30 September 2017 | Change | |
|-----------|---|------------------------------|------------------------------|----------------|-------------|
| 33 | Basic earnings (loss) per share from continuing operations | (0.04) | 0.007 | (0.047) | n.m. |
| 33 | Basic earnings (loss) per share from assets destined for sale | 0.00 | 0.007 | (0.007) | n.m. |
| 33 | Total basic earnings (loss) per share | (0.04) | 0.014 | (0.054) | n.m. |
| | | | | | |
| 34 | Diluted earnings (loss) per share from continuing operations | (0.04) | 0.007 | (0.047) | n.m. |
| 34 | Diluted earnings (loss) per share from assets destined for sale | 0.00 | 0.007 | (0.007) | n.m. |
| 34 | Diluted earnings (loss) per share | (0.04) | 0.014 | (0.054) | n.m. |

Segment Reporting

Consolidated income statement at 30 September 2018 – first three months of 2018 – 2019

| | Thousand of Euro | Premium Games | Free to Play | Italian Distribution | Other Projects | Holding | Total |
|-----------|---|----------------|--------------|----------------------|----------------|----------------|----------------|
| 1 | Gross revenue | 11,343 | 1,638 | 4,390 | 56 | 0 | 17,427 |
| 2 | Revenue adjustments | (499) | 0 | (504) | 0 | 0 | (1,003) |
| 3 | Net revenue | 10,844 | 1,638 | 3,886 | 56 | 0 | 16,424 |
| 4 | Purchase of products for resale | (1,729) | 0 | (3,112) | 0 | 0 | (4,841) |
| 5 | Purchase of services for resale | (874) | (479) | (141) | (12) | 0 | (1,506) |
| 6 | Royalties | (2,977) | (18) | 0 | (3) | 0 | (2,998) |
| 7 | Changes in inventories of finished products | 40 | 0 | 531 | 0 | 0 | 571 |
| 8 | Total cost of sales | (5,540) | (497) | (2,722) | (15) | 0 | (8,774) |
| 9 | Gross profit (3+8) | 5,304 | 1,141 | 1,164 | 41 | 0 | 7,650 |
| 10 | Other income | 229 | 290 | 6 | 0 | 38 | 563 |
| 11 | Cost of services | (1,140) | (47) | (305) | (32) | (434) | (1,958) |
| 12 | Lease and rental charges | (149) | (13) | (8) | (3) | (181) | (354) |
| 13 | Labour costs | (2,067) | (816) | (325) | (220) | (972) | (4,400) |
| 14 | Other operating costs | (91) | (17) | (53) | (11) | (93) | (265) |
| 15 | Total operating costs | (3,447) | (893) | (691) | (266) | (1,680) | (6,977) |
| 16 | Gross operating margin (EBITDA) (9+10+15) | 2,086 | 538 | 479 | (225) | (1,642) | 1,236 |
| 17 | Depreciation and amortisation | (1,220) | (490) | (76) | (20) | (46) | (1,852) |
| 18 | Allocations to provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 | Impairment adjustments to assets | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 | Reversal of impairment losses and non-monetary income | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 | Total non-monetary income and operating costs | (1,220) | (490) | (76) | (20) | (46) | (1,852) |
| 22 | Operating margin (EBIT) (16+21) | 866 | 48 | 403 | (245) | (1,688) | (616) |