

PRESS RELEASE

The Board of Directors of Digital Bros Group approves the Third Quarterly Report for the nine months ended 31 March 2019 (first nine months of financial year 2018 – 2019)

DIGITAL BROS GROUP:

REVENUE AT EURO 42.6 MILLION

NEGATIVE EBITDA AT EURO 1.6 MILLION

NET LOSS OF EURO 5.9 MILLION

NET DEBT AT EURO 17.6 MILLION

VIDEOGAMES BLOODSTAINED AND INDIVISIBLE CONFIRMED TO BE LAUNCHED IN JUNE AND CONTROL CONFIRMED TO BE LAUNCHED IN AUGUST

EXPECTED REVENUE AND PROFIT GROWTH IN THE LAST QUARTER

- ✓ *Consolidated Gross Revenue of €42.6 million, decreasing by 31.3% compared to €62 million on March 31st, 2018*
- ✓ *Negative EBITDA of €1.6 million, compared to positive €5.5 million on March 31st, 2018*
- ✓ *Negative EBIT of €7.6 million compared to negative €246 thousand on March 31st, 2018*
- ✓ *Loss before tax at €7.5 million, compared to loss before tax of €154 thousand on March 31st, 2018*
- ✓ *Net loss at €5.9 million, compared to net loss of €413 thousand on March 31st, 2018*
- ✓ *Net debt position stood at €17.6 million on 31st March, 2019*
- ✓ *After several years of development, the videogames Bloodstained and Indivisible are confirmed to be released in June 2019 and the videogame Control is confirmed to be launched in August 2019*
- ✓ *Following the new videogames releases the management forecasts the full year revenues to arrive to the same level of last fiscal year and to realize a significant profit in the quarter.*

RESULTS FOR FIRST NINE MONTHS OF FINANCIAL YEAR 2018–2019 (PERIOD ENDED 31.03.19)				
<i>Euro thousand</i>	31.03.19	31.03.18	Change	Change %
Revenue	42,601	61,968	(19,367)	-31.3%
Gross operating margin (EBITDA)	(1,640)	5,472	(7,112)	n.m.
Operating margin (EBIT)	(7,612)	(246)	(7,366)	n.m.
Profit/(loss) before tax	(7,502)	(154)	(7,348)	n.m.
Net profit/(loss)	(5,882)	(413)	(5,469)	n.m.

Milan, May 14th, 2019 - The **Board of Directors of Digital Bros Group**, 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 31 March, 2019** (first nine months of the financial year which runs from 1st July 2018 to 30th June 2019).

Digital Bros Group's key consolidated results for the first nine months of financial year 2018-2019, compared to the prior financial year period, are as follows:

- **Gross Consolidated Revenue** of €42.6 million, decreasing by 31.3% compared to €62 million on March 31st, 2018.
- **Negative EBITDA** at €1.6 million, compared to positive €5.5 million on March 31st, 2018.
- **Negative EBIT** at €7.6 million versus negative EBIT of €246 thousand on March 31st, 2018.
- **Loss before tax** of €7.5 million compared to loss before tax of €154 thousand on March 31st, 2018.
- **Net Loss** for the period of €5.9 million compared to net loss of €413 thousand on March 31st, 2018.

RESULTS OF OPERATING SEGMENTS

Due to OVERKILL's The Walking Dead contract termination, the videogame launch schedule has radically changed. With the quarterly report at 31 March 2019, the Group closes an extended period of new products development whose first launches are expected starting from June 2019, with the videogames Bloodstained and Indivisible, and August 2019, with the videogame Control.

Following this, the consolidated gross revenue decreased by -31.3% compared to the same period of the last fiscal year.

A breakdown of revenue by operating segment is provided below for the periods ended 31 March 2019 and 2018:

<i>Euro thousand</i>	Gross revenue				Net revenue			
	2019	2018	Change		2019	2018	Change	
Premium Games	25,743	43,124	(17,381)	-40.3%	24,304	40,505	(16,201)	-40.0%
Italian Distribution	11,692	14,053	(2,361)	-16.8%	10,273	12,455	(2,182)	-17.5%
Free to Play	4,758	4,188	570	13.6%	4,758	4,188	570	13.6%
Other Projects	408	603	(195)	-32.3%	408	450	(42)	-9.3%
Total	42,601	61,968	(19,367)	-31.3%	39,743	57,598	(17,855)	-31.0%

The **Premium Games** operating segment had the most significant decrease. Gross revenue amounted to €25,743 thousand, down by 40.3%, compared to €43,124 thousand in the same period of the previous fiscal year.

The **Italian Distribution** operating segment revenue decreased by 16.8% compared to previous year due to a drop in retail videogames sales and collectible cards distribution.

By contrast, **Free to Play** operating segment revenue showed a €570 thousand increase, up by 13.6%, due to a positive performance of Gems of War. The videogame, now in its fourth year, generated more than two thirds of the total operating segment sales.

The profit margins by operating segments in the first nine months of the financial year 2018-2019 are as follows:

<i>Euro thousand</i>	Premium Games	Free to Play	Italian Distribution	Other Activities	Holding	Total
Gross revenue	25,743	4,758	11,692	408	0	42,601
Gross operating margin (EBITDA)	1,647	1,349	102	(224)	(4,514)	(1,640)
Operating margin (EBIT)	(2,056)	(313)	(198)	(290)	(4,755)	(7,612)

The reduction of revenue was reflected in the gross profit which declined by €9,261 thousand.

The 8.1% decrease in the operating costs was lower than the decrease in revenue. Payroll costs were Euro 13,118 thousand, declined by just 4.7%, reflecting an organizational structure already sized for expected product launches in the last quarter of the current financial year and higher development costs in line with revenue growth.

Non-monetary costs increased due to higher bad debt provisions of €273 thousand and development contract write-offs of €379 thousand.

Net interest income was €110 thousand compared to €92 thousand in the same period of the previous fiscal year.

The **loss before tax** for the period ended 31 March 2019 amounted to €7,502 thousand, €7,348 thousand lower compared to the loss before taxes of €154 thousand on 31st March, 2018.

The **net loss** for the period amounted to €5,882 thousand compared to a net loss of €413 thousand for the period ended 31 March 2018.

Basic loss per share and **diluted loss per share** for the period were €0.41 compared to a net loss per share of €0.03 in the first nine months of the last fiscal year.

NET CASH/DEBT

As expected, the Group showed a **net debt** of €17,623 thousand, decreasing by €16,540 thousand compared to 30 June 2018 due to significant investments in new products expected to be launched.

TREASURY SHARES

Pursuant to Art. 2428 paragraph 2.3 of the Italian Civil Code, it is hereby disclosed that at 31st March 2019 Digital Bros S.p.A. did not hold any treasury shares, as no transactions have been performed in the period.

SIGNIFICANT EVENTS FOR THE PERIOD

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;
- On September 13th, 2018, as a result of the above, the Board of Directors appointed new members to the three sub-committees of the Board. They all had the following Non-Executive Directors as members: Guido Guetta, Luciana La Maida and Irene Longhin;
- On October 26th, 2018, the Shareholders' General Meeting of Digital Bros S.p.A. approved the Group's consolidated financial statements for the year ended 30 June 2018, the separate financial statements of Digital Bros S.p.A. for the same period and the Remuneration Report in terms of Article 123-ter of Legislative Decree no 58 of 24 February 1998. Moreover, the Board reduced the number of members of the Company Board of Directors – previously approved at eleven by the Shareholders' General Meeting of 27 October 2017 – to ten members, who will remain in office until approval of the financial statements for the period ending 30 June 2020. The Board also appointed Paola Mignani as a Director and she will remain in office for the rest of the mandate of the current Board of Directors;
- On November 8th, 2018 the independent director Guido Guetta resigned from the Board for personal reasons and the Board of Directors appointed new members to the three sub-committees of the Board. All three now have the following independent Directors as members: Luciana La Maida, Irene Longhin and Paola Mignani;
- On February 27th, 2019, Skybound informed Starbreeze that it was terminating the contract for rights to the video game OVERKILL's The Walking Dead. The Group has paid USD 4.8 million on account, of a total investment of USD 10 million and will request a refund of this amount.

SUBSEQUENT EVENTS

On April 8th 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze for the development and publishing of the console version of the videogame OVERKILL's The Walking Dead. Digital Bros Group will consider the demand to Starbreeze, actually in a restructuring process, of the refund of the advances paid for US \$4.8 million and of all the expenses related to the project.

BUSINESS OUTLOOK

In the last quarter of the fiscal year, the Group will launch some videogames that have been under development for several years:

- Bloodstained will be released both on console and PC in June;
- Indivisible will be launched on PC in June while the console versions are expected to be launched in the first quarter of the next financial year;
- Assetto Corsa Competizione will be released in its final PC version during May.

The videogame Control will be released on console and PC during the first quarter of next financial year. The twelve months PC exclusivity contract signed with Epic Games for the video game release on Epic Games Store, will permit preliminary revenue recognition in the fiscal year ending 30 June, 2019.

Thanks to the releases of new videogames in the last quarter, the Group expects a revenue growth to realize a gross consolidated revenue on 30 June, 2019 in line with previous fiscal year. For the same reasons, the Group expects to generate enough profit in the last quarter to reduce the loss at 30 June, 2019 compared to the last fiscal year.

As already communicated, the net financial debt will grow in the last quarter of the financial year in line with the expected growth in the net working capital, due to the launch of new products and will then be followed by a marked improvement starting from the first quarter of the next financial year.

ART. 154-BIS OF THE CONSOLIDATED FINANCE ACT

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 and China, with approximately 190 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.

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FINANCIAL STATEMENTS

DIGITAL BROS GROUP

Consolidated Balance Sheet at March 31st, 2019

	<i>Euro thousand</i>	31 March 2019	30 June 2018	Change	
	Non-current assets				
1	Property, plant and equipment	3,735	6,000	(2,265)	-37.7%
2	Investment property	0	0	0	0.0%
3	Intangible assets	16,364	15,131	1,233	8.1%
4	Equity investments	1,573	1,270	303	23.8%
5	Non-current receivables and other assets	9,362	9,524	(162)	-1.7%
6	Deferred tax assets	3,306	2,365	941	39.8%
	Total non-current assets	34,340	34,290	50	0.1%
	Non-current liabilities				
7	Employee benefits	(526)	(516)	(10)	2.0%
8	Non-current provisions	(80)	(80)	(0)	1.0%
9	Other non-current payables and liabilities	(935)	(901)	(34)	3.8%
	Total non-current liabilities	(1,541)	(1,497)	(44)	3.0%
	Net working capital				
10	Inventories	14,887	15,059	(172)	-1.1%
11	Trade receivables	42,796	35,854	6,942	19.4%
12	Tax credits	6,809	4,316	2,493	57.8%
13	Other current assets	2,226	3,600	(1,374)	-38.2%
14	Trade payables	(17,759)	(20,811)	3,052	-14.7%
15	Taxes payable	(772)	(1,021)	249	-24.4%
16	Current provisions	(856)	(854)	(2)	0.2%
17	Other current liabilities	(2,629)	(1,241)	(1,388)	n.m.
	Total net working capital	44,702	34,902	9,800	28.1%
	Capital and reserves				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(21,245)	(20,624)	(621)	3.0%
20	Treasury shares	0	0	0	0.0%
21	Retained earnings (accumulated losses)	(32,929)	(40,284)	7,355	-18.3%
	Total equity	(59,878)	(66,612)	6,734	-10.1%
	Total net assets	17,623	1,083	16,540	n.m.
	Current net cash/debt				
22	Cash and cash equivalents	5,548	4,282	1,266	29.6%
23	Short-term payables to banks	(20,747)	(1,975)	(18,772)	n.m.
24	Other current financial assets and liabilities	60	(206)	266	n.m.
	Current net cash/debt	(15,139)	2,101	(17,240)	n.m.
	Non-current net financial assets (debt)				
25	Non-current financial assets	3,345	1,374	1,971	n.m.
26	Non-current bank debt	(5,813)	(4,533)	(1,280)	28.2%
27	Other non-current financial liabilities	(16)	(25)	9	-36.4%
	Non-current net financial assets (debt)	(2,484)	(3,184)	700	n.m.
	Total net cash/debt	(17,623)	(1,083)	(16,540)	n.m.

DIGITAL BROS GROUP

Consolidated Income Statement at March 31st, 2019 – First nine months of 2018-2019

	<i>Euro thousand</i>	31 March 2019		31 March 2018		Change	
1	Gross revenue	42,601	107.2%	61,968	107.6%	(19,367)	-31.3%
2	Revenue adjustments	(2,858)	-7.2%	(4,370)	-7.6%	1,512	-34.6%
3	Net revenue	39,743	100.0%	57,598	100.0%	(17,855)	-31.0%
4	Purchase of products for resale	(10,777)	-27.1%	(16,464)	-28.6%	5,687	-34.5%
5	Purchase of services for resale	(4,337)	-10.9%	(5,016)	-8.7%	679	-13.5%
6	Royalties	(7,898)	-19.9%	(12,399)	-21.5%	4,501	-36.3%
7	Changes in inventories of finished products	(172)	-0.4%	2,101	3.6%	(2,273)	n.m.
8	Total cost of sales	(23,184)	-58.3%	(31,778)	-55.2%	8,594	-27.0%
9	Gross profit (3+8)	16,559	41.7%	25,820	44.8%	(9,261)	-35.9%
10	Other income	2,426	6.1%	2,084	3.6%	342	16.4%
11	Cost of services	(5,613)	-14.1%	(6,748)	-11.7%	1,135	-16.8%
12	Rent and Leasing	(1,069)	-2.7%	(1,078)	-1.9%	9	-0.8%
13	Payroll costs	(13,118)	-33.0%	(13,759)	-23.9%	641	-4.7%
14	Other operating costs	(825)	-2.1%	(847)	-1.5%	22	-2.6%
15	Total operating costs	(20,625)	-51.9%	(22,432)	-38.9%	1,807	-8.1%
16	Gross operating margin (EBITDA) (9+10+15)	(1,640)	-4.1%	5,472	9.5%	(7,112)	n.m.
17	Depreciation and amortisation	(5,307)	-13.4%	(5,637)	-9.8%	330	-5.8%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(665)	-1.7%	(81)	-0.1%	(584)	n.m.
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(5,972)	-15.0%	(5,718)	-9.9%	(254)	4.4%
22	Operating margin (EBIT) (16+21)	(7,612)	-19.2%	(246)	-0.4%	(7,366)	n.m.
23	Interest and finance income	1,066	2.7%	1,059	1.8%	7	0.6%
24	Interest expense and finance costs	(956)	-2.4%	(967)	-1.7%	11	-1.1%
25	Net interest income (expense)	110	0.3%	92	0.2%	18	19.1%
26	Profit/loss before tax (22+25)	(7,502)	-18.9%	(154)	-0.3%	(7,348)	n.m.
27	Current tax	1,433	3.6%	(596)	-1.0%	2,029	n.m.
28	Deferred tax	187	0.5%	337	0.6%	(150)	-44.4%
29	Total taxes	1,620	4.1%	(259)	-0.5%	1,879	n.m.
30	Net result for continuing operations (26+29)	(5,882)	-14.8%	(413)	-0.7%	(5,469)	n.m.
	Net result from discontinued operations	0	0.0%	12,427	21.6%	(12,427)	n.m.
	Net profit/loss	(5,882)	-14.8%	12,014	20.9%	(17,896)	n.m.

DIGITAL BROS GROUP

Consolidated Cash Flow Statement at 31 March, 2019 – First nine months of 2018–2019

	<i>Euro thousand</i>	31 March 2019	31 March 2018
A.	Opening net cash/debt	(1,083)	12,027
B.	Cash flows from operating activities		
	Profit (loss) for the period attributable to the Group	(5,882)	12,014
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment losses	601	81
	Amortisation of intangible assets	4,778	5,146
	Depreciation of property, plant and equipment	528	492
	Net change in other provisions	0	1
	Net change in employee benefit provisions	10	(15)
	Net change in other non-current liabilities	34	0
	SUBTOTAL B.	69	17,719
C.	Change in net working capital		
	Inventories	172	(2,101)
	Trade receivables	(7,124)	1,953
	Current tax assets	(2,493)	(1,720)
	Other current assets	1,374	(2,173)
	Trade payables	(3,052)	(9,136)
	Current tax liabilities	(249)	(3,908)
	Current provisions	2	0
	Other current liabilities	1,388	(2,688)
	SUBTOTAL C.	(9,982)	(19,773)
D.	Cash flows from investing activities		
	Net payments for intangible assets	(6,390)	(2,288)
	Net payments for property, plant and equipment	1,737	225
	Net payments for non-current financial assets	(1,122)	(8,108)
	SUBTOTAL D.	(5,775)	(10,171)
E.	Asset and liabilities held for sale	0	0
	SUBTOTAL E.	0	0
F.	Cash flows from financing activities		
	Capital increases	0	0
	Share premium accounts	0	0
	SUBTOTAL F.	0	0
G.	Changes in consolidated equity		
	Dividends distributed	0	(2,139)
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	(852)	273
	SUBTOTAL G.	(852)	(1,866)
H.	Cash flow for the period (B+C+D+E+F+G)	(16,540)	(14,091)
I.	Closing net cash/debt (A+H)	(17,623)	(2,064)

SEGMENT REPORTING

Consolidated Income Statement at March 31st, 2019 - First nine months of 2018-2019

	Thousands of Euro	Premium Games	Free to Play	Italian Distribution	Other Projects	Holding	Total
1	Gross revenue	25,743	4,758	11,692	408	0	42,601
2	Revenue adjustments	(1,439)	0	(1,419)	0	0	(2,858)
3	Net revenue	24,304	4,758	10,273	408	0	39,743
4	Purchase of products for resale	(2,881)	0	(7,896)	0	0	(10,777)
5	Purchase of services for resale	(2,274)	(1,556)	(483)	(24)	0	(4,337)
6	Royalties	(7,458)	(421)	0	(19)	0	(7,898)
7	Changes in inventories of finished products	(635)	0	463	0	0	(172)
8	Total cost of sales	(13,248)	(1,977)	(7,916)	(43)	0	(23,184)
9	Gross profit (3+8)	11,056	2,781	2,357	365	0	16,559
10	Other income	821	1,402	0	0	203	2,426
11	Cost of services	(3,092)	(171)	(1,060)	(103)	(1,187)	(5,613)
12	Rent and leasing	(467)	(44)	(26)	(5)	(527)	(1,069)
13	Payroll costs	(6,375)	(2,558)	(1,019)	(449)	(2,717)	(13,118)
14	Other operating costs	(296)	(61)	(150)	(32)	(286)	(825)
15	Total operating costs	(10,230)	(2,834)	(2,255)	(589)	(4,717)	(20,625)
16	Gross operating margin (EBITDA) (9+10+15)	1,647	1,349	102	(224)	(4,514)	(1,640)
17	Depreciation and amortisation	(3,522)	(1,376)	(208)	(66)	(135)	(5,307)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(181)	(286)	(92)	0	(106)	(665)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(3,703)	(1,662)	(300)	(66)	(241)	(5,972)
22	Operating margin (EBIT) (16+21)	(2,056)	(313)	(198)	(290)	(4,755)	(7,612)