

## PRESS RELEASE

*The Board of Directors of Digital Bros Group approves the Half Year Financial Report for the six months ended 31 December 2019 (first half of financial year 2019 – 2020)*

### FIRST HALF RESULTS:

- REVENUES AT €67.9 MILLION (+124.5%)
  - EBIT AT EURO 4.0 MILLION
  - NET PROFIT AT EURO 1.9 MILLION (EURO 3.3 MILLION NET OF THE NON-RECURRENT ITEMS)
  - FINANCIAL NET DEBTS REDUCED BY EURO 16.2 MILLION (NET OF THE APPLICATION OF IFRS 16)
- ✓ *Significant revenue growth in the first half and improvement of all financial margins resulting from the performance of new videogames Control, Bloodstained and Indivisible*
  - ✓ *Consolidated gross revenue of €67.9 million more than doubled, compared to €30.2 million on 31 December 2018, +124.5% YoY*
  - ✓ *EBIT of €4.0 million compared to negative €4.1 million at 31 December 2018*
  - ✓ *Net profit of €1.9 million (€3.3 million net of the non-recurrent items) compared to net loss of €3.2 million on December 31<sup>st</sup>, 2018*
  - ✓ *Financial net debt is almost nil, excluding the application of IFRS 16 (negative effect of €5.8 million on net debt)*
  - ✓ *Settlement agreement with the Italian Tax Authorities concerning the tax litigation for the years 2011-2015 resulting in non-recurring costs of €1.4 million*
  - ✓ *Paola Carrara resigned from her position as independent Director in the Board. Laura Soifer was appointed as new independent Director*

RESULTS FOR THE FIRST HALF OF FINANCIAL YEAR 2019–2020 (AT 31.12.19)				
<i>Euro thousand</i>	<b>31.12.19</b>	<b>31.12.18</b>	<b>Change</b>	<b>Change %</b>
<b>Gross revenue</b>	67,850	30,216	37,634	124.5%
<b>Gross operating margin (EBITDA)</b>	10,153	136	10,017	n.m.
<b>Operating margin (EBIT)</b>	4,049	(4,122)	8,171	n.m.
<b>Profit/(loss) before tax</b>	3,649	(3,943)	7,592	n.m.
<b>Net profit/(loss)</b>	<b>1,938</b>	<b>(3,160)</b>	<b>5,098</b>	<b>n.m.</b>
<b>Recurring profit</b>	<b>3,336</b>	<b>(3,160)</b>	<b>6,496</b>	<b>n.m.</b>

Milan, 5 March 2020 - The **Board of Directors of Digital Bros Group (DIB:MI)**, which is listed on the STAR segment of Borsa Italiana and operates in the videogames market, **today approved the Half Year Financial Report for the period ended 31 December 2019** (first half of the fiscal year from July 1<sup>st</sup>, 2019 to June 30<sup>th</sup>, 2020).

Digital Bros Group's key consolidated results for the first half of financial year 2019-2020, together with prior period comparatives, are as follows:

- **Gross consolidated revenues** of €67.9 million compared to €30.2 million on 31 December 2018 (+124.5% YoY).
- **EBITDA** of €10.2 million compared to €0.1 million on 31 December 2018.
- **EBIT** of €4 million compared to negative €4.1 million on 31 December 2018.
- **Profit before tax** of €3.6 million compared to loss before tax of €3.9 million on 31 December 2018.
- **Net profit** of €1.9 million significantly increased compared to net loss €3.2 million on 31 December 2018. Recurring profit of €3.3 million.

## RESULTS BY OPERATING SEGMENT

The videogames Control and Indivisible were launched on all platforms during the first half. The only exception was the Nintendo Switch console version of Indivisible, which is expected to be released in the last quarter of the fiscal year. The releases of Control and Indivisible are part of the release plan of new videogames started during the last quarter of the past fiscal year with the launch of Bloodstained. Journey to the Savage Planet will follow in the third quarter of the current fiscal year. The release plan resulted in a significant increase of revenue and all financial margins.

Consolidated gross revenues more than doubled in the first half to €67.9 million from €30.2 million. A breakdown by operating segment for the period ended 31 December 2019 compared to the period ended 31 December 2018 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2020	2019	Change		2020	2019	Change	
Premium Games	58,043	19,787	38,256	193.3%	53,221	18,633	34,588	185.6%
Italian Distribution	6,185	7,029	(844)	-12.0%	5,642	6,141	(499)	-8.1%
Free to Play	3,338	3,169	169	5.3%	3,338	3,169	169	5.3%
Other Projects	284	231	53	22.9%	284	231	53	22.9%
<b>Total gross revenues</b>	<b>67,850</b>	<b>30,216</b>	<b>37,634</b>	<b>124.5%</b>	<b>62,485</b>	<b>28,174</b>	<b>34,311</b>	<b>121.8%</b>

The **Premium Games** operating segment gross revenue accounted for 85% of the consolidated revenue and significantly increased (up by €38.3 million) as a result of the sales of Control, released on 27 August 2019, and Bloodstained, launched in June 2019. Revenue from Control amounted to €23.9 million in the period while Bloodstained sales amounted to €8.6 million.

The **Italian Distribution** operating segment revenue decreased by €844 thousand, down by 12% compared to the same period of previous year, due to a significant reduction in collectible cards distribution (down by €1.3 million) while retail videogames sales increased by 9.5%.

The **Free to Play** operating segment revenue showed a 5.3% increase, due to the positive performance of the evergreen videogame Gems of War, launched five years ago.

Digital Bros Group's revenues and earnings by operating segments for the period are as follows:

Euro thousand	Premium Games	Italian Distribution	Free to Play	Other Projects	Holding	Total
Gross revenue	58,043	6,185	3,338	284	0	<b>67,850</b>
EBITDA	12,918	(604)	729	1	(2,891)	<b>10,153</b>
EBIT	8,341	(721)	(241)	(51)	(3,279)	<b>4,049</b>

**Operating costs** increased by €5.9 million due to higher marketing and advertising costs to support new videogame launches. The increase in operating costs has been significantly lower in percentage terms compared to the increase in revenue.

**Depreciation and amortization** increased by €1.8 million mainly because of higher amortization for €1.5 million for the Group's intellectual properties use and the application of the new IFRS 16 for €599 thousand. The asset impairment charge amounted for €1.2 million compared to €0.7 million on 31 December 2018.

**Profit before tax** for the period ended 31 December 2019 amounted to €3.6 million, up by €7.6 million compared to the loss before tax of €3.9 million at 31 December 2018.

**Net profit** for the period amounted to €1.9 million compared to a net loss of €3.2 million for the period ended 31 December 2018. **Recurring profit** for the period was €3.3 million, up by €6.5 million compared to 31 December 2018.

**Basic earnings per share** and **diluted earnings per share** were €0.14 compared to the net loss per share of €0.20 for the first half of last fiscal year.

## NET FINANCIAL DEBTS

**Financial net debts**, as expected, decreased by €16.2 million compared to 30 June 2019 (excluding the IFRS 16 effect, which resulted in a €5.8 million increase). Net financial debt, after the application of IFRS 16, amounted to Euro 5.8 million on 31 December 2019, decreasing by Euro 10.4 million compared to 30 June 2019.

## TREASURY SHARES

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

## SIGNIFICANT EVENTS DURING THE PERIOD

On 28 October 2019, Digital Bros Group announced a deal with the studio Kojima Productions for the worldwide publishing rights of the PC version of the videogame Death Stranding. The Group expects to generate lifetime revenue in excess of €50 million from the PC version of this game. Death Stranding will be launched worldwide on PC on 2 June 2020.

## SUBSEQUENT EVENTS

The most significant events after 31 December 2019 were as follows:

- On 15 January 2020, Digital Bros purchased n. 16,969,395 Starbreeze AB shares A held by Varvtre AB for a total consideration of SEK 25.8 million (SEK 1.36 per share) plus a potential earnout in the case of a capital gain realized in the 60 months after the acquisition. The shares bought correspond to 5.24% of Starbreeze AB share capital and 16,72% of the voting rights, as of today;
- on 26 February 2020, Digital Bros acquired all the Starbreeze AB assets held by Smilegate Holdings for €19.2 million. The overall assets nominal value is approximately €36.7 million, as follows:
  - a) Convertible Bond of SEK 215 million (approx. €20.4 million) issued by Starbreeze AB with a strike price of SEK 2.25 per share. If converted, the Convertible Bond would result in no. 95,578,667 newly issued STAR B shares corresponding to 20.87% of Starbreeze AB's share capital and 7.77% of its voting rights;
  - b) credit of US \$15.9 million (approximately €14.7 million) included in Starbreeze's reconstruction plan that will be paid within the framework of the Composition approved by the Stockholm District Court but no later than 5 years;
  - c) 3,601,083 STAR A shares and 6,018,948 STAR B shares, corresponding to 2.66% of Starbreeze AB's share capital and 3.71% of Starbreeze AB voting rights for approx. €1.6 million.

The total consideration of €19.2 million will be paid in two instalments: €9.2 million at the closing date and €10 million on 28 February 2021. After the acquisition of Starbreeze AB shares held by Varvtre AB and Smilegate Holdings, the Group holds 9.02% of Starbreeze AB's share capital and 24.03% of the voting rights, before the potential conversion of the Convertible Bond;

- on 28 February 2020, Paola Carrara resigned from her position of independent Director in the Board of Directors for personal reasons; on 5 March 2020 the Board of Directors appointed by co-option Laura Soifer as new Independent Director, with the favorable opinion of the Board of Statutory Auditors, and taking into consideration diversity and gender balance. She will remain in office until the approval of the financial statement at 30 June 2020.
- on 3 March 2020, Digital Bros acquired the remaining 51% stake of Ovosonico S.r.l. for a total consideration of €210 thousand. The studio is currently working on the development of one of the Group's IP. It changed its registered name to Avantgarden S.r.l. and Abramo Galante became the sole director;
- on 5 March 2020, the Group reached a settlement with the Italian Tax Authorities (Agenzia delle Entrate) referred to the tax litigation for the years 2011-2015. This dispute is related to some operations of the subsidiary 505 Games S.p.A. which, based on the assessments conducted by the financial administration, would have been considered as royalty and therefore subject to withholding. Even if the Group considers the transactions as purchases of goods and/or services and does not agree, both in form and substance, with the interpretation of the Italian Tax Authorities (Agenzia delle Entrate), to avoid a long and costly litigation the Company has decided to subscribe a conciliatory agreement. The Group had recorded non-recurring costs for Euro 1,398 thousand at 31 December 2019.

## BUSINESS OUTLOOK

New videogame launches started last June with Bloodstained and continued with the releases of Control in August and Indivisible in October, fueled a strong growth. The second half of the fiscal year will benefit from the launch of Journey to the Savage Planet, released in January 2020, and the console versions of the videogame Assetto Corsa Competizione during the last quarter of the current fiscal year. Hideo Kojima's last creation, Death Stranding, will be launched by the Group on personal computer on 2 June 2020.

The Group expects lifetime revenue in excess of €50 million from the PC version of Death Stranding. The anticipated release in June will significantly impact revenue in the last quarter with further effects in the coming financial years. The video game Control is also expected to contribute to revenue growth in the coming quarters thanks to DLCs (downloadable contents) releases and the Steam version, which will be launched in August 2020.

As a result, the Group forecasts strong growth in the second half of the fiscal year together with a significant improvement in all financial margins, particularly in the fourth quarter. The increasing portion of revenue coming from digital distribution will considerably improve operating margins and have a lower impact on working capital than retail revenue.

Net financial debt, which is almost nil at the end of the first half of the financial year, excluding the debt deriving from the application of IFRS 16, is expected to increase during the third quarter and then continue the decreasing trend of the last fiscal years starting from the last quarter. The growth expected for the third quarter is due to the significant financial investment in Starbreeze AB during January and February 2020 for a total amount of €11.7 million.

#### **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](http://www.digitalbros.com) and [www.1info.it](http://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 200 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 statement of financial position at 31 December 2019**

	<b>Euro Thousand</b>	<b>31 December 2019</b>	<b>30 June 2018</b>	<b>Change</b>	
	<b>Non-current assets</b>				
1	Property, plant and equipment	9,451	3,584	5,867	n.s.
2	Investment property	0	0	0	0.0%
3	Intangible assets	28,399	18,341	10,058	54.8%
4	Equity investments	1,891	1,706	185	10.8%
5	Non-current receivables and other assets	9,598	9,322	276	3.0%
6	Deferred tax assets	2,145	2,745	(600)	-21.8%
	<b>Total non-current assets</b>	<b>51,484</b>	<b>35,698</b>	<b>15,786</b>	<b>44.2%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(572)	(573)	1	-0.1%
8	Non-current provisions	(81)	(81)	(0)	0.0%
9	Other non-current payables and liabilities	(943)	(923)	(20)	2.2%
	<b>Total non-current liabilities</b>	<b>(1,596)</b>	<b>(1,577)</b>	<b>(19)</b>	<b>1.2%</b>
	<b>Net working capital</b>				
10	Inventories	15,301	13,909	1,392	10.0%
11	Trade receivables	43,386	55,070	(11,684)	-21.2%
12	Tax credits	6,352	6,076	276	4.5%
13	Other current assets	4,316	1,668	2,648	n.s.
14	Trade payables	(35,098)	(24,631)	(10,467)	42.5%
15	Taxes payable	(5,759)	(1,138)	(4,621)	n.s.
16	Current provisions	0	(856)	856	n.s.
17	Other current liabilities	(5,691)	(3,761)	(1,930)	51.3%
	<b>Total net working capital</b>	<b>22,807</b>	<b>46,337</b>	<b>(23,530)</b>	<b>-50.8%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(21,891)	(21,223)	(668)	3.1%
20	Treasury shares	0	0	0	0.0%
21	Retained earnings (accumulated losses)	(39,256)	(37,298)	(1,958)	5.2%
	<b>Total equity</b>	<b>(66,851)</b>	<b>(64,225)</b>	<b>(2,626)</b>	<b>4.1%</b>
	<b>Total net assets</b>	<b>5,844</b>	<b>16,233</b>	<b>(10,389)</b>	<b>-64.0%</b>
22	Cash and cash equivalents	10,847	4,767	6,080	n.s.
23	Short-term payables to banks	(11,147)	(20,795)	9,648	-46.4%
24	Other current financial assets and liabilities	920	2,155	(1,235)	-57.3%
	<b>Current net cash/debt</b>	<b>620</b>	<b>(13,873)</b>	<b>14,493</b>	<b>n.s.</b>
25	Non-current financial assets	0	1,942	(1,942)	n.s.
26	Non-current bank debt	(1,795)	(4,293)	2,498	-58.2%
27	Other non-current financial liabilities	(4,669)	(9)	(4,660)	n.s.
	<b>Non-current net financial assets/(debt)</b>	<b>(6,464)</b>	<b>(2,360)</b>	<b>(4,104)</b>	<b>n.s.</b>
	<b>Total net cash/debt</b>	<b>(5,844)</b>	<b>(16,233)</b>	<b>10,389</b>	<b>-64.0%</b>

**DIGITAL BROS GROUP**
**Consolidated Income Statement at 31 December 2019**

	<b>Euro thousand</b>	<b>31 December 2019</b>		<b>31 December 2018</b>		<b>Change</b>	
1	Gross revenue	67,850	108.6%	30,216	107.2%	37,634	124.5%
2	Revenue adjustments	(5,365)	-8.6%	(2,042)	-7.2%	(3,323)	n.m.
<b>3</b>	<b>Net revenue</b>	<b>62,485</b>	<b>100.0%</b>	<b>28,174</b>	<b>100.0%</b>	<b>34,311</b>	<b>121.8 %</b>
4	Purchase of products for resale	(12,837)	-20.5%	(7,348)	-26.1%	(5,489)	74.7%
5	Purchase of services for resale	(4,046)	-6.5%	(3,370)	-12.0%	(676)	20.0%
6	Royalties	(18,695)	-29.9%	(5,514)	-19.6%	(13,181)	n.m.
7	Changes in inventories of finished products	1,392	2.2%	261	0.9%	1,131	n.m.
<b>8</b>	<b>Total cost of sales</b>	<b>(34,186)</b>	<b>-54.7%</b>	<b>(15,971)</b>	<b>-56.7%</b>	<b>(18,215)</b>	<b>n.m.</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>28,299</b>	<b>45.3%</b>	<b>12,203</b>	<b>43.3%</b>	<b>16,096</b>	<b>n.m.</b>
10	Other income	1,386	2.2%	1,546	5.5%	(160)	-10.4%
11	Costs for services	(8,755)	-14.0%	(3,912)	-13.9%	(4,843)	123.8%
12	Rent and Leasing	(141)	-0.2%	(711)	-2.5%	570	-80.2%
13	Payroll costs	(10,013)	-16.0%	(8,451)	-30.0%	(1,562)	18.5%
14	Other operating costs	(623)	-1.0%	(539)	-1.9%	(84)	15.6%
<b>15</b>	<b>Total operating costs</b>	<b>(19,532)</b>	<b>-31.3%</b>	<b>(13,613)</b>	<b>-48.3%</b>	<b>(5,919)</b>	<b>43.5%</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>10,153</b>	<b>16.2%</b>	<b>136</b>	<b>0.5%</b>	<b>10,017</b>	<b>n.m.</b>
17	Depreciation and amortisation	(5,139)	-8.2%	(3,593)	-12.8%	(1,546)	43.0%
18	Provisions	0	0.0%	0	0.0%	0	n.m.
19	Asset impairment charge	(1,169)	-1.9%	(665)	-2.4%	(504)	75.8%
20	Impairment reversal	204	0.3%	0	0.0%	204	0.0%
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>(6,104)</b>	<b>-9.8%</b>	<b>(4,258)</b>	<b>-15.1%</b>	<b>(1,846)</b>	<b>43.3%</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>4,049</b>	<b>6.5%</b>	<b>(4,122)</b>	<b>-14.6%</b>	<b>8,171</b>	<b>n.m.</b>
23	Interest and finance income	1,540	2.5%	670	2.4%	870	n.m.
24	Interest expense and finance costs	(1,940)	-3.1%	(491)	-1.7%	(1,449)	n.m.
<b>25</b>	<b>Net interest income/(expense)</b>	<b>(400)</b>	<b>-0.6%</b>	<b>179</b>	<b>0.6%</b>	<b>(579)</b>	<b>n.m.</b>
<b>26</b>	<b>Profit/ (loss) before tax (22+25)</b>	<b>3,649</b>	<b>5.8%</b>	<b>(3,943)</b>	<b>-14.0%</b>	<b>7,592</b>	<b>n.m.</b>
27	Current tax	(1,086)	-1.7%	688	2.4%	(1,774)	n.m.
28	Deferred tax	(625)	-1.0%	95	0.3%	(720)	n.m.
<b>29</b>	<b>Total taxes</b>	<b>(1,711)</b>	<b>-2.7%</b>	<b>783</b>	<b>2.8%</b>	<b>(2,494)</b>	<b>n.m.</b>
<b>30</b>	<b>Net profit/loss</b>	<b>1,938</b>	<b>3.1%</b>	<b>(3,160)</b>	<b>-11.2%</b>	<b>5,098</b>	<b>n.m.</b>
	<b>Earnings per share</b>						
<b>33</b>	<b>Total basic earnings per share (in Euro)</b>	<b>0.14</b>		<b>(0.22)</b>		<b>0.36</b>	<b>n.m.</b>
<b>34</b>	<b>Diluted earnings per share (in Euro)</b>	<b>0.14</b>		<b>(0.22)</b>		<b>0.36</b>	<b>n.m.</b>

**DIGITAL BROS GROUP**
**Consolidated Income Statement in accordance with CONSOB Resolution no. 15519, 27 July 2006**

	Euro thousand	31 December 2019		31 December 2018	
		total	of which non-recurrent	total	of which non-recurrent
1	Gross revenue	67,850	0	30,216	0
2	Revenue adjustments	(5,365)	0	(2,042)	0
<b>3</b>	<b>Net revenue</b>	<b>62,485</b>	<b>0</b>	<b>28,174</b>	<b>0</b>
4	Purchase of products for resale	(12,837)	0	(7,348)	0
5	Purchase of services for resale	(4,046)	0	(3,370)	0
6	Royalties	(18,695)	0	(5,514)	0
7	Changes in inventories of finished products	1,392	0	261	0
<b>8</b>	<b>Total cost of sales</b>	<b>(34,186)</b>	<b>0</b>	<b>(15,971)</b>	<b>0</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>28,299</b>	<b>0</b>	<b>12,203</b>	<b>0</b>
10	Other income	1,386	0	1,546	0
11	Costs for services	(8,755)	0	(3,912)	0
12	Rent and Leasing	(141)	0	(711)	0
13	Payroll costs	(10,013)	0	(8,451)	0
14	Other operating costs	(623)	0	(539)	0
<b>15</b>	<b>Total operating costs</b>	<b>(19,532)</b>	<b>0</b>	<b>(13,613)</b>	<b>0</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>10,153</b>	<b>0</b>	<b>136</b>	<b>0</b>
17	Depreciation and amortisation	(5,139)	0	(3,593)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(1,169)	(594)	(665)	0
20	Impairment reversal	204	0	0	0
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>(6,104)</b>	<b>(594)</b>	<b>(4,258)</b>	<b>0</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>4,049</b>	<b>(594)</b>	<b>(4,122)</b>	<b>0</b>
23	Interest and finance income	1,540	0	670	0
24	Interest expense and finance costs	(1,940)	(580)	(491)	0
<b>25</b>	<b>Net interest income/(expense)</b>	<b>(400)</b>	<b>(580)</b>	<b>179</b>	<b>0</b>
<b>26</b>	<b>Profit/ (loss) before tax (22+25)</b>	<b>3,649</b>	<b>(1,174)</b>	<b>(3,943)</b>	<b>0</b>
27	Current tax	(1,086)	(224)	688	0
28	Deferred tax	(625)	0	95	0
<b>29</b>	<b>Total taxes</b>	<b>(1,711)</b>	<b>(224)</b>	<b>783</b>	<b>0</b>
<b>30</b>	<b>Net profit/loss</b>	<b>1,938</b>	<b>(1,398)</b>	<b>(3,160)</b>	<b>0</b>

# DIGITAL BROS GROUP

## Consolidated Cash Flow Statement at 31 December 2019

	<i>Euro thousand</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>A.</b>	<b>Opening net cash/debt</b>	<b>(16,233)</b>	<b>(1,083)</b>
<b>B.</b>	<b>Cash flows from operating activities</b>		
	Profit (loss) for the period attributable to the Group	1,938	(3,160)
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment losses	1,169	601
	Amortisation of intangible assets	4,242	3,621
	Depreciation of property, plant and equipment	897	350
	Net change in other provisions	0	0
	Net change in employee benefit provisions	(1)	3
	Net change in other non-current liabilities	20	16
	<b>SUBTOTAL B.</b>	<b>8,265</b>	<b>1,431</b>
<b>C.</b>	<b>Change in net working capital</b>		
	Inventories	(1,392)	(261)
	Trade receivables	11,628	(7,400)
	Current tax assets	(276)	(1,885)
	Other current assets	(3,242)	1,647
	Trade payables	10,467	(2,691)
	Current tax liabilities	4,621	408
	Current provisions	(856)	2
	Other current liabilities	1,930	1,458
	<b>SUBTOTAL C.</b>	<b>22,880</b>	<b>(8,721)</b>
<b>D.</b>	<b>Cash flows from investing activities</b>		
	Net payments for intangible assets	(14,819)	(1,739)
	Net payments for property, plant and equipment	(6,764)	1,865
	Net payments for non-current financial assets	139	(617)
	<b>SUBTOTAL D.</b>	<b>(21,444)</b>	<b>(492)</b>
<b>E.</b>	<b>Cash flows from financing activities</b>		
	Capital increases	0	0
	Share premium accounts	0	0
	<b>SUBTOTAL E.</b>	<b>0</b>	<b>0</b>
<b>F.</b>	<b>Changes in consolidated equity</b>		
	Dividends distributed	0	0
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	688	(1,271)
	<b>SUBTOTAL F.</b>	<b>688</b>	<b>(1,271)</b>
<b>G.</b>	<b>Cash flow for the period (B+C+D+E+F+G)</b>	<b>10,389</b>	<b>(9,053)</b>
<b>H.</b>	<b>Closing net cash/debt (A+H)</b>	<b>(5,844)</b>	<b>(10,136)</b>



## SEGMENT REPORTING

### Consolidated Income Statement per Operating Segment at 31 December 2019

	Euro Thousand	Premium Games	Italian Distribution	Free to Play	Other projects	Holding	Total
1	Gross revenue	58,043	6,185	3,338	284	0	67,850
2	Revenue adjustments	(4,822)	(543)	0	0	0	(5,365)
<b>3</b>	<b>Net revenue</b>	<b>53,221</b>	<b>5,642</b>	<b>3,338</b>	<b>284</b>	<b>0</b>	<b>62,485</b>
4	Purchase of products for resale	(8,824)	(4,013)	0	0	0	(12,837)
5	Purchase of services for resale	(2,824)	(116)	(1,100)	(6)	0	(4,046)
6	Royalties	(18,492)	0	(189)	(14)	0	(18,695)
7	Changes in inventories of finished products	1,843	(451)	0	0	0	1,392
<b>8</b>	<b>Total cost of sales</b>	<b>(28,297)</b>	<b>(4,580)</b>	<b>(1,289)</b>	<b>(20)</b>	<b>0</b>	<b>(34,186)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>24,924</b>	<b>1,062</b>	<b>2,049</b>	<b>264</b>	<b>0</b>	<b>28,299</b>
10	Other income	302	0	1,035	0	49	1,386
11	Cost of services	(6,816)	(859)	(137)	(89)	(854)	(8,755)
12	Rent and leasing	(28)	(14)	(10)	(1)	(88)	(141)
13	Payroll costs	(5,237)	(691)	(2,166)	(153)	(1,766)	(10,013)
14	Other operating costs	(227)	(102)	(42)	(20)	(232)	(623)
<b>15</b>	<b>Total operating costs</b>	<b>(12,308)</b>	<b>(1,666)</b>	<b>(2,355)</b>	<b>(263)</b>	<b>(2,940)</b>	<b>(19,532)</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>12,918</b>	<b>(604)</b>	<b>729</b>	<b>1</b>	<b>(2,891)</b>	<b>10,153</b>
17	Depreciation and amortisation	(3,997)	(85)	(624)	(52)	(381)	(5,139)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(767)	(32)	(346)	0	(24)	(1,169)
20	Impairment reversal	187	0	0	0	17	204
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>(4,577)</b>	<b>(117)</b>	<b>(970)</b>	<b>(52)</b>	<b>(388)</b>	<b>(6,104)</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>8,341</b>	<b>(721)</b>	<b>(241)</b>	<b>(51)</b>	<b>(3,279)</b>	<b>4,049</b>