



**Interim Management Statement  
as at 31 March 2016**

**(3rd quarter of fiscal year 2015/2016)**

**Digital Bros S.p.A.**

Via Tortona, 37 – 20144 Milan, Italy

VAT and tax identification no. 09554160151

Share capital: 5,644,334.80 euros fully paid-in

Reg. of Co. Court of Milan 290680 - Vol. 7394 Chamber of Commerce 1302132

This report can be downloaded from the Company's website  
at [www.digitalbros.com](http://www.digitalbros.com) in the Investors section

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## **OFFICERS AND CONTROL BODIES**

### **Board of Directors**

Lidia Florean	Director <sup>(2)</sup>
Abramo Galante	Chairman and managing director <sup>(1)</sup>
Davide Galante	Director <sup>(2)</sup>
Raffaele Galante	Managing director <sup>(1)</sup>
Guido Guetta	Director <sup>(3)</sup>
Elena Morini	Director <sup>(3)</sup>
Stefano Salbe	Director <sup>(1) (4)</sup>
Bruno Soresina	Director <sup>(3)</sup>
Dario Treves	Director <sup>(2)</sup>

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

(4) Financial Reporting Officer per Art. 154-bis of Legislative Decree 58/98

### **Internal Control and Risk Committee**

Guido Guetta (Chairman)  
Elena Morini  
Bruno Soresina

### **Remuneration Committee**

Guido Guetta (Chairman)  
Elena Morini  
Bruno Soresina

### **Board of Statutory Auditors**

Paolo Villa	Chairman
Emanuela Maria Conti	Standing auditor
Laura Guazzoni	Standing auditor
Simone Luigi Dalledonne	Alternate auditor

The Shareholders' Meeting of 28 October 2014 appointed the members of the Board of Directors and Board of Statutory Auditors. The terms of office of the directors and statutory auditors will end with the Shareholders' Meeting that approves the financial statements at 30 June 2017.

On 14 January 2016 Sergio Amendola tendered his resignation as Chairman of the Board of Statutory Auditors. Standing auditor Paolo Villa thus became Chairman of the Board of Statutory Auditors and Emanuela Maria Conti standing auditor.

By resolution of 7 August 2007, the Board of Directors appointed board member Stefano Salbe to the position of Financial Reporting Officer pursuant to Art. 154-bis of Legislative Decree 58/98, granting the appropriate powers.

### **External statutory auditors**

Deloitte & Touche S.p.A.

At the meeting of 26 October 2012 the shareholders selected Deloitte & Touche S.p.A, with registered office at Via Tortona 25 in Milan, as external auditing firm until approval of the accounts at 30 June 2021.

#### **Other information**

Publication of the interim management statement as at 31 March 2016 was authorised by resolution of the Board of Directors on 12 May 2016. Digital Bros S.p.A. is a joint stock company established and domiciled in Italy. It is listed on the STAR segment of the MTA market managed by Borsa Italiana S.p.A.

# **DIRECTORS' REPORT**

## **1. GROUP STRUCTURE**

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The Digital Bros Group develops, publishes, distributes and markets video games on an international scale.

The Group has implemented a change process that involved expanding into the Mobile segment, dedicated to the publication of video games on smartphones and social networks, alongside the already existing structure. The reorganisation involved the consolidation of the previous Digital organisational unit into the Publishing business segment, considering that the products distributed on the traditional channels and digital marketplaces use the same processes managed by the organisational division in question. The increasing weight of the Mobile and Publishing business segments and the concurrent reduction of the Italian Distribution business segment resulted in a need for a more extensive organisational structure to coordinate the Group's business, the Holding business segment, in particular for the finance, administration, IT and general services functions.

The acquisition of the U.S. company Pipeworks Inc. on 12 September 2014 allowed the Group to extend the scope of its business to include video game development (the Development business segment).

Since the previous year, the business conducted by the subsidiary Game Network S.r.l., which manages paid gaming platforms under concession from the Italian State Monopoly Administration (AAMS), has been separated from the Mobile segment. This activity is now included in the Other Activities segment, which also includes the organisation of IT and video game specialisation and training courses by the subsidiary Digital Bros Game Academy S.r.l.

The Group is therefore organised into five business segments:

**Development:** the Development business segment is responsible for designing and developing video games. The business is conducted through a dedicated organisational structure. The business carries out development projects on behalf of Group companies and non-captive clients. The business is conducted solely by Pipeworks Inc.

**Publishing:** this activity consists of acquiring the rights to use video games from developers and their subsequent distribution both through a traditional-type international sales network and by distribution on the digital marketplaces such as, for example: Steam, Sony PlayStation Network, Microsoft Xbox Live.

The video games are normally acquired on an exclusive licence with international exploitations rights valid for several years.

505 Games is the trade name used by the Group worldwide in the Publishing segment.

Publishing operations were carried out during the period by the subsidiary 505 Games S.r.l. (which coordinates the segment), 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH, operating respectively in the French, U.K., U.S., Spanish and German

markets. The company 505 Games Interactive (US) Inc. provided consultancy on behalf of 505 Games S.r.l. The Swedish company 505 Games Nordic AB was dormant during the period and was placed in liquidation. The subsidiary Digital Bros China (Shenzhen) Ltd., responsible for business development on the Asian market, became operational in November.

**Mobile:** this business segment is responsible for the production and marketing of video games for mobile (smartphone and tablet) platforms and for social networks. The segment is coordinated by 505 Mobile S.r.l., which controls the U.S. company 505 Mobile (US) Inc., which provided consultancy on behalf of its parent company. With the acquisition of the English company DR Studios Ltd. on 12 September 2014, the business segment benefited from an expansion of the activities carried out, which now also include the development of applications.

The distinctive nature of the video games of the Mobile business segment relates to the different distribution platforms and the possibility for players to download applications free from the marketplaces and then spend money during the phases of the game. This type of game is also known as “free-to-play”.

505 Mobile is the trade name used by the Group worldwide in the segment.

**Italian Distribution:** the distribution in Italy of video games acquired from international publishers. The games are marketed through a direct network of key accounts and through an indirect network of sales representatives.

These operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Service S.r.l. for alternative distribution channels.

The Group also distributes the Yu-Gi-Oh! trading card game throughout the country.

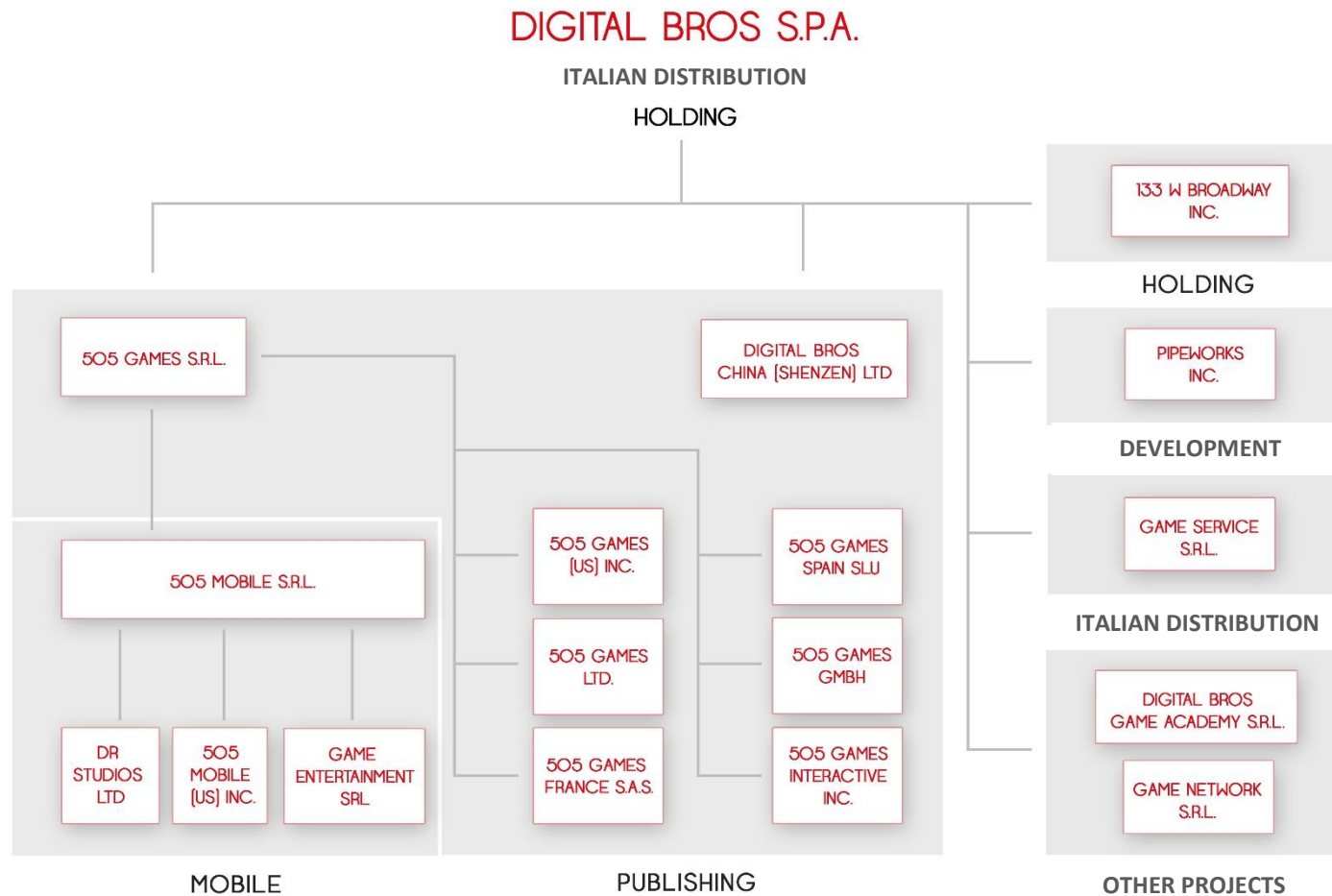
**Other Activities:** this residual business segment includes all activities of limited scope, which are consolidated into a separate business segment, in the interest of logical presentation of results. It includes the activities of the subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (the Italian State Monopoly Administration) and the activities of the subsidiary Digital Bros Game Academy S.r.l. which organises IT and gaming specialisation courses, training courses and professional refresher courses, in multimedia and other formats.

**Holding:** all coordination functions for the different segments carried out directly by Digital Bros S.p.A. In particular, these are the implementation of financial policies for Group companies, centralised treasury management, and management of real estate and trademarks. Administration, management control and development business are the responsibility of the Holding business segment.

In June 2015, in order to bring the organisational structure into line with the structure of the business segments, the parent company sold 100% of 505 Mobile S.r.l. and its subsidiaries, 505 Games France S.a.s. and 505 Games Slu, to 505 Games S.r.l.

All of the equity investments indicated in the following organisation chart are fully owned.

## COMPANY ORGANIZATION CHART AS AT 31 MARCH 2016





During the period, the Group operated from the following locations:

<b>Company</b>	<b>Address</b>	<b>Function</b>
Digital Bros S.p.A.	Via Tortona 37, Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
133 W Broadway, Inc.	133 W. Broadway, Suite 200 Eugene, Oregon, U.S.A.	Offices
Digital Bros China (Shenzhen) Ltd.	Tao Yuan Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona 37, Milan	Offices
Game Network S.r.l.	Via Tortona 37, Milan	Offices
Game Service S.r.l.	Via Tortona 37, Milan	Offices
Pipeworks Inc.	133 W. Broadway, Suite 200 Eugene, Oregon, U.S.A.	Offices
505 Games S.r.l.	Via Tortona 37, Milan	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Mobile S.r.l.	Via Tortona 37, Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices

505 Games Nordic AB, based in Stockholm, was placed in liquidation during the period. Digital Bros Holdings Ltd., based in Milton Keynes, incorporated in January 2016, was not operational during the quarter.

As at 31 March 2016 the Group had equity investments in the associates listed below:

<b>Company name</b>	<b>Registered Office</b>	<b>Holding</b>	<b>Book value</b>
Delta DNA Ltd. <sup>(1)</sup>	Edinburgh	1.16%	60
Ebooks&Kids S.r.l.	Milan	16%	200
Cityglance S.r.l.	Milan	37.5%	45
Ovosonico S.r.l.	Varese	28.58%	420
<b>Total</b>			<b>725</b>

<sup>(1)</sup> Previously Games Analytics Ltd.

## 2. THE VIDEO GAMES MARKET

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The video games market is part of the entertainment industry. Movies, publishing, and toys are businesses that build on the same characters, brands, and intellectual property.

The market is in constant flux and is expanding quickly as a result of non-stop technological advances. Today, playing is no longer limited to traditional games consoles, Sony Playstation and Microsoft Xbox in the various versions, but also mobile telephones, tablets, etc. The dissemination of connectivity at increasingly lower costs and the availability of optic fibre networks and high speed mobile networks enable video games to diversify increasingly, becoming more and more sophisticated and interactive. The spread of smartphones to the entire population, without difference by gender or age, has allowed developers to express their creativity in non-traditional contexts, for example by developing video games suited to female gamers.

The video games market for the Sony Playstation and Microsoft Xbox instead performs in cycles, in parallel with the life cycle of the consoles themselves for which the video games are developed, as is standard in almost all technological markets. With the rollout of a given console, the price of the hardware and the video games designed for it is high, and relatively small quantities are sold. During the life cycle, prices then gradually go down, as they progress from new releases to maturity, and the quantities sold increase. The games market for a given console usually peaks in its fifth year on the market. The lifespan for consoles is currently around seven years. The new consoles Sony Playstation 4 and Microsoft Xbox One came out in November 2013.

High quality video games with high sales potential, in addition to being marketed on the digital marketplaces, are also produced physically and distributed through traditional sales networks. In this case, the value chain is as follows:



Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film, etc. The developers retain the intellectual property rights, but they transfer the exploitation rights – for a limited amount of time agreed by contract – to international video game publishers, who are therefore crucial for completing the game and giving it a global reputation and clientèle.

Publishers allow the game to reach the consumer, as most of them are equipped with direct and indirect sales networks in various countries. They also finance the phases of development and implement communication strategies to maximise global sales. The publisher decides on a game's release schedule, global pricing and sales policy, positioning, and package design, while taking on all of the risks and, jointly with the developer, enjoying all the opportunities that the video game may generate if it is a success.

The console manufacturer is the company that designs, engineers, produces and markets the hardware or platform on which consumers play the game. Sony is the console manufacturer for Sony Playstation 4 and Sony PSP Vita; Microsoft is the console manufacturer for Microsoft Xbox One; and Nintendo is the console manufacturer for Nintendo 3 DS and Nintendo Wii U. The console manufacturer prints the game on behalf of publishers in specific plants dedicated to the reproduction of software on the various physical storage devices used. The video game must be approved in advance by the manufacturer, through a structured process known as submission. Only publishers selected in advance will be allowed to publish games by the console manufacturer, according to a licensing publishing agreement. The console manufacturer and the video game publisher are often one and the same.

The role of the distributor varies from country to country. The more a market is fragmented, like Italy's, the more the distributor's role is integrated with that of the publisher, with the implementation of specific communication policies for a local audience and public relations strategies. In some markets, like the U.K. and the U.S., retailers are highly concentrated so publishers usually have a direct commercial presence. The French and Spanish markets have an intermediate structure somewhere between the Italian and Anglo-Saxon markets.

The retailer is the outlet where the consumer purchases the game. Retailers can be international chains specialized in the sale of video games, mass retail stores, specialized independent shops, or online stores.

If video games are distributed in digital format on the marketplaces, but also as regards video games for smartphones and/or tablets, the value chain is less structured and is as follows:



As distribution goes increasingly digital, console manufacturers have organized “marketplaces” where video games can be sold directly to the consumer without the need for a distributor or retailer. The main marketplaces through which the video games for consoles are sold to the end consumer are: PlayStation Store by Sony, Xbox Live by Microsoft and eShop by Nintendo. The world leader in the digital distribution of games for personal computers is the marketplace Steam. Through its subsidiaries, the Group has entered into publishing contracts with all of the marketplaces mentioned.

Concerning games for mobile phones, on the other hand, Apple has its AppStore marketplace for iPhone and iPad games, while the marketplace for Android technology is GooglePlayStore. The Group has appropriate distribution agreements with the latter as well.

The digital distribution of a video game considerably extends the life cycle of a product, enabling the video game to be constantly available on the digital catalogue of the marketplace, a dynamic that is difficult to imagine if the product were to be physically distributed, since the constant release of new products makes it indispensable to rotate the video games on retailers' shelves. Digital distribution also allows publishers to conduct promotional campaigns in a relatively swift, efficient manner throughout a

video game's life cycle. The ability to distribute additional episodes of a particularly successful game on digital marketplaces represents a further way of expanding a video game's potential over time.

### **3. SEASONAL TRENDS**

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The seasonal nature of the business is due to the launch on the market of highly successful products: quarter-on-quarter results can be volatile depending on whether or not a popular new game is released during each three-month period. The launch of these products causes sales to be concentrated in the first days of marketing of the product, known as “day one”.

The seasonal pattern is even more pronounced for the video game publisher, which usually releases a limited number of games over the 12-month period, whereas the distributor can count on a steady stream of new products as its business is to sell the games of different publishers in a given geographical market. The launch of a game in one quarter as opposed to another concentrates sales in a restricted period of time, thus magnifying the volatility of revenues between different quarters and/or different years.

The publication and distribution of video games in the digital marketplace reduces, but does not neutralize, the volatility of a publisher’s results from one quarter to the next. In digital distribution, revenue is recorded when the end consumers purchase the video game from the marketplace. This process takes place more gradually over time and not primarily in the days immediately following launch, differently to traditional distribution, where revenue is earned at the time of delivery to the distributor/retailer regardless of the purchase by the end consumer.

The financial structure is also closely related to the pattern in sales. The physical distribution of a product in a quarter entails the concentration of investments in net working capital, which are temporarily reflected in the net financial position at least until revenues from sales are collected.

#### **4. SIGNIFICANT EVENTS DURING THE PERIOD**

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The main events during the period were as follows:

- At various points during the period, Digital Bros S.p.A. purchased 2,883,271 Starbreeze B shares for a total of 2,767 thousand euros and disposed of 4,083,962 shares for a total of 5,805 thousand euros. During the same period, it purchased 1,776,314 Starbreeze A ordinary shares for a total of 1,821 thousand euros.
- In August and September, Digital Bros S.p.A. sold on the open market 270,000 treasury shares for a total value of 3,045 thousand euros. At the end of the period, treasury shares held amounted to 130,247 ordinary shares.
- On 2 September 2015, Digital Bros S.p.A. incorporated Digital Bros China (Shenzhen) Ltd., based in Shenzhen, China, with the purpose of carrying out marketing and business development activity on the Chinese market on behalf of Group companies. Share capital is 100 thousand euros.
- On 11 September 2015, the Group entered into a commitment to subscribe for a capital increase by the Italian video game developer Ovosonico S.r.l. in the total amount, inclusive of premium, of 720 thousand euros. The increase will take place in multiple stages and will result in Digital Bros S.p.A. holding a 49% interest in the company at the end of the process, scheduled for 31 July 2016. The company is based in Varese and employs about 25 people. Among the products already developed, Murasaki Baby, award-winning video game published by Sony Computer Entertainment, stand out. During the period, two single payments totalling 420 thousand euros were made, of which 28,583 euros of capital and 391,417 euros of premium, representing an 28.58% interest in the Company;
- The company 133 W Broadway, Inc. was incorporated on 8 January 2016. The company, based in the United States of America, is a fully-owned subsidiary of Digital Bros S.p.A. and has share capital of 100 thousand US dollars. On 3 February 2016 the company purchased the building in which the offices of Pipeworks Inc. are located and succeeded to the existing rental agreement;
- On 11 January 2016 the Shareholders' Meeting of 505 Games S.r.l. transformed the company from its current form into a joint-stock company. Its new name is 505 Games S.p.A. The registered office, duration and end of the financial year remained unchanged, and the current Board of Directors was confirmed. The Shareholders' Meeting also authorised a bonus issue of 900,000 euros, increasing capital from 100,000 euros to 1,000,000 euros, through the issue of 900,000 shares with a nominal value of 1 euro each, through partial use of retained earnings.
- The company Digital Bros Holdings Ltd. was incorporated on 13 January 2016. The company, based in the United Kingdom, is a fully-owned subsidiary of Digital Bros S.p.A. and has share capital of 100 thousand pounds. The company will become the sub-holding for the equity investments of all of the Group's English companies for the purposes of local tax consolidation.

## 5. ANALYSIS OF THE ECONOMIC PERFORMANCE AS AT 31 March 2016

	EUR/000	31 March 2016		31 March 2015		Change	
1	Gross revenues	61,281	104.6%	88,258	104.4%	(26,977)	-30.6%
2	Revenue adjustments	(2,680)	-4.6%	(4,288)	-4.4%	1,608	-37.5%
3	<b>Total net revenues</b>	<b>58,601</b>	<b>100.0%</b>	<b>83,970</b>	<b>100.0%</b>	<b>(25,369)</b>	<b>-30.2%</b>
4	Purchase of goods for retail	(16,372)	-27.9%	(26,741)	-30.9%	10,369	-38.8%
5	Purchase of services for retail	(4,438)	-7.6%	(3,912)	-4.9%	(526)	13.5%
6	Royalties	(14,648)	-25.0%	(21,813)	-24.4%	7,165	-32.8%
7	Changes in finished product inventories	(1,164)	-2.0%	(216)	-2.7%	(948)	n.s.
8	<b>Total cost of sold products</b>	<b>(36,622)</b>	<b>-62.5%</b>	<b>(52,682)</b>	<b>-63.0%</b>	<b>16,060</b>	<b>-30.5%</b>
9	<b>Gross profit (3+8)</b>	<b>21,979</b>	<b>37.5%</b>	<b>31,288</b>	<b>37.0%</b>	<b>(9,309)</b>	<b>-29.8%</b>
10	Other revenues	4,366	7.5%	955	0.4%	3,411	n.s.
11	Cost of services	(9,847)	-16.8%	(7,858)	-9.3%	(1,989)	25.3%
12	Rent and leasing	(1,159)	-2.0%	(1,149)	-1.3%	(10)	0.8%
13	Personnel costs	(14,601)	-24.9%	(12,680)	-13.0%	(1,921)	15.1%
14	Other operating expenses	(1,136)	-1.9%	(948)	-1.1%	(188)	19.8%
15	<b>Total operating costs</b>	<b>(26,743)</b>	<b>-45.6%</b>	<b>(22,635)</b>	<b>-24.6%</b>	<b>(4,108)</b>	<b>18.1%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(398)</b>	<b>-0.7%</b>	<b>9,608</b>	<b>12.9%</b>	<b>(10,006)</b>	<b>n.s.</b>
17	Amortisation and depreciation	(2,798)	-4.8%	(2,183)	-2.2%	(615)	28.2%
18	Provisions	0	0.0%	0	-0.1%	0	n.s.
19	Write-down of assets	(425)	-0.7%	(332)	-0.6%	(93)	28.0%
20	Write-backs and non-monetary income	588	1.0%	0	0.0%	588	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(2,635)</b>	<b>-4.5%</b>	<b>(2,515)</b>	<b>-2.9%</b>	<b>(120)</b>	<b>4.8%</b>
22	<b>EBIT (16+21)</b>	<b>(3,033)</b>	<b>-5.2%</b>	<b>7,093</b>	<b>10.0%</b>	<b>(10,126)</b>	<b>n.s.</b>
23	Interest and financial income	2,574	4.4%	2,905	2.3%	(331)	-11.4%
24	Interest and financial expenses	(1,222)	-2.1%	(1,384)	-1.4%	162	-11.8%
25	<b>Net financial income</b>	<b>1,352</b>	<b>2.3%</b>	<b>1,521</b>	<b>0.9%</b>	<b>(169)</b>	<b>-11.1%</b>
26	<b>Pre-tax income (22+25)</b>	<b>(1,681)</b>	<b>-2.9%</b>	<b>8,614</b>	<b>10.9%</b>	<b>(10,295)</b>	<b>n.s.</b>
27	Current taxes	(1,116)	-1.9%	(3,604)	-4.2%	2,488	-69.0%
28	Deferred taxes	1,506	2.6%	578	0.0%	928	n.s.
29	<b>Total income taxes</b>	<b>390</b>	<b>0.7%</b>	<b>(3,026)</b>	<b>-4.2%</b>	<b>3,416</b>	<b>n.s.</b>
30	<b>Net profit (26+29)</b>	<b>(1,291)</b>	<b>-2.2%</b>	<b>5,588</b>	<b>6.7%</b>	<b>(6,879)</b>	<b>n.s.</b>
	<b>Net income per share:</b>						
33	<b>Basic earnings per share (in euros)</b>	<b>(0.09)</b>		<b>0.41</b>		<b>(0.50)</b>	<b>n.s.</b>
34	<b>Diluted earnings per share (in euros)</b>	<b>(0.09)</b>		<b>0.41</b>		<b>(0.50)</b>	<b>n.s.</b>

In the absence of significant new product launches during the period, the Group's gross revenues were 61,281 thousand euros, down by 26,977 thousand euros. Net revenues decreased by 30.2% to 58,601 thousand euros from 83,970 thousand euros as at 31 March 2015.

Below is the breakdown of revenues by business segment as at 31 March 2016 compared with the previous year:

EUR/000	Gross revenues				Net revenues			
	2016	2015	Change		2016	2015	Change	
Publishing	32,366	54,878	(22,512)	-41.0%	30,763	52,037	(21,274)	-40.9%
Italian Distribution	16,293	20,688	(4,395)	-21.2%	15,267	19,356	(4,089)	-21.1%
Mobile	11,010	11,309	(299)	-2.6%	11,010	11,309	(299)	-2.6%
Development	1,102	1,184	(82)	-6.9%	1,102	1,184	(82)	-6.9%
Other Activities	510	199	311	n.s.	510	199	311	n.s.
<b>Total gross revenues</b>	<b>61,281</b>	<b>88,258</b>	<b>(26,977)</b>	<b>-30.6%</b>	<b>58,601</b>	<b>83,970</b>	<b>(25,369)</b>	<b>-30.2%</b>

The significant decline in revenues was primarily due to the decrease in Publishing segment product sales, which fell by 22,512 thousand euros. Revenues for the Publishing segment are detailed by product below:

EUR/000	31 March 2016	31 March 2015	Change
PAYDAY 2	14,260	14,751	(491)
Sniper Elite V3	6,618	26,779	(20,161)
Terraria	6,196	6,707	(511)
Brothers	2,092	868	1,224
How to Survive	954	1,872	(918)
Portal Knights	758	0	758
Sniper Elite V2	222	1,675	(1,453)
Other products	1,266	2,226	(960)
<b>Total gross revenues - Publishing</b>	<b>32,366</b>	<b>54,878</b>	<b>(22,512)</b>

The decline in the Publishing segment was largely due to the decrease in sales of the video game Sniper Elite V3 of 20,161 thousand euros. During the reporting period, the Group continued to be able to count solely on revenues on highly successful products published by the Group in previous years, PAYDAY 2, revenues from which were essentially stable, and Terraria, which posted a decrease in revenues of 14% in the first nine months of the year. The only launches during the period were limited to various new products such as Portal Knights, which generated revenues of 758 thousand euros, released at the end of February in early access mode, i.e. at a late, but not final, stage of development, solely on the Steam platform.

The decrease in revenues of the Italian Distribution segment of 4,395 thousand euros was due to the significant decline in the sales of the Yu-Gi-Oh! collectible cards, whereas there was an increase in video game distribution revenues due to the launch on the Italian market of the video games Metal Gear Solid V and PES 2016, which met with particular success among the public.



Although no new products were launched during the year, revenues of the Mobile segment decreased by just 2.6% to 11,010 thousand euros. The segment's sales benefited from the positive performance of revenues generated by the video game Battle Island, developed by the subsidiary DR Studios.

The Development segment's revenues for the period amounted to 1,102 thousand euros, down by 6.9%, and related to sales that the U.S. developer Pipeworks Inc. completed on development projects for non-captive clients.

Revenues of the Other Activities segment include Fantasfida revenues of 366 thousand euros. Fantasfida is the first Italian daily fantasy sport, a phenomenon that is particularly popular in the United States of America. This is a game of skill in which the player fields a virtual team of champions in various athletic disciplines and takes part in a tournament with potential cash prizes in return for payment of an entry fee.

The cost of goods decreased by 30.5%, in line with the decline in revenues, from 52,682 thousand euros to 36,622 thousand euros. Gross profits were consequently down by 29.8% from 31,288 thousand euros as at 31 March 2015 to the 21,979 thousand euros as at 31 March 2016, of which 2,572 thousand euros of costs incurred for the launch of Fantasfida.

Other revenues were a quite significant component for the period, amounting to 4,366 thousand euros. Such revenues consist of the capitalisation of internal work as a result of development projects carried out by the subsidiaries Pipeworks Inc. and DR Studios Ltd on behalf of Group companies, in particular on Prominence Poker, which will be launched in the first quarter of next year.

Operating expenses increased by 4,108 thousand euros, or 18.1%, rising from 22,635 thousand euros as at 31 March 2015 to 26,743 thousand euros as at 31 March 2016. In particular, cost of services increased by 1,989 thousand euros, or 25.3% compared to the previous year, of which 1,965 thousand euros of advertising costs incurred for the launch of Fantasfida.

The increase in personnel costs of 1,921 thousand euros was due to the acquisition of the two development studios, which in the previous year were only consolidated from September, but also to the growth of the Publishing and Mobile structures to manage the important process of investment in new video games that the Group undertook in the previous 18 months.

EBITDA was a negative 398 thousand euros, compared to a positive 9,608 thousand euros as at 31 March 2015, down by approximately 10 million euros.

Net non-monetary operating costs increased by 120 thousand euros, due to the increase in amortisation of 615 thousand euros to reflect the investments undertaken by the Group with the acquisitions of 100% of Pipeworks Inc. and DR Studios Ltd. and the write-downs of assets of 93 thousand euro, partially offset by higher write-backs of assets and non-financial income of 588 thousand euros. The write-backs of assets were due to the non-existence of the payable of 588 thousand euros to the sellers of DR Studios Ltd. as a result of the expected failure to satisfy the condition for an earn-out payment in September 2016. This entailed the concurrent write-down of the assets allocated during the acquisition phase for 425 thousand euros.

EBIT decreased by 10,126 thousand euros, falling from 7,093 thousand euros as at 31 March 2015 to a negative 3,033 thousand euros in the current period.

Net financial income amounted to 1,352 thousand euros, compared to 1,521 thousand euros in the same period of the previous year.

Interest and financial income amounted to 2,574 thousand euros, including exchange gains of 1,054 thousand euros and capital gains realised on the sale of the Starbreeze B shares of 1,495 thousand euros, while in the previous year the item was 2,905 thousand euros, consisting almost exclusively of exchange gains.

Interest and financial expenses amounted to 1,222 thousand euros, down by 162 thousand euros compared to the period ended 31 March 2015, due to the significant decline in financial expenses of 321 thousand euros and an increase in exchange losses of 159 thousand euros.

Pre-tax loss as at 31 March 2016 was 1,681 thousand euros, compared to the pre-tax income of 8,614 thousand euros recorded during the same period of last year. Net loss was 1,291 thousand euros, compared to the profit of 5,588 thousand euros as at 31 March 2015.

Basic and diluted net loss per share came to 0.09 euros, versus earnings per share of 0.41 euros in the same period of the previous year.

Please refer to the specific sections in the report for more information regarding the Group's performance in its various business segments, including through subsidiaries.

## 6. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AS AT 31 March 2016

	EUR/000	31 March 2016	30 June 2015	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	7,300	4,841	2,459	50.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,933	7,946	1,987	25.0%
4	Equity investments	725	1,274	(549)	-43.0%
5	Non-current receivables and other assets	1,053	1,058	(5)	-0.5%
6	Deferred tax assets	3,548	2,240	1,308	58.4%
	<b>Total non-current assets</b>	<b>22,559</b>	<b>17,359</b>	<b>5,200</b>	<b>30.0%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(480)	(486)	6	-1.2%
8	Non-current provisions	(88)	(170)	82	-48.1%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	<b>Total non-current liabilities</b>	<b>(568)</b>	<b>(1,245)</b>	<b>677</b>	<b>-54.4%</b>
	<b>Net working capital</b>				
10	Inventories	11,717	12,881	(1,164)	-9.0%
11	Trade receivables	31,683	36,350	(4,667)	-12.8%
12	Tax credits	3,408	2,466	942	38.2%
13	Other current assets	4,509	6,148	(1,639)	-26.7%
14	Trade payables	(18,004)	(26,929)	8,925	-33.1%
15	Tax payables	(1,902)	(3,029)	1,127	-37.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,172)	(1,859)	687	-37.0%
	<b>Total net working capital</b>	<b>30,239</b>	<b>26,028</b>	<b>4,211</b>	<b>16.2%</b>
	<b>Shareholders' equity</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,927)	(19,417)	(510)	2.6%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(9,074)	(9,947)	873	-8.8%
	<b>Total shareholders' equity</b>	<b>(34,255)</b>	<b>(33,809)</b>	<b>(445)</b>	<b>1.3%</b>
	<b>Total net assets</b>	<b>17,975</b>	<b>8,333</b>	<b>9,642</b>	<b>n.s.</b>
22	Cash and cash equivalents	2,197	4,339	(2,142)	-49.4%
23	Current payables due to banks	(22,136)	(12,738)	(9,398)	73.8%
24	Other current financial assets and liabilities	4,157	1,685	2,472	n.s.
	<b>Current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>	<b>n.s.</b>
25	Non-current financial assets	1,195	0	1,195	0.0%
26	Non-current payables due to banks	(1,687)	(1,619)	(68)	4.2%
27	Other non-current financial liabilities	(1,701)	0	(1,701)	0.0%
	<b>Non-current net financial position</b>	<b>(2,193)</b>	<b>(1,619)</b>	<b>(574)</b>	<b>35.5%</b>
	<b>Total net financial position</b>	<b>(17,975)</b>	<b>(8,333)</b>	<b>(9,642)</b>	<b>n.s.</b>

Non-current assets increased by 5,200 thousand euros compared to 30 June 2015, primarily due to the purchase by 133 W Broadway, Inc. of the property located in Eugene that is home to the offices of Pipeworks Inc. for 2,196 thousand euros, the increase in costs incurred for video games in the development phase and classified among intangible assets in the amount of 1,987 thousand euros in relation to the internal development orders of the subsidiaries Pipeworks Inc. and DR Studios Ltd., and the increase in deferred tax assets of 1,307 thousand euros.

Equity investments decreased by 549 thousand euros due to the classification among other current financial assets of the Starbreeze A shares of 969 thousand euros at 30 June 2015 and the increase of 420 thousand euros relating to the purchase of a 28.58% interest in Ovosonico S.r.l.

Non-current liabilities decreased by 677 thousand euros due to the failure to meet the condition for the pay-out of the earn-out envisaged in the acquisition agreement for DR Studios Ltd. (589 thousand euros), whereas the remainder was due to minor changes in the captions employee benefits and non-current provisions.

An analysis of net working capital in comparison with figures at 30 June 2015 is provided below:

EUR/000	31 March 2016	30 June 2015	Change	
Inventories	11,717	12,881	(1,164)	-9.0%
Trade receivables	31,683	36,350	(4,667)	-12.8%
Tax credits	3,408	2,466	942	38.2%
Other current assets	4,509	6,148	(1,639)	-26.7%
Trade payables	(18,004)	(26,929)	8,925	-33.1%
Tax payables	(1,902)	(3,029)	1,127	-37.2%
Current provisions	0	0	0	0.0%
Other current liabilities	(1,172)	(1,859)	687	-37.0%
<b>Total net working capital</b>	<b>30,239</b>	<b>26,028</b>	<b>4,211</b>	<b>16.2%</b>

Net working capital increased by 4,211 thousand euros compared to 30 June 2015, despite the decline in inventories of 1,164 thousand euros. This increase contrasted with the decline in sales, which normally permits a simultaneous reduction of net working capital, as manifest in the 33.1% decrease in trade payables. The process of significant investments in new products launched by the Group in the past several months, expected to begin to generate revenues in the following year, had a significant impact on trade receivables, which declined by 12.8%, a much smaller decrease than the drop in revenues of 30%. The item consists of trade receivables and advances for licences for the use of video games. Its composition is therefore fundamental to an understanding of the performance of net working capital and illustrated below:

EUR/000	31 March 2016	30 June 2015	Change
Receivables due from customers	12,814	24,824	(12,010)
Receivables for licences to use video games	18,869	11,526	7,343
<b>Total trade receivables</b>	<b>31,683</b>	<b>36,350</b>	<b>(4,667)</b>

In the table below, the net financial position is compared with the situation at 30 June 2015:

EUR/000	31 March 2016	30 June 2015	Change	
Cash and cash equivalents	2,197	4,339	(2,142)	-49.4%
Current payables due to banks	(22,136)	(12,738)	(9,398)	73.8%
Other current financial assets and liabilities	4,157	1,685	2,472	n.s.
<b>Current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>	<b>n.s.</b>
Non-current financial assets	1,195	0	1,195	0.0%
Non-current payables due to banks	(1,687)	(1,619)	(68)	4.2%
Other non-current financial liabilities	(1,701)	0	(1,701)	0.0%
<b>Non-current net financial position</b>	<b>(2,193)</b>	<b>(1,619)</b>	<b>(574)</b>	<b>35.5%</b>
<b>Total net financial position</b>	<b>(17,975)</b>	<b>(8,333)</b>	<b>(9,642)</b>	<b>n.s.</b>

Net financial debt was 17,975 thousand euros, up by 9,642 thousand euros compared to 30 June 2015, in line with the increase in non-current assets and net working capital.

The change was due to the increase in current payables due to banks of 9,398 thousand euros, the decrease in cash and cash equivalents of 2,142 thousand euros and the increase in other non-current financial liabilities of 1,701 thousand euros, partially offset by the increase in other current financial assets and liabilities of 2,472 thousand euros and non-current financial assets of 1,195 thousand euros.

For further details, see the consolidated statement of cash flows.

## 7. PERFORMANCE OF BUSINESS SEGMENTS

### *Development*

#### *Key results (reclassified)*

	Consolidated data in thousands of euros	Development					
		31 March 2016		31 March 2015		Change	
1	Revenues	1,102	100.0%	1,184	100.0%	(82)	-6.9%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Total revenues</b>	<b>1,102</b>	<b>100.0%</b>	<b>1,184</b>	<b>100.0%</b>	<b>(82)</b>	<b>-6.9%</b>
4	Purchase of goods for retail	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for retail	(408)	-37.0%	(84)	-7.1%	(324)	n.s.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sold products</b>	<b>(408)</b>	<b>-37.0%</b>	<b>(84)</b>	<b>-7.1%</b>	<b>(324)</b>	<b>n.s.</b>
9	<b>Gross profit (3+8)</b>	<b>694</b>	<b>63.0%</b>	<b>1,100</b>	<b>93.0%</b>	<b>(406)</b>	<b>-36.9%</b>
10	Other revenues	3,365	305.4%	667	56.4%	2,698	n.s.
11	Cost of services	(213)	-19.3%	(190)	-16.1%	(24)	11.9%
12	Rent and leasing	(109)	-9.9%	(58)	-4.9%	(51)	n.s.
13	Personnel costs	(3,804)	-345.3%	(2,434)	-205.6%	(1,370)	56.3%
14	Other operating expenses	(134)	-12.1%	(53)	-4.5%	(81)	n.s.
15	<b>Total operating costs</b>	<b>(4,260)</b>	<b>386.6%</b>	<b>(2,735)</b>	<b>-231.1%</b>	<b>(1,525)</b>	<b>55.8%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(201)</b>	<b>-18.2%</b>	<b>(968)</b>	<b>-81.8%</b>	<b>767</b>	<b>-79.3%</b>
17	Amortisation and depreciation	(453)	-41.1%	(301)	-25.4%	(152)	50.6%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(453)</b>	<b>-41.1%</b>	<b>(301)</b>	<b>-25.4%</b>	<b>(152)</b>	<b>50.6%</b>
22	<b>EBIT (16+21)</b>	<b>(654)</b>	<b>-59.3%</b>	<b>(1,269)</b>	<b>-107.2%</b>	<b>615</b>	<b>-48.5%</b>

The segment consists solely of the activities of the U.S. Pipeworks Inc., acquired on 1 September 2014 and thus consolidated for just seven months in the corresponding period of the previous year.

The Development segment's revenues relate to development contracts for non-captive clients, whereas revenues related to the development projects carried out on behalf of Group companies are classified to other revenues, net of the margins realised.

Revenues from non-captive clients amounted to 1,102 thousand euros during the period, compared to 1,184 thousand euros in the previous year, whereas internal development projects increased to 3,365

thousand euros compared to just 667 thousand euros in the previous year, in line with the greater integration of the acquiree and the Group over time.

Other revenues may be broken down by project as follows:

<b>EUR/000</b>	<b>Personnel costs</b>	<b>Other costs</b>	<b>Total</b>
Prominence Poker	1,491	252	1,743
Galapagos	344	3	347
Superfight	418	46	464
Quality Assurance	265	3	268
Other projects	441	102	543
<b>Total</b>	<b>2,959</b>	<b>406</b>	<b>3,365</b>

The most significant component related to development of the video game Prominence Poker in the amount of 1,743 thousand euros. The game will be free-to-play game, i.e. without requiring the player to pay for purchase, whereas revenues will be based solely on purchases by players of virtual sums to be used in the game. Release is currently scheduled for the first quarter of next year for the versions for next-generation consoles and the personal computer game platform Steam. Prior to the acquisition, the company had created a successful video game of the same type on the platform Microsoft Xbox Live.

Personnel costs were the most significant component of operating costs, amounting to 3,804 thousand euros. At the monthly level, costs of 423 thousand euros increased compared to the previous year, when monthly costs of 348 thousand euros were recorded, primarily due to the reinforcement of the Quality Assurance Division in response to the greater needs identified in this area by Group companies.

Amortisation/depreciation is for 124 thousand euros relative to the intangible assets brought by Pipeworks Inc. to the Group, and for 329 thousand euros relative to the amortisation of the difference between the purchase price and equity of the Company upon acquisition.

## Publishing

### Key results (reclassified)

Consolidated data in thousands of euros		Publishing					
		31 March 2016		31 March 2015		Change	
1	Revenues	32,366	105.2%	54,878	105.5%	(22,511)	-41.0%
2	Revenue adjustments	(1,603)	-5.2%	(2,841)	-5.5%	1,238	-43.6%
<b>3</b>	<b>Total revenues</b>	<b>30,763</b>	<b>100.0%</b>	<b>52,037</b>	<b>100.0%</b>	<b>(21,274)</b>	<b>-40.9%</b>
4	Purchase of goods for retail	(4,963)	-16.1%	(11,175)	-21.5%	6,213	-55.6%
5	Purchase of services for retail	(2,197)	-7.1%	(2,518)	-4.8%	322	-12.8%
6	Royalties	(8,684)	-28.2%	(16,374)	-31.5%	7,689	-47.0%
7	Changes in finished product inventories	(1,011)	-3.3%	(739)	-1.4%	(272)	36.9%
<b>8</b>	<b>Total cost of sold products</b>	<b>(16,855)</b>	<b>-54.8%</b>	<b>(30,806)</b>	<b>-59.2%</b>	<b>13,951</b>	<b>-45.3%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>13,908</b>	<b>45.2%</b>	<b>21,231</b>	<b>40.8%</b>	<b>(7,323)</b>	<b>-34.5%</b>
10	Other revenues	86	0.3%	17	0.0%	69	n.s.
11	Cost of services	(3,976)	-12.9%	(4,222)	-8.1%	246	-5.8%
12	Rent and leasing	(385)	-1.3%	(429)	-0.8%	44	-10.2%
13	Personnel costs	(4,881)	-15.9%	(4,311)	-8.3%	(570)	13.2%
14	Other operating expenses	(373)	-1.2%	(334)	-0.6%	(39)	11.7%
<b>15</b>	<b>Total operating costs</b>	<b>(9,615)</b>	<b>-31.3%</b>	<b>(9,296)</b>	<b>-17.9%</b>	<b>(319)</b>	<b>3.4%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>4,379</b>	<b>14.2%</b>	<b>11,952</b>	<b>23.0%</b>	<b>(7,573)</b>	<b>-63.4%</b>
17	Amortisation and depreciation	(883)	-2.9%	(627)	-1.2%	(256)	41.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
<b>21</b>	<b>Total non-monetary income and operating costs</b>	<b>(883)</b>	<b>-2.9%</b>	<b>(627)</b>	<b>-1.2%</b>	<b>(256)</b>	<b>41.0%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>3,496</b>	<b>11.4%</b>	<b>11,325</b>	<b>21.8%</b>	<b>(7,829)</b>	<b>-69.1%</b>

In absence of significant new product launches, the decline in the Publishing segment was largely due to the decrease in sales of the video game Sniper Elite V3 of 20,161 thousand euros, out of the total of 22,512 thousand euros. During the reporting period, the Group continued to be able to count solely on revenues on highly successful products published by the Group in previous years, PAYDAY 2, revenues from which were essentially stable, and Terraria, which posted a decrease in revenues of 14% in the first nine months of the year. The only launches during the period were limited to various new products such as Portal Knights, which generated revenues of 758 thousand euros, released at the end of February in early access mode, i.e. at a late, but not final, stage of development, solely on the Steam platform.

Details of revenues divided up according to the main products published by the Group during the period are as follows:



<b>Data in thousands of euros</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
PAYDAY 2	14,260	14,751	(491)
Sniper Elite V3	6,618	26,779	(20,161)
Terraria	6,196	6,707	(511)
Brothers	2,092	868	1,224
How to Survive	954	1,872	(918)
Portal Knights	758	0	758
Sniper Elite V2	222	1,675	(1,453)
Other	1,266	2,226	(960)
<b>Total revenues - Publishing</b>	<b>32,366</b>	<b>54,878</b>	<b>(22,512)</b>

A breakdown of revenues as at 31 March 2016, divided up according to type of distribution channel and compared with the same data of the previous period, yields the following:

<b>Revenues in thousands of euros</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
Revenues from retail distribution	14,752	31,098	(16,346) -52.6%
Revenues from digital distribution	17,560	23,609	(6,049) -25.6%
Revenues from sub-licensing	54	171	(117) -68.4%
<b>Total revenues - Publishing</b>	<b>32,366</b>	<b>54,878</b>	<b>(22,512) -41.0%</b>

Digital distribution revenues as at 31 December 2015 are broken down below by digital marketplace, as follows:

<b>Revenues in thousands of euros</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
Steam	7,544	10,315	(2,771)
Sony Play Station Network	5,084	5,080	(4)
Microsoft Xbox Live	4,618	7,829	(3,211)
Other marketplaces	314	385	(71)
<b>Total revenues - Digital distribution</b>	<b>17,560</b>	<b>23,609</b>	<b>(6,049)</b>

Revenue adjustments decreased by 1,238 thousand euros, with a percentage decline of 43.6%, resulting in a decrease in net revenues of 40.9%. The item includes the estimated credit notes for unsold products that the Group forecasts having to issue to customers in the near future and was also down in line with the decrease in retail distribution revenues.

The cost of goods sold decreased by 45.3%, greater than the decrease in revenues, falling from 30,806 thousand euros to 16,855 thousand euros, resulting in a decrease in gross profits of 34.5% from 21,231 thousand euros as at 31 March 2015 to 13,908 thousand euros as at 31 March 2016.

Operating costs increased by 319 thousand euros, due to an increase in personnel costs of 570 thousand euros due to the expansion of the segment's international organisational structure to manage the important process of investments in new video games undertaken by the Group in the past 18 months, only partly offset by a decline in costs of services of 246 thousand euros due to the decreased advertising investments.

EBITDA declined to 14.2% of net revenues from 23% in the previous year, falling from 11,952 thousand euros to 4,379 thousand euros.

Non-monetary operating costs increased by 256 thousand euros due to greater amortisation of intellectual property, resulting in a decline of EBIT to 3,496 thousand euros or 11.4% of net revenues, compared to 11,325 thousand euros in the first nine months of the previous year.

## Mobile

### Key results (reclassified)

Consolidated data in thousands of euros		Mobile					
		31 March 2016		31 March 2015		Change	
1	Revenues	11,010	100.0%	11,309	100.0%	(299)	-2.6%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Total revenues</b>	<b>11,010</b>	<b>100.0%</b>	<b>11,309</b>	<b>100.0%</b>	<b>(299)</b>	<b>-2.6%</b>
4	Purchase of goods for retail	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for retail	(1,755)	-15.9%	(1,296)	-11.5%	(459)	35.4%
6	Royalties	(5,872)	-53.3%	(5,436)	-48.1%	(436)	8.0%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sold products</b>	<b>(7,627)</b>	<b>-69.3%</b>	<b>(6,732)</b>	<b>-59.5%</b>	<b>(895)</b>	<b>13.3%</b>
9	<b>Gross profit (3+8)</b>	<b>3,383</b>	<b>30.7%</b>	<b>4,577</b>	<b>40.5%</b>	<b>(1,194)</b>	<b>-26.1%</b>
10	Other revenues	685	6.2%	209	1.8%	476	n.s.
11	Cost of services	(692)	-6.3%	(539)	-4.8%	(153)	28.4%
12	Rent and leasing	(55)	-0.5%	(31)	-0.3%	(24)	76.2%
13	Personnel costs	(2,178)	-19.8%	(1,861)	-16.5%	(317)	17.0%
14	Other operating expenses	(51)	-0.5%	(23)	-0.2%	(28)	123.5%
15	<b>Total operating costs</b>	<b>(2,976)</b>	<b>-27.0%</b>	<b>(2,454)</b>	<b>-21.7%</b>	<b>(522)</b>	<b>21.3%</b>
16	<b>EBITDA (9+10+15)</b>	<b>1,092</b>	<b>9.9%</b>	<b>2,332</b>	<b>20.6%</b>	<b>(1,240)</b>	<b>-53.2%</b>
17	Amortisation and depreciation	(1,036)	-9.4%	(915)	-8.1%	(121)	13.3%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(425)	-3.9%	0	0.0%	(425)	0.0%
20	Write-backs of assets and non-monetary income	588	5.3%	0	0.0%	588	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(873)</b>	<b>-7.9%</b>	<b>(915)</b>	<b>-8.1%</b>	<b>42</b>	<b>-4.5%</b>
22	<b>EBIT (16+21)</b>	<b>219</b>	<b>2.0%</b>	<b>1,417</b>	<b>12.5%</b>	<b>(1,198)</b>	<b>-84.5%</b>

Although no new products were launched during the year, revenues of the Mobile segment decreased by just 2.6% to 11,010 thousand euros. The segment's sales benefited from the positive performance of revenues generated by the video game Battle Island, developed by the subsidiary DR Studios.

The segment's revenues for the period may be broken down as follows by segment:

Revenues in thousands of euros	31 March 2016	31 March 2015	Change
Terraria	7,583	9,265	(1,682)
Battle Islands	2,070	1,461	609
Gems of War	893	150	743
Other products	464	433	31
<b>Total revenues - Mobile</b>	<b>11,010</b>	<b>11,309</b>	<b>(299)</b>

Revenues on the sale of Terraria, despite decreasing by 18.1% compared to the same period of the previous year, amounted to 7,583 thousand euros, and were the main source of sales for the period, even two years from launch on the market.

The video game Battle Islands, developed by the subsidiary DR Studios Ltd. and launched in December 2013, made a 2,070 thousand euros contribution towards period revenues, up by 609 thousand euros compared to the same period of the previous year. Differently to Terraria, which is distributed in exchange for payment on the main digital marketplaces, Battle Islands can instead be downloaded free of charge and has purchase functions available to the player while playing. Like Gems of War, the product benefited from the sales of new versions for the Sony Playstation Network and Microsoft Xbox Live marketplaces.

The cost of goods sold comprises only purchases of services and royalties. The first, which come to 1,755 thousand euros in the year, consist of localisation costs, ratings and quality assurance, as well as the costs incurred for live support services. This is a development activity that is carried out after the game is launched and which helps maintain and improve the game during the product's life cycle to encourage the player to pay out and continue playing. Details of costs for services by type are as follows:

<b>Data in thousands of euros</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
Live support	782	279	503
Programming	253	335	(82)
Quality assurance	399	518	(119)
Hosting	179	107	72
Other	142	57	85
<b>Total</b>	<b>1,755</b>	<b>1,296</b>	<b>459</b>

Royalty costs increased by 436 thousand euros compared to the same period of the previous year, even though the share of revenues generated on products developed by Group companies, such as Battle Islands and Gems of War, on which royalties do not accrue, were on the rise. The increase was due to costs for early termination of development contracts of 2,360 thousand euros compared to 762 thousand euros in the previous year. This component is quite typical of the segment.

Operating costs include services (mostly advertising to promote products on the various platforms) and personnel costs. The increase in personnel costs was related to the acquiree DR Studios Ltd., which during the previous year was only consolidated from September.

Amortisation and depreciation increased by 121 thousand euros and were composed of:

<b>Data in thousands of euros</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
Amortisation/depreciation of Battle Islands	667	731	(64)
Amortisation of intangible assets	328	162	166
Depreciation of tangible assets	41	22	19
<b>Total</b>	<b>1,036</b>	<b>915</b>	<b>121</b>

The write-backs of assets were due to the non-existence of the payable of 588 thousand euros to the sellers of DR Studios Ltd. as a result of the expected failure to satisfy the condition for an earn-out

payment in September 2016. This entailed the concurrent write-down of the assets allocated during the acquisition phase for 425 thousand euros.

Period EBIT came to 219 thousand euros, as compared with an EBIT of 1,417 thousand euros recorded as at 31 March 2015.

## Italian Distribution

### Key results (reclassified)

Consolidated data in thousands of euros		Italian Distribution					
		31 March 2016		31 March 2015		Change	
1	Revenues	16,293	106.7%	20,688	106.9%	(4,395)	-21.2%
2	Revenue adjustments	(1,026)	-6.7%	(1,332)	-6.9%	306	-22.9%
3	<b>Total revenues</b>	<b>15,267</b>	<b>100.0%</b>	<b>19,356</b>	<b>100.0%</b>	<b>(4,089)</b>	<b>-21.1%</b>
4	Purchase of goods for retail	(11,409)	-74.7%	(15,566)	-80.4%	4,157	-26.7%
5	Purchase of services for retail	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	(153)	-1.0%	523	2.7%	(676)	n.s.
8	<b>Total cost of sold products</b>	<b>(11,562)</b>	<b>-75.7%</b>	<b>(15,043)</b>	<b>-77.7%</b>	<b>3,481</b>	<b>-23.1%</b>
9	<b>Gross profit (3+8)</b>	<b>3,705</b>	<b>24.3%</b>	<b>4,313</b>	<b>22.3%</b>	<b>(608)</b>	<b>-14.1%</b>
10	Other revenues	53	0.3%	62	0.3%	(9)	-13.9%
11	Cost of services	(1,563)	-10.2%	(1,714)	-8.9%	151	-8.8%
12	Rent and leasing	(46)	-0.3%	(43)	-0.2%	(3)	7.5%
13	Personnel costs	(1,277)	-8.4%	(1,547)	-8.0%	270	-17.4%
14	Other operating expenses	(178)	-1.2%	(191)	-1.0%	13	-6.5%
15	<b>Total operating costs</b>	<b>(3,064)</b>	<b>-20.1%</b>	<b>(3,495)</b>	<b>-18.1%</b>	<b>431</b>	<b>-12.3%</b>
16	<b>EBITDA (9+10+15)</b>	<b>694</b>	<b>4.5%</b>	<b>880</b>	<b>4.5%</b>	<b>(186)</b>	<b>-21.2%</b>
17	Amortisation and depreciation	(135)	-0.9%	(169)	-0.9%	34	-20.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(135)</b>	<b>-0.9%</b>	<b>(169)</b>	<b>-0.9%</b>	<b>34</b>	<b>-20.0%</b>
22	<b>EBIT (16+21)</b>	<b>559</b>	<b>3.7%</b>	<b>711</b>	<b>3.7%</b>	<b>(152)</b>	<b>n.s.</b>

The decrease in revenues of the Italian Distribution segment of 4.395 thousand euros was due to the significant decline in the sales of the Yu-Gi-Oh! collectible cards, whereas there was an increase in video game distribution revenues due to the launch on the Italian market of the video games Metal Gear Solid V and PES 2016, which met with particular success among the public.

The breakdown of gross revenues by type of game distributed is as follows:

EUR/000	31 March 2016	31 March 2015	Change	
Distribution of video games for consoles	11,474	10,460	1,014	9.7%
Distribution of video games for PC-CDRom	452	1,398	(946)	-67.7%
Distribution of trading cards	3,879	8,736	(4,857)	-55.6%
Distribution of other products and services	519	215	304	n.s.
Financial discounts	(31)	(121)	90	-73.9%
<b>Total gross revenues - Italian Distribution</b>	<b>16,293</b>	<b>20,688</b>	<b>(4,395)</b>	<b>-21.2%</b>

In order to better understand the quarterly trend in gross revenues, the breakdown of distribution revenues by console is shown below:

EUR/000	31 March 2016		31 March 2015		Change	
	Units	Turnover	Units	Turnover	Units	Turnover
Sony Playstation 4	154,989	6,281	101,921	4,008	52.1%	56.7%
Sony Playstation 3	112,348	2,530	145,475	3,391	-22.8%	-25.4%
Microsoft Xbox One	30,969	1,165	27,394	1,055	13.1%	10.5%
Microsoft Xbox 360	63,795	1,235	67,530	1,457	-5.5%	-15.3%
Other consoles	32,983	263	37,683	550	-12.5%	-52.2%
<b>Total console revenues</b>	<b>395,084</b>	<b>11,474</b>	<b>380,003</b>	<b>10,461</b>	<b>4.0%</b>	<b>9.7%</b>

The business segment showed an increase in console video game distribution revenues of 1,014 thousand euros, due to the concurrent launch during the period of two video games that met with very high levels of success with the public: Metal Gear Solid V and PES 2016.

Sales of Yu-Gi-Oh! collectible cards decreased by 4,857 thousand euros.

Net revenues came to 15,267 thousand euros, a decrease of 21.1% compared to the same period of the previous year.

The cost of goods sold was down by 3,481 thousand euros (23.1%), a slightly higher decrease than that of net revenues. Gross profit thus decreased by 14.1%, or 608 thousand euros.

Operating costs decreased by 12.3% (431 thousand euros) compared with the same period of the prior year, a smaller decrease than at the level of revenues. This reduction is due primarily to a decrease in the cost of services by 151 thousand euros and a decline in personnel costs by 270 thousand euros.

EBIT decreased by 152 thousand euros, from 711 thousand euros during the period ended 31 March 2015 to 559 thousand euros in the current period.

## Other Activities

### Key results (reclassified)

Consolidated data in thousands of euros		Other Activities					
		31 March 2016		31 March 2015		Change	
1	Revenues	510	111.2%	199	237.1%	311	n.s.
2	Revenue adjustments	(51)	-11.2%	(115)	-137.1%	64	-55.4%
3	<b>Total revenues</b>	<b>459</b>	<b>100.0%</b>	<b>84</b>	<b>100.0%</b>	<b>375</b>	<b>n.s.</b>
4	Purchase of goods for retail	0	0.1%	0	0.0%	0	0.0%
5	Purchase of services for retail	(78)	-17.0%	(14)	-16.3%	(64)	n.s.
6	Royalties	(92)	-20.1%	(3)	-4.0%	(89)	n.s.
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sold products</b>	<b>(170)</b>	<b>-37.0%</b>	<b>(17)</b>	<b>-20.3%</b>	<b>(153)</b>	<b>n.s.</b>
9	<b>Gross profit (3+8)</b>	<b>289</b>	<b>63.0%</b>	<b>67</b>	<b>79.7%</b>	<b>222</b>	<b>n.s.</b>
10	Other revenues	177	38.5%	0	0.0%	177	0.0%
11	Cost of services	(2,468)	-537.8%	(226)	-269.3%	(2,242)	n.s.
12	Rent and leasing	(16)	-3.6%	(18)	-21.3%	2	-8.3%
13	Personnel costs	(400)	-87.1%	(291)	-347.4%	(109)	37.2%
14	Other operating expenses	(54)	-11.8%	(31)	-37.1%	(23)	74.5%
15	<b>Total operating costs</b>	<b>(2,938)</b>	<b>-640.3%</b>	<b>(566)</b>	<b>-675.2%</b>	<b>(2,372)</b>	<b>n.s.</b>
16	<b>EBITDA (9+10+15)</b>	<b>(2,472)</b>	<b>-538.6%</b>	<b>(499)</b>	<b>-595.5%</b>	<b>(1,973)</b>	<b>n.s.</b>
17	Amortisation and depreciation	(188)	-40.9%	(83)	-98.6%	(105)	n.s.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(188)</b>	<b>-40.9%</b>	<b>(83)</b>	<b>-98.6%</b>	<b>(105)</b>	<b>n.s.</b>
22	<b>EBIT (16+21)</b>	<b>(2,660)</b>	<b>-579.7%</b>	<b>(582)</b>	<b>-694.1%</b>	<b>(2,078)</b>	<b>n.s.</b>

Revenues of the Other Activities segment include Fantasfida revenues of 366 thousand euros. Fantasfida is the first Italian daily fantasy sport, a phenomenon that is particularly popular in the United States of America. This is a game of skill in which the player fields a virtual team of champions in various athletic disciplines and takes part in a tournament with potential cash prizes in return for payment of an entry fee.

Revenues on the training activity performed by the subsidiary Digital Bros Academy were 144 thousand euros during the period.

Revenue adjustments consist entirely of taxes paid on revenues earned by the portals [www.gameplaza.it](http://www.gameplaza.it) and [www.fantasfida.it](http://www.fantasfida.it).

Other revenues represent the increase in internal orders relating to the direct costs incurred during the period for development of the product Fantasfida, released in September 2015. They increased after the launch date due to the internal costs incurred for the creation of the mobile application, which is expected



to be completed by the end of the year and which will become operational starting next season. The application will allow players to play directly from their smartphones using a native application.

Operating costs amounted to 2,938 thousand euros and were significantly affected by the expenses of 2,572 thousand euros incurred for the launch of Fantasfida.

EBIT was a negative 2,660 thousand euros.

## Holding

### Key results (reclassified)

Consolidated data in thousands of euros		Holding					
		31 March 2016		31 March 2015		Change	
1	Revenues	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Total revenues</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
4	Purchase of goods for retail	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for retail	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sold products</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
9	<b>Gross profit (3+8)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
10	Other revenues	0	0.0%	0	0.0%	0	0.0%
11	Cost of services	(935)	0.0%	(967)	0.0%	32	-3.3%
12	Rent and leasing	(548)	0.0%	(570)	0.0%	22	-3.9%
13	Personnel costs	(2,061)	0.0%	(2,236)	0.0%	175	-7.8%
14	Other operating expenses	(346)	0.0%	(316)	0.0%	(30)	9.6%
15	<b>Total operating costs</b>	<b>(3,890)</b>	<b>0.0%</b>	<b>(4,089)</b>	<b>0.0%</b>	<b>199</b>	<b>-4.9%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(3,890)</b>	<b>0.0%</b>	<b>(4,089)</b>	<b>0.0%</b>	<b>199</b>	<b>-4.9%</b>
17	Amortisation and depreciation	(103)	0.0%	(88)	0.0%	(15)	18.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	(332)	0.0%	332	n.s.
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(103)</b>	<b>0.0%</b>	<b>(420)</b>	<b>0.0%</b>	<b>317</b>	<b>-75.4%</b>
22	<b>EBIT (16+21)</b>	<b>(3,993)</b>	<b>0.0%</b>	<b>(4,509)</b>	<b>0.0%</b>	<b>516</b>	<b>-11.4%</b>

The increasing importance of the Mobile and Publishing business segments and the corresponding reduction of the business segment of Italian Distribution have brought about the need for a more extensive holding structure than before, in particular for the finance, administration, IT and general services functions. These are carried out directly by the parent, Digital Bros S.p.A., and among other activities include the coordination of the different business segments, implementation of sound financial policies for Group companies, centralised treasury management and management of office buildings and brand management.

Operating costs of 3,890 thousand euros, down by 199 thousand euros compared to the same period of the previous year, due to the absence of a provision for the directors' bonuses due to the failure to achieve short-term objectives.

Depreciation and amortisation increased by 18.1% due to the investments incurred by the Group for management systems, whereas there were no write-downs of assets, as in the same period of the previous year.

## 8. ECONOMIC PERFORMANCE FOR THE THIRD QUARTER OF THE YEAR 2015/2016

The results posted by the Group in the third quarter of the year, compared with the third quarter of the previous year, are shown below:

	EUR/000	3rd quarter of 2015/2016		3rd quarter of 2014/2015		Change	
1	Gross revenues	15,991	101.8%	27,261	106.7%	(11,270)	-41.3%
2	Revenue adjustments	(284)	-1.8%	(1,700)	-6.7%	1,416	-83.3%
<b>3</b>	<b>Total net revenues</b>	<b>15,707</b>	<b>100.0%</b>	<b>25,561</b>	<b>100.0%</b>	<b>(9,854)</b>	<b>-38.5%</b>
4	Purchase of goods for retail	(4,282)	-27.3%	(8,683)	-34.0%	4,401	-50.7%
5	Purchase of services for retail	(1,153)	-7.3%	(1,041)	-4.1%	(112)	10.7%
6	Royalties	(6,679)	-42.5%	(7,554)	-29.6%	875	-11.6%
7	Changes in finished product inventories	521	3.3%	1,367	5.3%	(846)	-61.9%
<b>8</b>	<b>Total cost of sold products</b>	<b>(11,592)</b>	<b>-73.8%</b>	<b>(15,911)</b>	<b>-62.2%</b>	<b>4,319</b>	<b>-27.1%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,115</b>	<b>26.2%</b>	<b>9,650</b>	<b>37.8%</b>	<b>(5,535)</b>	<b>-57.4%</b>
10	Other revenues	1,602	10.2%	696	2.7%	907	n.s.
11	Cost of services	(3,103)	-19.8%	(2,387)	-9.3%	(716)	30.0%
12	Rent and leasing	(375)	-2.4%	(382)	-1.5%	8	-2.1%
13	Personnel costs	(4,765)	-30.3%	(5,102)	-20.0%	336	-6.6%
14	Other operating expenses	(369)	-2.4%	(315)	-1.2%	(54)	17.1%
<b>15</b>	<b>Total operating costs</b>	<b>(8,612)</b>	<b>-54.8%</b>	<b>(8,186)</b>	<b>-32.0%</b>	<b>(426)</b>	<b>5.2%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(2,895)</b>	<b>-18.4%</b>	<b>2,160</b>	<b>8.5%</b>	<b>(5,055)</b>	<b>n.s.</b>
17	Amortisation and depreciation	(1,007)	-6.4%	(904)	-3.5%	(103)	11.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(0)	0.0%	0	0.0%	(0)	0.0%
20	Asset write-backs	0	0.0%	0	0.0%	0	0.0%
<b>21</b>	<b>Total non-monetary operating costs</b>	<b>(1,007)</b>	<b>-6.4%</b>	<b>(904)</b>	<b>-3.5%</b>	<b>(103)</b>	<b>11.4%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(3,902)</b>	<b>-24.8%</b>	<b>1,256</b>	<b>4.9%</b>	<b>(5,158)</b>	<b>n.s.</b>
23	Interest income	602	3.8%	1,541	6.0%	(939)	-60.9%
24	Interest expense	(357)	-2.3%	(539)	-2.1%	182	-33.8%
<b>25</b>	<b>Total net interest</b>	<b>245</b>	<b>1.6%</b>	<b>1,002</b>	<b>3.9%</b>	<b>(757)</b>	<b>-75.5%</b>
<b>26</b>	<b>Pre-tax income (22+25)</b>	<b>(3,657)</b>	<b>-23.3%</b>	<b>2,258</b>	<b>8.8%</b>	<b>(5,915)</b>	<b>n.s.</b>
27	Current taxes	549	3.5%	(1,175)	-4.6%	1,725	n.s.
28	Deferred taxes	568	3.6%	584	2.3%	(16)	-2.8%
<b>29</b>	<b>Total income taxes</b>	<b>1,117</b>	<b>7.1%</b>	<b>(591)</b>	<b>-2.3%</b>	<b>1,708</b>	<b>n.s.</b>
<b>30</b>	<b>Net profit (26+29)</b>	<b>(2,540)</b>	<b>-16.2%</b>	<b>1,667</b>	<b>6.5%</b>	<b>(4,207)</b>	<b>n.s.</b>
<b>Net income per share:</b>							
<b>33</b>	<b>Basic earnings per share (in euros)</b>	<b>(0.18)</b>		<b>0.12</b>		<b>(0.30)</b>	<b>n.s.</b>
<b>34</b>	<b>Diluted earnings per share (in euros)</b>	<b>(0.18)</b>		<b>0.12</b>		<b>(0.30)</b>	<b>n.s.</b>

In the third quarter, consolidated gross revenues decreased by 41.3% and net revenues by 38.5%, falling from 25,561 thousand euros to 15,707 thousand euros.

The cost of goods sold decreased by 27.1% compared to the third quarter of the prior year, resulting in a gross profit of 4,115 thousand euros, down by 57.4% from 9,650 thousand euros in the third quarter of the prior year.

Operating expenses increased by 5.2% to 8,612 thousand euros, resulting in an EBITDA of a negative 2,895 thousand euros, compared to a positive 2,160 thousand euros in the third quarter of the previous year.

The net loss for the quarter amounted to 2,540 thousand euros compared a profit of 1,667 thousand euros in the third quarter of the prior year.

Commentary on the performances of the three main business segments in the third quarter is provided below.

## Publishing

The third quarter results for Publishing compared with the same period of the prior year are shown below:

Consolidated data in thousands of euros		Publishing					
		3rd quarter of 2015/2016		3rd quarter of 2014/2015		Change	
1	Revenues	9,365	103.0%	18,017	108.3%	(8,651)	-48.0%
2	Revenue adjustments	(275)	-3.0%	(1,381)	-8.3%	1,106	-80.1%
3	<b>Total revenues</b>	<b>9,090</b>	<b>100.0%</b>	<b>16,636</b>	<b>100.0%</b>	<b>(7,545)</b>	<b>-45.4%</b>
4	Purchase of goods for retail	(1,067)	-11.7%	(3,460)	-20.8%	2,393	-69.2%
5	Purchase of services for retail	(241)	-2.6%	(605)	-3.6%	365	-60.2%
6	Royalties	(3,536)	-38.9%	(5,594)	-33.6%	2,058	-36.8%
7	Changes in finished product inventories	(527)	-5.8%	(8)	0.0%	(520)	n.s.
8	<b>Total cost of sold products</b>	<b>(5,371)</b>	<b>-59.1%</b>	<b>(9,667)</b>	<b>-58.1%</b>	<b>4,296</b>	<b>-44.4%</b>
9	<b>Gross profit (3+8)</b>	<b>3,719</b>	<b>40.9%</b>	<b>6,969</b>	<b>41.9%</b>	<b>(3,250)</b>	<b>-46.6%</b>
10	Other revenues	48	0.5%	0	0.0%	48	n.s.
11	Cost of services	(1,731)	-19.0%	(1,302)	-7.8%	(429)	32.9%
12	Rent and leasing	(124)	-1.4%	(134)	-0.8%	10	-7.4%
13	Personnel costs	(1,504)	-16.5%	(1,556)	-9.4%	51	-3.3%
14	Other operating expenses	(117)	-1.3%	(114)	-0.7%	(3)	2.5%
15	<b>Total operating costs</b>	<b>(3,476)</b>	<b>-38.2%</b>	<b>(3,106)</b>	<b>-18.7%</b>	<b>(370)</b>	<b>11.9%</b>
16	<b>EBITDA (9+10+15)</b>	<b>291</b>	<b>3.2%</b>	<b>3,863</b>	<b>23.2%</b>	<b>(3,571)</b>	<b>-92.5%</b>
17	Amortisation and depreciation	(308)	-3.4%	(259)	-1.6%	(49)	19.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Asset write-backs	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating costs</b>	<b>(308)</b>	<b>-3.4%</b>	<b>(259)</b>	<b>-1.6%</b>	<b>(49)</b>	<b>19.1%</b>
22	<b>EBIT (16+21)</b>	<b>(17)</b>	<b>-0.2%</b>	<b>3,604</b>	<b>21.7%</b>	<b>(3,621)</b>	<b>n.s.</b>

The gross revenues of the Publishing segment decreased by 8,651 thousand euros during the quarter compared to the third quarter of the previous year, whereas net revenues decreased by 7,545 thousand euros, falling from 16,636 thousand euros to the current 9,090 thousand euros. Gross profit was 3,719 thousand euros versus 6,969 thousand euros in the third quarter of the previous year.

Operating expenses increased by 370 thousand euros, whereas non-monetary operating expenses increased by 49 thousand euros, resulting in an EBITDA of a negative 17 thousand euros, compared to a positive EBITDA of 3,604 thousand euros in the third quarter of the previous year.

## Mobile

The third quarter results for the Mobile segment compared with the same period of the prior year are shown below:

Consolidated data in thousands of euros		Mobile					
		3rd quarter of 2015/2016		3rd quarter of 2014/2015		Change	
1	Revenues	3,910	100.0%	4,669	100.0%	(758)	-16.2%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Total revenues</b>	<b>3,910</b>	<b>100.0%</b>	<b>4,669</b>	<b>100.0%</b>	<b>(758)</b>	<b>-16.2%</b>
4	Purchase of goods for retail	(0)	0.0%	(0)	0.0%	0	0.0%
5	Purchase of services for retail	(806)	-20.6%	(421)	-9.0%	(384)	91.3%
6	Royalties	(3,108)	-79.5%	(1,956)	-41.9%	(1,152)	58.9%
7	Changes in finished product inventories	0	0.0%	0	0.0%	(0)	0.0%
8	<b>Total cost of sold products</b>	<b>(3,914)</b>	<b>-100.1%</b>	<b>(2,378)</b>	<b>-50.9%</b>	<b>(1,536)</b>	<b>64.6%</b>
9	<b>Gross profit (3+8)</b>	<b>(3)</b>	<b>-0.1%</b>	<b>2,291</b>	<b>49.1%</b>	<b>(2,294)</b>	<b>n.s.</b>
10	Other revenues	283	7.2%	130	2.8%	154	n.s.
11	Cost of services	(172)	-4.4%	(216)	-4.6%	44	-20.2%
12	Rent and leasing	(15)	-0.4%	(15)	-0.3%	(0)	3.3%
13	Personnel costs	(706)	-18.1%	(756)	-16.2%	50	-6.6%
14	Other operating expenses	(15)	-0.4%	(14)	-0.3%	(1)	4.3%
15	<b>Total operating costs</b>	<b>(908)</b>	<b>-23.2%</b>	<b>(1,001)</b>	<b>-21.4%</b>	<b>93</b>	<b>-9.3%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(628)</b>	<b>-16.1%</b>	<b>1,419</b>	<b>30.4%</b>	<b>(2,047)</b>	<b>n.s.</b>
17	Amortisation and depreciation	(377)	-9.7%	(386)	-8.3%	8	-2.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(0)	0.0%	0	0.0%	(0)	0.0%
20	Asset write-backs	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating costs</b>	<b>(378)</b>	<b>-9.7%</b>	<b>(386)</b>	<b>-8.3%</b>	<b>8</b>	<b>-2.1%</b>
22	<b>EBIT (16+21)</b>	<b>(1,006)</b>	<b>-25.7%</b>	<b>1,034</b>	<b>22.1%</b>	<b>(2,040)</b>	<b>n.s.</b>

In the absence of new product launches, revenues of the Mobile segment decreased by 758 thousand euros, or 16.2%, to 3,910 thousand euros.

The most significant component of such revenues was represented by revenues generated by the sale of the video game Terraria, which recorded revenues of 2,533 thousand euros during the period, bearing witness to its constant success with gamers around the world. Significant revenues were also generated by sales of the video games Battle Islands (an intellectual property fully owned by the Group following the acquisition of DR Studios) and Gems of War. Revenues on the former were 728 thousand euros, in line with third quarter of the previous year, whereas revenues on the latter amounted to 532 thousand euros.

The cost of goods sold increased by 1,536 thousand euros, due to an increase in royalty costs of 1,152 thousand euros. The increase compared to the same period of the previous year occurred even though the share of revenues generated on products developed by Group companies, such as Battle Islands and Gems of War, on which royalties do not accrue, were on the rise. The increase was due to costs for early termination of development contracts of 2,019 thousand euros compared to 762 thousand euros in the previous year. This component is quite typical of the segment.

The gross loss for the third quarter was 3 thousand euros, compared to a gross profit of 2,291 thousand euros in the previous year.

Operating expenses decreased by 93 thousand euros compared to the same period of the previous year, and non-monetary operating expenses decreased by 8 thousand euros, resulting in a negative EBITDA of 1,006 thousand euros, compared to a positive EBITDA of 1,034 thousand euros in the third quarter of the previous year.



### Italian Distribution

The third quarter results for Italian Distribution compared with the same period of the prior year are shown below:

Consolidated data in thousands of euros		Italian Distribution					
		3rd quarter of 2015/2016		3rd quarter of 2014/2015		Change	
1	Revenues	2,357	100.1%	4,399	106.9%	(2,042)	-46.4%
2	Revenue adjustments	(2)	-0.1%	(284)	-6.9%	282	-99.4%
3	<b>Total revenues</b>	<b>2,355</b>	<b>100.0%</b>	<b>4,115</b>	<b>100.0%</b>	<b>(1,760)</b>	<b>-42.8%</b>
4	Purchase of goods for retail	(3,212)	-136.4%	(5,223)	-126.9%	2,011	-38.5%
5	Purchase of services for retail	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	1,048	44.5%	1,375	33.4%	(327)	-23.7%
8	<b>Total cost of sold products</b>	<b>(2,164)</b>	<b>-91.9%</b>	<b>(3,848)</b>	<b>-93.5%</b>	<b>1,684</b>	<b>-43.8%</b>
9	<b>Gross profit (3+8)</b>	<b>191</b>	<b>8.1%</b>	<b>267</b>	<b>6.5%</b>	<b>(76)</b>	<b>-28.6%</b>
10	Other revenues	35	1.5%	27	0.7%	8	28.4%
11	Cost of services	(359)	-15.3%	(438)	-10.6%	79	-18.0%
12	Rent and leasing	(15)	-0.6%	(15)	-0.4%	0	0.0%
13	Personnel costs	(382)	-16.2%	(587)	-14.3%	205	-34.9%
14	Other operating expenses	(58)	-2.5%	(63)	-1.5%	5	-8.4%
15	<b>Total operating costs</b>	<b>(814)</b>	<b>-34.6%</b>	<b>(1,103)</b>	<b>-26.8%</b>	<b>289</b>	<b>-26.2%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(588)</b>	<b>-25.0%</b>	<b>(809)</b>	<b>-19.7%</b>	<b>221</b>	<b>-27.3%</b>
17	Amortisation and depreciation	(49)	-2.1%	(57)	-1.4%	8	-13.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Asset write-backs	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating costs</b>	<b>(49)</b>	<b>-2.1%</b>	<b>(57)</b>	<b>-1.4%</b>	<b>8</b>	<b>-13.1%</b>
22	<b>EBIT (16+21)</b>	<b>(638)</b>	<b>-27.1%</b>	<b>(867)</b>	<b>-21.1%</b>	<b>229</b>	<b>-26.4%</b>

Revenues for Italian Distribution fell 46.4% in the third quarter of the year, while net revenues were down 42.8%. Net revenues fell from the 4,115 thousand euros posted in the third quarter of the prior year to 2,355 thousand euros.

The breakdown of gross revenues by type of game distributed compared with the same period of the prior year is as follows:

<b>EUR/000</b>	<b>3rd quarter of 2015/2016</b>	<b>3rd quarter of 2014/2015</b>	<b>Change</b>	
Distribution of video games for consoles	1,369	2,349	(980)	-41.7%
Distribution of video games for PC-CDRom	53	253	(200)	-79.1%
Distribution of trading cards	858	1,783	(925)	-51.9%
Distribution of other products and services	83	28	55	n.s.
Financial discounts	(6)	(14)	8	-57.1%
<b>Total gross revenues - Italian Distribution</b>	<b>2,357</b>	<b>4,399</b>	<b>(2,042)</b>	<b>-46.4%</b>

The segment's costs of goods sold fell by 1,684 thousand euros, causing gross profit to drop by 76 thousand euros to 191 thousand euros from 267 thousand euros in the third quarter of the prior year.

Operating expenses decreased by 289 thousand euros, resulting in a decline in the operating loss of 229 thousand euros to 638 thousand euros, compared to 867 thousand euros in the third quarter of the previous year.

## **9. TREASURY SHARES**

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Pursuant to Art. 2428, paragraph 2 no. 3 of the Italian Civil Code, as at 31 March 2016 Digital Bros S.p.A. owned 130,247 treasury shares, against the 400,247 held as at 30 June 2015.

In accordance with no. 4 of said paragraph 2, during the period the Company sold off 270,000 of its treasury shares at the average price of 11.28 euros each, for a total value of 3,045 thousand euros.

## **10. RESEARCH AND DEVELOPMENT**

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During the period, the Group incurred research expenses of 40 thousand euros and development expenses of 4,847 thousand euros. Such costs amounted to 683 thousand euros and 2,027 thousand euros, respectively, during the period ended 31 March 2015.

Research and development activities relate to the preliminary phases preceding the design of new video games and are primarily performed by the subsidiaries Pipeworks Inc. and DR Studios Ltd.

## **11. CONTINGENT ASSETS AND LIABILITIES**

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As at 31 March 2016, there were no contingent assets and liabilities, as in the same period of the previous year.

## **12. SUBSEQUENT EVENTS**

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After the end of the period, Digital Bros S.p.A. purchased 583,639 Starbreeze B shares for a total of 941 thousand euros and disposed of 583,639 Starbreeze B ordinary shares for a total of 939 thousand euros. The parent company purchased 291,819 Starbreeze A ordinary shares for a total of 470 thousand euros.

### **13. OUTLOOK**

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The investment plan undertaken by the Group in the past 18 months, involving the simultaneous development of a number of new products, will begin to generate revenues in the first quarter of next year. Contrary to the announcement made at the end of February, the release of Assetto Corsa has been postponed until the end of August 2016 for commercial reasons. This decision was due not only to international athletic events such as the Olympic Games and the 2016 European Championships, but also a competitive analysis of the release of competing products on the market. Despite this postponement, the Group, due in part to the launch of Battle Ages for the Mobile segment and Rocket League for the Publishing segment, nonetheless foresees that it will end the fourth quarter with a profit, although of a more modest amount than previously announced, not sufficient to offset all of the losses recorded in the rest of the year.

The decision to postpone the launch of Assetto Corsa will significantly shift revenues and margins from the fourth quarter to the first quarter of next year, resulting in the expectation of a sharp increase in sales and a significant level of profit margins for 2016-2017.

Net financial debt, which increased in line with investments during the period, will tend to increase further in the fourth quarter in keeping with the progress of the investment plan. Following the launch of the products on the market, it will then resume its natural tendency to decline starting in the first quarter of next year.

## 14. OTHER INFORMATION

### EMPLOYEES

Below are the details of the workforce as at 31 March 2016 with comparative figures as at 31 March 2015:

Type	31 March 2016	31 March 2015	Change
Executives	10	9	1
Office workers	228	196	32
Blue-collar workers and apprentices	4	5	(1)
<b>Total employees</b>	<b>242</b>	<b>210</b>	<b>32</b>

The same details for employees at the Group's foreign companies as at 31 December 2015, compared with 31 December 2014, are as follows:

Type	31 March 2016	31 March 2015	Change
Executives	5	5	0
Office workers	172	139	33
<b>Total foreign employees</b>	<b>177</b>	<b>144</b>	<b>33</b>

The average headcount for the period, calculated as the average number of employees in service at the end of every month, is shown below:

Type	Average number for 2016	Average number for 2015	Change
Executives	10	8	2
Office workers	220	183	37
Blue-collar workers and apprentices	4	6	(2)
<b>Total employees</b>	<b>234</b>	<b>197</b>	<b>37</b>

The average headcount for the period at foreign companies is as follows:

Type	Average number for 2016	Average number for 2015	Change
Executives	5	4	1
Office workers	164	124	40
<b>Total foreign employees</b>	<b>169</b>	<b>128</b>	<b>41</b>

The increase in the number of foreign employees is the result of the acquisitions in the previous year.

The Group's Italian subsidiaries use the current Confcommercio national collective employment contract for the commercial, distribution and services sector.

### ENVIRONMENT

As at 31 March 2016 there were no issues of an environmental nature, and as the Group's environment-related activities consist chiefly of packing and shipping video games and affixing labels to packaging, there is no reason any such problems should arise in the future.



**Abridged consolidated financial statements  
as at 31 March 2016**

## FINANCIAL STATEMENTS

### Digital Bros Group

#### Consolidated statement of financial position as at March 2016

	EUR/000	31 March 2016	30 June 2015	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	7,300	4,841	2,459	50.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,933	7,946	1,987	25.0%
4	Equity investments	725	1,274	(549)	-43.0%
5	Non-current receivables and other assets	1,053	1,058	(5)	-0.5%
6	Deferred tax assets	3,548	2,240	1,308	58.4%
	<b>Total non-current assets</b>	<b>22,559</b>	<b>17,359</b>	<b>5,200</b>	<b>30.0%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(480)	(486)	6	-1.2%
8	Non-current provisions	(88)	(170)	82	-48.1%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	<b>Total non-current liabilities</b>	<b>(568)</b>	<b>(1,245)</b>	<b>677</b>	<b>-54.4%</b>
	<b>Net working capital</b>				
10	Inventories	11,717	12,881	(1,164)	-9.0%
11	Trade receivables	31,683	36,350	(4,667)	-12.8%
12	Tax credits	3,408	2,466	942	38.2%
13	Other current assets	4,509	6,148	(1,639)	-26.7%
14	Trade payables	(18,004)	(26,929)	8,925	-33.1%
15	Tax payables	(1,902)	(3,029)	1,127	-37.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,172)	(1,859)	687	-37.0%
	<b>Total net working capital</b>	<b>30,239</b>	<b>26,028</b>	<b>4,211</b>	<b>16.2%</b>
	<b>Shareholders' equity</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,927)	(19,417)	(510)	2.6%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(9,074)	(9,947)	873	-8.8%
	<b>Total shareholders' equity</b>	<b>(34,255)</b>	<b>(33,809)</b>	<b>(445)</b>	<b>1.3%</b>
	<b>Total net assets</b>	<b>17,975</b>	<b>8,333</b>	<b>9,642</b>	<b>n.s.</b>
22	Cash and cash equivalents	2,197	4,339	(2,142)	-49.4%
23	Current payables due to banks	(22,136)	(12,738)	(9,398)	73.8%
24	Other current financial assets and liabilities	4,157	1,685	2,472	n.s.
	<b>Current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>	<b>n.s.</b>
25	Non-current financial assets	1,195	0	1,195	0.0%
26	Non-current payables due to banks	(1,687)	(1,619)	(68)	4.2%
27	Other non-current financial liabilities	(1,701)	0	(1,701)	0.0%
	<b>Non-current net financial position</b>	<b>(2,193)</b>	<b>(1,619)</b>	<b>(574)</b>	<b>35.5%</b>
	<b>Total net financial position</b>	<b>(17,975)</b>	<b>(8,333)</b>	<b>(9,642)</b>	<b>n.s.</b>

**Digital Bros Group**
**Consolidated income statement as at 31 March 2016**

	EUR/000	31 March 2016		31 March 2015		Change	
1	Gross revenues	61,281	104.6%	88,258	104.4%	(26,977)	-30.6%
2	Revenue adjustments	(2,680)	-4.6%	(4,288)	-4.4%	1,608	-37.5%
3	<b>Total net revenues</b>	<b>58,601</b>	<b>100.0%</b>	<b>83,970</b>	<b>100.0%</b>	<b>(25,369)</b>	<b>-30.2%</b>
4	Purchase of goods for retail	(16,372)	-27.9%	(26,741)	-30.9%	10,369	-38.8%
5	Purchase of services for retail	(4,438)	-7.6%	(3,912)	-4.9%	(526)	13.5%
6	Royalties	(14,648)	-25.0%	(21,813)	-24.4%	7,165	-32.8%
7	Changes in finished product inventories	(1,164)	-2.0%	(216)	-2.7%	(948)	n.s.
8	<b>Total cost of sold products</b>	<b>(36,622)</b>	<b>-62.5%</b>	<b>(52,682)</b>	<b>-63.0%</b>	<b>16,060</b>	<b>-30.5%</b>
9	<b>Gross profit (3+8)</b>	<b>21,979</b>	<b>37.5%</b>	<b>31,288</b>	<b>37.0%</b>	<b>(9,309)</b>	<b>-29.8%</b>
10	Other revenues	4,366	7.5%	955	0.4%	3,411	n.s.
11	Cost of services	(9,847)	-16.8%	(7,858)	-9.3%	(1,989)	25.3%
12	Rent and leasing	(1,159)	-2.0%	(1,149)	-1.3%	(10)	0.8%
13	Personnel costs	(14,601)	-24.9%	(12,680)	-13.0%	(1,921)	15.1%
14	Other operating expenses	(1,136)	-1.9%	(948)	-1.1%	(188)	19.8%
15	<b>Total operating costs</b>	<b>(26,743)</b>	<b>-45.6%</b>	<b>(22,635)</b>	<b>-24.6%</b>	<b>(4,108)</b>	<b>18.1%</b>
16	<b>EBITDA (9+10+15)</b>	<b>(398)</b>	<b>-0.7%</b>	<b>9,608</b>	<b>12.9%</b>	<b>(10,006)</b>	<b>n.s.</b>
17	Amortisation and depreciation	(2,798)	-4.8%	(2,183)	-2.2%	(615)	28.2%
18	Provisions	0	0.0%	0	-0.1%	0	n.s.
19	Write-down of assets	(425)	-0.7%	(332)	-0.6%	(93)	28.0%
20	Write-backs and non-monetary income	588	1.0%	0	0.0%	588	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(2,635)</b>	<b>-4.5%</b>	<b>(2,515)</b>	<b>-2.9%</b>	<b>(120)</b>	<b>4.8%</b>
22	<b>EBIT (16+21)</b>	<b>(3,033)</b>	<b>-5.2%</b>	<b>7,093</b>	<b>10.0%</b>	<b>(10,126)</b>	<b>n.s.</b>
23	Interest and financial income	2,574	4.4%	2,905	2.3%	(331)	-11.4%
24	Interest and financial expenses	(1,222)	-2.1%	(1,384)	-1.4%	162	-11.8%
25	<b>Net financial income</b>	<b>1,352</b>	<b>2.3%</b>	<b>1,521</b>	<b>0.9%</b>	<b>(169)</b>	<b>-11.1%</b>
26	<b>Pre-tax income (22+25)</b>	<b>(1,681)</b>	<b>-2.9%</b>	<b>8,614</b>	<b>10.9%</b>	<b>(10,295)</b>	<b>n.s.</b>
27	Current taxes	(1,116)	-1.9%	(3,604)	-4.2%	2,488	-69.0%
28	Deferred taxes	1,506	2.6%	578	0.0%	928	n.s.
29	<b>Total income taxes</b>	<b>390</b>	<b>0.7%</b>	<b>(3,026)</b>	<b>-4.2%</b>	<b>3,416</b>	<b>n.s.</b>
30	<b>Net profit (26+29)</b>	<b>(1,291)</b>	<b>-2.2%</b>	<b>5,588</b>	<b>6.7%</b>	<b>(6,879)</b>	<b>n.s.</b>
	<b>Net income per share:</b>						
33	<b>Basic earnings per share (in euros)</b>	<b>(0.09)</b>		<b>0.41</b>		<b>(0.50)</b>	<b>n.s.</b>
34	<b>Diluted earnings per share (in euros)</b>	<b>(0.09)</b>		<b>0.41</b>		<b>(0.50)</b>	<b>n.s.</b>



**Digital Bros Group****Consolidated statement of comprehensive income as at 31 March 2016**

<b>EUR/000</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>Change</b>
<b>Net profit (loss) for the period (A)</b>	<b>(1,291)</b>	<b>5,588</b>	<b>(6,879)</b>
<b>Items that will not subsequently be reclassified to the income statement (B)</b>			
Actuarial profit (loss)	(4)	(17)	13
Tax effect relating to the actuarial profit (loss)	1	5	(4)
Differences from the conversion of foreign accounts	(554)	(293)	(261)
Tax effect relating to the conversion differences of foreign accounts	0	0	0
Fair value adjustment of shares “available for sale”	1,472	0	1,472
Tax effect related to the fair value adjustment of shares “available for sale”	(405)	0	(405)
<b>Items that will subsequently be reclassified to the income statement (C)</b>	<b>510</b>	<b>(305)</b>	<b>815</b>
<b>Total other items of comprehensive profit D = (B)+(C)</b>	<b>510</b>	<b>(305)</b>	<b>815</b>
<b>Total comprehensive profit (loss) (A)+(D)</b>	<b>(781)</b>	<b>5,283</b>	<b>(6,064)</b>

Attributable to:

Shareholders of the parent company	(781)	5,283	(6,064)
Equity investments pertaining to third parties	0	0	0

**Digital Bros Group**
**Consolidated statement of cash flows as at 31 March 2016**

	EUR/000	31 March 2016	31 March 2015
<b>A.</b>	<b>Net financial position at beginning of period</b>	<b>(8,333)</b>	<b>(21,909)</b>
<b>B.</b>	<b>Cash flow from operating activities</b>		
	Net profit/(loss) pertaining to the group	(1,291)	5,588
	<i>Provisions and non-monetary costs:</i>		
	Provisions and impairment of assets	0	332
	Intangible fixed assets	2,283	1,849
	Tangible fixed assets	515	334
	Net change to other provisions	(82)	(17)
	Net change to employee benefits	(6)	16
	Net change of other non-current liabilities	(589)	615
	<b>SUBTOTAL B.</b>	<b>830</b>	<b>8,717</b>
<b>C.</b>	<b>Changes in net working capital</b>		
	Inventories	1,164	216
	Trade receivables	4,667	9,565
	Tax credits	(942)	950
	Other current assets	1,639	(1,727)
	Trade payables	(8,925)	2,105
	Tax payables	(1,127)	(1,113)
	Current provisions	0	0
	Other current liabilities	(687)	1,511
	<b>SUBTOTAL C.</b>	<b>(4,211)</b>	<b>11,507</b>
<b>D.</b>	<b>Cash flow from investing activities</b>		
	Net investments in intangible fixed assets	(4,271)	(7,775)
	Net investments in tangible fixed assets	(2,974)	(1,470)
	Net investments in financial fixed assets	(753)	117
	<b>SUBTOTAL D.</b>	<b>(7,998)</b>	<b>(9,128)</b>
<b>E.</b>	<b>Cash flow from financing activities</b>		
	Capital increases	0	0
	<b>SUBTOTAL E.</b>	<b>0</b>	<b>0</b>
<b>F.</b>	<b>Changes in consolidated shareholders' equity</b>		
	Dividends distributed	(1,818)	(960)
	Changes in treasury shares held	809	375
	Increases (decreases) in other items of shareholders' equity	2,746	(270)
	<b>SUBTOTAL F.</b>	<b>1,737</b>	<b>(855)</b>
<b>G.</b>	<b>Period cash flow (B+C+D+E+F)</b>	<b>(9,642)</b>	<b>10,241</b>
<b>H.</b>	<b>Closing net financial position (A+G)</b>	<b>(17,975)</b>	<b>(11,668)</b>

## Notes to the statement of cash flows

### Details of cash flow movements by maturity:

EUR/000	31 March 2016	31 March 2015
Increase (decrease) in securities and liquid funds	(2,142)	(1,183)
Decrease (increase) in current payables due to banks	(9,398)	8,108
Decrease (increase) in other current financial assets and liabilities	2,472	3,050
Change in financial position due to acquisition of equity investments	0	252
Short-term period cash flow	(9,068)	10,227
Medium-term period cash flow	(574)	14
<b>Period cash flow</b>	<b>(9,642)</b>	<b>10,241</b>

**Digital Bros Group**
**Consolidated statement of changes in equity**

<b>EUR/000</b>	<b>Share capital (A)</b>	<b>Share premium reserve</b>	<b>Legal reserve</b>	<b>IAS transition reserve</b>	<b>Translation reserve</b>	<b>Other reserves</b>	<b>Total reserves (B)</b>	<b>Treasury shares (C)</b>	<b>Retained earnings (losses)</b>	<b>Period profit (loss)</b>	<b>Total retained earnings (D)</b>	<b>Group consolidated shareholders' equity (A+B+C+D)</b>
<b>Total as at 01 July 2014</b>	<b>5,644</b>	16,954	1,129	1,367	145	(86)	<b>19,509</b>	<b>(1,574)</b>	(122)	1,924	<b>1,802</b>	<b>25,381</b>
Allocation of period profit							<b>0</b>		(1,924)	1,924	<b>0</b>	<b>0</b>
Distribution of dividends							<b>0</b>		(960)		<b>(960)</b>	<b>(960)</b>
Other changes						35	<b>35</b>	<b>375</b>			<b>0</b>	<b>410</b>
Comprehensive profit (loss)					(293)	(12)	<b>(305)</b>			5,588	<b>5,588</b>	<b>5,283</b>
<b>Total as at 31 March 2015</b>	<b>5,644</b>	16,954	1,129	1,367	(148)	(63)	<b>19,239</b>	<b>(1,199)</b>	(3,006)	9,436	<b>6,430</b>	<b>30,114</b>
<b>Total as at 01 July 2015</b>	<b>5,644</b>	16,954	1,129	1,367	(244)	211	<b>19,417</b>	<b>(1,199)</b>	(3,006)	12,953	<b>9,947</b>	<b>33,809</b>
Allocation of period profit							<b>0</b>		9,105	(9,105)	<b>0</b>	<b>0</b>
Distribution of dividends									(1,818)		<b>(1,818)</b>	<b>(1,818)</b>
Other changes							<b>0</b>	<b>809</b>	2,236		<b>2,236</b>	<b>3,045</b>
Comprehensive profit (loss)					(554)	1,064	<b>510</b>			(1,291)	<b>(1,291)</b>	<b>(781)</b>
<b>Total as at 31 March 2016</b>	<b>5,644</b>	16,954	1,129	1,367	(798)	1,275	<b>19,927</b>	<b>(390)</b>	6,517	2,557	<b>9,074</b>	<b>34,255</b>



## **Notes to the abridged consolidated financial statements as at 31 March 2016**

## **1. Introductory note**

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For information concerning form and content, and other general information, accounting policies, discretionary assessments and significant estimates, consolidation criteria, interests in associates and other companies and business combinations, refer to the notes on the abridged consolidated financial statements as at 31 December 2015 and the notes to the consolidated financial statements as at 30 June 2015.

## 2. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position as at 31 March 2016 compared with the consolidated statement of financial position as at 30 June 2015 is given below:

	EUR/000	31 March 2016	30 June 2015	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	7,300	4,841	2,459	50.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,933	7,946	1,987	25.0%
4	Equity investments	725	1,274	(549)	-43.0%
5	Non-current receivables and other assets	1,053	1,058	(5)	-0.5%
6	Deferred tax assets	3,548	2,240	1,308	58.4%
	<b>Total non-current assets</b>	<b>22,559</b>	<b>17,359</b>	<b>5,200</b>	<b>30.0%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(480)	(486)	6	-1.2%
8	Non-current provisions	(88)	(170)	82	-48.1%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	<b>Total non-current liabilities</b>	<b>(568)</b>	<b>(1,245)</b>	<b>677</b>	<b>-54.4%</b>
	<b>Net working capital</b>				
10	Inventories	11,717	12,881	(1,164)	-9.0%
11	Trade receivables	31,683	36,350	(4,667)	-12.8%
12	Tax credits	3,408	2,466	942	38.2%
13	Other current assets	4,509	6,148	(1,639)	-26.7%
14	Trade payables	(18,004)	(26,929)	8,925	-33.1%
15	Tax payables	(1,902)	(3,029)	1,127	-37.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,172)	(1,859)	687	-37.0%
	<b>Total net working capital</b>	<b>30,239</b>	<b>26,028</b>	<b>4,211</b>	<b>16.2%</b>
	<b>Shareholders' equity</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,927)	(19,417)	(510)	2.6%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(9,074)	(9,947)	873	-8.8%
	<b>Total shareholders' equity</b>	<b>(34,255)</b>	<b>(33,809)</b>	<b>(445)</b>	<b>1.3%</b>
	<b>Total net assets</b>	<b>17,975</b>	<b>8,333</b>	<b>9,642</b>	<b>n.s.</b>
	<b>Current net financial position</b>				
22	Cash and cash equivalents	2,197	4,339	(2,142)	-49.4%
23	Current payables due to banks	(22,136)	(12,738)	(9,398)	73.8%
24	Other current financial assets and liabilities	4,157	1,685	2,472	n.s.
	<b>Current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>	<b>n.s.</b>
	<b>Non-current net financial position</b>				
25	Non-current financial assets	1,195	0	1,195	0.0%
26	Non-current payables due to banks	(1,687)	(1,619)	(68)	4.2%
27	Other non-current financial liabilities	(1,701)	0	(1,701)	0.0%
	<b>Non-current net financial position</b>	<b>(2,193)</b>	<b>(1,619)</b>	<b>(574)</b>	<b>35.5%</b>
	<b>Total net financial position</b>	<b>(17,975)</b>	<b>(8,333)</b>	<b>(9,642)</b>	<b>n.s.</b>

## NON-CURRENT ASSETS

During the period, investments of 2,974 thousand euros were made in property, plant and equipment and of 5,416 thousand euros in intangible assets.

Investments made in fixed assets during the period are as follows:

EUR/000	31 March 2016	31 March 2015
Purchase of Eugene property used as office of Pipeworks Inc.	2,196	0
Improvements made to the property of the new office of 505 Games (US) Inc.	402	735
Office automation equipment	309	246
Investments for Digital Bros Game Academy S.r.l.	0	104
Furnishing for 505 Games (US) Inc.	33	73
Other	34	6
<b>Total investments during the period (A)</b>	<b>2,974</b>	<b>1,164</b>
Office automation equipment and furnishing supplied by Pipeworks Inc.	0	239
Office automation equipment and furnishing supplied by DR Studios Ltd.	0	67
<b>Total intangible fixed assets supplied by the companies acquired (B)</b>	<b>0</b>	<b>306</b>
<b>Reclassification of the property in Via Labus, Milan (C)</b>	<b>0</b>	<b>455</b>
<b>Total increase in tangible fixed assets (A+B+C)</b>	<b>2,974</b>	<b>1,925</b>

Investments in intangible assets consist primarily of internal development orders and investments in the game Fantasfida. Details are as follows:

EUR/000	31 March 2016	31 March 2015
In-company development orders	3,333	970
Fantasfida	639	0
Rights to use Gems of Wars	360	374
Rights to use Brothers	356	502
Rights to use Battle Ages	255	130
Battle Islands	237	3,613
Investments in the development of the management systems	177	121
Rights to use How to Survive 1.5	30	325
Pipeworks Inc. contracts	0	1,314
Rights to use Mythic Islands	0	212
Cityglance app	0	112
Other	29	102
<b>Total intangible assets</b>	<b>5,416</b>	<b>7,775</b>

Equity investments decreased by 549 thousand euros due to the classification among other current financial assets of the Starbreeze A shares of 969 thousand euros at 30 June 2015 and the increase of 420 thousand euros relating to the purchase of a 28.58% interest in Ovosonico S.r.l.

Non-current receivables and other assets, comprised of security deposits, are made up as follows:



EUR/000	31 March 2016	30 June 2015	Change
Guarantee deposits for the rental of Italian corporate offices	635	635	0
Guarantee deposits for the rental of foreign corporate offices	189	194	(5)
Guarantee deposits for utilities	5	5	0
Guarantee deposits for the AAMS concession	220	220	0
Other guarantee deposits	4	4	0
<b>Total non-current receivables and other assets</b>	<b>1,053</b>	<b>1,058</b>	<b>(5)</b>

Deferred tax assets are calculated on prior fiscal losses and other temporary differences between values applicable for tax purposes and those recognized in the financial statements. They are estimated assuming stable tax rates between now and the time of use, on the basis of current tax rates and/or modified rates when rates are expected to change.

## NON-CURRENT LIABILITIES

The item “Employee benefits” reflects the actuarial value of the Group’s liability to its employees, as calculated by an independent actuary in accordance with IAS 19.

“Non-current provisions” consist wholly of the provision for agents’ indemnities.

As at 31 March 2016, there were no other non-current payables and liabilities. The amount recognised at 30 June 2015, 589 thousand euros, was determined on the basis of the estimate of the potential earn-out to be paid in September 2016 for the acquisition of DR Studios Ltd. The amount was derecognised during the period since the current forecasts do not justify the recognition of any liability.

## NET WORKING CAPITAL

Net working capital increased by 4,583 thousand euros compared to 30 June 2015, despite the decline in inventories of 1,164 thousand euros. This increase contrasted with the decline in sales, which normally permits a simultaneous reduction of net working capital, manifest in the item trade payables.

An analysis of net working capital in comparison with figures at 30 June 2015 is provided below:

EUR/000	31 March 2016	30 June 2015	Change	
Inventories	11,717	12,881	(1,164)	-9.0%
Trade receivables	31,683	36,350	(4,667)	-12.8%
Tax credits	3,408	2,466	942	38.2%
Other current assets	4,509	6,148	(1,639)	-26.7%
Trade payables	(18,004)	(26,929)	8,925	-33.1%
Tax payables	(1,902)	(3,029)	1,127	-37.2%
Current provisions	0	0	0	0.0%
Other current liabilities	(1,172)	(1,859)	687	-37.0%
<b>Total net working capital</b>	<b>30,239</b>	<b>26,028</b>	<b>4,211</b>	<b>16.2%</b>

Net working capital increased by 4,211 thousand euros compared to 30 June 2015, despite the decline in inventories of 1,164 thousand euros. This increase contrasted with the decline in sales, which normally permits a simultaneous reduction of net working capital, as manifest in the 33.1% decrease in trade payables. The process of significant investments in new products launched by the Group in the past several months, expected to begin to generate revenues in the following year, had a significant impact on trade receivables, which declined by 12.8%, a much smaller decrease than the drop in revenues of 30%. The item consists of trade receivables and advances for licences for the use of video games. Its composition is therefore fundamental to an understanding of the performance of net working capital and illustrated below:

EUR/000	31 March 2016	30 June 2015	Change
Receivables due from customers	12,814	24,824	(12,010)
Receivables for licences to use video games	18,869	11,526	7,343
<b>Total trade receivables</b>	<b>31,683</b>	<b>36,350</b>	<b>(4,667)</b>

## SHAREHOLDERS' EQUITY

Detailed changes in shareholders' equity are reported in the consolidated statement of changes in equity. They can be summarised as follows:

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (losses)	Period profit (loss)	Total retained earnings (D)	Group consolidated shareholders' equity (A+B+C+D)
<b>Total as at 01 July 2015</b>	<b>5,644</b>	16,954	1,129	1,367	(244)	211	<b>19,417</b>	<b>(1,199)</b>	(3,006)	12,953	<b>9,947</b>	<b>33,809</b>
Allocation of period profit							<b>0</b>		9,105	(9,105)	<b>0</b>	<b>0</b>
Distribution of dividends									(1,818)		<b>(1,818)</b>	<b>(1,818)</b>
Other changes							<b>0</b>	<b>809</b>	2,236		<b>2,236</b>	<b>3,045</b>
Comprehensive profit (loss)					(554)	1,064	<b>510</b>			(1,291)	<b>(1,291)</b>	<b>(781)</b>
<b>Total as at 31 March 2016</b>	<b>5,644</b>	16,954	1,129	1,367	(798)	1,275	<b>19,927</b>	<b>(390)</b>	6,517	2,557	<b>9,074</b>	<b>34,255</b>

The share capital (unchanged with respect to 30 June 2015) is divided into 14,110,837 ordinary shares of par value of 0.40 euros each, for a total of 5,644,334.8 euros. There are no other types of shares outstanding. There are no rights, preferences or restrictions on ordinary shares.

No specific uses or objectives have been designated for individual equity reserves, other than those defined by law.

During the period, 270,000 treasury shares were sold for an average price of 11.28 euros per share, for a total of 3,045 thousand euros. The book value of the shares sold was 809 thousand euros and represents the change in the heading "Treasury shares", whereas the positive differential of 2,236 thousand euros was classified as other changes in retained earnings.

The changes in reserves in the period are:

EUR/000	31 March 2016
Change in the translation reserve	(554)
Change in the IAS 19 reserve	(3)
Change in the security valuation reserve	1,067
<b>Total changes in reserves</b>	<b>510</b>

The change in the security valuation reserve was due to the difference between the market value at the end of the period and the purchase cost of the Starbreeze A ordinary shares held on 31 March 2016 and originally classified amongst equity investments.

## NET FINANCIAL POSITION

The breakdown of the Group's net financial position as at 31 March 2016 as compared with the same data at 30 June 2015 is as follows:

	EUR/000	31 March 2016	30 June 2015	Change
22	Cash and cash equivalents	2,197	4,339	(2,142)
23	Short-term payables due to banks	(22,136)	(12,738)	(9,398)
24	Other current financial assets and liabilities	4,157	1,685	2,472
	<b>Current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>
25	Non-current financial assets	1,195	0	1,195
26	Non-current payables due to banks	(1,687)	(1,619)	(68)
27	Other non-current financial liabilities	(1,701)	0	(1,701)
	<b>Non-current net financial position</b>	<b>(2,193)</b>	<b>(1,619)</b>	<b>(574)</b>
	<b>Total net financial position</b>	<b>(17,975)</b>	<b>(8,333)</b>	<b>(9,642)</b>

Net financial debt increased by 9,642 thousand euros compared to 30 June 2015, primarily due to the increase in current payables due to banks of 9,398 thousand euros, the decrease in cash and cash equivalents of 2,142 thousand euros and the increase in other non-current financial liabilities of 1,701 thousand euros, partially offset by the increase in other current financial assets and liabilities of 2,472 thousand euros and non-current financial assets of 1,195 thousand euros.

At the end of the period, the carrying values of the financial instruments held by the Group were equal to their fair values. For cash and cash equivalents, carrying amount is a reasonable approximation of fair value since these are highly liquid forms of investment, while for finance lease liabilities (included with other financial liabilities), carrying amount is a reasonable approximation of fair value.

The following table shows the Group's financial liabilities as at 31 March 2016, grouped by maturity:

<b>EUR/000</b>	<b>Due within 12 months</b>	<b>1-5 years</b>	<b>over 5 years</b>	<b>Total</b>
Payables due to banks relating to current accounts	(28)	0	0	(28)
Payables due to banks relating to the financing of import and export	(18,183)	0	0	(18,183)
Payables due to banks relating to advances on invoices and subject to collection	(2,270)	0	0	(2,270)
Payables due to banks for unsecured loans	(1,655)	(1,687)	0	(3,342)
<b>Total amounts due to banks (A)</b>	<b>(22,136)</b>	<b>(1,687)</b>	<b>0</b>	<b>(23,823)</b>
<b>Other financial liabilities (B)</b>	<b>(318)</b>	<b>(1,701)</b>	<b>0</b>	<b>(2,019)</b>
<b>Total financial liabilities (A) + (B)</b>	<b>(22,454)</b>	<b>(3,388)</b>	<b>0</b>	<b>(25,842)</b>

### **Current net financial position**

The current net financial position is made up as follows:

	<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
22	Cash and cash equivalents	2,197	4,339	(2,142)
23	Short-term payables due to banks	(22,136)	(12,738)	(9,398)
24	Other current financial assets and liabilities	4,157	1,685	2,472
	<b>Total current net financial position</b>	<b>(15,782)</b>	<b>(6,714)</b>	<b>(9,068)</b>

### **22. Cash and cash equivalents**

As at 31 March 2016 cash and cash equivalents, which were not subject to any restrictions, consisted of sight deposits at banks. Details are as follows:

<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
Cash on hand and bank deposits	2,197	4,018	(1,821)
AXA MPS Quadrante policy	0	321	(321)
<b>Total liquid funds</b>	<b>2,197</b>	<b>4,339</b>	<b>(2,142)</b>

The Group's liquid funds as at 31 March 2016 amounted to 2,197 thousand euros, down by 1,821 thousand euros on 30 June 2015.

At 30 June 2015, the heading included a Quadrante insurance policy contracted by Digital Bros S.p.A. and issued by AXA MPS, which was paid out during the period.

### **23. Short-term payables due to banks**

Short-term payables due to banks are comprised of account overdrafts, import-export financing, advances on invoices, and advances subject to collection. Most of the increase in short-term payables due to banks with respect to 30 June 2015 (9,398 thousand euros) is due to the rise in import-export financing and advances on invoices subject to collection. Details are as follows:

<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
Current account overdrafts	(28)	(13)	(15)
Loans for import and export	(18,183)	(10,529)	(7,654)
Advances on invoices and subject to collection	(2,270)	(859)	(1,411)
Loans payable within 12 months	(1,655)	(1,337)	(318)
<b>Total short-term payables due to banks</b>	<b>(22,136)</b>	<b>(12,738)</b>	<b>(9,398)</b>

Payables due to banks do not involve pledges, guarantees or covenants to be satisfied by the Group.

The portion of loans payable within twelve months as at 31 March 2016 consists of, for 905 thousand euros, the short-term portion of a loan granted by UniCredit S.p.A. maturing in January 2018 and, for 750 thousand euros, the short-term portion of a loan granted by Monte dei Paschi di Siena S.p.A. maturing in December 2017.

### **24. Other current financial liabilities**

The breakdown of other current financial assets and liabilities is as follows:

<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
Starbreeze A shares	4,256	0	4,256
Starbreeze B shares	0	1,553	(1,553)
Receivables collected by factoring companies on behalf of 505 Games Ltd.	219	302	(83)
Advances on the non-recourse factoring of trade receivables	(144)	(151)	7
Leasing instalments due within twelve months	(14)	(19)	5
Loan for the purchase of Eugene property	(160)	0	(160)
<b>Total other current financial assets and liabilities</b>	<b>4,157</b>	<b>1,685</b>	<b>(2,472)</b>

The caption “Starbreeze A shares” refers to the market value of 2,549,502 Starbreeze A shares (listed on NASDAQ Stockholm First North Premier). These shares were measured at fair value with recognition in equity reserve of the difference between the book value and the market value at 30 June 2015 as financial instruments classified as available for sale. The balance at 31 March 2016 is composed of 969 thousand euros from the classification to the caption of the shares that as at 30 June 2015 were classified as financial fixed assets, and the remainder, of 3,287 thousand euros, of purchases for the period and the mark-to-market of the shares held.

At 30 June 2015, the caption “Starbreeze B shares” referred to the market value of 1,220,691 Starbreeze B shares (listed on NASDAQ Stockholm First North Premier). During the period, the shares were all sold.

Receivables collected from factoring companies on behalf of 505 Games Ltd. are amounts relating to certain receivables claimed by 505 Games Ltd. in respect of its customers and that were collected by Unicredit Factoring and Mediofactoring by 31 March 2016 and paid to the subsidiary only subsequently.

Advances on the non-recourse factoring of trade receivables of 144 thousand euros decreased by 7 thousand euros compared with 30 June 2015.

Leasing instalments due within twelve months are composed of 5 thousand euros attributable to the full residual amount of the finance lease entered into with UniCredit Leasing for a motor vehicle and of 9 thousand euros of the short-term portion of a new lease agreement entered into with UniCredit Leasing for the purchase of a server.

The 46 thousand euros lease contract for the motor vehicle called for 47 monthly payments of 1 thousand euros each, plus an advance payment of 9 thousand euros and an end-of-lease purchase option of 5 thousand euros. The lease contract matures on 02 April 2016. The effective interest rate is 6.46%;

The loan for the purchase of the Eugene property of 180 thousand U.S. dollars relates to the portion due within twelve months of the loan received from Spring Properties Inc. for the purchase of the property used as the office of Pipeworks Inc.

### **Non-current net financial position**

Non-current net financial position is made up as follows:

	<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
25	Non-current financial assets	1,195	0	1,195
26	Non-current payables due to banks	(1,687)	(1,619)	(68)
27	Other non-current financial liabilities	(37)	0	(37)
	<b>Total current net financial position</b>	<b>(529)</b>	<b>(1,619)</b>	<b>1,090</b>

### **25. Non-current financial assets**

As at 31 March 2016 the heading includes a loan of JPY 150,000,000 granted by 505 Games S.r.l. to Shinshuppatsu Junbi Co. Ltd. The loan, which bears interest at an annual rate of 7%, may be repaid on demand, but the Group estimates that the borrower will make use of the funds for at least two years. The loan was granted to the company concerned as part of a broader commercial agreement concerning the joint development of certain video games.

## **26. Non-current payables due to banks**

Non-current payables due to banks include 937 thousand euros of the portion due beyond 12 months of a loan granted by UniCredit S.p.A. and 750 thousand euros of the portion due beyond 12 months of a loan granted by Monte dei Paschi di Siena S.p.A. The loan granted by Unicredit S.p.A. to the parent company was granted on 1 April 2015 for 2.5 million euros. The loan provides for interest payments and the repayment of capital through deferred quarterly instalments starting from 31 July 2015. The interest rate is variable and is determined based on the 3-month Euribor plus a spread of 3.50 percentage points. The loan by Monte dei Paschi di Siena S.p.A. to the parent company was granted on 23 November 2015 for 1.5 million euros. The loan calls for repayment over two years in six quarterly instalments, inclusive of principal and interest, starting on 30 September 2016, plus two instalments of interest only, due on 31 March 2016 and 30 June 2016. The interest rate is variable and is determined based on the 6-month Euribor plus a spread of 2 percentage points.

## **27. Other non-current financial liabilities**

The item is primarily composed (1,664 thousand euros) of the portion due beyond twelve months of a loan granted by Spring Properties, Inc. for the purchase of the Eugene property used as the office of Pipeworks Inc. The loan of 2,125 thousand U.S. dollars is to be repaid in monthly instalments of 15 thousand U.S. dollars at an annual interest rate of 6%.

The remainder, 37 thousand euros, relates to leasing instalments due beyond twelve months on a finance lease contract with UniCredit Leasing for the purchase of a server. The 54 thousand euros lease contract with calls 59 monthly payments of plus an advance payment of 5 thousand euros and an end-of-lease purchase option of 1 thousand euros. The lease contract matures on 29 December 2020. The amount of the instalments due beyond the twelve months comes to 37 thousand euros. The interest rate is variable and is determined based on the 3-month Euribor plus a spread of 3 percentage points.

The following table shows finance lease payments by maturity:

<b>EUR/000</b>	<b>31 March 2016</b>	<b>30 June 2015</b>	<b>Change</b>
Due within 12 months	14	19	(5)
1-5 years	0	0	0
Non-current (5 years)	37	0	37
<b>Total</b>	<b>51</b>	<b>19</b>	<b>(32)</b>



### 3. ANALYSIS OF THE INCOME STATEMENT

#### 3. Net revenues

The total is broken down below by segment, excluding the Holding segment, which does not generate revenues:

	EUR/000	Development	Mobile	Publishing	Italian Distribution	Other Activities	Total
1	Gross revenues	1,102	11,010	32,366	16,293	510	61,281
2	Revenue adjustments	0	0	(1,603)	(1,026)	(51)	(2,680)
3	<b>Total net revenues</b>	<b>1,102</b>	<b>11,010</b>	<b>30,763</b>	<b>15,267</b>	<b>459</b>	<b>58,601</b>

The breakdown as at 31 March 2015 was as follows:

	EUR/000	Development	Mobile	Publishing	Italian Distribution	Other Activities	Total
1	Gross revenues	1,184	11,309	54,878	20,688	199	88,258
2	Revenue adjustments	0	0	(2,841)	(1,332)	(115)	(4,288)
3	<b>Total net revenues</b>	<b>1,184</b>	<b>11,309</b>	<b>52,037</b>	<b>19,356</b>	<b>84</b>	<b>83,970</b>

Gross revenues for the period decreased from 88,258 thousand euros to 61,281 thousand euros. Net revenues decreased by 30.2% to 83,970 thousand euros from 58,601 thousand euros as at 31 March 2015.

Below is the breakdown of revenues by business segment as at 31 March 2016 compared with the previous year:

EUR/000	Gross revenues				Net revenues			
	2016	2015	Change		2016	2015	Change	
Publishing	32,366	54,878	(22,512)	-41.0%	30,763	52,037	(21,274)	-40.9%
Italian Distribution	16,293	20,688	(4,395)	-21.2%	15,267	19,356	(4,089)	-21.1%
Mobile	11,010	11,309	(299)	-2.6%	11,010	11,309	(299)	-2.6%
Development	1,102	1,184	(82)	-6.9%	1,102	1,184	(82)	-6.9%
Other Activities	510	199	311	155.8%	510	199	311	n.s.
<b>Total gross revenues</b>	<b>61,281</b>	<b>88,258</b>	<b>(26,977)</b>	<b>-30.6%</b>	<b>58,601</b>	<b>83,970</b>	<b>(25,369)</b>	<b>-30.2%</b>

#### 25. Financial income and charges

The item consists of:

	EUR/000	31 March 2016	31 March 2015	Change	%
23	Interest and financial income	2,574	2,905	(332)	-11.4%
24	Interest and financial expenses	(1,222)	(1,384)	163	-11.8%
25	<b>Net financial income</b>	<b>1,352</b>	<b>1,521</b>	<b>(169)</b>	<b>-11.1%</b>

Net financial income amounted to 1,352 thousand euros, compared to 1,521 thousand euros in the same period of the previous year. Interest and financial income decreased by 332 thousand euros due to exchange gains of 1,054 thousand euros, compared to exchange gains of 2,899 thousand euros in the same period of the previous year, partially offset by the capital gains on the sale of the Starbreeze B shares of 1,495 thousand euros. Interest and financial expense decreased by 162 thousand euros.

Below are the details of interest expense:

EUR/000	31 March 2016	31 March 2015	Change	%
Interest expense due to by banks	(347)	(737)	390	-60.4%
Other interest expense	0	0	0	0.0%
Interest expense on financing and leasing	(80)	(11)	(69)	n.s.
Interest on factoring	(14)	(14)	1	15.3%
<b>Total interest expense on sources of finance</b>	<b>(441)</b>	<b>(762)</b>	<b>321</b>	<b>-50.6%</b>
Exchange losses	(781)	(622)	(159)	n.s.
<b>Total interest and financial expenses</b>	<b>(1,222)</b>	<b>(1,384)</b>	<b>162</b>	<b>2.4%</b>

## 29. Taxes

The breakdown of current and deferred taxes as at 31 March 2016 is as follows:

EUR/000	31 March 2016	31 March 2015	Change	%
Current taxes	(1,116)	(3,604)	2,489	-69.1%
Deferred taxes	1,506	578	928	n.s.
<b>Total income taxes</b>	<b>390</b>	<b>(3,026)</b>	<b>3,416</b>	<b>n.s.</b>

The decrease in current taxes is in line with the lower pre-tax income recorded as at 31 March 2016 compared to the same period of the previous year.

As at 31 March 2016 deferred taxes amounted to 1,506 thousand euros and were estimated on the basis of the pre-tax losses of the subsidiaries 505 Games (US) Inc. and Game Network S.r.l.

## 4. NON-RECURRING INCOME AND EXPENSES

As required by Consob Resolution no. 15519 of 27 July 2006, non-recurring income and expenses are shown separately in the income statement. These are generated by transactions or events that by nature do not occur on a regular basis as part of the business.

During the period, the Group did not recognise any non-recurring income or expenses.

## 5. OTHER INFORMATION

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### *Information on geographical segments*

Gross revenues are broken down below by region:

EUR/000	31 March 2016		31 March 2015		Change	
Europe	12,289	20%	14,793	17%	(2,504)	-16.9%
The Americas	31,181	51%	50,319	57%	(19,138)	-38.0%
Rest of the world	1,007	2%	2,259	3%	(1,252)	-55.4%
<b>Total revenues from abroad</b>	<b>44,477</b>	<b>73%</b>	<b>67,371</b>	<b>76%</b>	<b>(22,894)</b>	<b>-34.0%</b>
Italy	16,804	27%	20,887	24%	(4,083)	-19.5%
<b>Consolidated total gross revenues</b>	<b>61,281</b>	<b>100%</b>	<b>88,258</b>	<b>100%</b>	<b>(26,977)</b>	<b>-30.6%</b>

Revenues from abroad accounted for 73% of consolidated gross revenues, compared to 76% in the same period of the previous year, and decreased by 34% compared to 31 March 2015.

Revenues in the rest of the world were made by the subsidiary 505 Games Ltd., mainly in Australia, the Middle East and South Africa.

The most significant portion of revenues from abroad is generated by the Publishing segment, which booked revenues from abroad as 32,366 thousand euros, or 73% of revenues from abroad.

Below is a breakdown of gross revenues from abroad, according to business segment:

EUR/000	31 March 2016		31 March 2015		Change	
Mobile	11,010	25%	11,309	17%	(299)	-2.6%
Publishing	32,366	73%	54,878	81%	(22,512)	-41.0%
Development	1,102	2%	1,184	2%	(82)	-6.9%
<b>Total gross revenues from abroad</b>	<b>44,478</b>	<b>100%</b>	<b>67,371</b>	<b>100%</b>	<b>(22,893)</b>	<b>-34.0%</b>

Revenues of the Development business segment include revenues generated by Pipeworks Inc. on ongoing development orders from non-captive clients.

Italian revenues decreased to a less pronounced extent than revenues from abroad.

## 6. RELATED PARTY TRANSACTIONS

In accordance with Consob Resolution 17221 of 12 March 2010, it is hereby reported that all commercial and financial transactions between members of the Digital Bros Group, and between those companies and other non-subsidiary related parties, have been conducted at arm's length and do not qualify as atypical or unusual transactions.

### *Intercompany transactions*

Intercompany transactions have been described in paragraph 8 of the report on intercompany operations and related party transactions and atypical/unusual transactions, to which we would refer you.

### *Other related parties*

Related party transactions regard:

- legal consultancy provided by the director Dario Treves;
- property rental carried out by Matov Imm. S.r.l. towards the parent company and subsidiary 505 Games France S.a.s.;
- property rental carried out by Matov LLC to the subsidiary 505 Games (US) Inc.

Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante.

Transactions as at 31 March 2016 are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(22)	0	0	(189)
Matov Imm. S.r.l.	0	635	0	0	0	(579)
Matov LLC	0	130	0	0	0	(209)
<b>Total</b>	<b>0</b>	<b>765</b>	<b>(22)</b>	<b>0</b>	<b>0</b>	<b>(657)</b>

As at 31 March 2015, these were:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(145)
Matov Imm. S.r.l.	0	635	0	0	0	(599)
Matov LLC	0	138	0	0	0	(181)
<b>Total</b>	<b>0</b>	<b>773</b>	<b>(18)</b>	<b>0</b>	<b>0</b>	<b>(925)</b>

The financial receivable due to Digital Bros S.p.A. by Matov Imm. S.r.l. refers to the security deposit on the Via Tortona 37 premises in Milan.

The financial receivable due to 505 Games (US) Inc. by Matov LLC refers to the guarantee deposits paid by way of guarantee against the lease instalments for the premises that became the American subsidiary's offices during the previous year.

Rent for the Milan offices paid during the year by Digital Bros S.p.A. to Matov Imm. S.r.l. amounts to 545 thousand euros, that paid by 505 Games France S.a.s. for the buildings of Francheville amounts to 34 thousand euros.

In November 2013, a rent contract was stipulated between the subsidiary 505 Games (US) Inc. and Matov LLC, an associated party owned by the Galante family. As a whole, the operation was subject to the "Related party transactions procedure" adopted by Digital Bros S.p.A. in accordance with Consob Regulation 17221 of 12 March 2010 and provides for annual charges of 285 thousand US dollars.

#### *Tax consolidation*

Digital Bros S.p.A., in its capacity as parent company/consolidating company, has opted for the tax consolidation allowed by Italian law for the period 2015-2017 with the companies 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l., 505 Games S.r.l. and Digital Bros Game Academy S.r.l.

This has made it necessary to prepare a set of rules for intercompany relations to ensure that no prejudice is caused to the individual participants in the system.

## **7. ATYPICAL OR UNUSUAL TRANSACTIONS**

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There were no atypical or unusual transactions in the period under examination or the same period of the previous year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

## **STATEMENT PURSUANT TO ART. 154-BIS (5) OF THE CONSOLIDATED FINANCE ACT**

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We, the undersigned, Abramo Galante as chairman of the Board of Directors and Stefano Salbe as Financial Reporting Officer of the Digital Bros Group, hereby declare, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business; and
- due compliance with the administrative and accounting procedures for the preparation of the interim management report at 31 March 2016.

We also confirm that:

1. the interim management statement of the Digital Bros Group at 31 March 2016:
  - a) has been prepared in accordance with the applicable International Accounting Standards recognised by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
  - b) corresponds to the ledgers and accounting entries;
  - c) provides a true and fair view of the financial position and performance of Digital Bros S.p.A. and of the companies included in the consolidation;
2. the interim management statement at 31 March 2016 contains information on the key events that took place during the period and their impact on the interim management statement at 31 March 2016, along with a description of the main risks and uncertainties. The interim management statement at 31 March 2016 also contains information on significant transactions with related parties.

Milan, 12 May 2016

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Officer

Stefano Salbe