



## **Consolidated and separate financial statements for the year ended 30 June 2018**

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

Via Tortona, 37 – 20144 Milano, Italia

VAT Number and Tax Number 09554160151

Share capital: Euro 6,024,334.80 of which Euro 5,704,334.80 subscribed

Milan Register of Companies 290680-Vol. 7394 Chamber of Commerce No 1302132

This report is available in the Investors section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com)

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## **BOARD OF DIRECTORS AND SUPERVISORY 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) (5)</sup>
Luciana La Maida	Director <sup>(3)</sup>
Irene Longhin	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>(1)</sup>

<sup>(1)</sup> Executive director

<sup>(2)</sup> Non-executive director

<sup>(3)</sup> Independent director

<sup>(4)</sup> Financial reporting manager pursuant to Art. 154 bis of Legislative Decree 58/98

<sup>(5)</sup> Lead Independent Director

### **Internal control and risk committee**

Guido Guetta (Chairman)  
Elena Morini  
Bruno Soresina

### **Remuneration committee**

Guido Guetta  
Luciana La Maida (Chairman)  
Bruno Soresina

### **Permanent related parties committee**

Guido Guetta (Chairman)  
Elena Morini  
Bruno Soresina

### **Board of statutory auditors**

Maria Pia Maspes	Statutory auditor
Luca Pizio	Statutory auditor
Paolo Villa	Chairman
Daniela Delfrate	Substitute statutory auditor
Christian Sponza	Substitute statutory auditor

The shareholders' meeting of 27 October 2017 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 held to approve the financial statements for the year ended 30 June 2020.

On 27 October 2017, the Board of Directors appointed Abramo Galante as Chairman of the Board of Directors and Managing Director while also appointing Raffaele Galante as Managing Director; both were given appropriate powers.

On 7 August 2007, the Board of Directors appointed Director Stefano Salbe to the position of financial reporting manager pursuant to Art. 154 bis of Legislative Decree 58/98 and granted him appropriate powers.

#### **External auditors**

Deloitte & Touche S.p.A.

On 26 October 2012, the a Shareholders' General Meeting appointed Deloitte & Touche S.p.A, Via Tortona 25, Milan to audit the separate and consolidated financial statements of Digital Bros S.p.A. until to the approval of the financial statements for the year ending 30 June 2021.

#### **Other information**

Publication of the consolidated financial statements of the Digital Bros Group for the year ended 30 June 2018 was authorised by resolution of the Board of Directors of 13 September 2017.

Digital Bros S.p.A. is a company limited by shares incorporated and domiciled in Italy. It is listed on the STAR segment of the MTA market managed by Borsa Italiana S.p.A

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# **DIRECTORS' REPORT**

## **1. GROUP STRUCTURE**

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

Following sale of the investment in US company Pipeworks Inc., revenues and expenses relating to this subsidiary for the portion of the reporting period up until the disposal date have been disclosed in the consolidated statement of profit or loss under the caption net profit/loss from assets destined for sale. The Development business segment ceased to exist following the disposal and the Group is now organised into five operational business segments:

**Premium Games:** operations consist of the acquisition of video game content exploitation rights from developers and the subsequent distribution of the games through a traditional international sales network and via digital marketplaces such as Steam, Sony PlayStation Network, Microsoft Xbox Live, etc.

The video games are normally acquired under exclusive licence and with international exploitation rights valid for several years. The Group operates globally in the Premium Games segment under the 505 Games brand.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. Said company coordinates the operating segment, together with 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate on the French, UK, U.S., Spanish and German markets, respectively. 505 Games Interactive (US) Inc. provides consulting services on behalf of 505 Games S.p.A.

Italian company Kunos Simulazioni S.r.l., developer and publisher of the *Assetto Corsa* video game, was acquired during prior year and is an integral part of this operating segment.

**Free to Play:** this business regards the development and publishing of video games and/or apps that are available free of charge on digital marketplaces and which allow the gamer to make purchases during later stages of the game. Compared to Premium video games, Free to Play games are generally simpler but, if successful, may have a longer lifespan. The video game is continuously developed and improved after its launch in order to keep the public interested and extend the game's life cycle.

The operating segment is coordinated by subsidiary 505 Mobile S.r.l., by U.S. company 505 Mobile (US) Inc. which provides consulting services to Group companies, by UK company DR Studios Ltd which is a developer of Free to Play games and by Hawken Entertainment Inc. which develops Hawken series video games.

The Group operates globally in this segment under the 505 Games Mobile brand.

**Italian Distribution:** this consists of the distribution in Italy of video games purchased from international publishers.

Business operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l. through the newsstand distribution channel.

The Group also distributes the Yu-Gi-Oh! trading card game in Italy.

**Other Activities:** this operating segment handles all of the Group's lesser activities which are grouped together in a separate operating segment for presentation of the results. It includes the operations of subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (Italian State Monopoly Administration) and the operations of subsidiary Digital Bros Game Academy S.r.l., which organises specialist IT and gaming courses, training courses and professional update courses. Given the limited profitability of the paid games under concession, the Group decided not to take part in the new competitive tendering process for future concessions. Consequently, the Group ended its activities under the AAMS concession in June 2018.

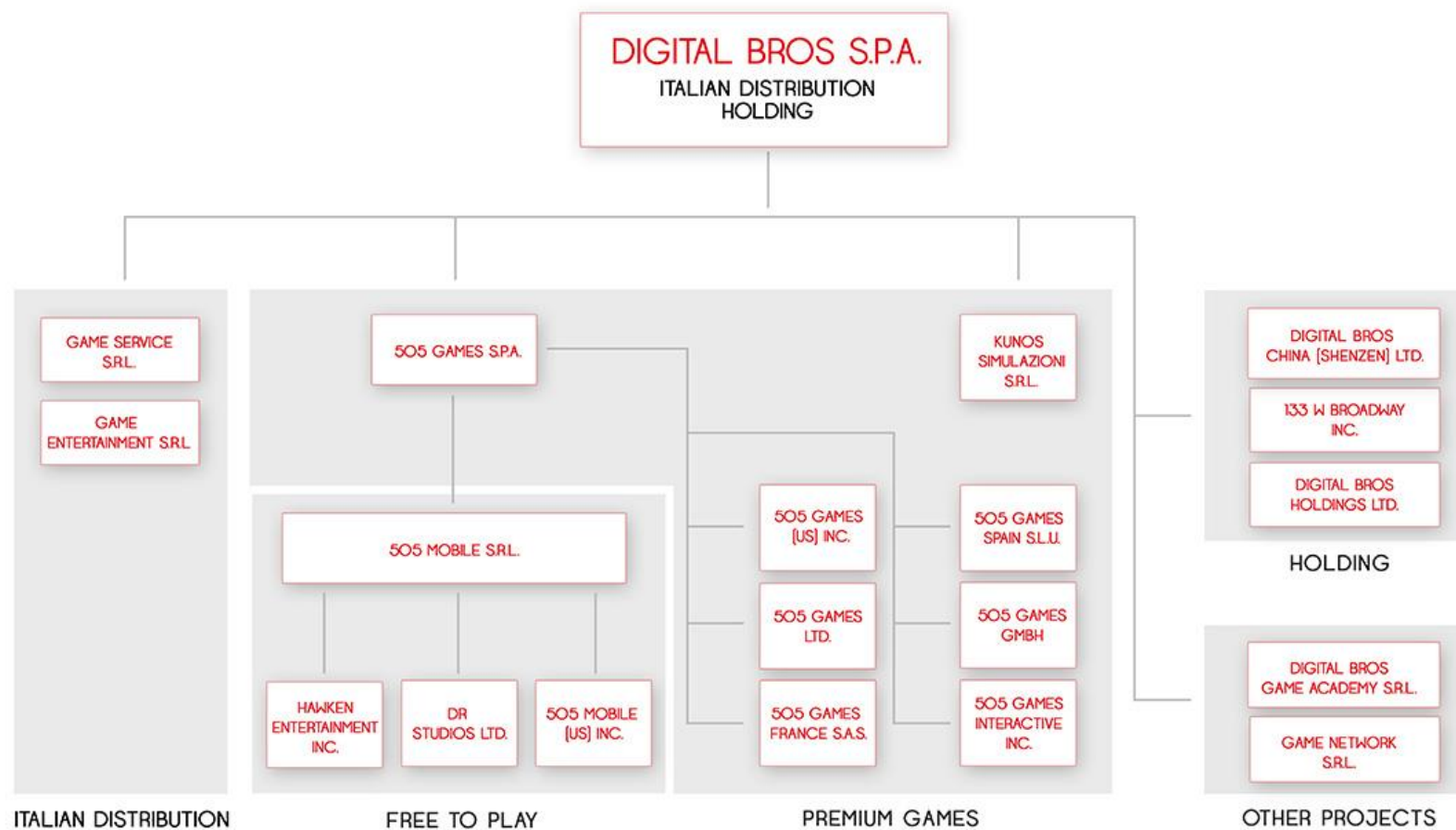
**Holding:** this includes all the coordinating functions carried out directly by Digital Bros S.p.A.. The Holding operating segment also handles administration, management control and business development. The holding company has availed been supported by Digital Bros China Ltd. which operates as business developer for Asian markets and by 133 W Broadway Inc., owner of the property in Eugene, Oregon, USA which is leased to US company Pipeworks Inc, formerly a subsidiary of the Group. Digital Bros Holdings Ltd. was inactive during the period.

All of the investments reported are 100% owned.

The Group organisation chart at 30 June 2018 is shown below:



## GROUP STRUCTURE AT 30 JUNE 2018



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

Company	Address	Activities
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.	Wang Hai Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
Digital Bros Holdings Ltd. <sup>(1)</sup>	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	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 (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l.	Via Tortona, 37 Milan	Offices
Game Service S.r.l.	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	1526 Brookhollow Drive, Santa Ana, California, U.S.A.	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
Pipeworks Inc. <sup>(2)</sup>	133 W. Broadway, Suite 200, Eugene, Oregon, 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

(1) Dormant during the period

(2) Company disposed of on 23 February 2018

At 30 June 2018, the Group held investments in the associated companies listed below. The related carrying amounts are also shown (in thousands of Euro):

Name	Location	Holding	Carrying amount
Delta DNA Ltd.	Edinburgh, UK	1.04%	60
Ebooks&Kids S.r.l.	Milan	16%	38
Ovosonico S.r.l.	Varese	49%	751
Seekhana Ltd.	Milton Keynes, UK	34.77%	421
<b>Total investments in associated companies</b>			<b>1,270</b>

## 2. THE VIDEO GAMES MARKET

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The video games market is part of the broader entertainment industry. Films, publishing, video games and toys are sectors that share the same characters, brands, distinctive features and intellectual property. The market is in constant flux and its growth rate is driven by non-stop technological advances. Gaming is no longer limited to traditional consoles, such as the various iterations of Sony PlayStation and Microsoft Xbox, but has expanded to mobile phones, tablet devices and hybrid consoles like the Nintendo Switch. Widespread connectivity at increasingly lower costs and the availability of fibre optic networks and high speed mobile phones enable video games to become increasingly diversified, sophisticated and interactive. Widespread use of smartphones by people of all ages and walks of life has expanded the video gaming population and led to the publication of games suited to adult gamers and women only gamers.

As is the case for almost all technological markets, the video games market for consoles follows a cyclical trend depending on the stage of development of the consoles for which the videogames are developed. When a given console is first launched, the prices of the hardware and the video games designed for it are high and relatively small quantities are sold. Over their lifespan, console and game prices gradually fall, as they progress from new releases to maturity and the quantities sold increase while video game quality also increases.

As well as being marketed on the digital market place, high quality video games with strong sales potential are also produced physically and distributed through traditional sales networks. In this case, the value chain is as follows:



### *Developers*

Developers are creators and programmers of games which are usually based on an original idea, a successful brand, a film or sports simulations, etc. The developers retain the intellectual property rights but transfer the exploitation rights, for a limited amount of time, as agreed by contract, to international video game publishers, which are therefore key players when it comes to completing the game, raising its awareness, enhancing its reputation and distributing it internationally.

### *Publishers*

The video game publisher decides when the game is released onto the market, determines global pricing and commercial policy, studies product positioning, packaging design and takes on all of the risks. Together with the developer, it benefits from all the opportunities that the video game may produce if it is a success. Publishers usually finance the game development stage.

### *Console manufacturers*

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 Sony Playstation 4 console manufacturer, Microsoft is the Microsoft Xbox One console manufacturer and Nintendo is the Nintendo Switch console manufacturer. The console manufacturer produces the physical support format on behalf of publishers at software reproduction facilities. The console manufacturer and the video game publisher are often one and the same.

### *Distributors*

The role of the distributor varies from country to country. The more a market is fragmented e.g. the Italian market, the more the distributor's role is integrated with that of the publisher, with the implementation of communication policies for the local market and the undertaking of public relations. In certain markets, such as the UK and the U.S., due to a high concentration of retailers, publishers usually have a direct presence. Due to the increasing digitalisation of the market, more recently incorporated video game publishers do not have their own traditional international retail sales structures as they make use of distribution structures pertaining to other publishers present in various markets.

### *Retailers*

The retailer is the outlet where the end consumer purchases a game. Retailers may be international chains specialized in the sale of video games, mass retail stores, specialized independent shops, or even online shopping web sites that sell directly to the public.

Console manufacturers have developed marketplaces whereby video games can be sold directly to the end consumer without the need for a distributor or retailer. The value chain is less complex for games distributed in digital format in the marketplaces and for those designed for smartphones and tablets, as indicated below:



The main marketplaces on which video games for consoles are sold to end consumers are: Sony's PlayStation Store, Microsoft's Xbox Live and Nintendo's eShop. Steam marketplace is the global leader in the digital distribution of games for personal computers.

The gradual growth of online gaming has established a new trend: Microsoft, with Microsoft Xbox Live Pass; and Sony, with Sony PlayStation Now have created digital platforms where, rather than making single purchases, end consumers can subscribe a service to access a batch of games for a limited amount of time. Revenues to the publisher are calculated based on end consumers' usage of the video games.

Free to Play video games are offered to the public in digital format only. The marketplaces used are the App Store for iPhone and iPad video games and the Play Store for Android video games for Western markets, while a huge number of different marketplaces are used for Eastern markets. Some Free to Play video games are also available on Sony and Microsoft's marketplaces for consoles and on Steam for personal computers.

Digital distribution has made it possible to extend the lifespan of a game. In fact, a video game remains on the marketplace once it has been released whereas it would be unlikely to remain on the shelf in the case of physical distribution. This makes it possible to generate an ongoing sales curve that is significantly affected by temporary communications policies and promotional pricing. The extension of product life cycle is also greatly affected by product policies adopted by publishers when, alongside the main game, they create additional episodes or functions available free of charge or for payment on digital marketplaces (so-called DLC, or downloadable content).

### **3. MARKET SEASONALITY**

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Seasonality is influenced by the launch of popular products. Quarter-on-quarter results can be volatile depending on whether or not a successful new game is released. In fact, the launch of these products leads to a concentration of sales in the first few days following their release.

The publication and distribution of video games in the digital marketplace partially reduces variation in a publisher's results from one quarter to the next. In fact, in the event of digital distribution, revenue is recognized when the end consumer purchases a game from the marketplace. This process occurs more gradually over time and is not so concentrated in the days immediately after the launch, unlike traditional distribution for which revenue is recognized upon shipment of the finished product to the distributor/dealer, regardless of whether it has been purchased by the end consumer. The fact that it is possible to offer product promotions on the main marketplaces in a fairly rapid and effective manner tends to concentrate revenue during such periods. Clearly, publishers try to plan their promotional campaigns for the most favourable phases of the market, such as the Christmas season for European markets or Black Friday for the American market.

The Free to Play video games revenue is trend less influenced by seasonality than Premium video games. Indeed, until now, successful Free to Play video games have achieved revenue growth over time without any particular peaks in the launch period except in a few cases of highly anticipated Free to Play video games and with well-known brands e.g. Pokemon Go and Clash Royale. Promotions have a significant impact on revenue trends but, unlike the Premium video games market, promotions are frequently repeated and do not greatly distort the monthly revenue trend for each video game.

The financial position is also closely linked to the revenue trend. The physical distribution of a product in a quarter leads to concentration of net working capital investment. This is temporarily reflected by the level of net cash/debt until such time as the related sales revenue is collected.

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

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The most significant events during the period were as follows:

- On 25 July 2017, the Italian Tax Authorities (“*Guardia di Finance* – Milan Tax Police Unit”) completed their inspection of subsidiary 505 Games S.p.A. which had commenced on 19 October 2016; they also issued their tax inspection report. The inspection regarded IRES and IRAP for the 2011, 2012, 2013 and 2014 tax periods and withholding taxes for the 2012, 2013, 2014 and 2015 tax periods. The tax inspection report raised findings in relation to transfer pricing and the failure to apply withholding taxes. These findings involved significant amounts and the risks were assessed by the Directors when making allocations totalling Euro 854 thousand to the provision for risks and charges in the consolidated financial statements at 30 June 2017. In December 2017, the Italian Tax Authorities issued tax demands relating to the 2012 tax period. Based on the advice of their professional advisors, the Directors have concluded that the provision already made at 30 June 2017 was sufficient;
- On 27 October 2017, a General Meeting of the shareholders of Digital Bros S.p.A. approved the consolidated financial statements of the Group at 30 June 2017 and the separate financial statements of Digital Bros S.p.A. at 30 June 2017. It also approved the Remuneration Report in terms of Article 123-ter of Legislative Decree no 58 of 24 February 1998. The General Meeting also appointed the new members of the Board of Directors and the Board of Statutory Auditors who will remain in office until approval of the financial statements for the period ending 30 June 2020. The same General Meeting also resolved to distribute a dividend of Euro 0.15 per share. The dividend was duly paid on 13 December 2017;
- On 21 December 2017, the Board of Directors of Digital Bros S.p.A. approved the sale of a 12.5% interest in US subsidiary Pipeworks Inc. to a group of investors headed by US private equity firm Northern Pacific Group for a consideration of USD 2.5 million. At the same time, the Group granted the buyer a call option to acquire the remaining 87.5% of the shares for USD 17.5 million. This option was later exercised on 23 February 2018 with payment of a further USD 5 million. The residual balance of USD 12.5 million will be paid in three instalments as follows:
  - a) USD 2.5 million by 30 June 2018;
  - b) USD 5 million by 31 March 2021;
  - c) USD 5 million by 31 March 2022.

The last two instalments bear income at 4% per annum. As a result of subsequent contractual agreements, the instalment due on 30 June 2018 has been postponed until the current reporting period. The agreement includes an option in favour of the buyer entitling it to purchase the real estate property owned by subsidiary 133 W Broadway Inc.; the option may be exercised by 15 October 2018 at a price of USD 2.5 million.

A net gain of Euro 12,056 thousand was recognised on the sale.

## **5. BASIS OF PREPARATION**

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In line with its strategic objective of focusing investments on the acquisition of intellectual property rights, on 23 February 2018, the Group sold its investment in US subsidiary Pipeworks Inc. That company had been acquired to enable a smoother migration process for videogames held by the Group on various gaming platforms. Over the past three years, the competitive environment has changed and the company's activities were transformed into the creation of videogame software applications on behalf of industrial and/or commercial companies. This meant it lost the strategic value it had at the time of acquisition.

Following the decision to sell the above the investment, the Group carried out the consolidation process and presented its financial statements in accordance with IFRS 5. IFRS 5 provides that the statement of profit or loss of Pipeworks Inc. at 23 February 2018, date of disposal of the investment, shall not be included on a line-by-line basis for the period but that the result of the company destined for sale shall be disclosed separately in the consolidated statement of profit or loss under the caption “Net result from discontinued operations”. In addition to the above, this includes the gain on the sale of the investment, after related expenses and the tax effect. IFRS 5 also requires that the prior year statement of profit or loss should be restated in order to render comparable the perimeters of continuing operations and discontinued operations in the two periods included in the financial reports. It is not necessary to reclassify the comparative information in the consolidated statement of financial position at 30 June 2017. A specific section of the notes contains a detailed breakdown of “Net result from discontinued operations”.



## 6. ANALYSIS OF CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2018

	Euro Thousands	30 June 2018		30 June 2017		Change	
1	Gross revenue	76,038	108.0%	132,681	105.6%	(56,643)	-42.7%
2	Revenue adjustments	(5,633)	-8.0%	(7,017)	-5.6%	1,384	-19.7%
3	<b>Net revenue</b>	<b>70,405</b>	<b>100.0%</b>	<b>125,664</b>	<b>100.0%</b>	<b>(55,259)</b>	<b>-44.0%</b>
4	Purchase of products for resale	(19,377)	-27.5%	(31,206)	-24.8%	11,829	-37.9%
5	Purchase of services for resale	(6,488)	-9.2%	(8,494)	-6.8%	2,006	-23.6%
6	Royalties	(15,016)	-21.3%	(37,102)	-29.5%	22,086	-59.5%
7	Changes in inventories of finished products	2,244	3.2%	882	0.7%	1,362	n.m.
8	<b>Total cost of sales</b>	<b>(38,637)</b>	<b>-54.9%</b>	<b>(75,920)</b>	<b>-60.4%</b>	<b>37,283</b>	<b>-49.1%</b>
9	<b>Gross profit (3+8)</b>	<b>31,768</b>	<b>45.1%</b>	<b>49,744</b>	<b>39.6%</b>	<b>(17,976)</b>	<b>-36.1%</b>
10	Other income	2,796	4.0%	1,215	1.0%	1,581	n.m.
11	Costs for services	(9,376)	-13.3%	(12,728)	-10.1%	3,352	-26.3%
12	Lease and rental expenses	(1,458)	-2.1%	(1,476)	-1.2%	18	-1.2%
13	Labour costs	(18,366)	-26.1%	(16,348)	-13.0%	(2,018)	12.3%
14	Other operating costs	(1,077)	-1.5%	(1,856)	-1.5%	779	-42.0%
15	<b>Total operating costs</b>	<b>(30,277)</b>	<b>-43.0%</b>	<b>(32,408)</b>	<b>-25.8%</b>	<b>2,131</b>	<b>-6.6%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>4,287</b>	<b>6.1%</b>	<b>18,551</b>	<b>14.8%</b>	<b>(14,264)</b>	<b>-76.9%</b>
17	Depreciation and amortisation	(7,728)	-11.0%	(7,120)	-5.7%	(608)	8.5%
18	Allocations to provisions	0	0.0%	(854)	-0.7%	854	0.0%
19	Impairment losses recognised on assets	(122)	-0.2%	(1,653)	-1.3%	1,531	-92.6%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(7,850)</b>	<b>-11.2%</b>	<b>(9,627)</b>	<b>-7.7%</b>	<b>1,777</b>	<b>-18.5%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(3,563)</b>	<b>-5.1%</b>	<b>8,924</b>	<b>7.1%</b>	<b>(12,487)</b>	<b>n.m.</b>
23	Interest and financial income	1,998	2.8%	8,772	7.0%	(6,774)	-77.2%
24	Interest expense and financial expenses	(1,347)	-1.9%	(3,136)	-2.5%	1,789	-57.1%
25	<b>Net financial income (expenses)</b>	<b>651</b>	<b>0.9%</b>	<b>5,636</b>	<b>4.5%</b>	<b>(4,985)</b>	<b>-88.4%</b>
26	<b>Profit before tax (22+25)</b>	<b>(2,912)</b>	<b>-4.1%</b>	<b>14,560</b>	<b>11.6%</b>	<b>(17,472)</b>	<b>n.m.</b>
27	Current tax	293	0.4%	(4,640)	-3.7%	4,932	n.m.
28	Deferred tax	(263)	-0.4%	169	0.1%	(432)	n.m.
29	<b>Total income tax expense</b>	<b>30</b>	<b>0.0%</b>	<b>(4,471)</b>	<b>-3.6%</b>	<b>4,501</b>	<b>n.m.</b>
30	<b>Net profit/(loss) from continuing operations (26+29)</b>	<b>(2,882)</b>	<b>-4.1%</b>	<b>10,089</b>	<b>8.0%</b>	<b>(12,971)</b>	<b>n.m.</b>
	<b>Net profit/(loss) from discontinued operations</b>	<b>12,056</b>	<b>17.1%</b>	<b>1,208</b>	<b>1.0%</b>	<b>10,848</b>	<b>n.m.</b>
	<b>Net profit/(loss)</b>	<b>9,174</b>	<b>13.0%</b>	<b>11,297</b>	<b>9.0%</b>	<b>(2,123)</b>	<b>-18.8%</b>

## Earnings per share

	Earnings per share (in Euro):	30 June 2018	30 June 2017	Change	
33	Basic earnings per share from continuing operations	(0.20)	0.71	(0.91)	n.m.
33	Basic earnings per share from discontinued operations	0.85	0.09	0.76	n.m.
<b>33</b>	<b>Basic earnings per share</b>	<b>0.65</b>	<b>0.80</b>	<b>(0.15)</b>	<b>-18.8%</b>
34	Diluted earnings per share from continuing operations	(0.20)	0.71	(0.91)	n.m.
34	Diluted earnings per share from discontinued operations	0.85	0.09	0.76	n.m.
<b>34</b>	<b>Diluted earnings per share</b>	<b>0.65</b>	<b>0.80</b>	<b>(0.15)</b>	<b>-18.8%</b>

As expected, results for the year ended 30 June 2018 are in line with those reported in the previous quarters, given the lack of any significant launches of new Premium Games and Free to Play Games. Consequently, the Group's gross revenue for the year amounted to Euro 76,038 thousand, a 42.7% decrease compared to the Euro 132,681 thousand reported for prior year. Net revenue amounted to Euro 70,405 thousand, down by 44% compared to Euro 125,664 thousand for the year ended 30 June 2017.

The following table contains a breakdown of revenue by operating segment for the year ended 30 June 2018 with prior year comparatives:

Euro Thousand	Gross Revenue				Net Revenue			
	2018	2017	Change		2018	2017	Change	
Premium Games	54,138	105,618	(51,480)	-48.7%	50,736	100,892	(50,156)	-49.7%
Italian Distribution	15,443	18,464	(3,021)	-16.4%	13,534	16,613	(3,079)	-18.5%
Free to Play	5,813	7,736	(1,923)	-24.9%	5,813	7,736	(1,923)	-24.9%
Other Assets	644	863	(219)	-25.4%	322	423	(101)	-23.9%
<b>Total gross revenue</b>	<b>76,038</b>	<b>132,681</b>	<b>(56,643)</b>	<b>-42.7%</b>	<b>70,405</b>	<b>125,664</b>	<b>(55,259)</b>	<b>-44.0%</b>

The Premium Games operating segment generated revenue of Euro 54,138 thousand for the year ended 30 June 2018. This was down by Euro 51,480 thousand on prior year which benefited from revenue totalling more than Euro 43 million generated by the international distribution of console versions of Assetto Corsa and by sales of the Rocket League video game. A detailed breakdown of revenue by video game is provided below:

Amounts in thousands of Euro	30 June 2018	30 June 2017	Change
PAYDAY 2	9,233	12,372	(3,139)
Terraria	7,134	12,828	(5,694)
Assetto Corsa	7,005	12,584	(5,579)
Portal Knights	5,996	6,777	(781)
Sniper Elite V3	2,367	5,859	(3,492)
How to Survive	1,442	2,485	(1,043)
Abzu	1,173	5,425	(4,252)
Retail products	15,943	37,348	(21,405)
Other products	3,845	9,940	(6,095)
<b>Total gross revenue Premium Games</b>	<b>54,138</b>	<b>105,618</b>	<b>(51,480)</b>

Portal Knights brand video games achieved a satisfactory performance thanks to the launch of versions for Nintendo Switch and for mobile platforms.

The international distribution of videogames exclusively on retail markets of other international publishers which do not have a dedicated retail network generated revenues of Euro 15,943 thousand, around 29% of the revenue of the operating segment. This was thanks to the launch of Pillars of Eternity, Redout and Inside/Limbo while Rocket League did not generate revenues due to the rights sold back with effect from 30 June 2017.

The most significant volume of sales in absolute terms was generated by the different versions of Terraria and PAYDAY2 which generated combined revenue totalling around Euro 16.4 million, even though several years have passed since they were launched on the market.

Italian Distribution revenue decreased by 16.4% compared to prior year because of a major drop in sales of collectible cards in the newsstand distribution channel.

In the Free to Play operating segment, revenue fell by 24.9% even though revenue from the Gems of War video game remained almost stable in the reporting period. The largest decrease relates to the Hawken video game. The Group acquired the Hawken intellectual property in prior year. The Group has now begun the development of second version of the game which it believes could have major potential. Focusing on the new version resulted in less commitment to the previous one.

Revenue of the Other Activities operating segment totalled Euro 644 thousand and regarded sales generated by the Daily Fantasy Sport Fantasfida and the revenue generated by specialist courses organised by the Digital Bros Game Academy S.r.l..

Gross profit decreased by Euro 17,976 thousand after cost of sales for the period recorded a larger percentage decrease than revenue.

Investment in intellectual property realised in-house by Group companies led to a Euro 1,581 thousand increase in other revenue from Euro 1,215 thousand to Euro 2,796 thousand. This revenue regards the capitalisation of internal costs for the development of future versions of Hawken and Assetto Corsa.

Costs for services and other operating costs decreased by 26.3% and 42%, respectively. The 12.3% increase in labour costs is totally out of sync with the revenue decrease and reflects the Group's investment in human resources in order to manage major ongoing productions of video games that will be launched commencing in the next reporting period. Consequently, operating costs decreased by just 6.6% resulting in a 76.9% fall in gross operating margin/EBITDA.

Non-monetary operating costs decreased by Euro 1,777 thousand, mainly because of a Euro 1,531 thousand decrease in asset impairment adjustments which was only partially offset by a Euro 608 thousand increase in amortisation of the Group's intellectual property. Operating margin/EBIT decreased by Euro 12,487 thousand to a negative figure of Euro 3,563 thousand compared to a positive figure of Euro 8,924 thousand in the year ended 30 June 2017.

There was net financial income of Euro 651 thousand against Euro 5,636 thousand in prior year. The prior year figure was boosted by the gain of Euro 6,891 thousand on the disposal of Starbreeze shares.

The loss before taxation for the year ended 30 June 2018 amounted to Euro 2,912 thousand, a deterioration of Euro 17,472 thousand compared to the profit before taxation of Euro 14,560 thousand reported for the year ended 30 June 2017. The net loss from continuing operations amounted to Euro 2,882 thousand with a Euro 12,971 thousand deterioration compared to the net profit of Euro 10,089 thousand for the year ended 30 June 2017.

The gross gain realised on the sale of the non-strategic investment in Pipeworks Inc. was Euro 13,945 thousand. Excluding related expenses and the result of the subsidiary until 23 February 2018, the gain was Euro 12,056 thousand.

The consolidated net profit amounts to Euro 9,174 thousand, a decrease of euro 2,123 thousand compared to the net profit of Euro 11,297 thousand for the year ended 30 June 2017.

Basic earnings per share and diluted earnings per share stand at Euro 0.65 compared to Euro 0.80 in prior year.

# Statement of profit or loss of discontinued operations

The following table contains details of the items included in the net profit from discontinued operations at 30 June 2018, together with comparatives at 30 June 2017:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
1	Gross revenue	5,675	9,719	(4,044)	-41.6%
2	Revenue adjustments	0	0	0	0.0%
<b>3</b>	<b>Net revenue</b>	<b>5,675</b>	<b>9,719</b>	<b>(4,044)</b>	<b>-41.6%</b>
4	Purchase of products for resale	0	0	0	0.0%
5	Purchase of services for resale	(1,342)	(1,039)	(303)	29.2%
6	Royalties	(90)	0	(90)	n.m.
7	Changes in inventories of finished products	0	0	0	0.0%
<b>8</b>	<b>Total cost of sales</b>	<b>(1,432)</b>	<b>(1,039)</b>	<b>(393)</b>	<b>37.8%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,243</b>	<b>8,680</b>	<b>(4,437)</b>	<b>-51.1%</b>
10	Other income	769	744	25	3.4%
11	Cost of services	(1,942)	(414)	(1,528)	n.m.
12	Lease and rental charges	(92)	0	(92)	n.m.
13	Labour costs	(3,849)	(6,121)	2,272	-37.1%
14	Other operating costs	(97)	(142)	45	-31.6%
<b>15</b>	<b>Total operating costs</b>	<b>(5,980)</b>	<b>(6,677)</b>	<b>697</b>	<b>-10.4%</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(968)</b>	<b>2,747</b>	<b>(3,715)</b>	<b>n.m.</b>
17	Depreciation and amortisation	(578)	(594)	16	-2.6%
18	Allocations to provisions	0	0	0	0.0%
19	Impairment losses recognised on assets	0	0	0	0.0%
20	Reversal of impairment losses and non-monetary income	0	0	0	0.0%
<b>21</b>	<b>Total non-monetary operating income and costs</b>	<b>(578)</b>	<b>(594)</b>	<b>16</b>	<b>-2.6%</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,546)</b>	<b>2,153</b>	<b>(3,699)</b>	<b>n.m.</b>
23	Interest and financial income	13,945	0	13,945	n.m.
24	Interest expense and financial expenses	0	0	0	0.0%
<b>25</b>	<b>Net financial income (expenses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>26</b>	<b>Profit before tax (22+25)</b>	<b>13,945</b>	<b>0</b>	<b>13,945</b>	<b>n.m.</b>
27	Current tax	(409)	(500)	91	-18.2%
28	Deferred tax	66	(445)	511	n.m.
<b>29</b>	<b>Total income tax expense</b>	<b>(343)</b>	<b>(945)</b>	<b>602</b>	<b>-63.7%</b>
<b>30</b>	<b>Net profit from continuing operations (26+29)</b>	<b>12,056</b>	<b>1,208</b>	<b>10,848</b>	<b>n.m.</b>

## 7. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Euro Thousands	30 June 2018	30 June 2017	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	6,000	6,619	(619)	-9.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	15,131	18,867	(3,736)	-19.8%
4	Equity investments	1,270	1,345	(75)	-5.6%
5	Non-current receivables and other assets	9,403	1,052	8,351	n.m.
6	Deferred tax assets	2,365	2,807	(442)	-15.7%
	<b>Total non-current assets</b>	<b>34,169</b>	<b>30,690</b>	<b>3,479</b>	<b>11.3%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(516)	(545)	29	-5.3%
8	Non-current provisions	(80)	(79)	(1)	1.2%
9	Other non-current payables and liabilities	(901)	0	(901)	n.m.
	<b>Total non-current liabilities</b>	<b>(1,497)</b>	<b>(624)</b>	<b>(873)</b>	<b>n.m.</b>
	<b>Net working capital</b>				
10	Inventories	15,059	12,815	2,244	17.5%
11	Trade receivables	29,522	36,763	(7,241)	-19.7%
12	Current tax assets	4,316	2,064	2,252	n.m.
13	Other current assets	10,052	3,263	6,789	n.m.
14	Trade payables	(20,811)	(27,680)	6,869	-24.8%
15	Current tax liabilities	(1,021)	(5,736)	4,715	-82.2%
16	Current provisions	(854)	(854)	0	n.m.
17	Other current liabilities	(1,241)	(3,954)	2,713	-68.6%
	<b>Total net working capital</b>	<b>35,022</b>	<b>16,681</b>	<b>18,341</b>	<b>n.m.</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,624)	(19,805)	(819)	4.1%
20	Treasury shares	0	0	0	0.0%
21	(Retained earnings) accumulated losses	(40,284)	(33,265)	(7,019)	21.1%
	<b>Total equity</b>	<b>(66,612)</b>	<b>(58,774)</b>	<b>(7,838)</b>	<b>13.3%</b>
	<b>Total net assets</b>	<b>1,083</b>	<b>(12,027)</b>	<b>13,110</b>	<b>n.m.</b>
22	Cash and cash equivalents	4,282	12,136	(7,854)	-64.7%
23	Current bank borrowing	(1,975)	(1,942)	(33)	1.7%
24	Other current financial assets and liabilities	(206)	950	(1,156)	n.m.
	<b>Current net cash</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>	<b>-81.2%</b>
25	Non-current financial assets	1,374	1,306	68	5.2%
26	Non-current bank borrowing	(4,533)	(383)	(4,150)	n.m.
27	Other non-current financial liabilities	(25)	(40)	15	-38.4%
	<b>Non-current net cash/debt</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>	<b>n.m.</b>
	<b>Total net cash</b>	<b>(1,083)</b>	<b>12,027</b>	<b>(13,110)</b>	<b>n.m.</b>

Non-current assets have increased by Euro 3,479 thousand compared to 30 June 2017 due to recognition of a non-current receivable of USD 10 million relating to the disposal of Pipeworks Inc.; this increase is offset by the net decrease of Euro 3,736 thousand in intangible assets.

Net working capital has increased by Euro 18,341 thousand compared to 30 June 2017 as a result of increases in all component items, as partially reduced by a Euro 7,241 thousand decrease in trade receivables. The following table contains a breakdown of net working capital with comparative figures at 30 June 2017:

<b>Euro Thousand</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
Inventories	15,059	12,815	2,244	17.5%
Trade receivables	29,522	36,763	(7,241)	-19.7%
Current tax assets	4,316	2,064	2,252	n.m.
Other current assets	10,052	3,263	6,789	n.m.
Trade payables	(20,811)	(27,680)	6,869	-24.8%
Current tax liabilities	(1,021)	(5,736)	4,715	-82.2%
Current provisions	(854)	(854)	0	n.m.
Other current liabilities	(1,241)	(3,954)	2,713	-68.6%
<b>Total net working capital</b>	<b>35,022</b>	<b>16,681</b>	<b>18,341</b>	<b>n.m.</b>

The net financial position is better than expected. It shows net debt of Euro 1,083 thousand, a deterioration of Euro 13,110 thousand compared to 30 June 2017 due to significant capex on new productions scheduled for release in the coming years.

The following table shows the net financial position with comparative figures as at 30 June 2017:

<b>Euro Thousand</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
Cash and cash equivalents	4,282	12,136	(7,854)	-64.7%
Current bank borrowing	(1,975)	(1,942)	(33)	1.7%
Other current financial assets and liabilities	(206)	950	(1,156)	n.m.
<b>Current net financial position - cash</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>	<b>-81.2%</b>
Non-current financial assets	1,374	1,306	68	5.2%
Non-current bank borrowing	(4,533)	(383)	(4,150)	n.m.
Other non-current financial liabilities	(25)	(40)	15	-38.4%
<b>Non-current net financial position – (debt)/cash</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>	<b>n.m.</b>
<b>Total net debt/(cash)</b>	<b>(1,083)</b>	<b>12,027</b>	<b>(13,110)</b>	<b>n.m.</b>

## 8. PERFORMANCE BY OPERATING SEGMENT

### Premium Games

Financial highlights (reclassified)

	Consolidated amounts in thousands of Euro	Premium Games					
		30 June 2018		30 June 2017		Change	
1	Gross revenue	54,138	106.7%	105,618	104.7%	(51,480)	-48.7%
2	Revenue adjustments	(3,402)	-6.7%	(4,726)	-4.7%	1,324	-28.0%
3	<b>Net revenue</b>	<b>50,736</b>	<b>100.0%</b>	<b>100,892</b>	<b>100.0%</b>	<b>(50,156)</b>	<b>-49.7%</b>
4	Purchase of products for resale	(8,129)	-16.0%	(18,687)	-18.5%	10,558	-56.5%
5	Purchase of services for resale	(3,043)	-6.0%	(3,585)	-3.6%	542	-15.1%
6	Royalties	(14,848)	-29.3%	(36,648)	-36.3%	21,800	-59.5%
7	Changes in inventories of finished products	176	0.3%	367	0.4%	(191)	-52.2%
8	<b>Total cost of sales</b>	<b>(25,844)</b>	<b>-50.9%</b>	<b>(58,553)</b>	<b>-58.0%</b>	<b>32,709</b>	<b>-55.9%</b>
9	<b>Gross profit (3+8)</b>	<b>24,892</b>	<b>49.1%</b>	<b>42,339</b>	<b>42.0%</b>	<b>(17,447)</b>	<b>-41.2%</b>
10	Other income	1,146	2.3%	200	0.2%	946	n.m.
11	Cost of services	(5,393)	-10.6%	(7,539)	-7.5%	2,146	-28.5%
12	Lease and rental charges	(586)	-1.2%	(606)	-0.6%	20	-3.3%
13	Labour costs	(9,253)	-18.2%	(7,443)	-7.4%	(1,810)	24.3%
14	Other operating costs	(352)	-0.7%	(591)	-0.6%	239	-40.4%
15	<b>Total operating costs</b>	<b>(15,584)</b>	<b>-30.7%</b>	<b>(16,179)</b>	<b>-16.0%</b>	<b>595</b>	<b>-3.7%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>10,454</b>	<b>20.6%</b>	<b>26,360</b>	<b>26.1%</b>	<b>(15,906)</b>	<b>-60.3%</b>
17	Depreciation and amortisation	(4,512)	-8.9%	(3,667)	-3.6%	(845)	23.0%
18	Allocations to provisions	0	0.0%	(854)	-0.8%	854	n.m.
19	Impairment adjustments to assets	(8)	0.0%	(882)	-0.9%	874	-99.1%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(4,520)</b>	<b>-8.9%</b>	<b>(5,403)</b>	<b>-5.4%</b>	<b>884</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>5,934</b>	<b>11.7%</b>	<b>20,957</b>	<b>20.8%</b>	<b>(15,023)</b>	<b>-71.7%</b>

The results for the year ended 30 June 2018 are in line with those reported in the previous quarters, given the lack of significant launches of new video games. The gross revenue of this operating segment amounted to Euro 54,138 thousand, a 48.7% decrease compared to Euro 105,618 thousand in prior year. Net revenue totalled Euro 50,736 thousand and decreased by 49.7% compared to the Euro 100,892 thousand reported for the year ended 30 June 2017.



Revenue by video game was as follows:

Amounts in thousands of Euro	30 June 2018	30 June 2017	Change
PAYDAY 2	9,233	12,372	(3,139)
Terraria	7,134	12,828	(5,694)
Assetto Corsa	7,005	12,584	(5,579)
Portal Knights	5,996	6,777	(781)
Sniper Elite V3	2,367	5,859	(3,492)
How to Survive	1,442	2,485	(1,043)
Abzu	1,173	5,425	(4,252)
Retail products	15,943	37,348	(21,405)
Other products	3,845	9,940	(6,095)
<b>Total Premium Games gross revenue</b>	<b>54,138</b>	<b>105,618</b>	<b>(51,480)</b>

Portal Knights brand video games achieved a satisfactory performance thanks to the launch of versions for Nintendo Switch and for mobile platforms.

International distribution in the retail only channel of products of international publishers without a dedicated distribution network generated revenue of Euro 15,943 thousand i.e. around 29% of the total revenue of the operating segment. The new products distributed in the retail only channel during the period were: Pillars of Eternity, Redout and Inside/Limbo. Meanwhile, revenue from the Rocket League video game ceased after rights to that video game ended with effect from 30 June 2017.

The most significant revenue contributions in absolute terms were made by Terraria and PAYDAY 2 whose various versions generated revenue totalling around Euro 16.4 million even though they were launched onto the market several years ago.

The breakdown of gross revenue by distribution channel in the reporting period was more in line with market trends with the retail distribution channel in line with the digital distribution channel:

Revenue in thousands of Euro	30 June 2018	30 June 2017	Change
Retail distribution revenue	24,826	65,376	(40,550) -62.0%
Digital distribution revenue	25,340	35,226	(9,886) -28.1%
Sub-licensing revenue	3,972	5,016	(1,044) -20.8%
<b>Total Premium Games revenue</b>	<b>54,138</b>	<b>105,618</b>	<b>(51,480) -48.7%</b>

Digital distribution revenue for the period ended 30 June 2018 may be broken down by digital marketplace as follows:

Revenue in thousands of Euro	30 June 2018	30 June 2017	Change
Sony Playstation Network	8,234	13,783	(5,549) -40.3%
Microsoft Xbox Live	7,083	9,629	(2,546) -26.4%
Steam	5,955	7,478	(1,523) -20.4%
i-Tunes	1,298	1,746	(448) -25.7%
Google	800	927	(127) -13.7%
Other marketplaces	1,970	1,663	307 18.5%
<b>Total digital distribution revenue</b>	<b>25,340</b>	<b>35,226</b>	<b>(9,886) -28.1%</b>

Revenue adjustments have decreased Euro 4,726 thousand to Euro 3,402 thousand for the year ended 30 June 2018. This line item includes an estimate of credit notes for unsold products that the Group expects to issue to retail customers in the near future.

Revenue adjustments represented 6.7% of gross retail distribution revenue in the reporting period, a slight increase compared to prior year which benefited from the outstanding success of the Rocket League video game, resulting in less need to assist customers with unsold products.

The net revenue of the operating segment has decreased by 49.7%.

Royalty costs totalled Euro 14,848 thousand against Euro 36,648 thousand in the year ended 30 June 2017. The 59.5% decrease should be considered together with the fall in revenue but also bearing in mind the Euro 845 thousand increase in amortisation due to the higher proportion of sales relating to video games whose intellectual property is owned by the Group; these games are subject to lower royalties than other products.

Cost of sales has decreased by Euro 32,709 thousand so the gross profit of the operating segment amounts to Euro 24,892 thousand against euro 42,339 thousand for the year ended 30 June 2017.

Costs for services and other operating costs decreased by 28.5% and 40.4%, respectively, in relation to the revenue trend. The 24.3% increase in labour costs is wholly inconsistent with the revenue trend and reflects the Group's investment in human resources in order to manage major ongoing productions of video games that will hit the market from the next year onwards. Consequently, operating costs decreased by just 3.7% and gross operating margin/EBITDA fell by 60.3%.

Operating margin/EBIT totalled Euro 5,934 thousand against Euro 20,957 thousand in the year ended 30 June 2017.

The assets and liabilities attributable to the Premium Games operating segment are as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>%</b>	<b>30 June 2017</b>	<b>%</b>	<b>Change</b>	
	<b>Total non-current assets</b>	<b>11,890</b>	<b>22.0%</b>	<b>13,337</b>	<b>12.6%</b>	<b>(1,447)</b>	<b>-10.8%</b>
	<b>Total non-current liabilities</b>	<b>(86)</b>	<b>-0.2%</b>	<b>(60)</b>	<b>-0.1%</b>	<b>(25)</b>	<b>0.0%</b>
	<b>Net working capital</b>						
10	Inventories	7,672		7,496		176	2.3%
11	Trade receivables	25,675		30,062		(4,387)	-14.6%
12	Tax receivables	1,731		1,131		600	53.0%
13	Other current assets	5,599		1,241		4,357	n.m.
14	Trade payables	(17,338)		(22,593)		5,255	-23.3%
15	Current tax liabilities	(758)		(3,869)		3,111	-80.4%
16	Current provisions	(854)		(854)		0	n.m.
17	Other current liabilities	(272)		(320)		48	-15.1%
	<b>Total net working capital</b>	<b>21,454</b>	<b>39.6%</b>	<b>12,294</b>	<b>11.6%</b>	<b>9,160</b>	<b>74.5%</b>
	<b>Premium Games gross revenue</b>	<b>54,138</b>		<b>105,618</b>		<b>(51,480)</b>	<b>-48.7%</b>

The fall in revenue and the increase in net working capital compared to prior year led to an increase in the ratio of working capital to revenue for this operating segment.

Non-current assets are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Property, plant and equipment	744	922	(178)
Concessions and licences	5,919	6,020	(100)
Assets in progress	1,236	1,237	(1)
Assetto Corsa Trademark	2,411	3,099	(688)
Other brands/trademarks	0	332	(332)
Non-current receivables and other assets	182	185	(3)
Deferred tax assets	1,397	1,542	(145)
<b>Total non-current assets</b>	<b>11,890</b>	<b>13,337</b>	<b>(1,447)</b>

The carrying amount of the Assetto Corsa trademark derives from the difference between the purchase price paid by Digital Bros S.p.A. and the equity of the company Kunos Simulazioni S.r.l. at 15 March 2017, the acquisition date of the investment.

Trade receivables consist of receivables from sales to customers and receivables for video game user licenses. The latter represent advance payments to video game developers for licences not yet exploited in full or in part but which are expected to be used as from the coming year.

Trade receivables are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Receivables from customers	2,723	11,872	(9,149)
Receivables for video game user licences	22,952	18,190	4,762
<b>Total trade receivables</b>	<b>25,675</b>	<b>30,062</b>	<b>(4,387)</b>

The decrease in trade payables is because of lower royalties due to video game developers as a result of the fall in sales.

Other current assets mainly consist of advances paid to suppliers of localisation, programming, rating and quality assurance services which are recognised in profit or loss when a video game is released. The increase in advances is mainly due to the recognition in programming advances of advances paid for the OVERKILL's the Walking Dead video game which is coming out in the next year.

The decrease in tax payables is in line with the lower taxable income.

Current provisions entirely consist of the provision for risks in relation to the previously mentioned tax inspection of 505 Games S.p.A..

## Free to Play

### Reclassified P&L highlights

Consolidated figures in Euro Thousands		Free to Play					
		30 June 2018		30 June 2017		Change	
1	Gross revenue	5,813	100.0%	7,736	100.0%	(1,923)	-24.9%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>5,813</b>	<b>100.0%</b>	<b>7,736</b>	<b>100.0%</b>	<b>(1,924)</b>	<b>-24.9%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(2,197)	-37.8%	(3,998)	-51.7%	1,801	-45.1%
6	Royalties	(140)	-2.4%	(382)	-4.9%	242	-63.3%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(2,337)</b>	<b>-40.2%</b>	<b>(4,380)</b>	<b>-56.6%</b>	<b>2,043</b>	<b>-46.6%</b>
9	<b>Gross profit (3+8)</b>	<b>3,476</b>	<b>59.8%</b>	<b>3,356</b>	<b>43.4%</b>	<b>120</b>	<b>3.6%</b>
10	Other income	1,293	22.3%	823	10.6%	470	57.1%
11	Costs for services	(498)	-8.6%	(1,001)	-12.9%	503	-50.3%
12	Lease and rental costs	(85)	-1.5%	(62)	-0.8%	(23)	38.3%
13	Labour costs	(3,048)	-52.4%	(3,148)	-40.7%	100	-3.2%
14	Other operating costs	(71)	-1.2%	(73)	-0.9%	2	-2.4%
15	<b>Total operating costs</b>	<b>(3,702)</b>	<b>-63.7%</b>	<b>(4,284)</b>	<b>-55.4%</b>	<b>582</b>	<b>-13.6%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>1,067</b>	<b>18.4%</b>	<b>(105)</b>	<b>-1.4%</b>	<b>1,172</b>	<b>n.m.</b>
17	Depreciation and amortisation	(2,126)	-36.6%	(2,584)	-33.4%	458	-17.7%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(158)	-2.0%	158	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(2,126)</b>	<b>-36.6%</b>	<b>(2,742)</b>	<b>-35.4%</b>	<b>616</b>	<b>-22.5%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,059)</b>	<b>-18.2%</b>	<b>(2,847)</b>	<b>-36.8%</b>	<b>1,788</b>	<b>-62.8%</b>

No new products were launched in the Free to Play operating segment during the reporting period and revenue decreased by 24.9%. During the period, activities were primarily focused on the development of the second version of the Hawken video game – related internal development costs have been capitalised and classified as Other income.

The following table contains details of revenue for the period together with prior year comparative figures:

<b>Revenue in Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Gems of War	3,451	3,516	(65)
Battle Islands	1,533	2,135	(602)
Prominence Poker	667	1,060	(393)
Hawken	126	625	(499)
Other products	36	400	(364)
<b>Total Free to Play revenue</b>	<b>5,813</b>	<b>7,736</b>	<b>(1,923)</b>

The most significant revenue contribution was made by the game Gems of War whose sales remained almost stable compared to prior year. The most significant percentage decrease was recorded by Hawken. The Group acquired intellectual property rights to Hawken in prior year. The Group has now undertaken the development of a second version of Hawken which it believes has strong potential and focusing on the new version has resulted in less commitment to the previous one.

The significant reduction in purchases of services for resale is larger than the reduction in revenue. This is due to lower costs for live support services which were needed in prior year following the launch of the Prominence Poker video game; another reason is the large saving in game hosting costs. Details are provided below:

<b>Amounts in Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Live support	1,406	2,638	(1,232)
Quality assurance	235	183	52
Hosting	380	892	(512)
Other	176	285	(109)
<b>Total</b>	<b>2,197</b>	<b>3,998</b>	<b>(1,801)</b>

Operating costs mainly include advertising costs incurred to attract new players and labour costs. Compared to prior year, the former have decreased by Euro 503 thousand while the latter have decreased by Euro 100 thousand.

Improvements in the cost structure have led to a significant, Euro 1,172 thousand increase in gross operating margin/EBITDA.

Depreciation and amortisation have decreased by Euro 458 thousand and are analysed as follows:

<b>Amounts in Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Amortisation of Battle Islands	73	593	(520)
Amortisation of intangible assets	2,037	1,961	76
Depreciation of property, plant and equipment	16	30	(14)
<b>Total depreciation and amortisation</b>	<b>2,126</b>	<b>2,584</b>	<b>(458)</b>

The decrease in amortisation of Battle Islands is due to completion of the amortisation period of the brand which was recognised following the acquisition of DR Studios Ltd. in September 2014. The difference between the equity of the company acquired and the price agreed was allocated to the Battle Islands brand and amortised over 36 months.

The operating loss for the period amounts to Euro 1,059 thousand, an improvement on the operating loss of Euro 2,847 thousand recorded in the year ended 30 June 2017.

The assets and liabilities attributable to the Free to Play operating segment are as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>%</b>	<b>30 June 2017</b>	<b>%</b>	<b>Change</b>	
	<b>Total non-current assets</b>	<b>5,338</b>	<b>91.8%</b>	<b>6,251</b>	<b>80.8%</b>	<b>(913)</b>	<b>-14.6%</b>
	<b>Total non-current liabilities</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>n.m.</b>
	<b>Net working capital</b>						
11	Trade receivables	1,587		1,071		516	48.3%
12	Tax receivables	42		566		(524)	-92.5%
13	Other current assets	464		905		(441)	-48.8%
14	Trade payables	(591)		(978)		387	-39.5%
15	Current tax liabilities	(30)		(77)		47	-60.5%
17	Other current liabilities	(44)		(57)		13	-22.7%
	<b>Total net working capital</b>	<b>1,427</b>	<b>24.6%</b>	<b>1,430</b>	<b>18.5%</b>	<b>(3)</b>	<b>-0.2%</b>
	<b>Gross Free to Play revenue</b>	<b>5,813</b>		<b>7,736</b>		<b>(1,923)</b>	<b>-24.9%</b>

Non-current assets are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Property, plant and equipment	93	15	78
Concessions and licences	3,634	5,554	(1,920)
Assets in progress	1,258	291	967
Non-current receivables and other assets	0	5	(5)
Deferred tax assets	353	386	(33)
<b>Total non-current assets</b>	<b>5,338</b>	<b>6,251</b>	<b>(913)</b>

Non-current assets mainly consist of concessions and licences for games purchased by 505 Mobile S.r.l. and internal projects developed by DR Studios Ltd. and Hawken Inc..

Trade receivables mainly include receivables for video game user licences and receivables due from the main marketplaces. Trade payables mainly consist of payables due to video game developers.

Trade receivables represent a significant portion of total net working capital and are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Receivables from customers	1,023	955	68
Receivables for video game user licences	564	116	448
<b>Total trade receivables</b>	<b>1,587</b>	<b>1,071</b>	<b>516</b>

## Italian Distribution

### Reclassified P&L Highlights

	Consolidated figures in Euro Thousands	Italian Distribution					
		30 June 2018		30 June 2017		Change	
1	Gross revenue	15,443	114.1%	18,464	111.1%	(3,021)	-16.4%
2	Revenue adjustments	(1,909)	-14.1%	(1,851)	-11.1%	(58)	3.1%
3	<b>Net revenue</b>	<b>13,534</b>	<b>100.0%</b>	<b>16,613</b>	<b>100.0%</b>	<b>(3,079)</b>	<b>-18.5%</b>
4	Purchases of products for resale	(11,248)	-83.1%	(12,519)	-75.4%	1,271	-10.2%
5	Purchases of services for resale	(1,192)	-8.8%	(734)	-4.4%	(458)	62.5%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	2,068	15.3%	515	3.1%	1,553	n.m.
8	<b>Total cost of sales</b>	<b>(10,372)</b>	<b>-76.6%</b>	<b>(12,738)</b>	<b>-76.7%</b>	<b>2,366</b>	<b>-18.6%</b>
9	<b>Gross profit (3+8)</b>	<b>3,162</b>	<b>23.4%</b>	<b>3,875</b>	<b>23.3%</b>	<b>(713)</b>	<b>-18.4%</b>
10	Other income	33	0.2%	42	0.3%	(9)	-22.1%
11	Costs for services	(1,568)	-11.6%	(1,554)	-9.4%	(14)	1.0%
12	Lease and rental costs	(36)	-0.3%	(44)	-0.3%	8	-17.9%
13	Labour costs	(1,466)	-10.8%	(1,549)	-9.3%	83	-5.3%
14	Other operating costs	(182)	-1.3%	(205)	-1.2%	23	-11.0%
15	<b>Total operating costs</b>	<b>(3,252)</b>	<b>-24.0%</b>	<b>(3,352)</b>	<b>-20.2%</b>	<b>100</b>	<b>-3.0%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(57)</b>	<b>-0.4%</b>	<b>565</b>	<b>3.4%</b>	<b>(622)</b>	<b>n.m.</b>
17	Depreciation and amortisation	(320)	-2.4%	(261)	-1.6%	(59)	22.3%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(54)	-0.4%	(420)	-2.5%	366	-87.2%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(374)</b>	<b>-2.8%</b>	<b>(681)</b>	<b>-4.1%</b>	<b>307</b>	<b>-45.0%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(431)</b>	<b>-3.2%</b>	<b>(116)</b>	<b>-0.7%</b>	<b>(315)</b>	<b>n.m.</b>

Italian Distribution revenues have decreased by 16.4% compared to prior year because of a significant fall in sales of trading cards in the newsstand distribution channel.

Gross revenue by type of video game distributed is detailed below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
Distribution of video games for consoles	10,836	10,562	274	2.6%
Distribution of video games for PC	285	667	(381)	-57.2%
Distribution of trading cards	3,819	6,760	(2,941)	-43.5%
Distribution of other products and services	526	499	27	5.5%
Cash discounts	(23)	(24)	1	-3.3%
<b>Total gross revenue – Italian Distribution</b>	<b>15,443</b>	<b>18,464</b>	<b>(3,021)</b>	<b>-16.4%</b>

Gross revenue from the distribution of console video games is analysed as follows:

<b>Revenue in Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>Change</b>	
	<b>Units</b>	<b>Revenue</b>	<b>Units</b>	<b>Revenue</b>	<b>Units</b>	<b>Revenue</b>
Sony Playstation 4	238,583	8,057	240,138	7,488	-0.6%	7.6%
Microsoft Xbox One	43,726	1,345	41,797	1,336	4.6%	0.7%
Sony Playstation 3	41,316	681	43,315	998	-4.6%	-31.7%
Nintendo Switch	13,303	403	33,667	284	n.s.	n.m.
Microsoft Xbox 360	24,266	315	28,884	456	-16.0%	-31.0%
Other consoles	27,085	36	0	0	n.s.	n.m.
<b>Total console revenue</b>	<b>388,279</b>	<b>10,836</b>	<b>387,801</b>	<b>10,562</b>	<b>0.1%</b>	<b>2.6%</b>

In line with the life cycle of consoles, revenue from more recent consoles - Sony PlayStation 4 and Microsoft Xbox One – has been significantly higher than that from more mature platforms. Indeed, revenue from sales of games of the Sony PlayStation 4 has increased by 7.6% while Microsoft Xbox One revenue has increased by 0.7%.

Meanwhile, sales of Yu-Gi-Oh! Trading cards have fallen by 43.5% to Euro 2,941 thousand because of a decline in interest in this line of products which we hope is only temporary.

Net revenue amounts to Euro 13,534 thousand, an 18.5% decrease compared to prior year.

Cost of sales has fallen by 18.6%, in line with the revenue trend.

Operating costs have decreased slightly and total euro 3,252 thousand.

Non-monetary operating costs have decreased by Euro 307 thousand because of a Euro 366 thousand reduction in accruals to the provision for doubtful debts, as partly countered by a Euro 59 thousand increase in depreciation and amortisation.

The Italian Distribution segment recorded negative EBIT of Euro 431 thousand compared to a negative figure of Euro 116 thousand for the year ended 30 June 2017.

The assets and liabilities attributable to the Italian Distribution operating segment are as follows:



	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>%</b>	<b>30 June 2017</b>	<b>%</b>	<b>Change</b>	
	<b>Total non-current assets</b>	<b>3,130</b>	<b>20.3%</b>	<b>3,422</b>	<b>18.5%</b>	<b>(292)</b>	<b>-8.5%</b>
	<b>Total non-current liabilities</b>	<b>(498)</b>	<b>3.2%</b>	<b>(496)</b>	<b>2.7%</b>	<b>(2)</b>	<b>0.4%</b>
	<b>Net working capital</b>						
10	Inventories	7,387		5,319		2,068	38.9%
11	Trade receivables	2,250		3,339		(1,089)	-32.6%
12	Tax receivables	1,041		353		688	n.m.
13	Other current assets	526		539		(14)	-2.5%
14	Trade payables	(1,999)		(1,981)		(18)	0.9%
15	Current tax liabilities	(216)		(167)		(49)	29.7%
17	Other current liabilities	(741)		(896)		155	-17.3%
	<b>Total net working capital</b>	<b>8,247</b>	<b>53.4%</b>	<b>6,506</b>	<b>35.2%</b>	<b>1,741</b>	<b>26.8%</b>
	<b>Gross revenue - Italian Distribution</b>	<b>15,443</b>		<b>18,464</b>		<b>(3,021)</b>	<b>-16.4%</b>

Net working capital has increased by Euro 1,741 thousand. This is due to an increase in inventory of Yu-gi-Oh! Trading cards in order to hold the stock necessary to meet the demands of newsstand distribution which is now managed direct.

Trade receivables have decreased by Euro 1,089 thousand and this has offset the impact of increases in other captions.

Non-current assets consist of the carrying amount of the Trezzano sul Naviglio warehouse, deferred tax assets attributable to the operating segment and other minor amounts of property, plant and equipment and intangible assets.

## Other Activities

### Reclassified P&L Highlights

Consolidated figures in Euro Thousands		Other Activities					
		30 June 2018		30 June 2017		Change	
1	Gross revenue	644	200.2%	863	204.1%	(219)	-25.3%
2	Revenue adjustments	(322)	-99.9%	(440)	-104.1%	118	-26.9%
3	<b>Net revenue</b>	<b>322</b>	<b>100.0%</b>	<b>423</b>	<b>100.0%</b>	<b>(101)</b>	<b>-23.9%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(56)	-17.5%	(177)	-42.0%	121	-68.3%
6	Royalties	(28)	-8.7%	(72)	-16.9%	44	-61.0%
7	Changes in inventories of finished products	0	0.0%	(0)	-0.1%	0	0.0%
8	<b>Total cost of sales</b>	<b>(84)</b>	<b>-26.1%</b>	<b>(249)</b>	<b>-58.9%</b>	<b>165</b>	<b>-66.3%</b>
9	<b>Gross profit (3+8)</b>	<b>238</b>	<b>73.9%</b>	<b>174</b>	<b>41.1%</b>	<b>64</b>	<b>36.8%</b>
10	Other income	62	19.3%	0	0.0%	62	n.m.
11	Costs for services	(459)	-142.7%	(1,020)	-241.2%	561	-55.0%
12	Lease and rental costs	(18)	-5.7%	(18)	-4.2%	0	0.0%
13	Labour costs	(740)	-229.8%	(883)	-208.9%	143	-16.3%
14	Other operating costs	(47)	-14.7%	(49)	-11.6%	2	-3.6%
15	<b>Total operating costs</b>	<b>(1,264)</b>	<b>n.m.</b>	<b>(1,970)</b>	<b>n.m.</b>	<b>706</b>	<b>-35.9%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(964)</b>	<b>n.m.</b>	<b>(1,796)</b>	<b>n.m.</b>	<b>832</b>	<b>-46.3%</b>
17	Depreciation and amortisation	(553)	-171.8%	(379)	-89.7%	(174)	45.7%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(553)</b>	<b>-171.8%</b>	<b>(379)</b>	<b>-89.7%</b>	<b>(174)</b>	<b>45.7%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,517)</b>	<b>n.m.</b>	<b>(2,175)</b>	<b>n.m.</b>	<b>658</b>	<b>-30.2%</b>

The revenue of the Other Activities operating segment totalled Euro 644 thousand and regarded sales generated by the Daily Fantasy Sport Fantasfida and revenue generated by specialisation courses organised by Digital Bros Game Academy S.r.l.

The Group has decided not to tender for the renewal of the concession going forward and activities under the AAMS concession ended during the fourth quarter of the reporting period.

Revenue adjustments regard taxes paid on revenue generated by the [www.fantasfida.it](http://www.fantasfida.it) website and amounts paid as bonuses to Fantasfida players. There has been a significant decrease compared to prior year, in line with the revenue trend.

Operating costs have decreased by Euro 706 thousand from Euro 1,970 thousand in prior year to Euro 1,264 thousand because of lower costs for services relating to Fantasfida.

Operating margin/EBIT was negative by Euro 1,517 thousand. This represented a Euro 658 thousand improvement on the negative operating margin/EBIT reported for the year ended 30 June 2017.

Daily Fantasy Sport Fantasfida activities had a negative effect of Euro 1,342 thousand on EBIT compared to a negative effect of Euro 2,009 thousand in prior year. These losses will no longer be repeated now that activities under the AAMS concession have ended.

The statement of financial position structure is as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>%</b>	<b>30 June 2017</b>	<b>%</b>	<b>Change</b>	
	<b>Total non-current assets</b>	<b>469</b>	<b>72.8%</b>	<b>1,016</b>	<b>117.7%</b>	<b>(547)</b>	<b>-53.8%</b>
	<b>Total non-current liabilities</b>	<b>(12)</b>	<b>1.9%</b>	<b>(68)</b>	<b>7.8%</b>	<b>56</b>	<b>-82.2%</b>
	<b>Net working capital</b>						
11	Inventories	10		5		5	100.0%
12	Trade receivables	16		14		2	16.5%
13	Tax receivables	236		164		72	44.1%
14	Other current assets	(166)		(184)		18	-9.9%
15	Trade payables	(14)		(45)		31	-68.8%
17	Current tax liabilities	(167)		(651)		484	-74.4%
	Other current liabilities	<b>(85)</b>	<b>-13.1%</b>	<b>(697)</b>	<b>-80.7%</b>	<b>612</b>	<b>-87.9%</b>
	<b>Total net working capital</b>	<b>644</b>		<b>863</b>		<b>(219)</b>	<b>-25.3%</b>

Non-current assets include Euro 225 thousand of assets in progress of Game Network S.r.l. relating to the launch of a new application while the rest of the balance consists of deferred tax assets and plant and machinery.

Other current assets mainly includes the guarantee deposit of Euro 220 thousand paid to AAMS that will be refunded in the next few months.

Other current liabilities includes payables to Game Network S.r.l. players. The balance has decreased due to the termination of these activities.

## Holding

### Reclassified P&L Highlights

Consolidated Figures in Euro Thousands		Holding					
		30 June 2018		30 June 2017		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</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 income	262	0.0%	150	0.0%	112	0.0%
11	Costs for services	(1,458)	0.0%	(1,614)	0.0%	156	-9.6%
12	Lease and rental costs	(733)	0.0%	(746)	0.0%	13	-1.7%
13	Labour costs	(3,859)	0.0%	(3,325)	0.0%	(534)	16.1%
14	Other operating costs	(425)	0.0%	(938)	0.0%	513	-54.7%
15	<b>Total operating costs</b>	<b>(6,475)</b>	<b>0.0%</b>	<b>(6,623)</b>	<b>0.0%</b>	<b>148</b>	<b>-2.2%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(6,213)</b>	<b>0.0%</b>	<b>(6,473)</b>	<b>0.0%</b>	<b>260</b>	<b>-4.0%</b>
17	Depreciation and amortisation	(217)	0.0%	(229)	0.0%	12	-5.3%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(60)	0.0%	(193)	0.0%	133	-68.6%
20	Reversal of impairment adj. and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(277)</b>	<b>0.0%</b>	<b>(422)</b>	<b>0.0%</b>	<b>145</b>	<b>-34.3%</b>
22	<b>Operating margin/EBIT (16+21)</b>	<b>(6,490)</b>	<b>0.0%</b>	<b>(6,895)</b>	<b>0.0%</b>	<b>405</b>	<b>-5.9%</b>

Operating costs amount to Euro 6,475 thousand. They have increased by Euro 148 thousand compared to prior year because of a euro 534 thousand increase in labour costs that was only partially offset by a Euro 513 thousand decrease in other operating costs.

In prior year, other operating costs included Euro 516 thousand of fees and commission incurred by 505 Games S.p.A. in relation to the sale and purchase of Starbreeze shares. The increase in labour costs for the period relates to the stock option plan approved in the second half of prior year.

The assets and liabilities attributable to the operating segment are as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
	<b>Non-current assets</b>				
1	Property, plant and equipment	2,482	2,593	(111)	-4.3%
3	Intangible assets	303	367	(64)	-17.4%
4	Equity investments	1,270	1,345	(75)	-5.5%
5	Non-current receivables and other assets	9,217	639	8,578	n.m.
6	Deferred tax assets	70	69	1	0.7%
	<b>Total non-current assets</b>	<b>13,343</b>	<b>5,013</b>	<b>8,331</b>	<b>n.m.</b>
	<b>Non-current liabilities</b>	<b>(901)</b>	<b>0</b>	<b>(901)</b>	<b>n.m.</b>
	<b>Net working capital</b>	<b>3,978</b>	<b>(2,362)</b>	<b>6,339</b>	<b>n.m.</b>

The increase in non-current receivables and other assets compared to 30 June 2017 is due to recognition of a receivable of USD 10 million, due after more than a year, in relation to the sale of Pipeworks Inc..

Non-current liabilities consist entirely of the non-current payable for consulting services received by the Parent Company in relation to the sale of the investment in Pipeworks Inc. These amounts will be paid upon collection of the related non-current receivables.

Net working capital is analysed as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
12	Tax receivables	1,486	0	1,486	n.m.
13	Other current assets	3,228	351	2,877	n.m.
14	Trade payables	(717)	(850)	133	-15.6%
15	Tax payables	(2)	(473)	471	-99.6%
17	Other current liabilities	(16)	(1,390)	1,374	-98.8%
	<b>Total net working capital</b>	<b>3,978</b>	<b>(2,362)</b>	<b>6,340</b>	<b>n.m.</b>

The recognition of tax receivables for the losses reported by Italian companies taking part in the tax consolidation had an effect of Euro 1,486 thousand. The significant increase in other current assets is due to the current portion of the receivable for the sale of Pipeworks Inc. which had not been collected as at 30 June 2018 because of contractual agreements after the reporting date. The decrease in other current liabilities is due to payment of the second instalment of Euro 1,375 thousand for the acquisition of Kunos Simulazioni S.r.l..

## **9. INTERCOMPANY AND RELATED PARTY TRANSACTIONS AND ATYPICAL/UNUSUAL TRANSACTIONS**

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All intercompany and related party transactions entered into by Group companies are conducted at arm's length.

### **Intercompany transactions**

The main intercompany transactions regard the sale of video games by 505 Games S.p.A. to local distribution companies.

505 Games S.p.A. invoices royalties to U.S. subsidiary 505 Games (US) Inc. for products distributed on the American market.

505 Games Ltd. and 505 Games (US) Inc. bill 505 Games S.p.A. for personnel costs and certain general expenses relating to employees involved in production and international marketing for the Premium Games operating segment.

505 Games Interactive Inc. bills 505 Games S.p.A. for personnel costs and general costs relating to employees involved in product management for the Premium Games operating segment.

505 Mobile (US) Inc. bills 505 Mobile S.r.l. for personnel costs and general costs relating to employees involved in production and marketing for the Free to Play operating segment.

Prior to its acquisition, DR Studios Ltd. was already party to development and live support contracts for several video games with 505 Games S.p.A. and 505 Mobile S.r.l.; these contracts have remained unchanged. New development contracts signed after the business combination have been regulated by a framework agreement providing for the chargeback of direct project costs incurred plus a percentage mark-up.

Prior to its acquisition, Kunos Simulazioni S.r.l. was already party to a contract with subsidiary 505 Games S.p.A. for development of the Assetto Corsa video game; the contract has remained unchanged.

Hawken Entertainment Inc. has coordinated development work on the Hawken video game for 505 Games S.p.A.

Digital Bros S.p.A., 505 Games Ltd., 505 Games France, 505 Games Spain Slu and 505 Games GmbH bill 505 Games S.p.A. an amount equal to 15% of digital revenue generated in their respective countries in recognition of the indirect marketing and public relations services performed by the local companies but not directly attributable to individual products.

Digital Bros S.p.A. bills 505 Games S.p.A. with direct costs directly incurred on its behalf, and, based on a percentage of the holding company's total costs, with indirect costs for the coordination of the acquisition of games and for administrative, financial, legal, logistics and IT services.

Digital Bros S.p.A. invoices Digital Bros Game Academy S.r.l. for the cost of administrative, financial, legal and IT services incurred on its behalf and for the cost of leasing the property located in Via Labus, Milan, the subsidiary's operational headquarters.

505 Games S.p.A. charges U.S. company 505 Games US for the cost of coordinating the acquisition of games and the cost of administrative, financial, legal and IT services incurred on its behalf.

133 W. Broadway charges rent to Pipeworks Inc. for the use of the property located in Eugene where the company is based.

Other minor transactions regarding administrative, financial, legal and general services are usually carried out by Digital Bros S.p.A. on behalf of other Group companies. The parent company also operates a cash pooling service, using intercompany current accounts to which positive and negative balances between Group companies are transferred, including through the transfer of receivables. These accounts do not bear interest.

Italian Group companies also transfer tax receivables and payables to the parent company Digital Bros S.p.A. in accordance with domestic tax group arrangements.

On preparing the consolidated financial statements for the year ended 30 June 2018, the impact of intercompany transactions on the results and financial position has been eliminated.

#### **Related party transactions**

Related party transactions regard:

- Legal advisory services provided by director Dario Treves;
- Property leases by Matov Imm. S.r.l. to the parent company and to subsidiary 505 Games France S.a.s.;
- Property leases by Matov LLC to subsidiary 505 Games (US) Inc..

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

The effects of related party transactions are disclosed in paragraph 12 of the Notes.

#### **Atypical transactions**

There were no atypical or unusual transactions in the year just ended or in the prior year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

### **10. TREASURY SHARES**

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Pursuant to Art. 2428(2)(3) of the Italian Civil Code, it is hereby disclosed that, at 30 June 2018, Digital Bros S.p.A. did not hold any treasury shares nor did it purchase or sell any treasury shares during the period then ended.

## **11. RESEARCH AND DEVELOPMENT**

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During the reporting period, the Group incurred development costs of Euro 1,863 thousand compared to Euro 724 thousand in the year ended 30 June 2017. These development activities were carried out by subsidiaries DR Studios Ltd., Hawken Entertainment Inc. and Kunos Simulazioni S.r.l..

## **12. MANAGEMENT OF OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS**

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The Group has carried out a risk identification process involving the Board of Directors together with top-level organisational structures in coordination meetings held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the Executive Director in charge of internal control, who attends the coordination meetings. Records are maintained for each risk and provide a description of the risk in question, a gross risk rating based on a probability/impact matrix, any mitigating factors and/or safeguards put in place to reduce and monitor the risk and the allocation of a net risk rating. The Executive Director is assisted in these duties by the Control and Risks Committee and by the Board of Statutory Auditors.

The individual risk records also show the impact that failure to meet the control objectives would have in terms of operations and financial reporting.

The completeness of the risk map and the ratings of net risk is assessed jointly by the two Managing Directors. The process is supervised by the Board of Statutory Auditors.

Risks fall into two different categories: operational risks and financial risks.

### **Operational risks**

The most significant operational risks are:

- risk regarding ability to publish products that satisfy consumer tastes;
- exclusion of the publisher and failure to control intellectual property;
- product obsolescence risk;
- risk of dependence on key personnel;
- management of development projects and late publication of games.



#### *Risk regarding ability to publish products that satisfy consumer tastes*

Like the entertainment industry as a whole, the video games market is exposed to a range of risks that the Group cannot control but which are connected to the public appeal of the products published. If the Group were unable to satisfy consumers expectations and keep up with the speed of change, its revenues and margins could be seriously affected and its business plan targets could be prove hard to achieve. This risk is mitigated by experienced management and by the procedure implemented by the Group for the acquisition of licensing and development contracts; this involves close examination of a product's economic potential through ongoing market analysis throughout the development stage of the video game.

For larger investments, the Group also uses independent experts to perform market research and/or specific analysis of product potential.

#### *Exclusion of the publisher and failure to control intellectual property*

The constant process of revenue digitalisation has led to the shortening of the value chain. The possibility of a further shortening in the near future could cast doubts on the role of the publisher, should the latter no longer own intellectual property and/or control it contractually. In order to mitigate this risk, the Group has pursued a strategy of acquiring controlling interests (DR Studios and Kunos Simulazioni) and/or non-controlling interests (Ovosonico) in order to increase its level of control over intellectual property. Moreover, the Group has set up organisational units designed to identify new intellectual property e.g. the Portal Knights video game. The risk still considered high and, accordingly, the Group has implemented all of the measures necessary to ensure it is mitigated by contractual arrangements whereby it acquires the rights to new games.

#### *Product obsolescence risk*

Video games can quickly become obsolete. A game that is sold at a certain price is then repositioned at gradually lower prices over time. The launch price of a game is usually high during the launch of a console and then decreases throughout the lifespan of the hardware.

The decision to invest in a given product is often made years before its actual release. Therefore, management must estimate the price a game will sell for in subsequent periods. A sudden acceleration in the obsolescence of a game or its supporting hardware could result in lower retail prices than those originally foreseen. This will have a negative impact on actual revenues and margins.

Obsolescence risks are mitigated by the fact that it is possible to reduce production, marketing and royalty costs payable to developers, thus reducing the impact on margins, as well as by knowledge gained of the life cycles of earlier consoles and advance information procured on new gaming platforms.

#### *Risk of dependence on key personnel*

The Group's success depends on the performance of certain key individuals who have made an important contribution to its development and have acquired valuable experience in the games industry.

The Group has an executive team (Chairman, Managing Director and CFO) with many years' experience in the sector and who play a decisive role in the management of its business. The loss of the services of these individuals without suitable replacements could have a negative impact on the Group's results and financial position and, in particular, could affect the risk detection, assessment and monitoring process.

In any case, management believes that the Group's operational and executive structure ensures continuity in the handling of business affairs.

#### *Management of projects and late publication of games*

Sales of the Group's products are greatly influenced by a seasonal trend with consumers more willing to spend in the autumn period and/or at the time of specific events e.g. sporting events, film releases, etc.

The Group manages its games scheduling process through the use of external developers who contractually guarantee game release dates. Any failure by the Group to manage game development process timings could cause their market launch to be delayed. In the case of products tied into specific events, this would have a significant impact on the sales potential of the game and on the development costs. Any delay in the launch of products could lead to actual results different than those budgeted or forecast, especially if the launch is delayed to a later reporting period.

The Group has adopted a procedure designed to monitor the risk of late launches. Two internal members of staff (brand manager and producer) have been put in charge of each development process and they constantly monitor project progress and the related P&L effects.

#### **Management of financial risks**

The main financial instruments used by the Group are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Derivative contracts
- Financial instruments held for trading.

The purpose of these instruments is to finance the Group's operating activities.

Credit facilities granted to the Group and utilised at 30 June 2018 are as follows:

<b>Euro Thousands</b>	<b>Facility</b>	<b>Utilised</b>	<b>Available</b>
Bank overdrafts	2,550	0	2,550
Import financing	21,000	0	21,000
Advances on invoices and cash orders subject to collection	18,067	1,709	16,358
Factoring	15,280	190	15,090
Endorsement credits	1,000	0	1,000
Medium-term product development financing	3,900	3,152	748
<b>Total</b>	<b>61,797</b>	<b>5,051</b>	<b>56,746</b>

Parent company Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries. This is except in relation to other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which each subsidiary remains responsible for the financial risk.

The Group seeks to maintain a balance between short-term and medium/long-term financial instruments. The Group's core business, the sale and marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines of credit often dedicated to the individual investment, including finance leases.

Given the above, medium- and long-term financial payables have a well-distributed range of maturities.

The main risks generated by the Group's financial instruments are:

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk

#### *Exchange rate risk*

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that currency. This means that any negative changes in the EUR/USD exchange rate would cause licence costs to go up but would also lead to higher margins for the subsidiaries (the reverse also holds true).

In order to monitor the EUR/USD and EUR/GBP exchange rate risk, the Group closely monitors forecast exchange rate trends – also based on reports by independent analysts - and may use derivative instruments to hedge this risk as appropriate (no such instruments are used at present).

When preparing forecasts, the Group uses models that take account of the various currencies in which Group companies operate and uses forward exchange rates based on reports issued by independent analysts.

### *Interest rate risk*

The Group's exposure to the risk of interest rate fluctuation is limited with regard to its medium and long-term financial instruments which were originally arranged as fixed-rate instruments or have been converted into fixed rate using appropriate derivative agreements.

The risk of interest rate increases is an effective risk for short-term financial instruments because the Group cannot immediately pass on any interest rate rises by increasing its selling prices.

These risks are mitigated by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions;
- the financial structure which varies significantly based on video game market seasonality and which shows constant improvement in the medium/long-term trend;
- the implementation of a short-term cash flow procedure that constantly monitors the short-term borrowing trend and allows preventive action to be taken when interest rates are expected to rise.

### *Liquidity risk*

The liquidity risk arises if it becomes difficult or impossible to raise - on sustainable terms and conditions, obtain -the financial resources needed to operate the business.

The factors that influence the Group's financial needs are the resources generated or absorbed by operating and investing activities, the maturity and renewal terms of debt and the liquidity of investments and current conditions and available funds on the credit market.

The Group has taken the following measures in order to reduce this risk:

- centralised management of treasury procedures and lines of credit;
- obtaining lines of credit that lead to the creation of a sustainable debt structure through the use of irrevocable lines of credit;
- constant monitoring of prospective liquidity conditions.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Group to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Group's funding requirements in good time.

### *Credit risk*

During the reporting period, the top ten global customers accounted for around 70% of trade receivables while the top 50 customers accounted for 94%. The level of receivables concentration is expected to increase in the coming years also because the Group's revenue growth is expected to materialise in markets like the United States and the UK where there is higher concentration of retailers and because of the higher

receivables from digital retailers. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on store shelves, in case of physical distribution, but also on digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning, especially on digital marketplaces.

The concentration of sales on a small number of customers increases the credit risk.

### 13. RECONCILIATION OF RESULT FOR THE YEAR AND EQUITY OF PARENT COMPANY TO THOSE OF GROUP

The following table provides a reconciliation of the result for the year and equity as reported by Digital Bros S.p.A. to those reported by the Group.

	Profit (loss) for the year ended		Equity	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Profit (loss) for the year and equity of Digital Bros S.p.A.</b>	<b>15,520</b>	<b>4,237</b>	<b>46,887</b>	<b>32,704</b>
Profit for the year and equity of subsidiaries	3,787	13,887	42,438	52,132
Carrying amount of equity investments	0	0	(27,181)	(29,594)
<b>Consolidation adjustments:</b>				
Impairment of investments in subsidiaries	1,380	1,229	3,768	2,388
Elimination of intercompany profits	(30)	33	(1,495)	(1,461)
Dividends	(11,094)	(7,108)	0	0
Other adjustments	(389)	(981)	2,196	2,605
<b>Total consolidation adjustments</b>	<b>(10,133)</b>	<b>(6,827)</b>	<b>4,469</b>	<b>3,532</b>
<b>Profit for the year and equity of the Group</b>	<b>9,174</b>	<b>11,297</b>	<b>66,612</b>	<b>58,774</b>

Details are provided below of consolidation adjustments at 30 June 2018 and 2017 and for the years then ended:

	Profit (loss) for the year ended		Equity	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	1,019	1,459	2,175	1,156
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	128	119	218	90
Impairment (Reversal of impairment) of Digital Bros S.p.A.'s investment in Pipeworks Inc.	0	(1,491)	0	0
Impairment of 505 Games S.p.A.'s investment in 505 Mobile S.r.l.	233	1,142	1,375	1,142
<b>Total impairment of investments in subsidiaries</b>	<b>1,380</b>	<b>1,229</b>	<b>3,768</b>	<b>2,388</b>
Elimination of unrealised profit in inventory	(144)	(156)	(508)	(364)
Elimination of margin on internal processing contracts	114	189	(987)	(1,097)
<b>Total elimination of intercompany profits</b>	<b>(30)</b>	<b>33</b>	<b>(1,495)</b>	<b>(1,461)</b>
Dividends from 505 Games Ltd.	(3,402)	(1,108)	0	0
Dividends from 505 Games S.p.A.	(6,000)	(6,000)	0	0
Dividends from Pipeworks Inc.	(1,292)	0	0	0
Dividends from 505 Game Entertainment S.r.l.	(400)	0	0	0
<b>Total dividends</b>	<b>(11,094)</b>	<b>(7,108)</b>	<b>0</b>	<b>0</b>
Amortisation/Allocation of acquisition price of DR Studios Ltd., net of tax effect	(86)	(315)	0	86
Amortisation/Allocation of acquisition price of Pipeworks Inc. net of tax effect	(50)	(318)	0	50
Amortisation/Allocation of acquisition price of Kunos S.r.l. net of tax effect	(470)	(249)	1,765	2,235
Other	217	(99)	431	234
<b>Total other adjustments</b>	<b>(389)</b>	<b>(981)</b>	<b>2,196</b>	<b>2,605</b>
<b>Total consolidation adjustments</b>	<b>(10,133)</b>	<b>(6,827)</b>	<b>4,469</b>	<b>3,532</b>

## **14. CONTINGENT ASSETS AND LIABILITIES**

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The sale of rights to PAYDAY2 by the Group to Starbreeze in May 2016 gave the Group the chance to earn up to a maximum of USD 40 million to be computed as 33% of net revenue that Starbreeze shall realise on sales of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent asset, as it did at the previous reporting date.

## **15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

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In the period after the reporting date:

- Non-Executive Director Bruno Soresina unfortunately passed away on 6 August 2018;
- On 13 September 2018, Non-Executive Director Elena Morini resigned from the Board for personal reasons;
- As a result of the above, on 13 September 2018, the Board of Directors resolved to establish three Board committees comprising non-Executive Directors Guido Guetta, Luciana La Maida and Irene Longhin. On the same date, the Board of Directors resolved to propose to the General Meeting to reduce the number of Directors to nine.

## **16. BUSINESS OUTLOOK**

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The outlook for the year ahead remains unchanged compared to previous forecasts with revenue of between Euro 145 million and Euro 190 million expected thanks to the scheduled launch in February 2019 of the video game OVERKILL's the Walking Dead. The expected revenue growth will lead to a return to operating profitability in the year ahead. The latest forecasts for the net financial position also remain in line with those already published with a deterioration expected in the first half of the year, followed by a marked improvement in the second semester; this trend is despite the better than forecast performance in the final quarter of the current reporting period.



## 17. OTHER INFORMATION

### EMPLOYEES

The following table contains analysis of the number of employees at 30 June 2018 with comparative figures at 30 June 2017:

Category	30 June 2018	30 June 2017	Change
Managers	8	10	(2)
Office workers	165	252	(87)
Blue-collar workers and apprentices	4	4	0
<b>Total employees</b>	<b>177</b>	<b>266</b>	<b>(89)</b>

The decrease in the number of employees is due to the disposal of US subsidiary Pipeworks Inc. in February 2018.

The following table contains details of the number of employees of non-Italian companies at 30 June 2018 with comparative figures at 30 June 2017:

Category	30 June 2018	30 June 2017	Change
Managers	3	5	(2)
Office workers	105	181	(76)
<b>Total employees outside Italy</b>	<b>108</b>	<b>186</b>	<b>(78)</b>

In order to enable a proper comparison between 30 June 2018 and 30 June 2017 figures, the following table contains the 30 June 2017 figures as restated to exclude Pipeworks Inc. employees:

Category	30 June 2018	30 June 2017	Change
Managers	8	9	(1)
Office workers	165	176	(11)
Blue-collar workers and apprentices	4	4	0
<b>Total employees</b>	<b>177</b>	<b>189</b>	<b>(12)</b>

The average number of employees for the period is calculated as the mean number of employees at the end of each month. It is shown below with corresponding prior year figures:

Category	Average no in 2018	Average no in 2017	Change
Managers	9	10	(1)
Office workers	215	237	(22)
Blue-collar workers and apprentices	4	4	0
<b>Total employees</b>	<b>228</b>	<b>251</b>	<b>(23)</b>

The average number of employees of the non-Italian companies is as follows:

Category	Average no in 2018	Average no in 2017	Change
Managers	4	5	(1)
Office workers	149	175	(26)
<b>Total employees outside Italy</b>	<b>153</b>	<b>180</b>	<b>(27)</b>

Employees of the Group's Italian companies are hired under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector.

## **ENVIRONMENT**

At 30 June 2018, there were no environmental issues and as the Group's activities consist chiefly of packing and shipping video games and affixing labels to packaging, there is no reason why any environmental issues should emerge in the future.

## **18. EXEMPTION FROM PRESENTATION OF NON-FINANCIAL REPORT**

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The Group has not prepared a Non-Financial Report as it had an average of fewer than 500 employees during the reporting period.

## **19. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

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The report on corporate governance and ownership structure, which describes how Digital Bros Group complies with the Corporate Governance Code for Listed Companies endorsed by Borsa Italiana S.p.A. and which provides the additional information required by Art. 123-bis of the Consolidated Finance Act, is published in Italian and English in the investors section of the website at [www.digitalbros.com](http://www.digitalbros.com).

## **20. REMUNERATION REPORT**

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The remuneration report, containing the information required by Art. 123-ter of the Consolidated Finance Act, is published in Italian and English in the investors section of the website at [www.digitalbros.com](http://www.digitalbros.com).



**Consolidated financial statements  
for the year ended 30 June 2018**

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## FINANCIAL STATEMENTS

### Digital Bros Group

#### Consolidated statement of financial position at 30 June 2018

	Euro Thousands	30 June 2018	30 June 2017	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	6,000	6,619	(619)	-9.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	15,131	18,867	(3,736)	-19.8%
4	Equity investments	1,270	1,345	(75)	-5.6%
5	Non-current receivables and other assets	9,403	1,052	8,351	n.m.
6	Deferred tax assets	2,365	2,807	(442)	-15.7%
	<b>Total non-current assets</b>	<b>34,169</b>	<b>30,690</b>	<b>3,479</b>	<b>11.3%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(516)	(545)	29	-5.3%
8	Non-current provisions	(80)	(79)	(1)	1.2%
9	Other non-current payables and liabilities	(901)	0	(901)	n.m.
	<b>Total non-current liabilities</b>	<b>(1,497)</b>	<b>(624)</b>	<b>(873)</b>	<b>n.m.</b>
	<b>Net working capital</b>				
10	Inventories	15,059	12,815	2,244	17.5%
11	Trade receivables	29,522	36,763	(7,241)	-19.7%
12	Current tax assets	4,316	2,064	2,252	n.m.
13	Other current assets	10,052	3,263	6,789	n.m.
14	Trade payables	(20,811)	(27,680)	6,869	-24.8%
15	Current tax liabilities	(1,021)	(5,736)	4,715	-82.2%
16	Current provisions	(854)	(854)	0	n.m.
17	Other current liabilities	(1,241)	(3,954)	2,713	-68.6%
	<b>Total net working capital</b>	<b>35,022</b>	<b>16,681</b>	<b>18,341</b>	<b>n.m.</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,624)	(19,805)	(819)	4.1%
20	Treasury shares	0	0	0	0.0%
21	(Retained earnings) accumulated losses	(40,284)	(33,265)	(7,019)	21.1%
	<b>Total equity</b>	<b>(66,612)</b>	<b>(58,774)</b>	<b>(7,838)</b>	<b>13.3%</b>
	<b>Total net assets</b>	<b>1,083</b>	<b>(12,027)</b>	<b>13,110</b>	<b>n.m.</b>
22	Cash and cash equivalents	4,282	12,136	(7,854)	-64.7%
23	Current bank debt	(1,975)	(1,942)	(33)	1.7%
24	Other current financial assets and liabilities	(206)	950	(1,156)	n.m.
	<b>Current net cash/debt</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>	<b>-81.2%</b>
25	Non-current financial assets	1,374	1,306	68	5.2%
26	Non-current bank debt	(4,533)	(383)	(4,150)	n.m.
27	Other non-current financial liabilities	(25)	(40)	15	-38.4%
	<b>Non-current net cash/debt</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>	<b>n.m.</b>
	<b>Total net financial position</b>	<b>(1,083)</b>	<b>12,027</b>	<b>(13,110)</b>	<b>n.m.</b>

**Digital Bros Group**
**Consolidated statement of profit or loss for the year ended 30 June 2018**

	<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>Change</b>	
1	Gross revenue	76,038	108.0%	132,681	105.6%	(56,643)	-42.7%
2	Revenue adjustments	(5,633)	-8.0%	(7,017)	-5.6%	1,384	-19.7%
3	<b>Net revenue</b>	<b>70,405</b>	<b>100.0%</b>	<b>125,664</b>	<b>100.0%</b>	<b>(55,259)</b>	<b>-44.0%</b>
4	Purchase of products for resale	(19,377)	-27.5%	(31,206)	-24.8%	11,829	-37.9%
5	Purchase of services for resale	(6,488)	-9.2%	(8,494)	-6.8%	2,006	-23.6%
6	Royalties	(15,016)	-21.3%	(37,102)	-29.5%	22,086	-59.5%
7	Changes in inventories of finished products	2,244	3.2%	882	0.7%	1,362	n.m.
8	<b>Total cost of sales</b>	<b>(38,637)</b>	<b>-54.9%</b>	<b>(75,920)</b>	<b>-60.4%</b>	<b>37,283</b>	<b>-49.1%</b>
9	<b>Gross profit (3+8)</b>	<b>31,768</b>	<b>45.1%</b>	<b>49,744</b>	<b>39.6%</b>	<b>(17,976)</b>	<b>-36.1%</b>
10	Other income	2,796	4.0%	1,215	1.0%	1,581	n.m.
11	Costs for services	(9,376)	-13.3%	(12,728)	-10.1%	3,352	-26.3%
12	Lease and rental charges	(1,458)	-2.1%	(1,476)	-1.2%	18	-1.2%
13	Labour costs	(18,366)	-26.1%	(16,348)	-13.0%	(2,018)	12.3%
14	Other operating costs	(1,077)	-1.5%	(1,856)	-1.5%	779	-42.0%
15	<b>Total operating costs</b>	<b>(30,277)</b>	<b>-43.0%</b>	<b>(32,408)</b>	<b>-25.8%</b>	<b>2,131</b>	<b>-6.6%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>4,287</b>	<b>6.1%</b>	<b>18,551</b>	<b>14.8%</b>	<b>(14,264)</b>	<b>-76.9%</b>
17	Depreciation and amortisation	(7,728)	-11.0%	(7,120)	-5.7%	(608)	8.5%
18	Allocations to provisions	0	0.0%	(854)	-0.7%	854	n.m.
19	Impairment adjustments to assets	(122)	-0.2%	(1,653)	-1.3%	1,531	-92.6%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(7,850)</b>	<b>-11.2%</b>	<b>(9,627)</b>	<b>-7.7%</b>	<b>1,777</b>	<b>-18.5%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(3,563)</b>	<b>-5.1%</b>	<b>8,924</b>	<b>7.1%</b>	<b>(12,487)</b>	<b>n.m.</b>
23	Interest and financial income	1,998	2.8%	8,772	7.0%	(6,774)	-77.2%
24	Interest and financial expenses	(1,347)	-1.9%	(3,136)	-2.5%	1,789	-57.1%
25	<b>Net financial income (costs)</b>	<b>651</b>	<b>0.9%</b>	<b>5,636</b>	<b>4.5%</b>	<b>(4,985)</b>	<b>-88.4%</b>
26	<b>Profit before taxation (22+25)</b>	<b>(2,912)</b>	<b>-4.1%</b>	<b>14,560</b>	<b>11.6%</b>	<b>(17,472)</b>	<b>n.m.</b>
27	Current tax	293	0.4%	(4,640)	-3.7%	4,932	n.m.
28	Deferred tax	(263)	-0.4%	169	0.1%	(432)	n.m.
29	<b>Total income tax expense</b>	<b>30</b>	<b>0.0%</b>	<b>(4,471)</b>	<b>-3.6%</b>	<b>4,501</b>	<b>n.m.</b>
30	<b>Profit /(Loss) from continuing operations (26+29)</b>	<b>(2,882)</b>	<b>-4.1%</b>	<b>10,089</b>	<b>8.0%</b>	<b>(12,971)</b>	<b>n.m.</b>
	<b>Profit from discontinued operations</b>	<b>12,056</b>	<b>17.1%</b>	<b>1,208</b>	<b>1.0%</b>	<b>10,848</b>	<b>n.m.</b>
	<b>Net profit</b>	<b>9,174</b>	<b>13.0%</b>	<b>11,297</b>	<b>9.0%</b>	<b>(2,123)</b>	<b>-18.8%</b>

**Digital Bros Group****Consolidated statement of comprehensive income for the year ended 30 June 2018**

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
<b>Profit (Loss) for the period (A)</b>	<b>9,174</b>	<b>11,297</b>	<b>(2,123)</b>
<b>Items that will not be subsequently recycled through profit or loss (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Actuarial gain (loss)	7	25	(18)
Income tax relating to the actuarial gain (loss)	(2)	(7)	5
Exchange differences on translation of foreign operations	6	(634)	640
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of shares designated as “available for sale”	0	(3,075)	3,075
Tax effect regarding fair value measurement of shares designated as “available for sale”	0	845	(845)
<b>Items that will subsequently be recycled through profit or loss (C)</b>	<b>11</b>	<b>(2,846)</b>	<b>2,857</b>
<b>Total other comprehensive income D= (B)+(C)</b>	<b>11</b>	<b>(2,846)</b>	<b>2,857</b>
<b>Total comprehensive income (loss) (A)+(D)</b>	<b>9,185</b>	<b>8,451</b>	<b>734</b>
Attributable to:			
<b>Owners of the Company</b>	<b>9,185</b>	<b>8,451</b>	<b>734</b>
<b>Non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Digital Bros Group**
**Consolidated statement of cash flows for the year ended 30 June 2018**

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>A.</b>	<b>Opening net financial position</b>	<b>12,027</b>	<b>3,511</b>
<b>B.</b>	<b>Cash flows from operating activities</b>		
	Profit (loss) for the year attributable to the Group	9,174	11,297
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment adjustments	122	1,653
	Amortisation of intangible assets	7,076	6,937
	Depreciation of property, plant and equipment	652	777
	Net change in other provisions	1	43
	Net change in employee benefit provisions	(29)	16
	Net change in other non-current liabilities	901	(252)
	<b>SUB TOTAL B.</b>	<b>17,897</b>	<b>20,471</b>
<b>C.</b>	<b>Change in net working capital</b>		
	Inventories	(2,244)	(882)
	Trade receivables	7,154	(2,343)
	Current tax assets	(2,252)	(72)
	Other current assets	(6,789)	1,771
	Trade payables	(6,869)	5,968
	Current tax liabilities	(4,715)	(475)
	Current provisions	0	854
	Other current liabilities	(2,713)	1,642
	<b>SUB TOTAL C.</b>	<b>(18,428)</b>	<b>6,463</b>
<b>D.</b>	<b>Cash flows from investing activities</b>		
	Net investment in intangible assets	(3,340)	(16,360)
	Net investment in property, plant and equipment	(33)	(364)
	Net investment in non-current financial assets	(7,869)	(823)
	<b>SUB TOTAL D.</b>	<b>(11,242)</b>	<b>(17,547)</b>
<b>E.</b>	<b>Cash flows from financing activities</b>		
	Proceeds from capital increases	0	60
	Increase in share premium reserve	0	1,532
	<b>SUB TOTAL E.</b>	<b>0</b>	<b>1,592</b>
<b>F.</b>	<b>Changes in consolidated equity</b>		
	Dividends distributed	(2,139)	(1,834)
	Changes in treasury shares held	0	390
	Increases (decreases) in other equity components	803	(1,018)
	<b>SUB TOTAL F.</b>	<b>(1,336)</b>	<b>(2,462)</b>
<b>G.</b>	<b>Cash flows for the period (B+C+D+E+F)</b>	<b>(13,110)</b>	<b>8,516</b>
<b>H.</b>	<b>Closing net financial position (A+G)</b>	<b>(1,083)</b>	<b>12,027</b>



## Notes to the statement of cash flows

### Details of cash flows by maturity:

Euro Thousands	30 June 2018	30 June 2017
Increase (decrease) in securities and cash and cash equivalents	(7,854)	6,200
Decrease (increase) in current bank borrowing	(33)	23,507
Decrease (increase) in other current financial assets and liabilities	(1,156)	(28,159)
Cash flows for the period pertaining to current net financial position	(9,043)	1,548
Cash flows for the period pertaining to non-current net financial position	(4,067)	3,145
<b>Cash flows for the period</b>	<b>(13,110)</b>	<b>4,693</b>

### Statement of cash flows of discontinued operations at 23 February 2018

	Euro Thousands	23 February 2018	30 June 2017
<b>A. Opening net financial position</b>		<b>2,983</b>	<b>1,303</b>
<b>B. Cash flows from operating activities</b>			
Profit (loss) for the year attributable to the Group		622	1,686
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment adjustments		0	0
Depreciation and amortisation		94	163
Net change in other provisions		0	0
<b>SUB TOTAL B.</b>		<b>716</b>	<b>1,849</b>
<b>C. Change in net working capital</b>		<b>(1,210)</b>	<b>55</b>
<b>D. Cash flows from investing activities</b>		<b>46</b>	<b>(113)</b>
<b>E. Cash flows from financing activities</b>		<b>0</b>	<b>0</b>
<b>F. Changes in consolidated equity</b>			
Dividends paid		(1,292)	0
Increases (decreases) in other equity items		(165)	(111)
<b>SUB TOTAL F.</b>		<b>(1,457)</b>	<b>(111)</b>
<b>G. Cash flows for the period (B+C+D+E+F)</b>		<b>(1,905)</b>	<b>1,680</b>
<b>H. Closing net financial position (A+G)</b>		<b>1,078</b>	<b>2,983</b>

## Digital Bros Group

### Consolidated statement of changes in equity

<b>Euro Thousands</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 (Accumulated losses)</b>	<b>Profit (Loss) for the year</b>	<b>Total retained earnings (D)</b>	<b>Consolidated equity attributable to Group (A+B+C+D)</b>
<b>Total at 1 July 2016</b>	<b>5,644</b>	16,954	1,129	1,367	(813)	2,167	<b>20,804</b>	<b>(390)</b>	5,903	16,387	<b>22,290</b>	<b>48,348</b>
Capital increase	<b>60</b>	1,532					<b>1,532</b>				<b>0</b>	<b>1,592</b>
Allocation of profit for the year							<b>0</b>		16,387	(16,387)	<b>0</b>	<b>0</b>
Payment of dividends							<b>0</b>		(1,834)		<b>(1,834)</b>	<b>(1,834)</b>
Other changes						315	<b>315</b>	<b>390</b>	1,512		<b>1,512</b>	<b>2,217</b>
Comprehensive income (loss)					(634)	(2,212)	<b>(2,846)</b>			11,297	<b>11,297</b>	<b>8,451</b>
<b>Total at 30 June 2017</b>	<b>5,704</b>	18,486	1,129	1,367	(1,447)	270	<b>19,805</b>	<b>0</b>	21,968	11,297	<b>33,265</b>	<b>58,774</b>
<b>Total at 1 July 2017</b>	<b>5,704</b>	18,486	1,129	1,367	(1,447)	270	<b>19,805</b>	<b>0</b>	21,968	11,297	<b>33,265</b>	<b>58,774</b>
Allocation of profit for the year			12				<b>12</b>		11,285	(11,297)	<b>(12)</b>	<b>0</b>
Payment of dividends							<b>0</b>		(2,139)		<b>(2,139)</b>	<b>(2,139)</b>
Other changes						796	<b>796</b>		(4)		<b>(4)</b>	<b>792</b>
Comprehensive income (loss)					6	5	<b>11</b>			9,174	<b>9,174</b>	<b>9,185</b>
<b>Total at 30 June 2018</b>	<b>5,704</b>	18,486	1,141	1,367	(1,441)	1,071	<b>20,624</b>	<b>0</b>	31,110	9,174	<b>40,284</b>	<b>66,612</b>

**Digital Bros Group**

**Consolidated statement of profit or loss prepared in accordance with CONSOB Resolution no. 15519 of 27 July 2006**

	<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>	
		<b>Total</b>	<b>Of which with related parties</b>	<b>Total</b>	<b>Of which with related parties</b>
1	Gross revenue	76,038	0	132,681	0
2	Revenue adjustments	(5,633)	0	(7,017)	0
<b>3</b>	<b>Net revenue</b>	<b>70,405</b>	<b>0</b>	<b>125,664</b>	<b>0</b>
4	Purchase of products for resale	(19,377)	0	(31,206)	0
5	Purchase of services for resale	(6,488)	0	(8,494)	0
6	Royalties	(15,016)	0	(37,102)	0
7	Changes in inventories of finished products	2,244	0	882	0
<b>8</b>	<b>Total cost of sales</b>	<b>(38,637)</b>	<b>0</b>	<b>(75,920)</b>	<b>0</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>31,768</b>	<b>0</b>	<b>49,744</b>	<b>0</b>
10	Other income	2,796	0	1,215	0
11	Costs for services	(9,376)	(315)	(12,728)	(262)
12	Lease and rental charges	(1,458)	(1,126)	(1,476)	(1,170)
13	Labour costs	(18,366)	0	(16,348)	0
14	Other operating costs	(1,077)	0	(1,856)	0
<b>15</b>	<b>Total operating costs</b>	<b>(30,277)</b>	<b>(1,441)</b>	<b>(32,408)</b>	<b>(1,432)</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>4,287</b>	<b>(1,441)</b>	<b>18,551</b>	<b>(1,432)</b>
17	Depreciation and amortisation	(7,728)	0	(7,120)	0
18	Allocations to provisions	0	0	(854)	0
19	Impairment adjustments to assets	(122)	0	(1,653)	0
20	Reversal of impairment adjustments and non-monetary income	0	0	0	0
<b>21</b>	<b>Total non-monetary income and operating costs</b>	<b>(7,850)</b>	<b>0</b>	<b>(9,627)</b>	<b>0</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>(3,563)</b>	<b>(1,441)</b>	<b>8,924</b>	<b>(1,432)</b>
23	Interest and financial income	1,998	0	8,772	0
24	Interest and financial expenses	(1,347)	0	(3,136)	0
<b>25</b>	<b>Net financial income (expenses)</b>	<b>651</b>	<b>0</b>	<b>5,636</b>	<b>0</b>
<b>26</b>	<b>Profit before tax (22+25)</b>	<b>(2,912)</b>	<b>(1,441)</b>	<b>14,560</b>	<b>(1,432)</b>
27	Current tax	293	0	(4,640)	0
28	Deferred tax	(263)	0	169	0
<b>29</b>	<b>Total income tax expense</b>	<b>30</b>	<b>0</b>	<b>(4,471)</b>	<b>0</b>
<b>30</b>	<b>Net profit/(loss) from continuing operations (26+29)</b>	<b>(2,882)</b>	<b>(1,441)</b>	<b>10,089</b>	<b>(1,432)</b>
	<b>Net profit/(loss) from discontinued operations</b>	<b>12,056</b>	<b>(1,441)</b>	<b>1,208</b>	<b>(1,432)</b>
	<b>Net profit/(loss)</b>	<b>9,174</b>	<b>(1,441)</b>	<b>11,297</b>	<b>(1,432)</b>

**Digital Bros Group**
**Consolidated statement of financial position prepared in accordance with CONSOB Resolution no-15519 of 27 July 2006**

	<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>	
		<b>Total</b>	<b>Of which with related parties</b>	<b>Total</b>	<b>Of which with related parties</b>
	<b>Non-current assets</b>				
1	Property, plant and equipment	6,000	0	6,619	0
2	Investment property	0	0	0	0
3	Intangible assets	15,131	0	18,867	0
4	Equity investments	1,270	0	1,345	0
5	Non-current receivables and other assets	9,403	762	1,052	765
6	Deferred tax assets	2,365	0	2,807	0
	<b>Total non-current assets</b>	<b>34,169</b>	<b>762</b>	<b>30,690</b>	<b>765</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(516)	0	(545)	0
8	Non-current provisions	(80)	0	(79)	0
9	Other non-current payables and liabilities	(901)	0	0	0
	<b>Total non-current liabilities</b>	<b>(1,497)</b>	<b>0</b>	<b>(624)</b>	<b>0</b>
	<b>Net working capital</b>				
10	Inventories	15,059	0	12,815	0
11	Trade receivables	29,522	0	36,763	0
12	Current tax assets	4,316	0	2,064	0
13	Other current assets	10,052	210	3,263	0
14	Trade payables	(20,811)	(48)	(27,680)	(22)
15	Current tax liabilities	(1,021)	0	(5,736)	0
16	Current provisions	(854)	0	(854)	0
17	Other current liabilities	(1,241)	0	(3,954)	0
	<b>Total net working capital</b>	<b>35,022</b>	<b>162</b>	<b>16,681</b>	<b>(22)</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	0	(5,704)	0
19	Reserves	(20,624)	0	(19,805)	0
20	Treasury shares	0	0	0	0
21	(Retained earnings) accumulated losses	(40,284)	0	(33,265)	0
	<b>Total equity</b>	<b>(66,612)</b>	<b>0</b>	<b>(58,774)</b>	<b>0</b>
	<b>Total net assets</b>	<b>1,083</b>	<b>924</b>	<b>(12,027)</b>	<b>743</b>
22	Cash and cash equivalents	4,282	0	12,136	0
23	Current bank borrowing	(1,975)	0	(1,942)	0
24	Other current financial assets and liabilities	(206)	0	950	0
	<b>Current net financial position</b>	<b>2,101</b>	<b>0</b>	<b>11,144</b>	<b>0</b>
25	Non-current financial assets	1,374	0	1,306	0
26	Non-current bank borrowing	(4,533)	0	(383)	0
27	Other non-current financial liabilities	(25)	0	(40)	0
	<b>Non-current net financial position</b>	<b>(3,184)</b>	<b>0</b>	<b>883</b>	<b>0</b>
	<b>Total net financial position</b>	<b>(1,083)</b>	<b>0</b>	<b>12,027</b>	<b>0</b>

**Digital Bros Group**
**Consolidated statement of profit or loss prepared in accordance with CONSOB Resolution no 15519 of 27 July 2006**

Euro Thousands		30 June 2018		30 June 2017	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	76,038	0	132,681	0
2	Revenue adjustments	(5,633)	0	(7,017)	0
3	<b>Net revenue</b>	<b>70,405</b>	<b>0</b>	<b>125,664</b>	<b>0</b>
4	Purchase of products for resale	(19,377)	0	(31,206)	0
5	Purchase of services for resale	(6,488)	0	(8,494)	0
6	Royalties	(15,016)	0	(37,102)	0
7	Changes in inventories of finished products	2,244	0	882	0
8	<b>Total cost of sales</b>	<b>(38,637)</b>	<b>0</b>	<b>(75,920)</b>	<b>0</b>
9	<b>Gross profit (3+8)</b>	<b>31,768</b>	<b>0</b>	<b>49,744</b>	<b>0</b>
10	Other income	2,796	0	1,215	0
11	Costs for services	(9,376)	0	(12,728)	0
12	Lease and rental charges	(1,458)	0	(1,476)	0
13	Labour costs	(18,366)	0	(16,348)	0
14	Other operating costs	(1,077)	0	(1,856)	0
15	<b>Total operating costs</b>	<b>(30,277)</b>	<b>0</b>	<b>(32,408)</b>	<b>0</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>4,287</b>	<b>0</b>	<b>18,551</b>	<b>0</b>
17	Depreciation and amortisation	(7,728)	0	(7,120)	0
18	Allocations to provisions	0	0	(854)	0
19	Impairment adjustments to assets	(122)	0	(1,653)	0
20	Reversal of impairment adjustments and non-monetary income	0	0	0	0
21	<b>Total non-monetary income and operating costs</b>	<b>(7,850)</b>	<b>0</b>	<b>(9,627)</b>	<b>0</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(3,563)</b>	<b>0</b>	<b>8,924</b>	<b>0</b>
23	Interest and financial income	1,998	0	8,772	0
24	Interest and financial expenses	(1,347)	0	(3,136)	0
25	<b>Net financial income (expense)</b>	<b>651</b>	<b>0</b>	<b>5,636</b>	<b>0</b>
26	<b>Profit before taxation (22+25)</b>	<b>(2,912)</b>	<b>0</b>	<b>14,560</b>	<b>0</b>
27	Current tax	293	0	(4,640)	0
28	Deferred tax	(263)	0	169	0
29	<b>Total income tax expense</b>	<b>30</b>	<b>0</b>	<b>(4,471)</b>	<b>0</b>
30	<b>Net profit/(loss) from continuing operations (26+29)</b>	<b>(2,882)</b>	<b>0</b>	<b>10,089</b>	<b>(1,432)</b>
	<b>Net profit/(loss) from discontinued operations</b>	<b>12,056</b>	<b>0</b>	<b>1,208</b>	<b>(1,432)</b>
	<b>Net profit</b>	<b>9,174</b>	<b>0</b>	<b>11,297</b>	<b>(1,432)</b>

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## **Notes to the consolidated financial statements at 30 June 2018**

## 1. INTRODUCTION

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The main operating activities, together with those of the subsidiaries, are described in the Directors' Report.

The consolidated financial statements for the year ended 30 June 2018 have been prepared on a going concern basis. The Group has concluded that the uncertainties and risks to which it is exposed, as described in the Directors' Report, do not cast doubt on its ability to operate as a going concern.

### *Accounting standards adopted and declaration of compliance with IAS/IFRS*

The consolidated financial statements of Digital Bros Group, for the year ended 30 June 2018 have been prepared in accordance with Art. 154-ter of Legislative Decree 58 of 24 February 1998 and subsequent amendments thereto. They have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as based on the text published in the Official Journal of the European Union. The term "IFRS" encompasses International Accounting Standards (IAS) still in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). All amounts included in the consolidated financial statements for the year ended 30 June 2018 are stated in Euro thousands, unless otherwise specified.

### *Reporting formats*

The consolidated financial statements for the year ended 30 June 2018 have been prepared in accordance with IAS/IFRS and with the related interpretations (SIC/IFRIC) endorsed by the European Commission as of the reporting date.

The financial statements and the notes thereto also include the disclosures required by Consob Resolution 15519 of 27 July 2006 and Consob Communication 6064293 of 28 July 2006.

No changes have been made to the reporting format compared to previous years and all schedules are consistent with those used when preparing the consolidated financial statements for the year ended 30 June 2017.

The financial statements comprise:

- consolidated statement of financial position at 30 June 2018 with comparative figures at 30 June 2017 (the annual reporting date for the previous consolidated financial statements);
- consolidated statement of profit or loss for the period from 1 July 2017 to 30 June 2018 together with comparative figures for the period from 1 July 2016 to 30 June 2017;
- consolidated statement of comprehensive income for the period from 1 July 2017 to 30 June 2018 together with comparative figures for the period from 1 July 2016 to 30 June 2017;
- consolidated statement of cash flows from 1 July 2017 to 30 June 2018 with comparative figures for the period from 1 July 2016 to 30 June 2017;
- consolidated statement of changes in equity from 1 July 2017 to 30 June 2018 and from 1 July 2016 to 30 June 2017.



The following have been provided to supplement the information presented in the financial statements:

- details of cash flows for the year by maturity together with comparative figures for the previous year;
- additional information on the consolidated statement of cash flows together with comparative figures for the previous year.

The left-hand column of the statement of financial position indicates the number of the relevant note.

The components of the statement of financial position have been allocated to the following five categories:

- non-current assets;
- non-current liabilities;
- net working capital;
- equity;
- net financial position.

Non-current assets consist of assets that are long-term in nature, such as property, plant and equipment to be used for more than one period, equity investments in associated companies and receivables that fall due in subsequent periods. They also include deferred tax assets regardless of when they might be realised.

Non-current liabilities comprise provisions not expected to be used within 12 months as well as post-employment benefits, particularly the provision for employee termination indemnities pertaining to the parent company and its Italian subsidiaries, and, in general, payables that fall due beyond 30 June 2019.

Net working capital comprises current assets and liabilities. Due to the commercial nature of the Group's operations, net working capital is particularly significant, as it represents the amount the Group invests in operating activities to boost its turnover. Net working capital is significantly influenced by the trend in turnover and seasonality that is a feature of the market.

Equity consists of share capital, reserves, retained earnings (profit for the year plus prior year profits not allocated to specific reserves by the shareholders in general meeting) as adjusted for treasury shares.

Total net assets are the sum of non-current assets plus net working capital, less non-current liabilities and equity.

The net financial position has been split between the current net financial position and the non-current net financial position and represents total net assets.

The left-hand column of the consolidated statement of profit or loss and of the statement of profit or loss presented for segment reporting purposes indicates the number of the relevant note.

The statement of profit or loss has been presented in a multi-step format, with expenses analysed by nature and shows four intermediate levels of profit:

- gross profit, the difference between net revenue and total cost of sales;

- gross operating margin (EBITDA), the difference between gross profit and total operating costs;
- operating margin (EBIT), the difference between gross operating margin and non-monetary operating costs;
- profit before tax, the difference between the operating margin and net financial income (expenses).

Profit for the year i.e. the difference between profit before tax and total income tax income (expense) is followed by earnings per share.

Pursuant to IFRS 5 “Non-current assets held for sale and discontinued operations”, the profit and loss balances of Pipeworks Inc. for the first eight months of the year have been reported under the caption “Net result from discontinued operations”.

The statement of cash flows has been prepared using the indirect method, whereby profit is adjusted for the effects of transactions of a non-cash nature, changes in net working capital, cash flows from financing and investing activities and changes in consolidated equity.

The overall change for the period is given by the sum of the following:

- cash flows from operating activities;
- changes in net working capital;
- cash flows from investing activities;
- cash flows from financing activities;
- changes in consolidated equity.

The statement of changes in equity has been prepared in accordance with International Financial Reporting Standards and shows changes between 1 July 2016 and 30 June 2018.

There are no non-controlling interests so none are reported.

## 2. ACCOUNTING POLICIES

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The consolidated financial statements for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards and their interpretations in force at that date.

The consolidated financial statements have been prepared on the basis of financial statements prepared by the Group companies included in the scope of consolidation for the year ended 30 June 2017, adjusted, as necessary, to bring them into line with Group accounting policies and IAS/IFRS. All prior period comparative figures have been adjusted, as necessary, in order to render them compliant with IAS/IFRS.

The measurement criteria used to prepare the consolidated financial statements for the year ended 30 June 2018 are consistent with those used to prepare the consolidated financial statements for the year ended 30 June 2017. Changes in the standards and interpretations endorsed by the European Union have had no significant effect on preparation of the consolidated financial statements for the year ended 30 June 2018.

### *Property, plant and equipment*

Property, plant and equipment are recognised at purchase or production cost and are shown net of depreciation and impairment. No assets have been revalued in prior years. No borrowing costs have been capitalised.

Leasehold improvements and costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits associated with the asset. All other costs are recognised in profit or loss when incurred.

Depreciation is computed on a straight-line basis over the assets' estimated useful lives, as follows:

Buildings	2.56%-3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%
Leasehold improvements	17%

Assets held under finance leases, whereunder all risks and rewards of ownership are transferred to the Group, are recognised at the lower of their fair value at the inception of the lease and the present value of the minimum lease payments payable over the entire lease term. The corresponding lease obligation is recognised under financial liabilities. Depreciation is charged on a straight-line basis over the estimated useful life of each asset category.

Leases where the lessor retains substantially all the risks and rewards of ownership of an asset are accounted for as operating leases. Operating lease costs are recognised in profit or loss over the lease term as lease and rental expenses.

Land is not depreciated but impairment adjustments are made if fair value falls below reported cost.

### *Intangible assets*

Intangible assets purchased or produced internally are capitalised in accordance with IAS 38 - Intangible assets when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

They are recognised at purchase or production cost and those with a finite useful life are amortised on a straight-line basis over their estimated useful life.

The amortisation rates applied are as follows:

- Brands and similar rights: 33.3% (including intellectual property, user rights and long-term licenses)
- Microsoft Dynamics Navision licenses: 20%
- Long-term licences / user rights: 20%.

Intangible assets with finite useful lives are amortised systematically over their estimated useful lives and amortisation begins when the assets are available for use; carrying amount is tested for recoverability in accordance with IAS 36, as explained under “impairment of assets” below.

The Group applies amortisation on a straight-line basis over the contract term and, in any event, over a period not exceeding five years.

The related amortisation is included in depreciation and amortisation expense in the statement of profit or loss.

### *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred as of the acquisition date plus the amount of any non-controlling interest held in the acquiree. For each business combination, the Group decides whether to measure any non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest's attributable portion of the acquiree's net identifiable assets. Acquisition-related expenses are generally recognised in profit or loss and classified as administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired and the liabilities assumed in accordance with the relevant contractual terms and the economic and other conditions existing at the acquisition date.

If a business combination is achieved in several steps, the Group's previously held equity interest in the acquiree as measured using the equity method is restated at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration is recognised at its acquisition-date fair value. In accordance with IAS 39, a change in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it need not

be remeasured until settlement of the contingency is reflected in equity. The subsequent transaction will be accounted for in equity. If contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially stated at cost, measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by the Group. If the consideration paid is less than the fair value of the net assets acquired, the difference is recognised in profit or loss.

If it is only possible to make a preliminary determination of the fair value of the assets, liabilities and contingent liabilities, the business combination is recognised using these preliminary amounts. Any adjustments arising from completion of the valuation process are recognised within twelve months of the acquisition and the comparatives are restated.

After its initial recognition, goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. At the effective acquisition date, the assets and liabilities that form part of the transaction are recognised at their fair value, except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements that are recognised in accordance with the relevant accounting standards. Acquisition-related expenses are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. This is except for the following which are measured in accordance with the relevant accounting standards:

- deferred tax assets and liabilities;
- assets or liabilities related to employee benefit arrangements;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree;
- assets that are classified as held for sale;
- discontinued operations.

### *Investments in associated companies and other entities*

Investments in associated companies are initially recognised at cost and adjusted for any impairment.

Any positive difference arising at the time of acquisition from third parties between the purchase cost and the Group's share of the fair value of equity is included in the carrying amount of the investment.

The profits and losses and assets and liabilities of associated companies are recorded in the consolidated financial statements using the equity method, except where the investments have been classified as held for sale.

Under this method, investments in associated companies are initially recognised at cost. The consolidated financial statements include the Group share of the profits or losses of the associated companies as recognised using the equity method until the date on which significant influence ends.

In accordance with IAS 39, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are classified as financial assets available for sale and are measured at fair value, except in situations where fair value cannot be reliably determined: in such cases, the cost method is adopted.

Gains and losses resulting from fair value adjustments are recognised in a specific other comprehensive income reserve until an asset is sold or impaired; when an asset is sold, gains or losses previously recognised in other comprehensive income are reclassified to profit or loss for the period. When an asset is adjusted for impairment, the accumulated loss is recognised in profit or loss under "Interest and financial expenses".

For further information on the accounting policy for financial assets, reference should be made to the relevant note ("Financial Assets") included in the section on the Net Financial Position.

### *Impairment of assets*

IAS 36 requires intangible assets, property, plant and equipment and investments in associated companies and other entities to be tested for impairment by discounting future cash flows.

Accordingly, at least once a year, the Group tests the recoverability of the carrying amount of the above assets. If an impairment loss is identified, the recoverable amount of the asset is estimated in order to determine the extent of the adjustment required. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. The value in use of an asset is estimated by discounting estimated future cash flows after taxes to their present value at a discount rate that reflects the time value of money and the risks specific to the asset.

An impairment loss is recognised if recoverable amount is less than carrying amount. If impairment is subsequently reduced or reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed

the carrying amount that would have been determined had no impairment adjustment been recognised. This is except for goodwill in relation to which impairment adjustments cannot be reversed. A reversal of an impairment adjustment is recognised immediately in profit or loss.

#### *Inventories*

Inventories of finished goods are recognised at the lower of purchase cost including ancillary expenses and realisable value, as estimated based on market trends. Cost is determined based on specific cost.

When the realisable value of inventories is lower than their purchase cost, impairment is charged directly to the unit value of the article in question.

#### *Receivables and payables*

Receivables are measured at amortised cost which coincides with their estimated realisable value. The nominal amount of receivables is brought into line with estimated realisable amount by means of a provision for doubtful accounts, taking account of the specific circumstances of each debtor.

Receivables due from customers involved in insolvency proceedings are written off in full, or written down to the extent that ongoing legal action indicates they are partially collectible.

Payables are stated at nominal amount.

#### *Factoring of trade receivables*

The Group factors trade receivables on a non-recourse basis with various factoring companies. In accordance with IAS 39, factored assets may be derecognised only when the associated risks and rewards have been substantially transferred. Accordingly, receivables factored without recourse that include provisions limiting the transfer of these risks and rewards at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the consolidated financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognised in the consolidated financial statements under other current financial liabilities.

#### *Employee benefits*

Employee termination indemnities (*trattamento di fine rapporto* or TFR) - mandatory for Italian companies pursuant to Art. 2120 of the Civil Code - constitute deferred compensation and depend on the employees' period of employment and the amount of compensation received while in the Company's service.

Effective 1 January 2007, significant changes were made to Italian law governing the TFR. These changes included the choice given to employees to decide where to allocate their TFR entitlement accruing (in supplementary pension schemes or in the "Treasury Fund" managed by the Social Security agency INPS). Thus, the obligation towards INPS and the payments to supplementary pension schemes qualify as defined contribution plans while the amounts remaining in TFR, in accordance with IAS 19, retain their status as defined benefit plans.

In accordance with the amendment to IAS 19, actuarial gains and losses are recognised in equity under other reserves.

#### *Current and non-current provisions*

The Group creates provisions for risks and charges when it has legal or constructive obligations to third parties whose exact amount and/or timing is uncertain and/or it is probable that the Group will have to employ resources to fulfil the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any increases/decreases in the estimated amount of the liability.

Changes in estimates are recognised in the statement of profit or loss for the period in which the change occurs.

#### *Financial assets and liabilities*

Current financial assets, non-current financial assets and current and non-current financial liabilities are recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Cash and cash equivalents include cash on hand, bank deposits, mutual fund units, other highly negotiable securities and other financial assets recognised as available-for-sale.

Current financial assets and securities are recognised based on their trading date and, upon initial recognition, they are measured at purchase cost including transaction expenses. After initial recognition, financial instruments and securities available for sale are measured at fair value. If no market price is available, the fair value of financial instruments available for sale is measured with the most appropriate valuation techniques e.g. the discounted cash flow method, using market information available at the reporting date.

Financial liabilities comprise financial payables and other financial liabilities, including those arising from the recognition of derivative instruments at market value.

#### *Financial assets measured at fair value through profit or loss*

In accordance with IAS 39 this category includes the following cases:

- financial assets specifically held for trading purposes;
- financial assets to be considered at fair value since their data of purchase.

On initial recognition, financial assets held for trading are measured at fair value, without adding directly attributable transaction costs or income that are recognised in profit or loss.

All assets within this category are classified as current if they are held for trading or if they are expected to be sold within 12 months of the reporting date.

Designation of a financial instrument to this category is final (IAS 39 only envisages some exceptional circumstances in which said financial assets may be classified in another category) and can only be done on initial recognition.



Gains or losses on financial assets measured at fair value through profit or loss are immediately recognised in profit or loss.

Fair value is the amount for which an asset could be exchanged, or to be paid to transfer the liability (“exit price”) in an arm’s length transaction between well-informed and independent parties. In the case of securities traded on regulated markets, fair value is determined with reference to bid prices at the end of trading on the reporting date.

Purchases or sales settled at “market price” are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. In cases where fair value cannot be reliably determined, the financial asset is measured at cost, with disclosure in the notes of its type and related reasons.

Investments in financial assets may be derecognised only upon expiry of the contractual rights to receive cash flows from investments (e.g. final redemption of bonds subscribed) or when the Company transfers the financial asset and all related risks and benefits.

#### *Derivative financial instruments*

Derivatives are used only to hedge the risk of fluctuation in exchange rates and interest rates. In accordance with IAS 39, derivative financial instruments may be recognised on a hedge accounting basis only if, at the inception of the hedge, the relationship is formally designated and documented, the hedge is expected to be highly effective, its effectiveness can be reliably measured and the hedge is assessed as being highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When derivative financial instruments meet the conditions for hedge accounting, they are accounted for as follows:

- *Fair value hedge* - If a derivative financial instrument is designated as a hedge against changes in the fair value of a recognised asset or liability attributable to a particular risk that may affect profit or loss, the gain or loss arising from subsequent fair value measurement of the hedge is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognised in profit or loss.
- *Cash flow hedge* - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognised asset or liability or a forecast transaction that is highly probable and could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised directly in equity. The cumulative gain or loss is transferred from equity to profit or loss in the same period in which the hedged transaction is recognised. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss. If a hedge or a hedging relationship is closed, but the hedged transaction has not yet taken place, the gains or losses recognised up to that time in equity are reclassified to profit or loss as soon as the transaction occurs. If the hedged transaction is no longer deemed probable, the profits or losses not yet realised that have been accounted for in equity are immediately recognised in profit or loss.

If hedge accounting cannot be used, the gains or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit or loss as interest income/expense or financial income/expense.

#### *Treasury shares*

Treasury shares held by Digital Bros S.p.A. and other consolidated companies are deducted from equity. Their original cost and any positive/negative differences from their subsequent sale are recorded as equity movements under “other reserves”.

#### *Revenue*

Revenue is recognised when the Group is expected to obtain economic benefits and their amount can be reliably determined. Specifically, revenue from the sale of goods is recognised when the risks and rewards of ownership are transferred to the buyer and the price has been agreed or can be determined and is expected to be received.

Revenue from services is recognised when the services are rendered and accepted by the customer.

Gross revenue is shown net of discounts, rebates and returns. Revenue adjustments comprise revenue-based variable costs and estimated returns from customers, both contractual and non-contractual.

#### *Costs*

Costs and other operating expenses are recognised when incurred in accordance with the accrual and matching principles, when they do not produce future economic benefits, or when those benefits do not qualify for recognition as assets.

Advertising costs are upon receipt of the service.

#### *Cost of sales*

Cost of sales includes the purchase or production cost of products, goods and/or services for resale. It includes all materials and processing costs.

Changes in inventories consist of the change in the period in the gross carrying amount of period end inventories.

Royalties paid for the exploitation of international and Italian licenses are treated as a component of cost of sales.

If royalty advances are wholly recouped, the calculation method involves determining recoupment by multiplying the unit royalty by the quantities sold during the period. In the case of partial recoupment, the degree of recoupment is calculated separately for each contract on the basis of estimated future use.

#### *Dividends received*

Dividends received from investee companies are recognised when the right to receive payment is established, provided they derive from the allocation of profits earned subsequent to the acquisition of the

investee. If they derive from the distribution of reserves generated prior to acquisition, such dividends are deducted from the carrying amount of the equity investment.

#### *Interest income/expenses and financial income/expenses*

Interest income and expense are recognised on an accrual basis and are shown separately in the statement of profit or loss without being offset against each other.

#### *Current tax*

Income tax includes all taxes computed on the Group companies' taxable income. Income tax is generally recognised in profit or loss, except when it pertains to items debited or credited directly to equity, in which case the tax effect is recognised directly in equity.

Other taxes not related to income, such as those on property and capital, are recognised as other operating costs.

#### *Deferred tax*

Deferred tax is calculated under the balance sheet liability method. It is calculated on all temporary differences between the accounting and tax value of an asset or liability, except for non-deductible goodwill and differences deriving from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Deferred tax assets on tax losses and unused tax credits available for carry forward are recognised to the extent that there is likely to be sufficient enough future taxable income against which to recover them. Deferred tax assets and liabilities are computed using the tax rates expected to be in force in the respective jurisdictions in which the Group operates in the tax periods when the temporary differences are likely to be realised or reversed.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, irrespective of the year in which they are expected to be used.

#### *Earnings per share*

Basic earnings per share is calculated by dividing the profit for the period by the number of shares outstanding, excluding treasury shares. Diluted earnings per share is equal to basic earnings per share as no financial instruments convertible to shares were in issue during the period.

#### *Foreign currency transactions*

Transactions in foreign currencies are recognised at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated at the exchange rate in force on that date. Exchange gains and losses generated by the settlement of monetary items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognised in profit or loss.

### *Assets destined for sale*

A discontinued operation is a part of the Group whose operations and cash flows are clearly distinguishable from the rest of the Group and which:

- represents an important autonomous business segment or geographical area of activity;
- forms part of a single, coordinated plan to dispose of an important business segment or geographical area of activity;
- is a subsidiary purchased solely with the intention of reselling it.

An operation is classified as discontinued at the earlier of the time of sale and the moment when it satisfies the conditions for classification in the category “held for sale”.

When an operation is classified as discontinued, the comparative statement of profit or loss is restated as if the operation had been discontinued from the start of the comparative period.

Assets forming part of disposal groups are classified as held for sale if their carrying amount has been or will be recovered primarily through a sale transaction, rather than through continuous use. After classification of the asset as held for sale, the related carrying amount is measured at the lower of carrying amount and fair value less costs to sell.

In the financial statements, the net profit/(loss) from discontinued operations is disclosed separately in the statement of profit or loss, after tax effects and, in case of sell, after selling costs, together with any gain or loss realised.

### *New accounting standards*

#### **Accounting standards, amendments and IFRS interpretations applied from 1 July 2017**

- On 29 January 2016, the IASB issued ***Disclosure Initiative (Amendments to IAS 7)***. The amendments are intended to provide clarifications to improve the disclosure of financial liabilities. Specifically, the amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from monetary movements and changes arising from non-monetary movements. The amendments do not require the use of any specific format for the disclosures. However, the amendments require entities to provide a reconciliation between the opening and closing balances of liabilities arising from financing activities. There is no requirement to present comparative information for prior years. In accordance with the amendment, the Company has included the information requested in the Notes (see the note on the Net Financial Position).
- on 19 January 2016, the IASB issued ***Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)***. The document aims to provide clarification on the recognition of

deferred tax assets computed on unrealised losses arising on the valuation of financial assets classed as “Available for Sale” in certain circumstances and on the estimate of future taxable income. Adoption of these amendments has not had any effect on the financial statements.

**Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatorily applicable and not adopted early by the Group at 30 June 2018:**

- On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which, in conjunction with additional clarifications issued on 12 April 2016, is set to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. The standard provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition under the new model are as follows:
  - a) identification of the contract with the customer;
  - b) identification of the performance obligations in the contract;
  - c) determination of the transaction price;
  - d) allocation of the transaction price to the performance obligations in the contracts;
  - e) revenue recognition criteria when the entity satisfies a performance obligation.

The standard will be applied from 1 July 2018. The analysis process is still in progress and a reasonable estimate of the potential effects cannot be provided at present.

- On 24 July 2014, the IASB published the final version of **IFRS 9 – Financial instruments**. The document contains the results of the IAS 39 replacement project. The new standard is effective for annual periods beginning on or after 1 January 2018.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. For financial assets, IFRS 9 uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets themselves to determine how those assets are measured, replacing the many different rules in IAS 39. For financial liabilities, the main amendments relate to the accounting treatment of changes in fair value of a financial liability designated at fair value through profit or loss, in the event that these changes are due to a change in the credit risk of the issuer of the liability in question. Under the new standard, these changes shall be presented in other comprehensive income and shall no longer be presented in the statement of profit or loss. Moreover, in case of non-substantial changes in liabilities, the profit or loss effects of renegotiation can no longer be spread over the residual duration of the liability by amending the effective interest rate at that date; rather, the related effect must be recorded in profit or loss.

With regard to impairment, the new standard requires credit losses to be estimated based on an expected loss model (and not on an incurred loss model used by IAS 39) using supportable information, which is available without undue cost or effort and includes historical, current and prospective figures. The standard provides that this impairment model shall be applied to all

financial instruments i.e. to financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables and trade receivables..

Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39 that were sometimes considered too stringent and unsuitable to reflect companies' risk management policies. The main changes introduced by the document regard:

- a) an increase in the types of transactions eligible for hedge accounting, including the risk components of non-financial assets and liabilities that are eligible for hedge accounting;
- b) changes in the accounting treatment of forward contracts and options when they are included in a hedge accounting relationship, in order to reduce profit or loss volatility;
- c) replacement of an effectiveness test based on a level of offset of between 80% and 125% with the principle of an economic relationship between the hedged item and the hedging instrument; furthermore, there will no longer be a requirement for retrospective assessment of the effectiveness of the hedging relationship.

The greater flexibility of the new accounting rules is offset by additional disclosure requirements concerning a company's risk management activities.

The standard will be applied from 1 July 2018. The analysis provided is still in progress and a reasonable estimate of the potential effects cannot be provided at present.

- Amendment to **IFRS 2 “Classification and measurement of share-based payment transactions”** (published on 20 June 2016) which contains several clarifications on the accounting treatment of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with net settlement characteristics and on the accounting treatment of changes to the terms and conditions of a share-based payment which change its classification from cash-settled to equity-settled. The amendments will be applied from 1 July 2018. The Directors do not expect adoption of these amendments to have a significant effect on the financial statements.
- on 8 December 2016, the IASB issued “**Annual Improvements to IFRSs: 2014-2016 Cycle**”, a collection of amendments to standards as part of the annual process of improvements thereto. The main amendments relate to:
  - a) IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. The amendment will be applied from 1 July 2018 and regards the deletion of several short-term exemptions under paragraphs E3–E7 of Appendix E to IFRS 1 as they are deemed to have served their intended purpose.
  - b) IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or another qualifying entity (e.g. a mutual investment fund or similar entity) to measure investments in associated companies or joint ventures at fair value through profit or loss (rather than using the equity

method) is available upon initial recognition of each investment. The amendment will be applied from 1 July 2018.

- c) **IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard.** The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to all investments that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. The amendment will be applied from 1 July 2018.

The directors do not expect adoption of these amendments to have a significant effect on the financial statements.

- Amendment to **IAS 40 “Transfers of Investment Property”** (published on 8 December 2016). These amendments provide clarification on transfers of property to or from investment property. More specifically, an entity should transfer a property to, or from, investment property only when there has been a change of use of the property. The change must be attributable to a specific event that has occurred and not merely to a change in management’s intentions. The amendments will be applied from 1 July 2018. The Directors do not expect adoption of these amendments to have a significant effect on the financial statements.
- Interpretation **“Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)”** (published on 8 December 2016). The objective aims to provide guidance for foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation provides guidelines on how entities should determine the date of a transaction, and, consequently, the spot exchange rate to be used in case of foreign currency transactions where payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier of:

- a) the date on which the advance payment made or received is recorded by the entity; and
- b) the date on which the asset, the cost or the revenue (or part thereof) is booked (thus resulting in reversal of the advance payment made or received).

If there are numerous payments or receipts of advance consideration, a specific transaction date must be established for each of them. IFRIC 22 will be applied from 1 July 2018. The Directors do not expect adoption of these amendments to have a significant effect on the financial statements.

- On 13 January 2016, the IASB published **IFRS 16 – Leases** which will replace IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from service contracts. It identifies the following differentiating features: identification of the asset, the right to replacement

of the asset, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset.

The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets (i.e. leases for assets with a value of less than Euro 5,000) and leases with a contractual duration of less than or equal to 12 months. Meanwhile, the standard does not include any significant amendments for lessors.

The standard is applicable as from 1 January 2019, although early application is permitted but only for companies that have already adopted IFRS 15 - Revenue from Contracts with Customers. The directors believe that the application of IFRS 16 may have a significant impact on the recognition of lease arrangements and on related disclosures in the Group's consolidated financial statements. They have already commenced an initial phase of detailed analysis of lease agreements and accounting effects and a second phase of implementation and/or adaptation of administrative processes and the accounting system. The Directors have not yet finalised the approach they intend to adopt from among those permitted by IFRS 16.

- Amendment to **IFRS 9 “Prepayment Features with Negative Compensation”** (published on 12 October 2017). This document specifies that instruments with prepayment features could pass the SPPI test even if the “reasonable additional compensation” payable in case of prepayment is a “negative compensation” for the financing entity. The amendment is applicable from 1 January 2019 but early application is permitted. The Directors do not expect adoption of these amendments to have a significant effect on the financial statements.

#### **Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union**

As of the consolidated reporting date, the competent European Union bodies had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below:

- On 18 May 2017, the IASB published **IFRS 17 – Insurance Contracts** which is destined to replace IFRS 4 – Insurance Contracts.

The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations resulting from the insurance contracts issued. The IASB has developed the standard in order to eliminate inconsistencies and weaknesses in existing accounting standards while providing a single principle-based approach to take account of all of the types of insurance contracts held by an insurer, including reinsurance contracts.

The new standards also lays down presentation and disclosure requirements to improve comparability between entities belonging to this segment.

The new standard measures insurance contracts based on a General Model or a simplified version thereof, called the Premium Allocation Approach (“PAA”).

The main characteristics of the General Model are as follows:



- a) future cash flow estimates and assumptions are always current ones;
- b) the measurement reflects the time value of money;
- c) estimates provide for extensive utilisation of information observable on the market;
- d) there is a current and explicit measurement of risk;
- e) expected premiums are deferred and aggregated in groups of insurance contracts at the time of initial recognition; and,
- f) expected premiums are recognised in the period of contractual cover taking account of adjustments due to changes in assumptions for cash flows relating to each group of contracts.

The PAA provides for measurement of the liability for the residual cover of a group of insurance contracts on condition that, at the time of initial recognition, the entity believes that the liability represents a reasonable approximation of the General Model. Contracts with a cover period of a year or less are automatically suitable for the PAS approach. Simplifications due to application of the PAA method do not apply to the measurement of liabilities for existing claims which are measured using the General Model. Nonetheless, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will fall due within a year of the date on which the claim was made.

The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and investment contracts with a discretionary participation feature (DPF).

The standard is applicable from 1 January 2021 with early application permitted but only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors do not expect adoption of this standard to have a significant effect on the financial statements.

- On 7 June 2017, the IASB issued **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the issue of uncertainty over income tax treatments.

The document provides that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that an entity will pay or recover the amount in question. Moreover, the interpretation does not contain any new disclosure requirements but highlights that an entity should establish whether there will be a need to provide any disclosures based on management considerations relating to any uncertainty over the accounting treatment of taxation, in accordance with IAS 1.

The new interpretation is applicable from 1 January 2019 but early application is permitted. The Directors do not expect adoption of this interpretation to have a significant effect on the financial statements.

- On 12 October 2017, the IASB published the document “**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**”. The document provides clarification on the need to apply IFRS 9, including requirements regarding impairment, to long-term interests in associates

and joint ventures to which the equity method is not applied. The amendment is applicable from 1 January 2009 but early application is allowed.

The Directors do not expect adoption of the amendments to have a significant effect on the consolidated financial statements.

- On 12 December 2017, the IASB published the document “**Annual Improvements to IFRSs 2015-2017 Cycle**” which contains amendments to several standards as part of the annual improvement process. The main amendments regard:
  - a) IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it shall remeasure the interest previously held in that business. This process does not apply when joint control is acquired.
  - b) IAS 12 Income Taxes: the amendment clarifies that all tax effects relating to dividends (including payments on financial instruments classified in equity) should be accounted for on the same basis as the transaction that generated the related profits (statement of profit or loss, OCI or equity).
  - c) IAS 23 Borrowing costs: the amendment clarifies that loans that remain in place even after the related qualifying asset is ready for use or sale shall become part of the total loans used to calculate borrowing costs.

The amendments are applicable from 1 January 2019 but early application is permitted. The Directors do not expect adoption of these amendments to have a significant effect on the financial statements.

- Amendment to **IAS 19 “Plan Amendment, Curtailment or Settlement”** (published on 7 February 2018). The document clarifies how an entity should record an amendment (i.e. a curtailment or a settlement) to a defined benefit plan. The amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendment clarifies that, after such an event, an entity shall use the updated assumptions to measure the current service cost and interest for the rest of the period after the event. The Directors do not expect adoption of the amendment to have a significant effect on the financial statements.
- On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. IAS 28 requires that the gain or losses resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter is limited to the extent of the investor's interest in the joint venture or associate. Meanwhile, IFRS 10 requires full profit or loss recognition when a parent loses control of a subsidiary, even if the entity continues to hold a non-controlling interest therein, inclusive of in the case of a sale or contribution of a subsidiary to a joint venture or associate. The amendments require that, in the case of a sale or contribution of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the financial statements of the seller or contributor depends on whether the

assets or the subsidiary sold or contributed consist of a business, as defined by IFRS 3. If the assets or the subsidiary sold or contributed consist of a business, then the entity should recognise the full profit or loss in line with the previously held equity interest; otherwise, the portion of the gain or loss relating to the equity interest that is still held should be eliminated. For the time being, the IASB has postponed the application of these amendments. The directors do not expect adoption of these amendments to a significant impact on the Group's consolidated financial statements.

### **3. DISCRETIONARY JUDGMENT AND SIGNIFICANT ESTIMATES**

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#### *Discretionary judgment*

Preparation of the consolidated financial statements for the year ended 30 June 2018 and the notes thereto required the use of discretionary judgment in order to make estimates and assumptions with an effect on the carrying amount of assets and liabilities recognised in the consolidated financial statements and on disclosures relating to contingent assets and liabilities as at the reporting date. These judgements are made on the basis of short- and medium/long-term forecasts that are constantly updated and approved by the Board of Directors prior to the approval of all financial reports.

Estimates are based on figures that reflect current available knowledge. They are periodically reviewed and the effects are reflected in profit or loss. Actual results may differ, even significantly, from these estimates due to changes in the factors considered when formulating them. Estimates are used, in particular, to recognise provisions for doubtful accounts and for the measurement of inventories, depreciation and amortisation, equity investments, asset impairment, employee benefits, deferred taxes and other provisions and allowances.

The main sources of uncertainty when making estimates regarded the recoverable amount of intangible assets, credit risk, inventory impairment, employee benefits, provisions, revenue adjustments, royalties and deferred tax estimates.

#### *Recoverable amount of intangible assets*

Intangible assets are adjusted for impairment when events or a change in circumstances indicate that the carrying amount of an intangible asset is no longer recoverable. Events that may trigger an impairment adjustment include changes to the strategic plan and changes in market prices that lead to poorer operational performance and reduced exploitation of trademarks. The decision to proceed with an impairment adjustment and the quantification thereof depends on management's assessment of complex and highly uncertain factors, such as future price trends and demand conditions on a global or regional scale.

#### *Credit risk*

There are no particular risk assessment issues with regard to the trade receivables of foreign subsidiaries

as the policy is not to exceed credit insurance limits for individual customers/debtors.

For the Group's Italian companies, the credit risk is periodically assessed periodically based on opinions provided by the external legal advisor that handles customer disputes. Under the credit recovery procedure adopted by the Group, receivables not paid within 45 days of their due date are passed on to the legal advisor for collection. Frequent updates from the lawyer on the likelihood of collection ensure that the credit risk estimate remains reliable over time.

#### *Measurement of inventories*

The Group measures inventories on a quarterly basis, in light of the rapid obsolescence of its products. Impairment adjustments may be recorded in relation to individual products whose market value is lower than their historical cost. In order to make these estimates, the Group uses revenue forecasts for the subsequent four quarters, as periodically produced by the sales department. Any differences identified between the market value of a product held in inventory, taking account of its price category and historical cost, are recognised in profit or loss in the period they come to light.

Premium Games products are easier to measure on account of the smaller number of products distributed and in needed of measurement, as well as the lower unit cost of the products which consists solely of the physical production cost of the games; consequently, unit costs are smaller and there is less need to make impairment adjustments.

#### *Employee benefits*

Estimating employee termination indemnities is made more complex by the fact that it requires an assessment of the future cash outflows that may arise as a result of employees' voluntary and involuntary departure, in relation to their seniority and the revaluation rates these benefits enjoy by law.

The TFR/employee termination indemnity system underwent significant change during the year ended 30 June 2006. Estimating the liability remains complex because a residual portion of indemnities have remained with the Group companies. The Group makes its estimate with assistance from an actuary in order to determine the necessary parameters.

Following the approval of the "2016-2026 Stock Option Plan", an actuarial measurement is required in accordance with the guidelines contained in IFRS 2 – Share-based payments. An independent professional has been appointed to perform the measurement.

#### *Provisions for risks*

Provision is made to cover potential negative outcomes with regard to tax risks. The amount of any provision recognised in the financial statements for such risks represents the directors' best estimate at the reporting date, after having sought the opinion of the Group's tax advisors. This estimate is based on assumptions that depend on factors that may change over time and that could, accordingly, impact the estimates made by the directors for the preparation of the consolidated financial statements.

### *Revenue adjustments*

A significant cost element known as “revenue adjustments” involves detailed calculations for which the Group has adopted appropriate procedures.

Revenue adjustments consist of various types of cost. The first category, which is easier to determine, consists of discounts granted to customers at the end of the contractual period – normally annual – in the form of year-end bonuses. The second category regards credit notes that the Group might have to issue to customers in relation to unsold products. In order to make this estimate, management performs analysis by customer and by product, highlighting the risks and dividing them between price differences and potential returns. The forecast is made quarterly, on a product-by-product basis, comparing volumes sold to customers with the volumes they have sold to end consumers. The availability of sales figures by country makes the estimate reliable over time. Many customers submit sales and inventory figures on a weekly basis, thus facilitating the estimation process.

### *Royalties and advances to developers for licences*

The method used to determine royalties varies depending on the type of contract. The number of contracts that provide for variable royalties with a guaranteed minimum and/or contracts that provide for a fixed development portion has increased over time. For these last two types of contract, it is necessary to estimate the future benefit that a contract will produce in subsequent quarters in order to match related costs and revenue. This is based on forecasts of quantities expected to be sold in subsequent periods. The sales forecasts are based on a medium term (three-year) plan which is revised twice a year. When royalties for digital and/or Free to Play products are determined, the three-year plan is revised at least monthly.

### *Deferred tax assets and liabilities*

The determination of deferred taxes involves two areas of uncertainty. The first is recoverability and the Group reduces the related uncertainty by comparing the deferred tax assets recognised by each company with the respective business plans. The second is the tax rate to be used - it is assumed constant over time and equal to the rates currently applicable in the various countries where the Group operates and/or to amended rates if it is certain that the changes will come into force.

## **4. CONSOLIDATION METHODS**

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### *Subsidiaries*

Subsidiaries are companies in relation to which the Group simultaneously holds the following three elements:

- power over the business;
- exposure, or rights, to variable returns from its involvement with the company;
- ability to use the power to influence the amount of the variable returns.

Control exists when the Group has the power, directly or indirectly, to influence the financial and operating policies of a subsidiary in such a way as to obtain benefits from its operations. The financial statements of subsidiaries are included in the consolidated financial statements for the year ended 30 June 2018 from the date control is obtained until the date control ceases to exist.

The financial statements of subsidiaries used for the consolidation are prepared as of the same reporting date and are adjusted from local GAAP to comply with the accounting policies employed by the Group.

Investments in associated companies are accounted for at cost, as adjusted for impairment.

#### *Translation of financial statements prepared in foreign currency*

The Group's reporting currency is the Euro which is also the functional currency of the parent company. As at the reporting date, the financial statements of foreign companies with a functional currency other than the Euro were translated into the reporting currency as follows:

- assets and liabilities are translated using the exchange rate in force at the reporting date;
- profit or loss items are translated using the average exchange rate for the period;
- equity items are translated at historical exchange rates.

Exchange differences arising from this process are recognised directly in other comprehensive income and are accumulated in the equity reserve, foreign currency translation reserve.

#### *Transactions eliminated in the consolidation process*

When preparing the consolidated financial statements for the year ended 30 June 2018, all intragroup assets, liabilities, income and expenses relating to transactions between Group companies were eliminated, as were unrealised profits and losses on intragroup transactions.

#### *Scope of consolidation*

The tables below provide details of companies consolidated on a line-by-line basis and using the equity method.

#### *Line-by-line consolidation method:*

Company name	Operational headquarters	Country	Capital	% held directly or indirectly
133 W Broadway	Eugene	USA	\$ 100,000	100%
Digital Bros S.p.A.	Milan	Italy	€ 5,644,334.80	Parent company
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	€ 100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	€ 50,000	100%
Digital Bros Holdings Ltd. <sup>(1)</sup>	Milton Keynes	United Kingdom	£ 100,000	100%
DR Studios Ltd.	Milton Keynes	United Kingdom	£ 60,826	100%
Game Entertainment S.r.l.	Milan	Italy	€ 100,000	100%
Game Network S.r.l.	Milan	Italy	€ 100,000	100%
Game Service S.r.l.	Milan	Italy	€ 50,000	100%
Hawken Entertainment Inc.	Santa Ana (CA)	USA	\$ 100,000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	€ 10,000	100%
Pipeworks Inc. <sup>(2)</sup>	Eugene (OR)	USA	\$ 61,929	100% / 87,5%
505 Games S.p.A.	Milan	Italy	€ 100,000	100%

505 Games France S.a.s.	Francheville	France	€ 100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	€ 100,000	100%
505 Games Ltd.	Milton Keynes	United Kingdom	£ 100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€ 50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Mobile S.r.l.	Milan	Italy	€ 100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%

(1) Digital Bros Holdings Ltd was dormant during the year.

(2) Pipeworks Inc. was consolidated line-by-line until 31 December 2017 when 12.5% of its capital was sold. It was then capitalised on an 87.5% basis between 1 January 2018 and 23 February 2018 when the disposal of the company was completed.

#### *Equity consolidation method*

Company name	Operational headquarters	Capital	% directly held	% indirectly held
Ovosonico S.r.l.	Milan	€ 100,000	49%	0%
Seekhana Ltd.	Milton Keynes, UK	£ 11,345	35%	0%

#### *Investments in other entities:*

Company name	Operational headquarters	Capital	% directly held	% indirectly held
Delta DNA Ltd. <sup>(1)</sup>	Edinburgh, UK	£3,005	1.04%	0%
Ebooks&Kids S.r.l.	Milan	€ 26,366	16%	0%

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

## **5. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER ENTITIES**

At 30 June 2018, the Group companies held the following investments:

- A 49% investment in Ovosonico S.r.l., as carried at Euro 751 thousand. The acquisition cost originally recognised was Euro 720 thousand including Euro 49 thousand of capital and a quota premium of Euro 671 thousand. At 30 June 2018, the carrying amount was adjusted to reflect the Group share of the results of the associated company since the date of acquisition of the quotas held by the Group;
- a 34.77% investment in Seekhana Ltd., as carried at Euro 421 thousand. The acquisition cost originally recognised was Euro 562 thousand including Euro 5 thousand of capital and a share premium of Euro 557 thousand. At 30 June 2018, the carrying amount was adjusted to reflect the Group share of the results achieved by the associated company;
- a 1.04% investment in Delta DNA Ltd., acquired on 3 July 2013 and recorded at acquisition cost of Euro 60 thousand (GBP 50 thousand);
- a 16% investment in Ebooks&Kids S.r.l., as carried at Euro 38 thousand. The acquisition cost originally recognised was Euro 200 thousand. The investment was acquired via a first subscription of Euro 70 thousand on 7 July 2013, of which Euro 68.7 thousand was paid as a quota premium, and a subsequent subscription of a capital increase of Euro 130 thousand on 13 February 2014 (including Euro 127.1 thousand paid as a quota premium). At 30 June 2018, the carrying amount was adjusted to reflect the share of equity resulting from the company's latest approved financial statements;



## 6. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position at 30 June 2018 is set out below together with comparative figures at 30 June 2017:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	
	<b>Non-current assets</b>				
1	Property, plant and equipment	6,000	6,619	(619)	-9.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	15,131	18,867	(3,736)	-19.8%
4	Equity investments	1,270	1,345	(75)	-5.6%
5	Non-current receivables and other assets	9,403	1,052	8,351	n.m.
6	Deferred tax assets	2,365	2,807	(442)	-15.7%
	<b>Total non-current assets</b>	<b>34,169</b>	<b>30,690</b>	<b>3,479</b>	<b>11.3%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(516)	(545)	29	-5.3%
8	Non-current provisions	(80)	(79)	(1)	1.2%
9	Other non-current payables and liabilities	(901)	0	(901)	n.m.
	<b>Total non-current liabilities</b>	<b>(1,497)</b>	<b>(624)</b>	<b>(873)</b>	<b>n.m.</b>
	<b>Net working capital</b>				
10	Inventories	15,059	12,815	2,244	17.5%
11	Trade receivables	29,522	36,763	(7,241)	-19.7%
12	Current tax assets	4,316	2,064	2,252	n.m.
13	Other current assets	10,052	3,263	6,789	n.m.
14	Trade payables	(20,811)	(27,680)	6,869	-24.8%
15	Current tax liabilities	(1,021)	(5,736)	4,715	-82.2%
16	Current provisions	(854)	(854)	0	n.m.
17	Other current liabilities	(1,241)	(3,954)	2,713	-68.6%
	<b>Total net working capital</b>	<b>35,022</b>	<b>16,681</b>	<b>18,341</b>	<b>n.m.</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,624)	(19,805)	(819)	4.1%
20	Treasury shares	0	0	0	0.0%
21	(Retained earnings) accumulated losses	(40,284)	(33,265)	(7,019)	21.1%
	<b>Total equity</b>	<b>(66,612)</b>	<b>(58,774)</b>	<b>(7,838)</b>	<b>13.3%</b>
	<b>Total net assets</b>	<b>1,083</b>	<b>(12,027)</b>	<b>13,110</b>	<b>n.m.</b>
22	Cash and cash equivalents	4,282	12,136	(7,854)	-64.7%
23	Current bank debt	(1,975)	(1,942)	(33)	1.7%
24	Other current financial assets and liabilities	(206)	950	(1,156)	n.m.
	<b>Current net financial position</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>	<b>-81.2%</b>
25	Non-current financial assets	1,374	1,306	68	5.2%
26	Non-current bank debt	(4,533)	(383)	(4,150)	n.m.
27	Other non-current financial liabilities	(25)	(40)	15	-38.4%
	<b>Non-current net financial position</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>	<b>n.m.</b>
	<b>Total net financial position</b>	<b>(1,083)</b>	<b>12,027</b>	<b>(13,110)</b>	<b>n.m.</b>

## 1. Property, plant and equipment

Property, plant and equipment has decreased from Euro 6,619 thousand to Euro 6,000 thousand.

Movements during the reporting period were as follows:

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation differences</b>	<b>Deprec'n</b>	<b>Use of accum. deprec'n</b>	<b>Discont. Operations</b>	<b>30 June 2018</b>
Industrial buildings	4,358	0	0	(61)	(157)	0	0	<b>4,140</b>
Land	600	0	0	0	0	0	0	<b>600</b>
Industrial & commercial equip.	927	192	(48)	0	(265)	47	(165)	<b>688</b>
Other assets	734	109	0	0	(230)	0	(41)	<b>572</b>
<b>Total</b>	<b>6,619</b>	<b>301</b>	<b>(48)</b>	<b>(61)</b>	<b>(652)</b>	<b>47</b>	<b>(206)</b>	<b>6,000</b>

Movements during the previous reporting period were as follows:

<b>Euro Thousands</b>	<b>1 July 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation differences</b>	<b>Deprec'n</b>	<b>Use of accum. deprec'n</b>	<b>Discont. Operations</b>	<b>30 June 2017</b>
Industrial buildings	4,598	0	0	(78)	(162)	0	0	4,358
Land	600	0	0	0	0	0	0	600
Industrial & commercial equip.	1,013	289	(7)	0	(374)	6	0	927
Other assets	821	154	(1)	0	(241)	1	0	734
<b>Total</b>	<b>7,032</b>	<b>443</b>	<b>(8)</b>	<b>(78)</b>	<b>(777)</b>	<b>7</b>	<b>0</b>	<b>6,619</b>

Property, plant and equipment – except for land - is depreciated over the useful life of each individual asset.

Industrial buildings include the Trezzano sul Naviglio warehouse, the owned property used as office and laboratory premises in Via Labus, Milan (the operational headquarters of Digital Bros Game Academy S.r.l.) and the property in Eugene, Oregon, which is owned by 133 W. Broadway and used by Pipeworks Inc. as its operational headquarters (a purchase option on this property has been granted as described in the Directors' Report).

Land includes land relating to the warehouse in Trezzano sul Naviglio which is valued at Euro 600 thousand.

Additions during the reporting period totalled Euro 301 thousand and are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Office automation equipment	182	212
Machinery and equipment	10	68
Improvements made to building used by 505 Games Ltd.	0	60
Furnishings	94	60
Improvements made to new premises of 505 Games US Inc.	0	19
Other additions	15	13
Assets contributed by Kunos Simulazioni S.r.l.	0	11
<b>Total additions during the period</b>	<b>301</b>	<b>443</b>

Movements on property, plant and equipment and on related accumulated depreciation during the period and in the prior period were as follows:

**Reporting period ended 30 June 2018***Gross amount of property, plant and equipment*

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation differences</b>	<b>Discont. operations</b>	<b>30 June 2018</b>
Industrial buildings	5,461	0	0	(61)	0	5,400
Land	600	0	0	0	0	600
Plant and machinery	24	0	0	0	0	24
Industrial & commercial equipment	4,487	192	(48)	0	(165)	4,466
Other assets	2,429	109	0	0	(41)	2,497
<b>Total</b>	<b>13,001</b>	<b>301</b>	<b>(48)</b>	<b>(61)</b>	<b>(206)</b>	<b>12,987</b>

*Accumulated depreciation*

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Depreciation</b>	<b>Utilised</b>	<b>30 June 2018</b>
Industrial buildings	(1,103)	(157)	0	(1,260)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(3,560)	(265)	47	(3,778)
Other assets	(1,695)	(230)	0	(1,925)
<b>Total</b>	<b>(6,382)</b>	<b>(652)</b>	<b>47</b>	<b>(6,987)</b>

**Reporting period ended 30 June 2017***Gross amount of property, plant and equipment*

<b>Euro Thousands</b>	<b>1 July 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation differences</b>	<b>30 June 2017</b>
Industrial buildings	5,539	0	0	(78)	5,461
Land	600	0	0	0	600
Plant and machinery	24	0	0	0	24
Industrial & commercial equipment	4,205	289	(7)	0	4,487
Other assets	2,276	154	(1)	0	2,429
<b>Total</b>	<b>12,644</b>	<b>443</b>	<b>(8)</b>	<b>(78)</b>	<b>13,001</b>

*Accumulated depreciation*

<b>Euro Thousands</b>	<b>1 July 2016</b>	<b>Deprec'n</b>	<b>Utilised</b>	<b>30 June 2017</b>
Industrial buildings	(941)	(162)	0	(1,103)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(3,192)	(374)	6	(3,560)
Other assets	(1,455)	(241)	1	(1,695)
<b>Total</b>	<b>(5,612)</b>	<b>(777)</b>	<b>7</b>	<b>(6,382)</b>

### 3. Intangible assets

Intangible assets have decreased from Euro 18,867 thousand to Euro 15,131 thousand. All of the intangible assets recorded by the Group have a finite useful life.

The following table shows movements in the current and previous reporting periods:

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation difference</b>	<b>Amort'n</b>	<b>Discont. Operations</b>	<b>30 June 2018</b>
Concessions & licences	12,600	4,080	(4)	(28)	(6,234)	(436)	9,978
Trademarks and similar rights	3,264	0	0	0	(839)	0	2,425
Other	84	0	0	0	(3)	(73)	8
Assets in progress	2,919	2,951	(3,150)	0	0	0	2,720
<b>Total</b>	<b>18,867</b>	<b>7,031</b>	<b>(3,154)</b>	<b>(28)</b>	<b>(7,076)</b>	<b>(509)</b>	<b>15,131</b>

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation difference</b>	<b>Amort'n</b>	<b>Discont. Operations</b>	<b>30 June 2018</b>
Concessions & licences	3,419	14,683	(0)	(5,846)	3,419	0	12,256
Trademarks and similar rights	786	3,454	0	(637)	786	0	3,603
Other	538	5	0	(454)	538	0	89
Assets in progress	5,715	7,458	(10,254)	0	5,715	0	2,919
<b>Total</b>	<b>10,458</b>	<b>25,600</b>	<b>(10,254)</b>	<b>(6,937)</b>	<b>10,458</b>	<b>0</b>	<b>18,867</b>

Capex on intangible assets was as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Premium Games user rights	3,622	1,993
Expenditure on development of ERP systems	141	183
Acquisition of Hawken rights	0	701
Free to Play user rights	299	5,702
Other user rights	18	53
Reclassification from trade receivables	0	6,051
<b>Total capex on concessions and licences</b>	<b>4,080</b>	<b>14,683</b>
Assetto Corsa trademark	0	3,443
Other trademarks	0	11
<b>Total capex on trademarks</b>	<b>0</b>	<b>3,454</b>
<b>Total capex on other intangible assets</b>	<b>4,080</b>	<b>18,137</b>
Internal development contracts in progress	2,296	1,657
Assets in progress - Premium Games	450	5,510
Assets in progress - Free to Play	205	291
<b>Total additions to assets in progress</b>	<b>2,951</b>	<b>7,458</b>
<b>Total capex on intangible assets</b>	<b>7,031</b>	<b>25,600</b>

Assets in progress includes the costs incurred by the Group to purchase intellectual property and the costs incurred by DR Studios Ltd., Pipeworks Inc. and Kunos Simulazioni S.r.l. in relation to contracts for the development of videogames for other Group companies that had not been completed at the reporting date.

Movements during the current and previous reporting periods on intangible assets and accumulated amortisation were as follows:

**Reporting period ended 30 June 2018***Gross amount of intangible assets*

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Forex translation differences</b>	<b>Discont. Operations</b>	<b>30 June 2018</b>
Concessions & licences	23,708	4,080	(4)	(28)	(436)	27,320
Trademarks & similar rights	7,940	0	0	0	0	7,940
Other	1,683	0	0	0	(73)	1,610
Assets in progress	2,919	2,951	(3,150)	0	0	2,720
<b>Total</b>	<b>36,250</b>	<b>7,031</b>	<b>(3,154)</b>	<b>(28)</b>	<b>(509)</b>	<b>39,590</b>

*Accumulated depreciation*

<b>Euro Thousands</b>	<b>1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2018</b>
Concessions & licences	(11,108)	(6,234)	0	(17,342)
Trademarks & similar rights	(4,681)	(839)	0	(5,520)
Other	(1,594)	(3)	0	(1,597)
<b>Total</b>	<b>(17,383)</b>	<b>(7,076)</b>	<b>0</b>	<b>(24,459)</b>

**Reporting period ended 30 June 2017***Gross amount of intangible assets*

<b>Euro Thousands</b>	<b>1 July 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2017</b>
Concessions & licences	9,025	14,683	0	23,708
Trademarks & similar rights	4,486	3,454	0	7,940
Other	1,678	5	0	1,683
Assets in progress	5,715	7,458	(10,254)	2,919
<b>Total</b>	<b>20,904</b>	<b>25,600</b>	<b>(10,254)</b>	<b>36,250</b>

*Accumulated amortisation*

<b>Euro Thousands</b>	<b>1 July 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2017</b>
Concessions & licences	(5,606)	(5,846)	0	(11,452)
Trademarks & similar rights	(3,700)	(637)	0	(4,337)
Other	(1,140)	(454)	0	(1,594)
<b>Total</b>	<b>(10,446)</b>	<b>(6,937)</b>	<b>0</b>	<b>(17,383)</b>

**4. Investments**

The Group's investments in associated companies at 30 June 2018 and at 30 June 2017 are shown below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Delta Dna Ltd.	60	60	0
Ebooks&Kids S.r.l.	38	52	(14)
Cityglance S.r.l. in liquidation	0	2	(2)
Ovosonico S.r.l.	751	720	31
Seekhana Ltd.	421	511	(90)
<b>Total investments</b>	<b>1,270</b>	<b>1,345</b>	<b>(75)</b>

Movements during the year in relation to investments in associated companies are described in the Directors' Report.

The investments held in Ovosonico S.r.l. and Seekhana Ltd. are measured using the equity method. Their amount includes the Group's share of net profit/loss for the period and the amortisation of the difference between the price paid and the relevant share of equity at the acquisition date of each investment.

At the reporting date, the carrying amount of investments in other entities compared with the relevant portion of equity as follows:

<b>Company name</b>	<b>Operational headquarters</b>	<b>Financial statements / Interim accounts used</b>	<b>Carrying amount (a)</b>	<b>Capital (b)</b>	<b>Relevant portion of equity (c)</b>	<b>(Loss) for period</b>	<b>Difference d=c-a</b>
Delta Dna Ltd.	Edinburgh	31 December 2017 (1)	60	3	7	(293)	(53)
Ebooks&Kids S.r.l.	Milan	31 December 2017 (1)	38	26	38	(90)	0
<b>Total</b>			<b>1,270</b>				

(1) Statutory financial statements

No impairment adjustments have been made to the investments in Delta Dna Ltd., Ovosonico S.r.l. and Seekhana Ltd. because, based on the companies' future development plans, the losses have not been deemed to be indicative of impairment.

## 5. Non-current receivables and other assets

This line item amounts to Euro 9,623 thousand. It has increased by Euro 8,571 thousand compared to 30 June 2017 mainly because of recognition of the medium/long-term receivable of USD 10 million resulting from the disposal of Pipeworks Inc..

The remainder of the balance consists of guarantee deposits for contractual obligations. The total balance is analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Receivable for sale of Pipeworks Inc.	8,578	0	8,578
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	187	194	(7)
Guarantee deposits – utilities	3	3	0
Guarantee deposits – AAMS concession	0	220	(220)
<b>Total non-current receivables and other assets</b>	<b>9,403</b>	<b>1,052</b>	<b>8,351</b>

## 6. Deferred tax assets

Deferred tax assets are calculated on tax loss carryforwards and on other temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis. They have been measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws in force and/or approved at the reporting date. At 30 June 2018, this item amounted to Euro 2,365 thousand with a decrease of Euro 442 thousand compared to 30 June 2017.

The following table contains a breakdown of the Group's deferred tax assets between Italian companies, non-Italian companies and consolidation adjustments:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Italian companies	527	508	19
Non-Italian companies	1,750	2,625	(875)
Consolidation adjustments	88	(326)	414
<b>Total deferred tax assets</b>	<b>2,365</b>	<b>2,807</b>	<b>(442)</b>

The following table provides details of temporary differences pertaining to the Italian companies at 30 June 2018 and 30 June 2017:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Taxed provision for doubtful debts	654	625	29
Tax loss carryforwards	367	367	0
Other liabilities	250	384	(134)
Actuarial differences	78	85	(7)
Costs not deducted in prior years	317	647	(330)
Deduction for "Economic Growth Assistance " (ACE)	487	0	487
<b>Total differences (A)</b>	<b>2,153</b>	<b>2,108</b>	<b>45</b>
Tax rate (B)	24.0%	24.0%	
<b>Deferred tax assets for IRES (A)*(B)</b>	<b>517</b>	<b>506</b>	<b>11</b>
<b>Deferred tax assets for IRAP</b>	<b>10</b>	<b>2</b>	<b>8</b>
<b>Total deferred tax assets</b>	<b>527</b>	<b>508</b>	<b>19</b>

The deferred tax assets of the non-Italian subsidiaries are as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Deferred tax assets for losses of 505 Games Spain S1	17	0
Deferred tax assets for temporary differences Pipeworks Inc.	0	167
Deferred tax assets for temporary differences 505 Games (US) Inc.	1,595	2,284
Deferred tax assets for temporary differences 505 Games Interactive	17	53
Deferred tax assets for temporary differences 505 Games Mobile US	51	52
Deferred tax assets for losses of 133 W Broadway	70	69
<b>Total deferred tax assets of non-Italian subsidiaries</b>	<b>1,750</b>	<b>2,625</b>

Deferred tax assets of non-Italian subsidiaries relate to temporary differences considered recoverable because, based on approved business plans and forecasts, it is considered probable that each such subsidiary will generate sufficient future taxable income to enable recovery of the temporary differences.

## **NON-CURRENT LIABILITIES**

### **7. Employee benefits**

“Employee benefits” reflects the actuarial value of the Group’s liability towards employees, as calculated by an independent actuary. It has decreased by Euro 29 thousand compared to prior year.

The IAS 19 actuarial measurement at 30 June 2018 was performed using a discount rate based on the Iboxx Corporate A 10y+ index, in line with the rate used at the previous reporting date. Use of a discount rate based on the Iboxx Corporate AA index would not have made a significant difference.

The calculation method can be summarised as follows:

- for each employee on the payroll, projection of the termination indemnity already provided for at 31 December 2006 and revalued as of the measurement date;
- calculation for each employee of the probable termination indemnity that the Company will have to pay in the event of the employee's leaving due to dismissal, resignation, disability, death or retirement and in the event of requests for advances;
- discounting of each probable payment to present value.

The estimate is based on the Italian companies' reporting date headcount of 72 employees.

The economic and financial parameters used in the actuarial calculation are as follows:

- annual rate of interest of 1.61%;
- annual rate of real increase in remuneration of 1%;
- annual rate of inflation of 1.50%.



The following table shows movements on the provision for employee termination indemnities in the reporting period and in the previous reporting period:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Provision for employee termination indemnities at 1 July 2017</b>	<b>545</b>	<b>529</b>
Utilisation of provision for leavers	(72)	(4)
Allocated during period	207	208
Restatement for supplementary pension schemes	(157)	(163)
Restatement for actuarial measurement	(7)	(25)
<b>Provision for employee termination indemnities at 30 June 2018</b>	<b>516</b>	<b>545</b>

The Group is not party to any supplementary pension plans.

## 8. Non-current provisions

These consist entirely of the agents' termination indemnity provision. The balance of Euro 80 thousand at 30 June 2018 was Euro 1 thousand higher than the 30 June 2017 balance of Euro 79 thousand. The increase is entirely due to allocations for the period.

## 9. Other non-current payables and liabilities

Other non-current payables and liabilities amounted to Euro 901 thousand at 30 June 2018 and entirely consisted of the amount payable for advisory services received by the Parent Company in relation to the disposal of Pipeworks Inc. which will be settled upon collection of the amount of USD 10 million reported under other non-current assets.

## NET WORKING CAPITAL

### 10. Inventories

Inventories consist of finished products for resale. The following table contains a breakdown of inventories by distribution channel:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Italian Distribution inventories	7,387	5,319	2,068
Premium Games inventories	7,672	7,496	176
<b>Total Inventories</b>	<b>15,059</b>	<b>12,815</b>	<b>2,244</b>

Inventories have increased by Euro 2,244 thousand from Euro 12,815 thousand at 30 June 2017 to Euro 15,059 thousand at 30 June 2018.

### 11. Trade receivables

Changes during the period in receivables from customers and receivables for videogame user licences were as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Receivables from customers – Italy	2,741	3,825	(1,084)
Receivables from customers – Other EU	851	3,629	(2,778)
Receivables from customers – Rest of world	3,102	11,647	(8,545)
Provision for doubtful debts	(688)	(644)	(44)
<b>Total receivables from customers</b>	<b>6,006</b>	<b>18,457</b>	<b>(12,451)</b>
Receivables for video game user licences	23,516	18,306	5,210
<b>Total trade receivables</b>	<b>29,522</b>	<b>36,763</b>	<b>(7,241)</b>

Receivables from customers totalled Euro 6,006 thousand at 30 June 2018. This represented a Euro 12,451 thousand decrease – in line with the fall in revenue – compared to the 30 June 2017 figure of Euro 18,457 thousand.

Receivables from customers are stated net of an estimate of credit notes to be issued by the Group for price repositioning or returns.

The provision for doubtful debts has increased by Euro 44 thousand from Euro 644 thousand at 30 June 2017 to Euro 688 thousand at 30 June 2018. The provision for doubtful debts is estimated based on a detailed analysis of each trade receivable balance in order to assess its recoverability. The change compared to prior year is the net result of Euro 87 thousand provided for potential bad debts due to the insolvency of a number of customers minus Euro 43 thousand utilised for specific bad debts.

The following table contains an analysis of receivables from customers at 30 June 2018 by due date, together with comparative figures at 30 June 2017:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>% of total</b>	<b>30 June 2017</b>	<b>% of total</b>
Current	5,082	85%	17,445	95%
0 -30 days overdue	487	8%	174	1%
30 - 60 days overdue	28	1%	258	1%
60 - 90 days overdue	2	0%	111	0%
> 90 days overdue	407	6%	469	3%
<b>Total receivables from customers</b>	<b>6,006</b>	<b>100%</b>	<b>18,457</b>	<b>100%</b>

Receivables for video game user licenses consist of advances paid for licenses not yet exploited or completely exploited as at the reporting date. They increased by Euro 5,210 thousand over the period to stand at Euro 23,516 thousand. Details are provided below:

<b>Amounts in Euro</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Advances to developers for licences to be used in future	17,030	14,360	2,670
Advances to developers for licences partially utilised	6,486	3,946	2,540
<b>Total receivables for user licences</b>	<b>23,516</b>	<b>18,306</b>	<b>5,210</b>

## 12. Tax receivables

Tax receivables are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Receivables under domestic tax group arrangement	1,458	1	1,457
VAT receivable	868	627	241
Tax credit for foreign tax withholdings	1,435	986	449
IRES refund for IRAP deductibility	119	119	0
Other tax receivables	436	331	105
<b>Total tax receivables</b>	<b>4,316</b>	<b>2,064</b>	<b>2,252</b>

Tax receivables have increased by Euro 2,252 thousand from Euro 2,064 thousand at 30 June 2017 to Euro 4,316 thousand at 30 June 2018. The Euro 1,457 thousand increase in receivables under domestic tax group arrangements is due to the losses made by Italian subsidiaries taking part in the domestic tax group arrangement which are expected to be recovered in the new reporting period on the basis of business plans. The Euro 449 thousand increase in the tax credit for foreign tax withholdings is due to withholding taxes suffered by subsidiary 505 Games S.p.A. on royalties income.

## 13. Other current assets

Other current assets consist of advances paid to suppliers, employees and agents. They increased from Euro 3,263 thousand at 30 June 2017 to Euro 9,832 thousand at 30 June 2018. They are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Advances to suppliers	7,226	3,033	4,193
Advances to employees	194	115	79
Advances to agents	12	7	5
Other receivables	2,620	108	2,512
<b>Total other current assets</b>	<b>10,052</b>	<b>3,263</b>	<b>6,789</b>

Advances to suppliers consist of expenses incurred in advance, particularly for quality assurance, localisation and video game programming services, as well as for the rental of equipment and office space. Details are provided below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Advertising	32	75	(43)
Insurance	99	100	(1)
Rent	194	209	(15)
Programming	4,623	278	4,345
Other operating costs	2,178	2,278	(100)
Other expenses paid in advance	100	93	7
<b>Total other current assets</b>	<b>7,226</b>	<b>3,033</b>	<b>4,193</b>

The Euro 4,345 thousand increase in advances for programming services compared to 30 June 2017 is mainly due to the inclusion in this caption of advances paid for the video game OVERKILL's The Walking Dead which is scheduled for release in February 2019.

Advances for other operating costs mainly include expenses incurred in advance for quality insurance services from 505 Games S.p.A..

Other receivables includes the current portion of the receivables from the sale of the investment in Pipeworks Inc. (i.e. the amount due within 12 months), as described in significant events during the year in the Directors' Report.

#### 14. Trade payables

Trade payables, amounting to Euro 20,811 thousand at 30 June 2018, have decreased by Euro 6,869 thousand compared to 30 June 2017 and mainly comprise amounts due to publishers for purchases of finished products and payables to developers. The balance is detailed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Trade payables – Italy	(2,978)	(2,484)	(494)
Trade payables – Other EU	(10,044)	(11,644)	1,600
Trade payables – Rest of World	(7,789)	(13,552)	5,763
<b>Total trade payables</b>	<b>(20,811)</b>	<b>(27,680)</b>	<b>6,869</b>

The decrease in trade payables to suppliers in Other EU countries and in the Rest of the World is due to lower payables for royalties and for the physical production of video games by 505 Games S.p.A. in line with the lower sales during the year in the Premium Games operating segment.

#### 15. Tax payables

Tax payables have decreased by Euro 4,715 thousand from Euro 5,736 thousand at 30 June 2017 to Euro 1,021 thousand at 30 June 2018. The balance is detailed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Taxes on income	(289)	(4,127)	3,838
VAT payable	(33)	(789)	756
Other tax payables	(699)	(820)	121
<b>Total tax payables</b>	<b>(1,021)</b>	<b>(5,736)</b>	<b>4,715</b>

Income tax payables and VAT payables have decreased in line with the revenue trend for the year.

#### 16. Current provisions

This caption amounts to Euro 854 thousand at 30 June 2018 and is unchanged compared to 30 June 2017. It represents the Directors' estimate – also considering the opinion of their tax advisors – of the liabilities emerging from the tax demand issued to subsidiary 505 Games S.p.A.. The Directors assessed the contingent liabilities resulting from the tax inspection process and concluded that, on the whole, they could not make a reliable estimate, except in relation to certain findings regarding royalties received by software developers. The Directors concluded that there was a probable risk in that case and created a provision for risks and charges of Euro 854 thousand. The Company has not made any provision in respect of the other findings although there is a risk of future liabilities as is typical in such processes.

## 17. Other current liabilities

Other current liabilities amount to Euro 1,241 thousand and have decreased by Euro 2,713 thousand compared to 30 June 2017. Details are provided below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Amounts due to social security institutions	(365)	(450)	85
Amounts due to employees	(664)	(1,038)	374
Amounts due to contract staff	(52)	(43)	(9)
Other payables	(160)	(2,423)	2,263
<b>Total other current liabilities</b>	<b>(1,241)</b>	<b>(3,954)</b>	<b>2,713</b>

Amounts due to employees include accrued holiday pay and leave of absence not taken by the end of the year, as well as the future payment of the 14th monthly salary, in addition to accrued variable remuneration pertaining to the year that will be paid in September 2018. The decrease compared to prior year is due to lower variable payables in light of the operating losses for the year.

The decrease in other payables includes Euro 1,375 thousand due to payment by the Parent Company of the outstanding liability for the acquisition of Kunos Simulazioni S.r.l. and Euro 770 thousand due to advances from customer collected in prior year and liquidated during the reporting period.

## EQUITY

Detailed movements on equity are shown in the statement of changes in consolidated equity. They may be summarised as follows:

<b>Euro Thousands</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 (Accumulated losses)</b>	<b>Profit (loss) for the year</b>	<b>Total retained earnings (D)</b>	<b>Consolidated equity attributable to the Group (A+B+C+D)</b>
<b>Total at 1 July 2017</b>	<b>5,704</b>	18,486	1,129	1,367	(1,447)	270	<b>19,805</b>	<b>0</b>	21,968	11,297	<b>33,265</b>	<b>58,774</b>
Allocation of net profit for the year			12				<b>12</b>		11,285	(11,297)	<b>(12)</b>	<b>0</b>
Distribution of dividends							<b>0</b>		(2,139)		<b>(2,139)</b>	<b>(2,139)</b>
Other changes						796	<b>796</b>		(4)		<b>(4)</b>	<b>792</b>
Comprehensive income (loss)					6	5	<b>11</b>			9,174	<b>9,174</b>	<b>9,185</b>
<b>Total at 30 June 2018</b>	<b>5,704</b>	18,486	1,141	1,367	(1,441)	1,071	<b>20,624</b>	<b>0</b>	31,110	9,174	<b>40,284</b>	<b>66,612</b>

Share capital at 30 June 2018 is unchanged compared to 30 June 2017 and is divided into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,704,334.80.

No other shares of any nature are in issue. There are no rights, liens or restrictions associated with the ordinary shares.

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

Changes in other reserves over the year were as follows:

<b>Euro Thousands</b>	<b>30 June 2017</b>	<b>Changes</b>	<b>30 June 2018</b>
IAS 19 reserve	(101)	5	(96)
Stock option reserve	371	796	1,167
<b>Total</b>	<b>270</b>	<b>801</b>	<b>1,071</b>

## NET FINANCIAL POSITION

The Group's net financial position at 30 June 2018 is analysed in detail below. Comparative figures at 30 June 2017 are also provided:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
22	Cash and cash equivalents	4,282	12,136	(7,854)
23	Current bank borrowing	(1,975)	(1,942)	(33)
24	Other current financial assets and liabilities	(206)	950	(1,156)
	<b>Net financial position – current</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>
25	Non-current financial assets	1,374	1,306	68
26	Non-current bank borrowing	(4,533)	(383)	(4,150)
27	Other non-current financial liabilities	(25)	(40)	15
	<b>Net financial position – non-current</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>
	<b>Total net financial position</b>	<b>(1,083)</b>	<b>12,027</b>	<b>(13,110)</b>

When preparing its statement of cash flows, the Group analysed the main changes in liabilities due to financing activities during the year and noted that there were no significant changes not involving cash flows.

The net financial position shows net debt of Euro 1,083 thousand, a deterioration of euro 13,110 thousand compared to 30 June 2017 when it showed net cash of Euro 12,027 thousand.

The decrease is mainly due to a Euro 7,854 thousand reduction in cash and cash equivalents, a Euro 1,156 thousand increase in other current financial liabilities and a Euro 4,150 thousand increase in non-current bank borrowing.

The only financial liability due after more than five years regards the amount of Euro 377 thousand that forms part of the unsecured loan granted to 133 W Broadway, Inc. by Intesa San Paolo S.p.A. New York Branch.

### Net financial position, current

The current net financial position is analysed as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
22	Cash and cash equivalents	4,282	12,136	(7,854)
23	Current bank borrowing	(1,975)	(1,942)	(33)
24	Other current financial assets and liabilities	(206)	950	(1,156)
	<b>Net financial position, current</b>	<b>2,101</b>	<b>11,144</b>	<b>(9,043)</b>

## 22. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 4,282 thousand at 30 June 2018, a decrease of Euro 7,854 thousand compared to 30 June 2017. They are unrestricted and consist entirely of current account deposits accessible on demand.

## 23. Current bank borrowing

Current bank borrowing includes Euro 1,709 thousand of advances on invoices and on notes receivable and Euro 266 thousand representing the current portion of the unsecured loan granted to 133 W Broadway, Inc. by Intesa San Paolo S.p.A. New York Branch. The Euro 33 thousand increase in current bank borrowing compared to 30 June 2017 is due to a Euro 1,709 thousand increase in advances on invoices and on notes receivable as partially offset by a Euro 1,676 thousand decrease in loans repayable in instalments within a year.

Details are as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Advances on invoices and notes receivable	(1,709)	0	(1,709)
Loan instalments due within a year	(266)	(1,942)	1,676
<b>Total current bank borrowing</b>	<b>(1,975)</b>	<b>(1,942)</b>	<b>(33)</b>

The unsecured loan from Intesa Sanpaolo S.p.A. New York Branch to 133 W. Broadway Inc. was disbursed on 30 October 2017 in the amount of USD 2,050 thousand. The loan is repayable in 28 quarterly instalments between 31 January 2018 and 31 October 2024. The interest rate is variable and is determined based on the LIBOR USD 12 month rate plus a spread of 2 percentage points.

## 24. Other current financial assets and liabilities

Details of other current financial assets and liabilities are provided below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Starbreeze B shares	0	2,972	(2,972)
Advances on trade receivables factored without recourse	(191)	(218)	27
Lease instalments due within a year	(15)	(15)	0
Loan for purchase of 133 W Broadway property	0	(1,789)	1,789
<b>Total other financial assets and liabilities</b>	<b>(206)</b>	<b>950</b>	<b>(1,156)</b>

The Starbreeze B shares held at 30 June 2017 were all sold during the period at a net gain of Euro 88 thousand.

Advances on trade receivables factored without recourse totalled euro 191 thousand and decreased by euro 27 thousand compared to 30 June 2017.



Lease instalments due within a year, amounting to Euro 15 thousand, comprise the current portion of instalments due under two lease agreements signed last year with Unicredit Leasing.

The loan of Euro 1,789 thousand to finance the purchase of the property of 133 W Broadway, Inc. was repaid in full during the period and replaced by an unsecured loan granted by Intesa Sanpaolo S.p.A. New York Branch in order to finance the purchase of the property in Eugene, Oregon, the headquarters of Pipeworks Inc..

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

The non-current net financial position is analysed as follows:

	<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
25	Non-current financial assets	1,374	1,306	68
26	Non-current bank borrowing	(4,533)	(383)	(4,150)
27	Other non-current financial liabilities	(25)	(40)	15
	<b>Non-current net financial position</b>	<b>(3,184)</b>	<b>883</b>	<b>(4,067)</b>

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

This caption consists entirely of a loan of JPY 150,000,000 granted by 505 Games S.p.A. to Shinshuppatsu Junbi Co. Ltd. The loan generates interest at a rate of 7% per annum. It is repayable on demand by the Group expects the borrower company to utilise the loan for at least two more years. The loan was granted to said company as part of a broader commercial agreement regarding the development of video games. The increase compared to 30 June 2017 is due to the calculation of interest for the period and to the restatement of the loan due to changes in the JPY/Euro exchange rate.

### **26. Non-current bank borrowing**

Non-current bank borrowing includes Euro 1,382 thousand representing the portion of the unsecured loan from Intesa Sanpaolo S.p.A. New York Branch to 133 W Broadway, Inc. as payable after more than a year and Euro 3,151 thousand representing the non-current portion of the loan granted by Unicredit S.p.A. to 505 Games S.p.A.. This latter loan provides for one or more partial disbursements up to a maximum of Euro 3,900,000 for use in partially financing the investment plan to sustain the development costs of the video game Bloodstained. The loan was originally due to expire on 30 September 2018 but it has been extended until 1 December 2019. 505 Games S.p.A. undertakes to repay the amount borrowed in two quarterly instalments in arrears to be paid on 1 September 2019 and 1 December 2019. 505 Games S.p.A. will make quarterly interest payments on each loan disbursement based on a variable quarterly rate equal to the Euribor 3 Month rate (rounded up to the nearest 0.05) plus a spread of 3 percentage points. If no Euribor rate is published by the Euribor Management Committee, the LIBOR Euro rate on the London market will be applied. In periods in which the Euribor rate or the substitute rate are negative, the rate applied will be equal to the spread only.

## 27. Other non-current financial liabilities

Other non-current financial liabilities amount to Euro 25 thousand and refer to lease repayments due after more than a year under two finance lease agreements entered into with Unicredit Leasing for the purchase of a server and a motor vehicle. The first lease agreement provides for a financed amount of Euro 54 thousand and the payment of fifty-nine monthly instalments plus an advance payment of Euro 5 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on 29 December 2020. Lease instalments due after more than a year amount to Euro 15 thousand. The interest rate is variable and is determined based on the Euribor 3 month rate plus a spread of 3 percentage points. The lease agreement for the motor vehicle involves a financed amount of Euro 31 thousand and requires payment of fifty-nine monthly instalments plus an advance payment of Euro 1 thousand and a final purchase option of Euro 1 thousand. This finance lease expires on 28 April 2021. Lease instalments due after more than a year amount to Euro 10 thousand. There is a variable rate of interest of 1.41%.

The following table shows finance lease payments by maturity:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Within 1 year	15	15	0
1-5 years	25	40	(15)
More than 5 years	0	0	0
<b>Total</b>	<b>40</b>	<b>55</b>	<b>(15)</b>

## COMMITMENTS AND RISKS

The Group's commitments almost entirely consist of commitments under signed contracts:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>
Commitments under signed contracts	37,809	26,875	10,934
Commitments for subscription of capital of Seekhana Ltd.	1,149	1,227	(78)

Commitments made under signed contracts relate to future expenses for the Group in relation to licences and user rights to video games not yet completed or for which production had not yet begun at the reporting date.

Commitments to subscribe to Seekhana Ltd.'s capital relate to an agreement signed on 18 January 2016 for the subscription of an amount of USD 2 million, of which USD 660 thousand had already been paid as at 30 June 2018.

## 7. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

### 3. Net revenue

The following table contains a breakdown of revenue by operating segment. It does not include the Holding operating segment as it does not generate revenue:

	<b>Euro Thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other activities</b>	<b>Total</b>
1	Gross revenue	5,813	54,138	15,443	644	76,038
2	Revenue adjustments	0	(3,402)	(1,909)	(322)	(5,633)
3	<b>Total net revenue</b>	<b>5,813</b>	<b>50,736</b>	<b>13,534</b>	<b>322</b>	<b>70,405</b>

Revenue for the year ended 30 June 2017 was broken down as follows:

	<b>Euro Thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other activities</b>	<b>Total</b>
1	Gross revenue	7,736	105,618	18,464	863	132,681
2	Revenue adjustments	0	(4,726)	(1,851)	(440)	(7,017)
3	<b>Total net revenue</b>	<b>7,736</b>	<b>100,892</b>	<b>16,613</b>	<b>423</b>	<b>125,664</b>

Comments on net revenues can be found in the Directors' Report.

### 8. Cost of sales

Cost of sales is analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Purchase of products for resale	(19,377)	(31,206)	11,829	-37.9%
Purchase of services for resale	(6,488)	(8,494)	2,006	-23.6%
Royalties	(15,016)	(37,102)	22,086	-59.5%
Changes in inventories of finished products	2,244	882	1,362	n.m.
<b>Total cost of sales</b>	<b>(38,637)</b>	<b>(75,920)</b>	<b>37,283</b>	<b>-49.1%</b>

Reference should be made to the Directors' Report for more detailed analysis of the individual revenue and cost of sales items. The Directors' Report contains such analysis for each of the Group's operating segments.

### 10. Other revenue

Other revenue amounts to Euro 2,796 thousand, an increase compared to Euro 1,215 thousand for the year ended 30 June 2017. It includes internal costs capitalised in relation to the development of future versions of Hawken and Assetto Corsa.

### 11. Costs for services

Costs for services are analysed as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Advertising, marketing, trade fairs and exhibitions	(4,216)	(5,662)	1,446	-25.5%
Transport and freight	(729)	(1,394)	665	-47.7%
Other sales related costs	(402)	(733)	331	-45.2%
<b>Subtotal: sales related services</b>	<b>(5,347)</b>	<b>(7,789)</b>	<b>2,442</b>	<b>-31.4%</b>
Miscellaneous insurance	(251)	(332)	81	-24.5%
Consulting fees	(2,070)	(2,930)	860	-29.4%
Postage and telegraph	(299)	(252)	(47)	18.8%
Travel and subsistence costs	(957)	(999)	42	-4.2%
Utilities	(264)	(231)	(33)	14.5%
Maintenance	(80)	(87)	7	-8.0%
Statutory auditors' fees	(108)	(108)	0	0.0%
<b>Subtotal: general services</b>	<b>(4,029)</b>	<b>(4,939)</b>	<b>910</b>	<b>-18.4%</b>
<b>Total costs for services</b>	<b>(9,376)</b>	<b>(12,728)</b>	<b>3,352</b>	<b>-26.3%</b>

Costs for services have decreased by Euro 3,352 thousand mainly because of a reduction in advertising costs and transport costs in line with the revenue trend. Consulting fees have also fallen – the high figure in prior year was mainly due to costs incurred for the preparation of the share incentive plan and for the acquisition of Kunos Simulazioni S.r.l.

## 12. Lease and rental costs

The following table contains details of lease and rental costs which have decreased by Euro 18 thousand compared to the year ended 30 June 2017:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Office rental Italian companies	(690)	(705)	15	-2.1%
Office rental 505 Games Ltd.	(79)	(79)	0	0.0%
Office rental DR Studios Ltd.	(58)	(55)	(3)	5.5%
Office rental Digital Bros France S.a.s.	(46)	(46)	0	0.0%
Office rental Digital Bros Spain Slu	(20)	(20)	0	0.0%
Office rental 505 Games US Inc.	(390)	(419)	29	-6.9%
Office rental 505 Games GmbH	(3)	(3)	0	0.0%
Office rental Digital Bros China Ltd.	(39)	(39)	0	0.0%
Office rental Kunos S.r.l.	(22)	(8)	(14)	n.m.
Office rental Hawken Entertainment Inc.	(27)	(7)	(20)	n.m.
Car and warehouse equipment rental	(84)	(95)	11	-11.6%
<b>Total lease and rental costs</b>	<b>(1,458)</b>	<b>(1,476)</b>	<b>18</b>	<b>-1.2%</b>

## 13. Labour costs

Labour costs, including directors' fees approved by the shareholders, amounts paid to temporary workers and contract staff and the cost of cars assigned to employees, totalled Euro 18,366 thousand and increased by Euro 2,018 thousand compared to prior year:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Wages and salaries	(11,885)	(11,344)	(541)	4.8%
Social contributions	(2,995)	(2,837)	(158)	5.6%
Employee termination indemnity	(210)	(196)	(14)	7.4%
Stock option plan	(796)	(371)	(425)	n.m.
Directors' fees	(1,148)	(1,196)	48	-4.0%
Temporary labour and contract staff	(1,244)	(310)	(934)	n.m.
Agents' commission	(41)	(64)	23	-36.8%
Other labour costs	(47)	(30)	(17)	55.1%
<b>Total labour costs</b>	<b>(18,366)</b>	<b>(16,348)</b>	<b>(2,018)</b>	<b>12.3%</b>

The increase in wages and salaries and related social contributions is attributable to staff hired by non-Italian subsidiaries to sustain the international development of the Group's activities, as well as to the acquisition of Kunos Simulazioni S.r.l. and the set-up of Hawken Entertainment Inc. in prior year.

Labour costs, in the narrow sense, consist of employee wages and salaries, social contributions and the cost of employee termination indemnities. They increased in the year by Euro 341 thousand while the average cost per employee decreased by 1.1%:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Wages and salaries	(11.885)	(11.344)	(541)	4.8%
Social contributions	(2.995)	(2.837)	(158)	5.6%
Employee termination indemnity	(210)	(196)	(14)	7.4%
<b>Total labour costs</b>	<b>(15.089)</b>	<b>(14.377)</b>	<b>(712)</b>	<b>5.0%</b>
Average number of employees	180	174	6	3.4%
<b>Average cost per employee</b>	<b>(83.8)</b>	<b>(82.6)</b>	<b>1.2</b>	<b>1.5%</b>

A breakdown of the Group's workforce at 30 June 2018 by employee category is provided in the Directors' Report.

#### **14. Other operating costs**

The following table contains details of operating costs by nature, together with prior year comparatives:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Purchases of sundry materials	(41)	(38)	(3)	8.3%
General & Administrative costs	(899)	(1,051)	152	-14.5%
Entertainment expenses	(37)	(41)	4	-10.9%
Sundry bank charges	(100)	(726)	626	-86.2%
<b>Total other operating costs</b>	<b>(1,077)</b>	<b>(1,856)</b>	<b>779</b>	<b>-42.0%</b>

Other operating costs have decreased by 42% from Euro 1,856 thousand in prior year to Euro 1,077 thousand in the year ended 30 June 2018, mainly because of a reduction in bank charges. In prior year, this caption included Euro 516 thousand of fees and commission incurred by 505 Games S.p.A. for the sale and purchase of Starbreeze shares during the period.

## 21. Non-monetary operating income and expenses

Non-monetary operating expenses include:

Euro Thousands	30 June 2018	30 June 2017	Change	%
Depreciation and amortisation	(7,728)	(7,120)	(608)	8.5%
Allocations to provisions	0	(854)	854	n.m.
Impairment adjustments to assets	(122)	(1,653)	1,531	-92.6%
<b>Total non-operating income and expenses</b>	<b>(7,850)</b>	<b>(9,627)</b>	<b>1,777</b>	<b>-18.5%</b>

Net non-operating expenses have decreased by Euro 1,777 thousand compared to prior year. The decrease is mainly due to lower impairment adjustments to assets. The provisions for risks created in prior year were considered adequate so no further allocations were made in the year ended 30 June 2018. The increase in depreciation and amortisation is due to greater utilisation of the intellectual property held.

## 25. Net financial income / (expenses)

This item may be analysed as follows:

	Euro Thousands	30 June 2018	30 June 2017	Change	%
23	Interest and financial income	1,998	8,772	(6,774)	-77.2%
24	Interest and financial expenses	(1,347)	(3,136)	1,789	-57.0%
25	<b>Net financial income / (expenses)</b>	<b>651</b>	<b>5,636</b>	<b>(4,985)</b>	<b>-88.5%</b>

There was net financial income of Euro 651 thousand compared to Euro 5,636 thousand in prior year.

Interest and financial income may be analysed as follows:

Euro Thousands	30 June 2018	30 June 2017	Change	%
Exchange gains	1,795	1,752	43	2.5%
Financial income	88	6,899	(6,811)	-98.7%
Other	115	121	(6)	-5.3%
<b>Total interest and financial income</b>	<b>1,998</b>	<b>8,772</b>	<b>(6,774)</b>	<b>-77.2%</b>

Interest and financial income have decreased by Euro 6,774 thousand compared to prior year. The amount for the year ended 30 June 2017 included Euro 6,891 of gains realised on the sale and purchase of Starbreeze A and B shares while such gains totalled just Euro 88 thousand in the year ended 30 June 2018.

Interest and financial expenses totalled Euro 1,347 thousand. This represented a Euro 1,789 thousand decrease compared to the year ended 30 June 2017 because of a Euro 999 thousand reduction in losses on Starbreeze B shares during the period.

Interest and financial expenses are analysed in detail as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Interest expenses on current accounts and trade finance	(47)	(405)	358	-88.4%
Other interest expenses	(12)	0	(12)	n.m.
Interest expenses on loans and leases	(149)	(210)	61	-29.0%
Factoring interest expenses	(9)	(15)	6	-41.5%
<b>Total interest expenses on sources of finance</b>	<b>(217)</b>	<b>(630)</b>	<b>413</b>	<b>-65.6%</b>
Exchange losses	(989)	(1,507)	518	-34.4%
Losses on disposal of securities	0	(999)	999	n.m.
Equity valuation of investments	(141)	0	(141)	n.m.
<b>Total interest and financial expenses</b>	<b>(1,347)</b>	<b>(3,136)</b>	<b>1,789</b>	<b>-57.1%</b>

## 29. Taxation

Current and deferred taxes for the year ended 30 June 2018 are detailed below:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
Current taxes	293	(4,640)	4,933	n.m.
Deferred taxes	(263)	169	(432)	n.m.
<b>Total taxes</b>	<b>30</b>	<b>(4,471)</b>	<b>4,501</b>	<b>n.m.</b>

Current taxes are analysed in more detail as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Change</b>	<b>%</b>
IRES	820	(1,970)	2,790	n.m.
IRAP	(158)	(529)	371	-70.1%
Current taxes of non-Italian companies	(259)	(2,141)	1,882	-87.9%
Other current taxes	(110)	0	(110)	n.m.
<b>Total current taxes</b>	<b>293</b>	<b>(4,640)</b>	<b>4,933</b>	<b>n.m.</b>

IRES for the year was determined as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Taxable income for IRES purposes (A)	(3,225)	8,087
IRES rate (B)	24.0%	27.5%
IRES for the period (A)*(B)	774	(2,224)
Effect of tax consolidation	0	160
Taxes relating to previous period	46	94
<b>IRES for the period</b>	<b>820</b>	<b>(1,970)</b>

IRES for the period is reconciled with the result reported in the financial statements as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>	
Parent company profit before taxation	<b>15,118</b>		<b>3,801</b>	
IRES rate	<b>24.0%</b>		<b>27.5%</b>	
Theoretical taxation	<b>(3,628)</b>	-24.0%	<b>(1,045)</b>	-27.5%
Tax effect of non-deductible costs	4,100	27%	1,444	38.0%
Tax effect of utilisation of tax losses not previously utilised	0		0	
Net tax effect of reversal of deferred tax assets not included in above items	86		(57)	
Effect of tax consolidation	0		160	
IRES on gain classified under financial income	28			
Tax effect of share of profits of subsidiaries	189		(2,566)	
Prior year taxation	46		94	
Taxes on income for the year and effective tax rate	<b>820</b>	<b>5%</b>	<b>(1,970)</b>	<b>-52%</b>

IRAP for the period was determined as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Taxable income for IRAP purposes	4,443	11,205
IRAP rate	3.9%	3.9%
IRAP for the period	(173)	(437)
IRAP relating to prior year	15	(92)
<b>IRAP for the period</b>	<b>(158)</b>	<b>(529)</b>

The IRAP expense for the year may be reconciled with the result reported in the financial statements as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>	
<b>Operating margin/EBIT of Parent Company</b>	<b>(5,196)</b>		<b>(3,454)</b>	
<b>IRAP rate</b>	<b>3.9%</b>		<b>3.9%</b>	
<b>Theoretical IRAP</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
Tax effect of non-deductible costs	0	0.0%	0	0.0%
Tax effect of share of results of subsidiaries	(158)	3.0%	(529)	10.2%
<b>Tax on income for the period and effective tax rate</b>	<b>(158)</b>	<b>3.0%</b>	<b>(529)</b>	<b>10.2%</b>

### 32. Basic earnings per share

Basic earnings per share is determined based on the following figures:



<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Net result from continuing operations (1)	(2,882)	10,089
Net result from assets destined for sale (2)	12,056	1,208
Total net result	9,174	11,297
Average number of shares in issue (3)	14,260,837	14,154,588
Number of treasury shares held during the period (4)	0	(37,989)
Total average number of shares (5)=(3)-(4)	14,260,837	14,116,599
<b>Net earnings per share from continuing operations (1)/(5) in Euro</b>	<b>(0.20)</b>	<b>0.71</b>
<b>Net earnings per share from assets destined for sale (2)/(5) in Euro</b>	<b>0.85</b>	<b>0.09</b>
<b>Total net earnings per share in Euro</b>	<b>0.65</b>	<b>0.80</b>

Basic earnings per share is calculated by dividing the result for the period by the average number of shares in issue (excluding treasury shares).

### 33. Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as no financial instruments convertible into shares have been issued (as at 30 June 2017).

## 8. MANAGEMENT OF FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (IFRS 7)

The main financial instruments used by the Group are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Derivative contracts
- Medium-term loans for product development.

The objective of these instruments is to finance the Group's operating activities.

Parent company Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries. This is except for other financial instruments not listed above i.e. trade payables and receivables arising from operating activities for which the financial risk remains the responsibility of the individual subsidiary.

The Group tries to maintain a balance between short-term and medium/long-term financial instruments. The Group's core business i.e. the marketing of video games mainly involves investment in net working capital which is funded through short-term lines of credit. Long-term investments are normally financed through medium/long-term lines of credit, often dedicated to the individual investment, sometimes in the form of finance leases.

Given the above, medium- and long-term financial payables have a well-distributed range of maturities.

The additional disclosures required by IFRS 7 in order to evaluate the significance of financial instruments to the Group's results and financial position are provided in the following tables for the years ended 30 June 2018 and 2017.

## Financial Instruments: Statement of Financial Position at 30 June 2018

### Category of financial assets in terms of IAS 39

<b>Financial Instruments - Assets at 30 June 2018 (in Euro Thousands)</b>	Fair Value Assets held for trading	Investments held to maturity	Loans and Receivables	Assets available for sale	Carrying Amount at 30 June 2018	Note
Non-current receivables and other assets	-	-	9.623	-	9.623	5
Trade receivables	-	-	29.522	-	29.522	11
Other current assets	-	-	9.832	-	9.832	13
Cash and cash equivalents	-	-	4.282	-	4.282	22
Other current financial assets	-	-	-	-	-	24
Other non-current financial assets	-	-	1.374	-	1.374	25
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54.633</b>	<b>-</b>	<b>54.633</b>	

### Category of financial liabilities in terms of IAS 39

<b>Financial Instruments - Liabilities at 30 June 2018 (in Euro Thousands)</b>	Fair Value Liabilities held for trading	Liabilities at amortised cost	Carrying Amount at 30 June 2018	Note
Trade payables	-	20.811	20.811	14
Other current liabilities	-	1.241	1.241	17
Current bank borrowing	-	1.975	1.975	23
Other current financial liabilities	-	206	206	24
Non-current bank borrowing	-	4.533	4.533	26
Other non-current financial liabilities	-	25	25	27
<b>Total</b>	<b>-</b>	<b>28.791</b>	<b>28.791</b>	

## Financial Instruments: Statement of Financial Position at 30 June 2017

### Category of financial assets in terms of IAS 39

<b>Financial Instruments – Assets at 30 June 2017 (in Euro Thousands)</b>	Fair Value Assets held for trading	Investments held to maturity	Loans and Receivables	Assets available for sale	Carrying Amount at 30 June 2017	Note
Non-current receivables and other assets	-	-	1,052	-	1,052	5
Trade receivables	-	-	36,763	-	36,763	11
Other current assets	-	-	3,263	-	3,263	13
Cash and cash equivalents	-	-	12,136	-	12,136	22
Other current financial assets	2,972	-	-	-	2,972	24
Other non-current financial assets	-	-	1,306	-	1,306	25
<b>Total</b>	<b>2,972</b>	<b>-</b>	<b>54,520</b>	<b>-</b>	<b>57,492</b>	

### Category of financial liabilities in terms of IAS 39

<b>Financial Instruments - Liabilities at 30 June 2017 (in Euro Thousands)</b>	Fair Value Liabilities held for trading	Liabilities at amortised cost	Carrying Amount at 30 June 2017	Note
Trade payables	-	27,680	27,680	14
Other current liabilities	-	3,954	3,954	17
Current bank borrowing	-	1,942	1,942	23
Other current financial liabilities	-	2,022	2,022	24
Non-current bank borrowing	-	383	383	26
Other non-current financial liabilities	-	40	40	27
<b>Total</b>	<b>-</b>	<b>36,021</b>	<b>36,021</b>	

The main risks to which the Group is subject are:

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk.

#### *Interest rate risk*

The Group's exposure to the risk of interest rate fluctuation is marginal with respect to its medium and long-term financial instruments which were originally arranged as fixed-rate instruments or have been transformed into fixed rate instruments by means of appropriate derivative contracts.

For short-term financial instruments, the risk of interest rate increases is an effective one because the Group cannot immediately pass on any rate increases through higher prices.

These risks are reduced by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions;
- the financial structure which varies significantly based on video game market seasonality and which shows constant improvement in the medium/long-term trend;
- the implementation of a short-term cash flow procedure that constantly monitors the short-term borrowing trend and allows preventive action to be taken when interest rates are expected to rise.

#### *Liquidity risk*

The liquidity risk arises if it becomes difficult or impossible to raise - on sustainable terms and conditions, obtain -the financial resources needed to operate the business.

The factors that influence the Group's financial needs are the resources generated or absorbed by operating and investing activities, the maturity and renewal terms of debt and the liquidity of investments and current conditions and available funds on the credit market.

The Group has taken the following measures in order to reduce this risk:

- centralised management of treasury procedures and lines of credit;
- obtaining lines of credit that lead to the creation of a sustainable debt structure through the use of irrevocable lines of credit;
- constant monitoring of prospective liquidity conditions.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Group to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Group's funding requirements in good time.

The following table shows the Group's financial obligations by contractual maturity, in the worst-case scenario and using undiscounted amounts, considering the earliest date by which the Group could be asked for payment and providing the number of the relevant note.

<b>Financial liabilities at 30 June 2018</b> <b>(in Euro Thousands)</b>	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Current bank borrowing	1,975	1,975						1,975	23
Other current financial liabilities	206	206						206	24
Non-current bank borrowing	4,533		3,403	251	251	251	377	4,533	26
Other non-current financial liabilities	25		16	9				25	27
<b>Total</b>	<b>6,739</b>	<b>2,181</b>	<b>3,419</b>	<b>260</b>	<b>251</b>	<b>251</b>	<b>377</b>	<b>6,739</b>	

<b>Financial liabilities at 30 June 2017</b> <b>(in Euro Thousands)</b>	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Current bank borrowing	1,942	1,942						1,942	23
Other current financial liabilities	2,022	2,022						2,022	24
Non-current bank borrowing	383		383					383	26
Other non-current financial liabilities	40		15	16	9			40	27
<b>Total</b>	<b>4,387</b>	<b>3,964</b>	<b>398</b>	<b>16</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>4,387</b>	

The Group has sufficient financial resources to satisfy its debt maturing within one year. These financial resources include cash and cash equivalents, unutilised credit facilities totalling around Euro 57 million at the reporting date and cash flows from operating activities.

### *Exchange rate risk*

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that currency. This means that any negative changes in the EUR/USD exchange rate would cause licence costs to go up but would also lead to higher margins for the subsidiaries (the reverse also holds true).

In order to monitor the EUR/USD and EUR/GBP exchange rate risk, the Group closely monitors forecast exchange rate trends – also based on reports by independent analysts - and may use derivative instruments to hedge this risk as appropriate (no such instruments are used at present).

When preparing forecasts, the Group uses models that take account of the various currencies in which Group companies operate and uses forward exchange rates based on reports issued by independent analysts.

### *Credit risk*

During the reporting period, the top ten global customers accounted for around 70% of trade receivables while the top 50 customers accounted for 94%. The level of receivables concentration is expected to increase in the coming years also because the Group's revenue growth is expected to materialise in markets like the United States and the UK where there is higher concentration of retailers and because of the higher receivables from digital retailers. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on store shelves, in case of physical distribution, but also on digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning, especially on digital marketplaces.

The concentration of sales on a small number of customers increases the credit risk.

The following table provides details of receivables from customers by due date at 30 June 2018 and 2017:

<b>Euro Thousands</b>	<b>30 June 2018</b>	<b>% of total</b>	<b>30 June 2017</b>	<b>% of total</b>
Not overdue	4,856	81%	17,445	95%
0 -30 days overdue	713	12%	174	1%
30 - 60 days overdue	28	1%	258	1%
60 - 90 days overdue	2	0%	111	0%
> 90 days overdue	407	6%	469	3%
<b>Total receivables from customers</b>	<b>6,006</b>	<b>100%</b>	<b>18,457</b>	<b>100%</b>

**Fair value of financial assets and liabilities and calculation models used**

The table below presents the fair value of assets and liabilities based on the calculation methods and models used. Financial assets whose fair value cannot be reasonably determined have not been included.

The fair value of Bank borrowing has been calculated based on the interest rate curve at the reporting date, without making assumptions as to the credit spread.

The fair value of financial instruments listed on an active market is based on reporting date market prices. The market prices used are bid/ask prices depending on the asset/liability held. The fair value of unlisted financial instruments and derivatives is determined using the valuation models and techniques most prevalent on the market, using inputs observable on the market.

Fair value has not been calculated for trade receivables and trade payables as their carrying amount approximates fair value.

For finance lease payables and payables to other lenders, we believe there is no significant difference between fair value and carrying amount.



<b>Euro Thousands</b>	<b>Carrying amount at 30 June 2018</b>	<b>Mark to Market Fair Value</b>	<b>Mark to Model Fair Value</b>	<b>Total Fair Value</b>	<b>Note</b>
Cash and cash equivalents	4,282	4,282		4,282	22
Current bank borrowing	(1,975)	(1,975)		(1,975)	23
Other current financial assets and liabilities	(206)	(206)		(206)	24
Other non-current financial assets and liabilities	1,374	1,374		1,374	25
Non-current bank borrowing	(4,533)	(4,533)		(4,533)	25
Other non-current financial liabilities	(25)	(25)		(25)	27
<b>Total</b>	<b>(1,083)</b>	<b>(1,083)</b>		<b>(1,083)</b>	

<b>Euro Thousands</b>	<b>Carrying amount at 30 June 2017</b>	<b>Mark to Market Fair Value</b>	<b>Mark to Model Fair Value</b>	<b>Total Fair Value</b>	<b>Note</b>
Cash and cash equivalents	12,136	12,136		12,136	22
Current bank borrowing	(1,942)	(1,942)		(1,942)	23
Other current financial assets and liabilities	950	950		950	24
Other non-current financial assets and liabilities	1,306	1,306		1,306	25
Non-current bank borrowing	(383)	(383)		(383)	25
Other non-current financial liabilities	(40)	(40)		(40)	27
<b>Total</b>	<b>12,027</b>	<b>12,027</b>		<b>12,027</b>	

### Exchange rate and interest rate risk: sensitivity analysis

A sensitivity analysis has been performed in accordance with IFRS 7. It applies to all financial instruments reported in the financial statements.

The sensitivity analysis measures the estimated impact on profit or loss and on the statement of financial position of an exchange rate fluctuation of +/-10% compared to the rates in effect at 30 June 2018 for each class of financial instrument, with all other variables remaining constant. The analysis is purely illustrative, as such changes rarely take place in an isolated manner.

At 30 June 2018, the Group was not exposed any additional risks, such as the commodity risk.

The sensitivity analysis of exchange rates took account of the risk that may arise for any financial instrument denominated in a currency other than the Euro. Consequently, the translation risk was also taken into account.

Financial instruments that are subject to changes in value as a result of interest rate fluctuation include floating rate instruments and fixed rate instruments but which are measured at fair value.

The table below shows the impact on the net financial position and on profit before taxation of a 10% increase/decrease in the EUR/USD exchange rate compared to the budgeted rate of USD 1.18/EUR 1:

Type of change	Effect on net financial position	Effect on profit before taxation
+10% USD	(115)	(244)
-10% USD	140	299

### Fair Value hierarchy

IFRS 7 requires that financial instruments recognised at fair value be classified in a hierarchy reflecting the significance of the inputs used to measure fair value. The levels are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are directly or indirectly observable in the market;
- Level 3: inputs not based on observable market data.

At 30 June 2018, there were no financial instruments measured at fair value. At 30 June 2017, the caption included:

<b>Balance at 30 June 2017</b>	<b>Instrument</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Note</b>
Other current financial assets	Listed shares	2,972			2,972	24

## **9. NON-RECURRING INCOME AND EXPENSES**

In accordance with Consob Resolution 15519 of 27 July 2006, non-recurring income and expenses shall be presented separately in the statement of profit or loss. They are generated by transactions or events that, by their nature, do not occur on a regular basis during ordinary operating activities.

During the year, the Group did not account for any non-recurring income and expenses.

## **10. INFORMATION BY OPERATING SEGMENT**

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

Following sale of the investment in US company Pipeworks Inc., revenues and expenses relating to that subsidiary for the portion of the reporting period up until the disposal date have been disclosed in the consolidated statement of profit or loss under the caption net profit/loss from assets destined for sale. The Development business segment ceased to exist following the disposal and the Group is now organised into five operational business segments:

- Premium Games;
- Free to Play;
- Italian Distribution;
- Other Activities;
- Holding.

The directors monitor the results of each operating segment separately in order to decide how to allocate resources and verify results. Financial income and expenses (including loan income and expenses) and income tax are managed at Group level and are not allocated to the operating segments.

The results by operating segment for the years ended 30 June 2018 and 2017 are set out below. See the Directors' Report for related comments.

**Consolidated statement of profit or loss by operating segment for the year ended 30 June 2018**

	Consolidated figures in Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	5,813	54,138	15,443	644	0	76,038
2	Revenue adjustments	0	(3,402)	(1,909)	(322)	0	(5,633)
<b>3</b>	<b>Total revenue</b>	<b>5,813</b>	<b>50,736</b>	<b>13,534</b>	<b>322</b>	<b>0</b>	<b>70,405</b>
4	Purchase of products for resale	0	(8,129)	(11,248)	0	0	(19,377)
5	Purchase of services for resale	(2,197)	(3,043)	(1,192)	(56)	0	(6,488)
6	Royalties	(140)	(14,848)	0	(28)	0	(15,016)
7	Changes in inventories of finished products	0	176	2,068	0	0	2,244
<b>8</b>	<b>Total cost of sales</b>	<b>(2,337)</b>	<b>(25,844)</b>	<b>(10,372)</b>	<b>(84)</b>	<b>0</b>	<b>(38,637)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>3,476</b>	<b>24,892</b>	<b>3,162</b>	<b>238</b>	<b>0</b>	<b>31,768</b>
10	Other income	1,293	1,146	33	62	262	2,796
11	Costs for services	(498)	(5,393)	(1,568)	(459)	(1,458)	(9,376)
12	Lease and rental costs	(85)	(586)	(36)	(18)	(733)	(1,458)
13	Labour costs	(3,048)	(9,253)	(1,466)	(740)	(3,859)	(18,366)
14	Other operating costs	(71)	(352)	(182)	(47)	(425)	(1,077)
<b>15</b>	<b>Total operating costs</b>	<b>(3,702)</b>	<b>(15,584)</b>	<b>(3,252)</b>	<b>(1,264)</b>	<b>(6,475)</b>	<b>(30,277)</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>1,067</b>	<b>10,454</b>	<b>(57)</b>	<b>(964)</b>	<b>(6,213)</b>	<b>4,287</b>
17	Depreciation and amortisation	(2,126)	(4,512)	(320)	(553)	(217)	(7,728)
18	Allocations to provisions	0	0	0	0	0	0
19	Impairment adjustments to assets	0	(8)	(54)	0	(60)	(122)
20	Reversal of impairment adjustments and non-monetary income	0	0	0	0	0	0
<b>21</b>	<b>Total non-monetary operating income and expenses</b>	<b>(2,126)</b>	<b>(4,520)</b>	<b>(374)</b>	<b>(553)</b>	<b>(277)</b>	<b>(7,850)</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,059)</b>	<b>5,934</b>	<b>(431)</b>	<b>(1,517)</b>	<b>(6,490)</b>	<b>(3,563)</b>

## Information by operating segment

### Consolidated statement of financial position at 30 June 2018

	Consolidated figures in Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	2,540	140	93	744	2,482	6,000
2	Investment property	0	0	0	0	0	0
3	Intangible assets	138	232	4,892	9,566	303	15,131
4	Equity interests	0	0	0	0	1,270	1,270
5	Non-current receivables and other assets	3	221	0	182	9,217	9,623
6	Deferred tax assets	449	96	353	1,397	70	2,365
	<b>Total non-current assets</b>	<b>3,130</b>	<b>689</b>	<b>5,338</b>	<b>11,890</b>	<b>13,343</b>	<b>34,389</b>
	<b>Non-current liabilities</b>						
7	Employee benefits	(418)	(12)	0	(86)	0	(516)
8	Non-current provisions	(80)	0	0	0	0	(80)
9	Other non-current payables and liabilities	0	0	0	0	(901)	(901)
	<b>Total non-current liabilities</b>	<b>(498)</b>	<b>(12)</b>	<b>0</b>	<b>(86)</b>	<b>(901)</b>	<b>(1,497)</b>
	<b>Net working capital</b>						
10	Inventories	7,387	0	0	7,672	0	15,059
11	Trade receivables	2,250	10	1,587	25,675	0	29,522
12	Current tax receivables	1,041	16	42	1,731	1,486	4,316
13	Other current assets	526	16	464	5,599	3,228	9,832
14	Trade payables	(1,999)	(166)	(591)	(17,338)	(717)	(20,811)
15	Current tax liabilities	(216)	(14)	(30)	(758)	(2)	(1,021)
16	Current provisions	0	0	0	(854)	0	(854)
17	Other current liabilities	(741)	(167)	(44)	(272)	(16)	(1,241)
	<b>Total net working capital</b>	<b>8,247</b>	<b>(305)</b>	<b>1,427</b>	<b>21,454</b>	<b>3,978</b>	<b>34,802</b>
	<b>Total</b>	<b>10,879</b>	<b>373</b>	<b>6,766</b>	<b>33,258</b>	<b>16,420</b>	<b>67,694</b>

**Statement of profit or loss by operating segment for the year ended 30 June 2017**

	<b>Consolidated figures in Euro Thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other Activities</b>	<b>Holding</b>	<b>Total</b>
1	Revenue	7.736	105.618	18.464	863	0	132.681
2	Revenue adjustments	0	(4.726)	(1.851)	(440)	0	(7.017)
<b>3</b>	<b>Total revenue</b>	<b>7.736</b>	<b>100.892</b>	<b>16.613</b>	<b>423</b>	<b>0</b>	<b>125.664</b>
4	Purchase of products for resale	0	(18.687)	(12.519)	0	0	(31.206)
5	Purchase of services for resale	(3.998)	(3.585)	(734)	(177)	0	(8.494)
6	Royalties	(382)	(36.648)	0	(72)	0	(37.102)
7	Changes in inventories of finished products	0	367	515	(0)	0	882
<b>8</b>	<b>Total cost of sales</b>	<b>(4.380)</b>	<b>(58.553)</b>	<b>(12.738)</b>	<b>(249)</b>	<b>0</b>	<b>(75.920)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>3.356</b>	<b>42.339</b>	<b>3.875</b>	<b>174</b>	<b>0</b>	<b>49.744</b>
10	Other income	823	200	42	0	150	1.215
11	Costs for services	(1.001)	(7.539)	(1.554)	(1.020)	(1.614)	(12.728)
12	Lease and rental costs	(62)	(606)	(44)	(18)	(746)	(1.476)
13	Labour costs	(3.148)	(7.443)	(1.549)	(883)	(3.325)	(16.348)
14	Other operating costs	(73)	(591)	(205)	(49)	(938)	(1.856)
<b>15</b>	<b>Total operating costs</b>	<b>(4.284)</b>	<b>(16.179)</b>	<b>(3.352)</b>	<b>(1.970)</b>	<b>(6.623)</b>	<b>(32.408)</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(105)</b>	<b>26.360</b>	<b>565</b>	<b>(1.796)</b>	<b>(6.473)</b>	<b>18.551</b>
17	Depreciation and amortisation	(2.584)	(3.667)	(261)	(379)	(229)	(7.120)
18	Allocations to provisions	0	(854)	0	0	0	(854)
19	Impairment adjustments to assets	(158)	(882)	(420)	0	(193)	(1.653)
20	Reversal of impairment adjustments and non-monetary income	0	0	0	0	0	0
<b>21</b>	<b>Total non-monetary operating income and expenses</b>	<b>(2.742)</b>	<b>(5.403)</b>	<b>(681)</b>	<b>(379)</b>	<b>(422)</b>	<b>(9.627)</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>(2.847)</b>	<b>20.957</b>	<b>(116)</b>	<b>(2.175)</b>	<b>(6.895)</b>	<b>8.924</b>

## Information by operating segment

### Consolidated statement of financial position at 30 June 2017

	Consolidated figures in Euro Thousands	Development	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	<b>Non-current assets</b>							
1	Property, plant and equipment	201	15	922	2,699	189	2,593	6,619
2	Investment property	0	0	0	0	0	0	0
3	Intangible assets	1,230	5,845	10,688	230	507	367	18,867
4	Equity investments	0	0	(0)	0	0	1,345	1,345
5	Non-current receivables and other assets	0	5	185	3	220	639	1,052
6	Deferred tax assets	220	387	1,542	490	100	69	2,807
	<b>Total non-current assets</b>	<b>1,651</b>	<b>6,251</b>	<b>13,337</b>	<b>3,422</b>	<b>1,016</b>	<b>5,013</b>	<b>30,690</b>
	<b>Non-current liabilities</b>							
7	Employee benefits	0	0	(60)	(417)	(68)	0	(545)
8	Non-current provisions	0	0	0	(79)	0	0	(79)
9	Other non-current payables and liabilities	0	0	0	0	0	0	0
	<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>(60)</b>	<b>(496)</b>	<b>(68)</b>	<b>0</b>	<b>(624)</b>
	<b>Net working capital</b>							
10	Inventories	0	(0)	7,496	5,319	0	0	12,815
11	Trade receivables	2,286	1,071	30,062	3,339	5	0	36,763
12	Current tax receivables	0	566	1,131	353	14	0	2,064
13	Other current assets	63	905	1,241	539	164	351	3,263
14	Trade payables	(1,094)	(978)	(22,593)	(1,981)	(184)	(850)	(27,680)
15	Current tax liabilities	(1,105)	(77)	(3,869)	(167)	(45)	(473)	(5,736)
16	Current provisions	0	0	(854)	(0)	0	0	(854)
17	Other current liabilities	(640)	(57)	(320)	(896)	(651)	(1,390)	(3,954)
	<b>Total net working capital</b>	<b>(490)</b>	<b>1,430</b>	<b>12,294</b>	<b>6,506</b>	<b>(697)</b>	<b>(2,362)</b>	<b>16,681</b>
	<b>Total</b>	<b>1,161</b>	<b>7,681</b>	<b>25,571</b>	<b>9,432</b>	<b>251</b>	<b>2,650</b>	<b>46,746</b>

**Premium Games:** operations consist of the acquisition of video game content exploitation rights from developers and the subsequent distribution of the games through a traditional international sales network and via digital marketplaces such as Steam, Sony PlayStation Network, Microsoft Xbox Live, etc.

The video games are normally acquired under exclusive licence and with international exploitation rights valid for several years. The Group operates globally in the Premium Games segment under the 505 Games brand.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. Said company coordinates the operating segment, together with 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate on the French, UK, U.S., Spanish and German markets, respectively. 505 Games Interactive (US) Inc. provides consulting services on behalf of 505 Games S.p.A.

Italian company Kunos Simulazioni S.r.l., developer and publisher of the *Assetto Corsa* video game, was acquired during prior year and is an integral part of this operating segment.

**Free to Play:** this business regards the development and publishing of video games and/or apps that are available free of charge on digital marketplaces and which allow the gamer to make purchases during later stages of the game. Compared to Premium video games, Free to Play games are generally simpler but, if successful, may have a longer lifespan. The video game is continuously developed and improved after its launch in order to keep the public interested and extend the game's life cycle.

The operating segment is coordinated by subsidiary 505 Mobile S.r.l., by U.S. company 505 Mobile (US) Inc. which provides consulting services to Group companies, by UK company DR Studios Ltd which is a developer of Free to Play games and by Hawken Entertainment Inc. which develops Hawken series video games.

The Group operates globally in this segment under the 505 Games Mobile brand.

**Italian Distribution:** this consists of the distribution in Italy of video games purchased from international publishers.

Business operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l. through the newsstand distribution channel.

The Group also distributes the Yu-Gi-Oh! trading card game in Italy.

**Other Activities:** this operating segment handles all of the Group's lesser activities which are grouped together in a separate operating segment for presentation of the results. It includes the operations of subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (Italian State Monopoly Administration) and the operations of subsidiary Digital Bros Game Academy S.r.l., which organises specialist IT and gaming courses, training courses and professional update courses. Given the limited profitability of the paid games under concession, the Group decided not to take part in the new



competitive tendering process for future concessions. Consequently, the Group ended its activities under the AAMS concession in June 2018.

**Holding:** this includes all the coordinating functions carried out directly by Digital Bros S.p.A.. The Holding operating segment also handles administration, management control and business development. The holding company has availed been supported by Digital Bros China Ltd. which operates as business developer for Asian markets and by 133 W Broadway Inc., owner of the property in Eugene, Oregon, USA which is leased to US company Pipeworks Inc, formerly a subsidiary of the Group. Digital Bros Holdings Ltd. was dormant during the period.

#### **Information by geographical area**

Gross revenue may be broken down by geographical area as follows:

<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>Change</b>	
Europe	14,627	19%	35,042	26%	(20,415)	-58.3%
Americas	41,215	54%	71,153	54%	(29,938)	-42.1%
Rest of the World	4,109	5%	7,159	5%	(3,050)	-42.6%
<b>Total foreign revenue</b>	<b>59,951</b>	<b>79%</b>	<b>113,354</b>	<b>85%</b>	<b>(53,403)</b>	<b>-47.1%</b>
Italy	16,087	21%	19,327	15%	(3,240)	-16.8%
<b>Total consolidated gross revenue</b>	<b>76,038</b>	<b>100%</b>	<b>132,681</b>	<b>100%</b>	<b>(56,643)</b>	<b>-42.7%</b>

Foreign revenue represented 79% of consolidated gross revenue compared to 85% in prior year figure and decreased by 47.1% compared to the year ended 30 June 2017.

Rest of the world revenue relates to sales made by the subsidiary 505 Games Ltd., mainly in Australia, the Middle East and South Africa.

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 54,138 thousand i.e. 90% of total foreign revenue.

Details of gross foreign revenue by operating segment are provided below:

<b>Euro Thousands</b>	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>Change</b>	
Free to Play	5,813	10%	7,736	15%	(1,923)	-24.9%
Premium Games	54,138	90%	105,618	83%	(51,480)	-48.7%
<b>Total gross foreign revenue</b>	<b>59,951</b>	<b>100%</b>	<b>113,354</b>	<b>100%</b>	<b>(53,403)</b>	<b>-47.1%</b>

## 11. RELATED PARTY TRANSACTIONS

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

### *Intercompany transactions*

Intercompany transactions have already been described in section 9 of the Directors' Report.

### *Other related parties*

Other related party transactions regard:

- Legal advisory services provided by director Dario Treves;
- Property leases by Matov Imm. S.r.l. to the parent company and to subsidiary 505 Games France S.a.s.;
- Property leases by Matov LLC to subsidiary 505 Games (US) Inc.

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

The following table contains details of reporting date statement of financial position balances and total transactions for the period, together with prior year comparatives:

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Ovosonico S.r.l.	0	210	0	0	0	0
Dario Treves	0	0	(48)	0	0	(335)
Matov Imm. S.r.l.	0	635	0	0	0	(736)
Matov LLC	0	127	0	0	0	(390)
<b>Total 30 June 2018</b>	<b>0</b>	<b>972</b>	<b>(48)</b>	<b>0</b>	<b>0</b>	<b>(1,461)</b>

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(22)	0	0	(262)
Matov Imm. S.r.l.	0	635	0	0	0	(751)
Matov LLC	0	130	0	0	0	(419)
<b>Total 30 June 2017</b>	<b>0</b>	<b>765</b>	<b>(22)</b>	<b>0</b>	<b>0</b>	<b>(1,432)</b>

The receivable of Euro 210 thousand due from associated company Ovosonico S.r.l. regards a loan disbursed during the period

Digital Bros S.p.A.'s financial receivable from Matov Imm. S.r.l. refers to the guarantee deposit paid in relation to lease instalments due for the premises at Via Tortona 37, Milan.

The financial receivable due to 505 Games (US) Inc. by Matov LLC relates to a guarantee deposit paid against lease obligations concerning the premises used as the U.S. subsidiary's head office.

Lease instalments for the Milan offices paid during the year by Digital Bros S.p.A. to Matov Imm. S.r.l. amounted to Euro 690 thousand while those paid by 505 Games France S.a.s. for the premises in Francheville amounted to Euro 46 thousand. Effective December 2015, upon renewal of the lease for a further six years, the annual lease charge for the Milan offices was reduced by Euro 60 thousand.

In November 2013, a lease agreement was entered into between the subsidiary 505 Games (US) Inc. and Matov LLC, a related party owned by the Galante family. The transaction was governed by the “Procedure for related party transactions” adopted by Digital Bros S.p.A. pursuant to Consob Regulation 17221 of 12 March 2010 and provides for an annual lease charge of USD 419 thousand.

#### *Tax consolidation*

Following the introduction of the consolidated taxation regime into the Italian tax system, parent company Digital Bros S.p.A. has elected for consolidated taxation in a tax group with 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l., 505 Games S.p.A., Digital Bros Game Academy S.r.l., Game Network S.r.l. and Kunos Simulazioni S.r.l. Membership of a domestic tax group has made it necessary to prepare an implementing regulation to govern intercompany transactions to ensure there are arrangements prejudicial to any of the participating companies.

## **12. ATYPICAL OR UNUSUAL TRANSACTIONS**

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There were no atypical or unusual transactions during the reporting period or in prior year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

## **13. INFORMATION ON ASSETS REVALUED UNDER SPECIAL LAWS**

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None of the Group’s assets have been revalued in terms of Art. 10 of Law 72/83.

## **14. LOANS GRANTED TO MEMBERS OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

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Pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC, it is hereby disclosed that no loans have been granted to members of the Company’s administrative, management and supervisory bodies.

## 15. EXTERNAL AUDIT FEES

Pursuant to Article 149-duodecies of the Listing Rules, the following table provides details of the fees payable for the year just ended to Deloitte & Touche, the external auditors of Digital Bros S.p.A., and to other auditing firms not pertaining to its network:

Nature of services	Fees pertaining to FY 2017/18					Total
	Parent company auditor			Parent company auditor's network	Auditors not pertaining to parent network	
	to parent company	to other companies	Total	to other companies	to other companies	
Audit	183,425	65,231	248,656	31,500	82,500	362,656
Certification services						
Tax advisory services						
Other services (to be detailed)						
- Fairness opinions						
- Accounting, tax, legal and administrative due diligence						
- Agreed upon procedures						
- Advisory services to the financial reporting manager (Art. 154-bis CFA)						
- Opinions on the application of new accounting standards						
- Consultancy on accounting matters						
- Other services					6,700	6,700
<b>Total</b>	<b>183,425</b>	<b>65,231</b>	<b>248,656</b>	<b>31,500</b>	<b>89,200</b>	<b>369,356</b>

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

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We, the undersigned, Abramo Galante, chairman of the Board of Directors and Stefano Salbe, financial reporting manager of 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
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period 1 July 2017 - 30 June 2018. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group for the year ended 30 June 2018:
  - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
  - b) reflect the accounting books and records;
  - c) give a true and fair view of the results and financial position of the issuer and of the entities included in the consolidation;
2. the Directors' Report accompanying the consolidated and separate financial statements includes a reliable analysis of the results, as well as a description of the main risks and uncertainties to which Digital Bros S.p.A. and the consolidated entities are exposed.

Milan, 13 September 2018

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Manager

Stefano Salbe

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