



**Interim Management Report
for the period ended 31 March 2018
(3rd quarter of financial year 2017/2018)**

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT No. and Company tax code 09554160151

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

Milan Companies Register No. 290680

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This report can be downloaded from the Investors section of the Company's website
www.digitalbros.com

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Contents

BOARD OF DIRECTORS AND SUPERVISORY BODIES	4
DIRECTORS' REPORT	6
1. GROUP STRUCTURE	6
2. THE VIDEO GAMES MARKET	10
3. MARKET SEASONALITY	13
4. SIGNIFICANT EVENTS DURING THE PERIOD	14
5. GUIDELINES	15
6. ANALYSIS OF RESULTS FOR THE PERIOD ENDED 31 MARCH 2018	16
7. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018	21
8. PERFORMANCE BY OPERATING SEGMENT	23
9. ANALYSIS OF RESULTS FOR THE THIRD QUARTER OF THE FINANCIAL YEAR 2017/2018	32
10. CONTINGENT ASSETS AND LIABILITIES	38
11. EVENTS AFTER THE REPORTING PERIOD	38
12. BUSINESS OUTLOOK	39
13. OTHER INFORMATION	40
Condensed consolidated financial statements for the period ended 31 March 2018	43
Consolidated statement of financial position as at 31 March 2018	45
Consolidated statement of profit or loss for the period ended 31 March 2018	46
Consolidated statement of comprehensive income for the period ended 31 March 2018	47
Consolidated statement of cash flows for the period ended 31 March 2018	48
Consolidated statement of changes in equity	50
Notes to the condensed consolidated financial statements for the period ended 31 March 2018	51
STATEMENT PURSUANT TO ART. 154- BIS (5) OF THE CONSOLIDATED FINANCE ACT	61

BOARD OF DIRECTORS AND SUPERVISORY BODIES

Board of Directors

Lidia Florean	Director ⁽²⁾
Abramo Galante	Chairman and managing director ⁽¹⁾
Davide Galante	Director ⁽²⁾
Raffaele Galante	Managing director ⁽¹⁾
Guido Guetta	Director ^{(3) (5)}
Luciana La Maida	Director ⁽³⁾
Irene Longhin	Director ⁽³⁾
Elena Morini	Director ⁽³⁾
Stefano Salbe	Director ^{(1) (4)}
Bruno Soresina	Director ⁽³⁾
Dario Treves	Director ⁽¹⁾

⁽¹⁾ Executive directors

⁽²⁾ Non-executive directors

⁽³⁾ Independent directors

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

⁽⁵⁾ 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

Board of statutory auditors

Maria Pia Maspes	Acting auditor
Luca Pizio	Acting auditor
Paolo Villa	Chairman
Daniela Delfrate	Alternate auditor
Christian Sponza	Alternate 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 ending 30 June 2020.

On 27 October 2017 the Board of Directors appointed Abramo Galante to the position of chairman and managing director and Raffaele Galante to the position of managing director, granting them adequate powers.

Following a resolution passed by the Board of Directors on 7 August 2007, Board member Stefano Salbe was appointed to the position of financial reporting manager in terms of Art. 154 bis of Legislative Decree 58/98 and he was granted appropriate powers.

External auditors

Deloitte & Touche S.p.A.

On 26 October 2012, a shareholders' general meeting appointed Deloitte & Touche S.p.A, Via Tortona 25, Milan, as external auditors up to the approval of the financial statements for the year ending 30 June 2021.

Other information

Publication of Interim Management Statement of Digital Bros Group for the period ended 31 March 2018 was authorised by a resolution of the Board of Directors on 10 May 2018.

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.

DIRECTORS' REPORT

1. GROUP STRUCTURE

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

Following the decision to sell the investment in Pipeworks Inc., costs and revenues of this subsidiary are listed in a footnote, separated from the financial statements of the other companies' line-by-line with the integral method until 23rd February 2018, date of Pipeworks Inc. disposal. After the sale, the Group is organised into five operating 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 and Microsoft Xbox Live.

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.

Premium Games operations were conducted during the period 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 in 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

On 15 March 2017, the Group acquired the Italian company Kunos Simulazioni S.r.l., developer and publisher of the videogame *Assetto Corsa*.

Free to Play: operations consist of the development and publishing of video games that are made available to the public free of charge but which allow the gamer to purchase credits to use subsequently during the various stages of the game. Compared to Premium video games, Free to Play games are generally simpler but have a longer lifespan as the video game is continuously developed and improved subsequent to its launch. This is designed to encourage the public to continue playing and to spend money on the game, thus generating cash for the business.

The operating segment is coordinated by subsidiary 505 Mobile S.r.l. together with U.S. company 505 Mobile (US) Inc. which provides consulting services to Group companies; UK company DR Studios Ltd which is a developer of Free to Play games; and the newly established company Hawken Entertainment Inc., in charge of development of the videogame Hawken.

The Group operates globally in this segment under the 505 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 the Group's less significant activities which are allocated to 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 gaming courses, training courses and professional update courses. Due to the scarce profitability of payable games activities, the Group has decided to not participate to the new public call for the procurement of the concession. In accordance to this decision, the Group will stop any activity under the concession from AAMS during May 2018.

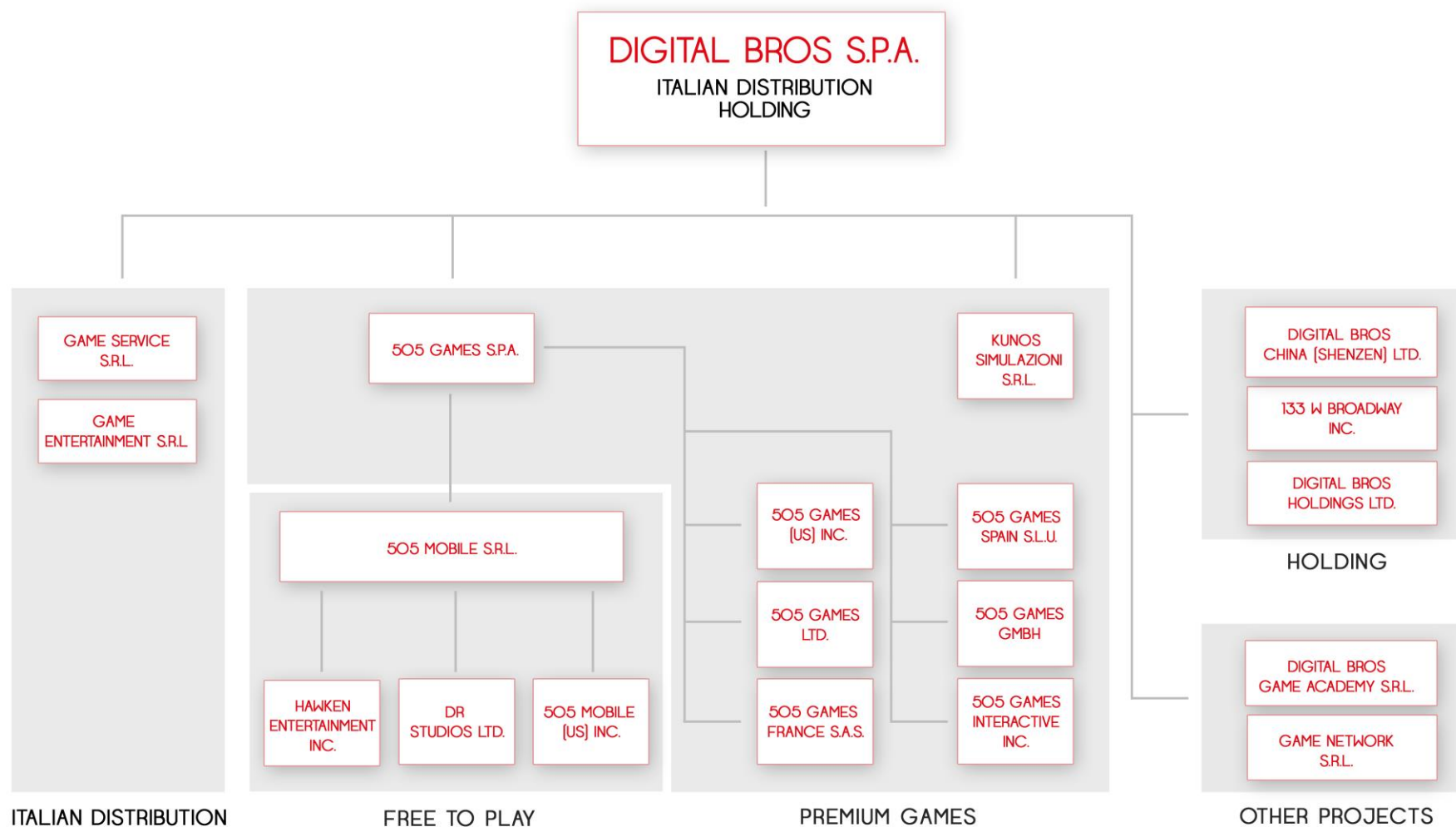
Holding: this includes all the coordinating functions carried out directly by Digital Bros S.p.A.. The Holding operating segment also handles administration, management control and business development.

The parent Company availed itself of the support of Digital Bros China Ltd. which operates as business developer for Eastern markets; 133 W Broadway Inc., owner of the Group's leased property in Eugene, Oregon, USA; and Digital Bros Holdings Ltd., inactive during the period.

All the investee companies shown are 100% held.

The Group structure at 31 March 2018 is shown below:

GROUP STRUCTURE AT 31 MARCH 2018



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

Company	Address	Function
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. ⁽¹⁾	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. ⁽²⁾	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⁾ Inactive in the period

⁽²⁾ Company sold on 23rd February 2018

As at 31 March 2018 the Group had equity investments in the associates listed below. The carrying amount of the investments is stated in thousands of Euro:

Name	Location	Holding	Carrying amount
Delta DNA Ltd.	Edinburgh, UK	1.04%	60
Ebooks&Kids S.r.l.	Milan	16%	52
Ovosonico S.r.l.	Varese	49%	744
Seekhana Ltd.	Milton Keynes, UK	35%	423
Total equity investments			1,279

2. THE VIDEO GAMES MARKET

The videogame market is part of the broader entertainment sector. Cinema, publishing, video games and toys are sectors that share the same characters, brands, distinctive characters and intellectual properties. 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 versions Sony PlayStation and Microsoft Xbox, but has now expanded to include mobile phones, tablet devices and hybrid consoles such as Nintendo Switch. Widespread connectivity at increasingly lower costs and the availability of fibre optic networks and high speed mobile phones are making video games increasingly diversified, sophisticated and interactive. Widespread use of smartphones by people of all ages and in all walks of life has led to the expression of creativity in a completely innovative manner while also generating forms of entertainment dedicated to the adult public and the female public.

As in the case for almost all technological markets, the videogame market for the Sony PlayStation and Microsoft Xbox is cyclical as it is linked to the stage of development of the consoles for which the video games are developed. When a given console is first rolled out, price of the hardware and the video games designed for it are high and relatively small in quantities 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 games 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 those who create and program a game, which is usually based on an original idea, a successful brand, a film or sports simulations, etc. The developers retain the intellectual property rights, but they 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

Publishers usually finance the development phases of a video game. The publisher decides on a game's release schedule, its global pricing and sales policy and studies its product positioning and package design, while taking on all the risks and, jointly with the developer, benefiting from all the opportunities that the video game may generate if it is a success.

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 stamps the game on behalf of publishers in facilities dedicated to the reproduction of software on the various physical storage devices used. 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, such as the Italian market, the more the distributor's role is integrated with that of the publisher, with the implementation of specific 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 commercial presence. Consumers are moving more towards purchases of games on digital platforms and, accordingly, brand new videogames publishers do not establish an international distribution network directly to the end consumer but they exploit the existent retail networks of other publishers on different 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. 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 promotional pricing policies. The increased weighting of sales via digital marketplaces has made it possible for publishers to extend product lifespan by distributing of additional game episodes (so-called DLC, or downloadable content) free or not.

3. MARKET SEASONALITY

Seasonality is influenced by the launch of successful products. Quarter-on-quarter results can vary depending on whether or not a popular new game is released. In fact, sales of these products are concentrated 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 trend is 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 peaks in the launch period except in a few cases of highly anticipated Free to Play video games and with well-known brands like Pokemon Go and Clash Royale. Promotions have a significant impact on revenue trends is significant, but, unlike the Premium video games market, promotions are frequently repeated after 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

The most significant events during the period were as follows:

- On 25 July 2017, the Italian Tax Authorities (“Guardia di Finanza – 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 totaling 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 only. Based on the advice of the professional advisors, constantly updated, 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 dividends were 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; the option has been exercised on February 23rd, 2018 through the payment of USD 5 million. The remaining balance of USD 12.5 million will be paid in three instalments as follows:
 - USD 2.5 million by 30 June 2018;
 - USD 5 million by 31 March 2021;
 - USD 5 million by 31 March 2022.

5. GUIDELINES

In line with its strategic objective of focusing investments on the acquisition of intellectual property rights, the Group decided to sell its holding in US subsidiary Pipeworks Inc. on 23 February 2018. That company is a third-party games developer with no intellectual property assets and was 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 have been focused on the creation of videogame software applications on behalf of industrial and/or commercial companies. This means it has lost the strategic value it had at the time of acquisition. The applications conversion process generated a significant improvement in the company's operating profitability resulting in the highly profitable disposal price.

Following the above, the Group restated its financial statements in accordance with IFRS 5. IFRS 5 provides that the financial statements at 31 March 2018 of Pipeworks Inc., sold on 23 February 2018, will not be considered for the nine months financial statements but reported separately in a specific dedicated line item called "Discontinued operations". The same standard applies to assets and liabilities which are not involved in the Group's continuing operations and are, for this reason, are reported separately in the financial statements. IFRS 5 requires that the financial statements are re-issued showing continuing and discontinued operations separately with comparatives for the previous reporting period. However, it is not necessary to re-issue the comparative figures for the consolidated financial statements at 30 June 2017.

In a specific section, we present a detailed presentation of discontinued operations as they are reported in the "Consolidated income statement" and "Consolidated statement of financial position".

6. ANALYSIS OF RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

	Euro thousands	31 March 2018		31 March 2017		Change	
1	Gross revenue	61,968	107.6%	92,173	105.8%	(30,205)	-32.8%
2	Revenue adjustments	(4,370)	-7.6%	(4,700)	-5.8%	330	-7.0%
3	Net revenue	57,598	100.0%	87,473	100.0%	(29,875)	-34.2%
4	Purchase of products for resale	(16,464)	-28.6%	(24,857)	-26.7%	8,393	-33.8%
5	Purchase of services for resale	(5,016)	-8.7%	(6,818)	-8.3%	1,802	-26.4%
6	Royalties	(12,399)	-21.5%	(27,379)	-30.5%	14,980	-54.7%
7	Changes in inventories of finished products	2,101	3.6%	3,404	2.0%	(1,303)	-38.3%
8	Total cost of sales	(31,778)	-55.2%	(55,650)	-63.5%	23,872	-42.9%
9	Gross profit (3+8)	25,820	44.8%	31,823	36.5%	(6,003)	-18.9%
10	Other income	2,084	3.6%	939	1.0%	1,145	n.m.
11	Cost of services	(6,748)	-11.7%	(8,943)	-10.3%	2,195	-24.5%
12	Lease and rental charges	(1,078)	-1.9%	(1,104)	-1.2%	26	-2.4%
13	Personnel costs	(13,759)	-23.9%	(11,671)	-12.7%	(2,088)	17.9%
14	Other operating costs	(847)	-1.5%	(1,454)	-1.9%	607	-41.7%
15	Total operating costs	(22,432)	-38.9%	(23,172)	-26.1%	740	-3.2%
16	Gross operating margin/EBITDA (9+10+15)	5,472	9.5%	9,590	11.4%	(4,118)	-42.9%
17	Depreciation and amortisation	(5,637)	-9.8%	(4,502)	-5.2%	(1,135)	25.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(81)	-0.1%	(432)	-0.7%	351	-81.2%
20	Reversal of impairment losses and nonmonetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(5,718)	-9.9%	(4,934)	-5.9%	(784)	15.9%
22	Operating margin/EBIT (16+21)	(246)	-0.4%	4,656	5.5%	(4,902)	n.m.
23	Interest and finance income	1,059	1.8%	8,155	14.8%	(7,096)	-87.0%
24	Interest expense and finance costs	(967)	-1.7%	(2,398)	-3.3%	1,431	-59.7%
25	Net finance income	92	0.2%	5,757	11.5%	(5,665)	-98.4%
26	Profit before tax (22+25)	(154)	-0.3%	10,413	17.0%	(10,567)	n.m.
27	Current tax	(596)	-1.0%	(3,490)	-5.3%	2,894	-82.9%
28	Deferred tax	337	0.6%	143	0.2%	194	n.m.
29	Total income tax expense	(259)	-0.5%	(3,347)	-5.0%	3,088	-92.2%
30	Net profit from continuing operations (26+29)	(413)	-0.7%	7,066	11.9%	(7,479)	n.m.
31	Net profit from discontinued operations	12,427	21.6%	718	0.8%	11,709	n.m.
32	Net profit	12,014	20.9%	7,784	8.9%	4,230	54.3%

Earnings per share

	Earnings per share (Euro):	31 March 2018	31 March 2017	Change	
33	Basic earnings for continuing operations per share	(0.03)	0.50	(0.53)	n.m.
33	Basic earnings for discontinued operations per share	0.87	0.05	0.82	n.m.
33	Basic earnings per share	0.84	0.55	0.29	52.7%
34	Diluted earnings for continuing operations per share	(0.03)	0.50	(0.53)	n.m.
34	Diluted earnings for discontinued operations per share	0.87	0.05	0.82	n.m.
34	Diluted earnings per share	0.84	0.55	0.29	52.7%

Results at 31st March 2018, as expected, are in line with what was reported in the previous quarters, as the current fiscal year did not see any significant new launch in either Premium Games or Free to Play videogames. In accordance to this, consolidated gross revenues were Euro 61,968 million, -32.8% compared to €92,173 million in the same period of the previous fiscal year. Net revenue amounted to Euro 57,598 thousand, down by 34.2% on the Euro 87,473 thousand reported at 31 March 2017.

Revenue breakdown by videogame title at March 31st, 2018 compared with the same period of the last fiscal year is as follows:

Euro thousands	Gross revenues				Net revenues			
	2018	2017	Change		2018	2017	Change	
Premium Games	43,124	70,749	(27,625)	-39.0%	40,505	67,740	(27,234)	-40.2%
Italian Distribution	14,053	14,959	(906)	-6.1%	12,455	13,598	(1,144)	-8.4%
Free to Play	4,188	5,845	(1,657)	-28.3%	4,188	5,845	(1,657)	-28.3%
Other activities	603	620	(17)	-2.7%	450	290	160	55.5%
Total Revenue	61,968	92,173	(30,205)	-32.8%	57,598	87,473	(29,875)	-34.2%

The Premium Games operating segment generated revenue of Euro 43,124 thousand for the months ended 31 March 2017. This was down by Euro 27,625 thousand on the corresponding period in prior year which benefited from revenue totalling more than Euro 33 million generated by the Rocket League video game and by console versions of Assetto Corsa. A detailed breakdown of revenue by video game is provided below:

Euro thousands	31 March 2018	31 March 2017	Change
PAYDAY 2	6,955	10,050	(3,095)
Terraria	5,862	10,718	(4,856)
Assetto Corsa	4,675	10,339	(5,664)
Portal Knights	4,657	1,504	3,153
Sniper Elite V3	2,047	4,586	(2,539)
How to Survive	1,196	1,774	(578)
Abzu	871	4,218	(3,347)
Retail products	14,302	23,197	(8,895)
Other products	2,559	4,363	(1,804)
Premium Games revenue	43,124	70,749	(27,625)

Good performance of videogames with the brand Portal Knights thanks to the launches of mobile and Nintendo Switch versions. International distribution in the retail only channel of products of international

publishers without a dedicated distribution network generated revenue of Euro 14,302 thousand i.e. around 33% of the total revenue of the operating segment with the releases of Pillars of Eternity, Redout and Inside/Limbo. Meanwhile, revenue from the Rocket League video game ceased after rights to that videogame ended with effect from 30 June 2017.

Best performances were Terraria and PAYDAY2 and the various versions of the two generated revenue of around Euro 12.8 million. This is despite the fact that these products were launched on the market years ago.

Italian Distribution revenue down by 6.1% compared to previous year due to a significant decrease in sales of trading cards through newsstand.

The Free to Play operating segment revenues decreased by 28.3% despite stable revenues from Gems of War during the period. The main reason for this decrease is Hawken videogame. The intellectual property of Hawken was acquired by the Group in the past fiscal year. The second, high potential, version of the game is now under development. In order to focus on this new project, the previous version will be discontinued and investment will solely focus on the sequel.

Revenue from the Other activities operating segment at Euro 603 thousand and represent the sales made by Daily Fantasy Sport Fantasfida and the revenue generated by specialist courses organised by Digital Bros Game Academy S.r.l..

The fall in gross profit was kept down to 18.9% (-Euro 6,003 thousand) as cost of sales for the nine-month period was contained by more than the reduction in revenue.

Investments on intellectual property in progress meant that other revenue increased by Euro 1,145 thousand, from Euro 939 thousand to Euro 2,084 thousand; this relates to the capitalisation of internal costs incurred for the development of future versions of Hawken and Assetto Corsa.

Costs for services and other operating costs decreased by 24.5% and 41.7%, respectively, as a result of the revenue trend. The 17.9% increase in personnel costs is completely out of sync with the fall in revenue and reflects the investment the Group has made in human resources to ensure that major video games under development can be released next year. Consequently, operating costs decrease generated a fall in EBITDA of 42.9%.

Non-monetary operating costs has increased by Euro 784 thousand mainly because of a Euro 1,135 thousand increase in amortisation of intellectual property owned by the Group. As a result, EBIT has decreased by Euro 4,902 thousand to a negative figure of Euro 246 thousand compared to the positive figure of Euro 4,656 thousand for the nine months ended 31 March 2017.

Net finance income totalled Euro 92 thousand against Euro 5,757 thousand for the nine months ended 31 March 2017 – the comparative period benefited from the gain of Euro 6,891 thousand on the sale of shares in Starbreeze.

Loss before taxation for the period ended 31 March 2018 amounted to Euro 154 thousand compared to Euro 10,567 thousand for the period ended 31 March 2017. The net loss of Euro 413 thousand from continuing operations represents a Euro 7,479 thousand decrease on the net profit of Euro 7,066 thousand for the period ended 31 March 2017.

Meanwhile, the capital gain from the disposal of Pipeworks Inc., which was considered non-core, was Euro 13,945 thousand decreased to Euro 12,427 thousand by transaction costs and increased by the results of the participated company until 23rd February 2018.

Consolidated net profit amounts to Euro 12,014 thousand, a Euro 4,230 thousand increase compared to the net profit of Euro 7,784 thousand for the period ended 31 March 2017.

Basic earnings per share and diluted earnings per share amount to Euro 0.84 compared to Euro 0.55 for the corresponding period in prior year.

Statement of Profit or Loss for assets destined for sale

The Statement of Profit or Loss for assets destined for sale for the period ended 31 March 2018 with comparative figures for the previous period is set out below:

	Euro thousands	31 March 2018	31 March 2017	Change	
1	Gross revenue	5,675	6,839	(1,164)	-17.0%
2	Revenue adjustments	0	0	0	0.0%
3	Net revenue	5,675	6,839	(1,164)	-17.0%
4	Purchase of products for resale	0	0	0	0.0%
5	Purchase of services for resale	(1,342)	(577)	(765)	n.m.
6	Royalties	0	0	0	0.0%
7	Changes in inventories of finished products	0	0	0	0.0%
8	Total cost of sales	(1,342)	(577)	(765)	n.m.
9	Gross profit (3+8)	4,333	6,262	(1,929)	-30.8%
10	Other income	769	494	275	55.7%
11	Cost of services	(1,926)	(294)	(1,632)	n.m.
12	Lease and rental charges	(92)	0	(92)	n.m.
13	Personnel costs	(3,849)	(4,535)	686	-15.1%
14	Other operating costs	(97)	(103)	6	-5.5%
15	Total operating costs	(5,964)	(4,933)	(1,032)	20.9%
16	Gross operating margin (EBITDA) (9+10+15)	(862)	1,823	(2,685)	n.m.
17	Depreciation and amortisation	(578)	(446)	(132)	29.7%
18	Allocations to provisions	0	0	0	0.0%
19	Impairment losses recognised on assets	(90)	0	(90)	n.m.
20	Reversal of impairment losses and non-monetary income	13,945	0	13,945	n.m.
21	Total non-monetary income and operating costs	13,277	(446)	13,723	n.m.
22	Operating margin (EBIT) (16+21)	12,415	1,378	11,037	n.m.
23	Interest and finance income	0	0	0	0.0%
24	Interest expense and finance costs	0	0	0	0.0%
25	Net finance income (costs)	0	0	0	0.0%
26	Profit before tax (22+25)	12,415	1,378	11,037	n.m.
27	Current tax	(54)	(786)	732	-93.1%
28	Deferred tax	66	127	(61)	-47.9%
29	Total income tax expense	12	(660)	672	n.m.
30	Profit for the period (26+29)	12,427	718	11,709	n.m.

7. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Euro Thousands	31 March 2018	30 June 2017	Change	
	Non-current assets				
1	Property, plant and equipment	5,902	6,619	(717)	-10.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	16,009	18,867	(2,858)	-15.1%
4	Equity investments	1,279	1,345	(66)	0.0%
5	Non-current receivables and other assets	9,158	1,052	8,106	n.m.
6	Deferred tax assets	2,855	2,807	48	1.7%
	Total non-current assets	35,203	30,690	4,513	14.7%
	Non-current liabilities				
7	Employee benefits	(530)	(545)	15	-2.7%
8	Non-current provisions	(80)	(79)	(1)	1.1%
9	Other non-current payables and liabilities	0	0	0	n.m.
	Total non-current liabilities	(610)	(624)	14	-2.2%
	Net working capital				
10	Inventories	14,916	12,815	2,101	16.4%
11	Trade receivables	34,749	36,763	(2,014)	-5.5%
12	Current tax assets	3,784	2,064	1,720	83.3%
13	Other current assets	5,436	3,263	2,173	66.6%
14	Trade payables	(18,544)	(27,680)	9,136	-33.0%
15	Current tax liabilities	(1,828)	(5,736)	3,908	-68.1%
16	Current provisions	(854)	(854)	0	0.0%
17	Other current liabilities	(1,266)	(3,954)	2,688	-68.0%
	Total net working capital	36,393	16,681	19,712	n.m.
	Capital and reserves				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,094)	(19,805)	(289)	1.5%
20	Treasury shares	0	0	0	0.0%
21	Retained earnings (accumulated losses)	(43,124)	(33,265)	(9,859)	29.6%
	Total equity	(68,922)	(58,774)	(10,148)	17.3%
	Total net assets	2,064	(12,027)	14,091	n.m.
22	Cash and cash equivalents	3,995	12,136	(8,141)	-67.1%
23	Current bank borrowing	(3,258)	(1,942)	(1,316)	67.8%
24	Other current financial assets and liabilities	(390)	950	(1,340)	n.m.
	Current net cash/debt	347	11,144	(10,797)	-96.9%
25	Non-current financial assets	1,332	1,306	26	2.0%
26	Non-current bank borrowing	(3,714)	(383)	(3,331)	n.m.
27	Other non-current financial liabilities	(29)	(40)	11	-28.7%
	Non-current net financial position	(2,411)	883	(3,294)	n.m.
	Total net financial position	(2,064)	12,027	(14,091)	n.m.

Non-current assets increased by €4,513 thousand compared to 30 June 2017 as a result of the recognition of the credit of 10 million US dollars due beyond 12 months for the sale of the company Pipeworks Inc., reduced by the amortization of intangible assets.

Net working capital increased by Euro 19,712 thousand compared to 30 June 2017 mainly for less trade payables of Euro 9,136 thousand and less tax payables of Euro 3,908 thousand. The following table contains a breakdown of net working capital with comparative figures at 30 June 2017:

Euro Thousands	31 March 2018	30 June 2017	Change	
Inventories	14,916	12,815	2,101	16.4%
Trade receivables	34,749	36,763	(2,014)	-5.5%
Tax receivables	3,784	2,064	1,720	83.3%
Other current assets	5,436	3,263	2,173	66.6%
Trade payables	(18,544)	(27,680)	9,136	-33.0%
Tax payables	(1,828)	(5,736)	3,908	-68.1%
Current provisions	(854)	(854)	0	0.0%
Other current liabilities	(1,266)	(3,954)	2,688	-68.0%
Total net working capital	36,393	16,681	19,712	n.m.

The net financial position is negative with net cash of Euro 2,064 thousand, a Euro 14,091 thousand decrease compared to the figure of Euro 12,017 thousand at 30 June 2017.

The following table contains a breakdown of the net financial position with comparative figures at 30 June 2017:

Euro Thousands	31 March 2018	30 June 2017	Change	
Cash and cash equivalents	3,995	12,136	(8,141)	-67.1%
Current bank borrowing	(3,258)	(1,942)	(1,316)	67.8%
Other current financial assets and liabilities	(390)	950	(1,340)	n.m.
Current net financial position	347	11,144	(10,797)	-96.9%
Non-current financial assets	1,332	1,306	26	2.0%
Non-current bank borrowing	(3,714)	(383)	(3,331)	n.m.
Non-current other financial liabilities	(29)	(40)	11	-28.7%
Non-current net financial position	(2,411)	883	(3,294)	n.m.
Total net financial position	(2,064)	12,027	(14,091)	n.m.

In line with what was expected, net financial position is negative of Euro 2,064 thousand, a Euro 14,091 thousand decrease compared to the figure at 30 June 2017, due to significant investments in new productions expected for next financial years.

8. PERFORMANCE BY OPERATING SEGMENT

Premium Games

Reclassified income statement highlights

	Consolidated figures in thousands of Euro	Premium Games					
		31 March 2018		31 March 2017		Change	
1	Gross revenue	43,124	106.5%	70,749	104.4%	(27,625)	-39.0%
2	Revenue adjustments	(2,619)	-6.5%	(3,009)	-4.4%	390	-13.0%
3	Net revenue	40,505	100.0%	67,740	100.0%	(27,235)	-40.2%
4	Purchase of products for resale	(6,458)	-15.9%	(14,683)	-21.7%	8,225	-56.0%
5	Purchase of services for resale	(2,206)	-5.4%	(3,044)	-4.5%	838	-27.5%
6	Royalties	(12,236)	-30.2%	(27,114)	-40.0%	14,878	-54.9%
7	Changes in inventories of finished products	(117)	-0.3%	2,098	3.1%	(2,215)	n.m.
8	Total cost of sales	(21,017)	-51.9%	(42,743)	-63.1%	21,726	-50.8%
9	Gross profit (3+8)	19,488	48.1%	24,997	36.9%	(5,509)	-22.0%
10	Other income	910	2.2%	22	0.0%	888	n.m.
11	Cost of services	(3,687)	-9.1%	(4,885)	-7.2%	1,198	-24.5%
12	Lease and rental charges	(424)	-1.0%	(447)	-0.7%	23	-5.1%
13	Personnel costs	(6,820)	-16.8%	(5,317)	-7.8%	(1,503)	28.3%
14	Other operating costs	(288)	-0.7%	(368)	-0.5%	80	-21.8%
15	Total operating costs	(11,219)	-27.7%	(11,017)	-16.3%	(202)	1.8%
16	Gross operating margin (EBITDA) (9+10+15)	9,179	22.7%	14,002	20.7%	(4,823)	-34.4%
17	Depreciation and amortisation	(3,335)	-8.2%	(1,849)	-2.7%	(1,486)	80.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(8)	0.0%	0	0.0%	(8)	n.m.
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(3,343)	-8.3%	(1,849)	-2.7%	(1,494)	80.8%
22	Operating margin (EBIT) (16+21)	5,836	14.4%	12,153	17.9%	(6,317)	-52.0%

The revenue reported by this operating segment for the nine-month period are in line with previous quarters, affected by the lack of any significant new video game launches. Gross revenue of the operating segment for the nine months ended 31 March 2018 amounted to Euro 43,124 thousand, down by 39% on the Euro 70,749 thousand reported for the corresponding period in prior year. Net revenue amounted to Euro 40,505 thousand, a decrease of 40.2% compared to Euro 67,740 thousand for the period ended 31 March 2017.

Gross revenue by video game is analysed as follows:

Amounts in Euro thousands	31 March 2018	31 March 2017	Change
PAYDAY 2	6,955	10,050	(3,095)
Terraria	5,862	10,718	(4,856)
Assetto Corsa	4,675	10,339	(5,664)
Portal Knights	4,657	1,504	3,153
Sniper Elite V3	2,047	4,586	(2,539)
How to Survive	1,196	1,774	(578)
Abzu	871	4,218	(3,347)
Retail products	14,302	23,197	(8,895)
Other products	2,559	4,363	(1,804)
Total Premium Games gross revenue	43,124	70,749	(27,625)

International distribution in the retail only channel of products of international publishers without a dedicated distribution network generated revenue of Euro 14,302 thousand i.e. around 33% 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.

Best performances were Terraria and PAYDAY2 and the various versions of the two generated revenue of around Euro 12.8 million. This is despite the fact that these products were launched on the market years ago.

The breakdown of gross revenue by distribution channel in the nine-month period was more in line with market trends with the retail distribution channel selling slightly more than the digital distribution channel:

Revenue in Euro thousands	31 March 2018	31 March 2017	Change
Retail distribution revenue	20,892	41,987	(21,095) -50.2%
Digital distribution revenue	19,886	25,300	(5,414) -21.4%
Sub-licensing revenue	2,346	3,462	(1,116) -32.2%
Total Premium Games revenue	43,124	70,749	(27,625) -39.0%

Digital distribution revenue for the period ended 31 March 2018 may be broken down by digital marketplace as follows:

Revenue in Euro thousands	31 March 2018	31 March 2017	Change
Sony PlayStation Network	6,713	10,642	(3,929) -36.9%
Microsoft Xbox Live	5,680	6,771	(1,091) -16.1%
Steam	4,314	4,417	(103) -2.3%
I Tunes	1,052	1,433	(381) -26.6%
Google	612	714	(102) -14.3%
Other Marketplaces	1,515	1,323	192 14.5%
Total digital distribution revenue	19,886	25,300	(5,414) -21.4%

Revenue adjustments have decreased from Euro 3,009 thousand to Euro 2,619 thousand for the period ended 31 March 2018. This line item includes an estimate of credit notes the Group expects it will have to issue to customers in the near future for unsold products. As a percentage of retail distribution revenue, the figure for the period of 12.5% is more in line with normal than in the nine-months period of prior year when

it stood at 7.1% of gross retail distribution revenue as a result of the particular success by Rocket League video game.

The net revenue of the operating segment has decreased by 40.2%.

Royalty costs amount to Euro 12,236 thousand against Euro 27,114 thousand for the period ended 31 March 2017. They have decreased by 54.9% compared to the corresponding period of prior year due to a decrease in net revenues and an increase of non-monetary operating costs by Euro 1,494 thousand due to higher sales of owned IP videogames that have less impact in terms of royalties.

Cost of sales has decreased by Euro 21,726 thousand resulting in a gross profit of Euro 19,488 thousand for the operating segment compared to Euro 24,997 thousand for the period ended 31 March 2017.

Costs for services and other operating costs have decreased by 24.5% and 21.8%, respectively, in line with the revenue trend. The 28,3% increase in personnel costs is completely inconsistent with the revenue trend and reflects the investment the Group has made in human resources to ensure that major video game projects under development can be launched next year. Consequently, operating costs fell with the result that EBITDA decreased by 34.4%.

EBIT amounts to Euro 5,836 thousand compared to Euro 12,153 thousand for the period ended 31 March 2017.

Free to Play

Reclassified income statement highlights

Consolidated figures in thousands of Euro		Free to Play					
		31 March 2018		31 March 2017		Change	
1	Gross revenue	4,188	100.0%	5,845	100.0%	(1,657)	-28.3%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	4,188	100.0%	5,845	100.0%	(1,657)	-28.3%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(1,791)	-42.8%	(3,112)	-53.2%	1,321	-42.5%
6	Royalties	(135)	-3.2%	(207)	-3.5%	72	-35.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(1,926)	-46.0%	(3,319)	-56.8%	1,393	-42.0%
9	Gross profit (3+8)	2,262	54.0%	2,526	43.2%	(264)	-10.4%
10	Other income	1,053	25.1%	776	13.3%	277	35.8%
11	Cost of services	(399)	-9.5%	(844)	-14.4%	445	-52.7%
12	Lease and rental charges	(65)	-1.6%	(49)	-0.8%	(16)	33.0%
13	Personnel costs	(2,276)	-54.4%	(2,372)	-40.6%	96	-4.0%
14	Other operating costs	(55)	-1.3%	(55)	-0.9%	0	0.0%
15	Total operating costs	(2,795)	-66.7%	(3,320)	-56.8%	525	-15.8%
16	Gross operating margin (EBITDA) (9+10+15)	520	12.4%	(18)	-0.3%	538	n.m.
17	Depreciation and amortisation	(1,616)	-38.6%	(2,020)	-34.6%	404	-20.0%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	0	0.0%	(27)	-0.5%	27	0.0%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(1,616)	-38.6%	(2,047)	-35.0%	431	-21.1%
22	Operating margin (EBIT) (16+21)	(1,096)	-26.2%	(2,065)	-35.3%	969	-46.9%

As in the Premium Games operating segment, no new products were launched in the Free to Play operating segment during the period. Revenue decreased by 28.3%. Activities during the period mainly regarded the development of the second version of Hawken which is currently being carried out internally with the related costs capitalised and reported under Other income.

The following table provides a detailed breakdown of revenue with comparative figures for the corresponding period in prior year:

Revenue in Euro thousands	31 March 2018	31 March 2017	Change
Gems of War	2,404	2,476	(72)
Battle Islands	1,142	1,893	(751)
Prominence Poker	514	838	(324)
Hawken	97	569	(472)
Other products	31	69	(38)
Total Free to Play revenue	4,188	5,845	(1,657)

Revenue from Gems of War have remained broadly stable and, as in prior year, said game was the leading source of revenue for the operating segment. The product that suffered most was Hawken which Intellectual Property was acquired by the Group in the past fiscal year. The second, high potential, version of the game is now under development. In order to focus on this new project, the previous version will be discontinued and investment will solely focus on the sequel.

The significant reduction in purchases costs of services for resale outstripped the fall in revenue and reflects both the smaller investment on live support activities – which were necessary in prior year in the immediate aftermath of the launch of Prominence Poker – and the significant saving on game hosting costs. Details are provided below:

Amounts in Euro thousands	31 March 2018	31 March 2017	Change
Live support	1,081	1,988	(907)
Quality assurance	176	231	(55)
Hosting	389	685	(296)
Other	145	208	(63)
Total purchases of services for resale	1,791	3,112	(1,321)

Operating costs mainly comprise advertising costs incurred to attract new players and personnel costs. The former decreased by Euro 445 thousand during the period while the latter decreased by Euro 96 thousand compared to the corresponding period of prior year.

Depreciation and amortisation decreased by Euro 404 thousand and are analysed as follows:

Amounts in thousands of Euro	31 March 2018	31 March 2017	Change
Amortisation of Battle Islands	73	327	(254)
Amortisation of intangible assets	1,531	1,669	(138)
Depreciation of property, plant and equipment	12	24	(12)
Total depreciation & amortisation	1,616	2,020	(404)

The decrease in amortisation of Battle Islands is due to the completion of the amortisation period of the goodwill emerging from the acquisition of DR Studios Ltd. in September 2014. The goodwill resulting from the difference between the equity of the company acquired and the agreed purchase price was allocated to the Battle Islands trademark and amortised over a period of 36 loss.

EBIT for the period is negative by Euro 1,096 thousand, an improvement compared to the negative figure of Euro 2,065 thousand for the period ended 31 March 2017.

Italian Distribution

Reclassified income statement highlights

	Consolidated figures in thousands of Euro	Italian Distribution					
		31 March 2018		31 March 2017		Change	
1	Gross revenue	14,053	112.8%	14,959	110.0%	(906)	-6.1%
2	Revenue adjustments	(1,598)	-12.8%	(1,361)	-10.0%	(237)	17.4%
3	Net revenue	12,455	100.0%	13,598	100.0%	(1,143)	-8.4%
4	Purchase of products for resale	(10,006)	-80.3%	(10,174)	-74.8%	168	-1.6%
5	Purchase of services for resale	(981)	-7.9%	(517)	-3.8%	(464)	89.7%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	2,218	17.8%	1,306	9.6%	912	69.9%
8	Total cost of sales	(8,769)	-70.4%	(9,385)	-69.0%	616	-6.6%
9	Gross profit (3+8)	3,686	29.6%	4,213	31.0%	(527)	-12.5%
10	Other income	17	0.1%	28	0.2%	(11)	-40.3%
11	Cost of services	(1,251)	-10.0%	(1,251)	-9.2%	0	0.0%
12	Lease and rental charges	(30)	-0.2%	(33)	-0.2%	3	-9.7%
13	Personnel costs	(1,114)	-8.9%	(1,183)	-8.7%	69	-5.8%
14	Other operating costs	(139)	-1.1%	(156)	-1.1%	17	-11.1%
15	Total operating costs	(2,534)	-20.3%	(2,623)	-19.3%	89	-3.4%
16	Gross operating margin (EBITDA) (9+10+15)	1,169	9.4%	1,618	11.9%	(449)	-27.7%
17	Depreciation and amortisation	(238)	-1.9%	(184)	-1.3%	(54)	29.8%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(53)	-0.4%	(405)	-3.0%	352	-86.9%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(291)	-2.3%	(589)	-4.3%	298	-50.6%
22	Operating margin (EBIT) (16+21)	878	7.0%	1,029	7.6%	(151)	-14.7%

Italian Distribution revenue down by 6.1% compared to previous year due to a drop in revenue in distribution of trading cards on through newstands.

Gross revenue is analysed by type of video game distributed as follows:

Euro Thousands	31 March 2018	31 March 2017	Change	
Distribution of video games for consoles	9,103	9,230	(127)	-1.4%
Distribution of video games for PC	227	604	(377)	-62.4%
Distribution of trading cards	4,295	4,726	(431)	-9.1%
Distribution of other products and services	428	399	29	7.3%
Total gross Italian Distribution revenue	14,053	14,959	(905)	-6.0%

Gross revenue from the distribution of video games for consoles is analysed below:

Revenue in Euro thousands	31 March 2018		31 March 2017		Change	
	Units	Revenue	Units	Revenue	Units	Revenue
Sony PlayStation 4	209,072	6,792	196,269	6,435	6.5%	5.5%
Sony PlayStation 3	38,395	607	38,147	908	0.7%	-33.1%
Microsoft Xbox One	38,663	1,105	34,926	1,174	10.7%	-5.8%
Microsoft Xbox 360	22,701	281	25,090	416	-9.5%	-32.6%
Nintendo Switch	10,274	288	0	0	n.m.	n.m.
Other consoles	13,296	29	67,626	297	n.m.	n.m.
Total console revenues	332,401	9,103	362,058	9,230	-8.2%	-1.4%

In line with console life cycles, there were increases in total revenue for the more recent platforms Sony PlayStation 4 e Microsoft Xbox One which recorded an increase of 5.5% and a limited decrease of 5.8%, respectively.

Sales of Yu-Gi-Oh! Trading cards decreased by 9.1% (-Euro 431 thousand).

Net revenue amounted to Euro 12,455 thousand, an 8.4% decrease compared to the corresponding period in prior year.

Cost of sales increased by 6.6% in line with revenues trend.

Operating costs remained broadly unchanged at Euro 2,534 thousand.

Non-monetary operating costs decreased by Euro 298 thousand as a result of a reduction of Euro 352 thousand in the amount allocated to the provision for doubtful debts, as partially countered by a Euro 54 thousand increase in amortisation.

The EBIT of the operating segment amounted to Euro 878 thousand, down on Euro 1,029 thousand for the nine months ended 31 March 2017.

Other Activities

Reclassified income statement highlights

Consolidated figures in thousands of Euro		Other Activities					
		31 March 2018		31 March 2017		Change	
1	Gross revenue	603	134.0%	620	214.1%	(17)	-2.7%
2	Revenue adjustments	(153)	-34.0%	(330)	-114.1%	177	-53.6%
3	Net revenue	450	100.0%	290	100.0%	160	55.5%
4	Purchase of products for resale	0	0.1%	0	0.1%	(0)	0.0%
5	Purchase of services for resale	(38)	-8.4%	(145)	-50.0%	107	-73.8%
6	Royalties	(28)	-6.2%	(58)	-20.0%	30	-51.8%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(66)	-14.8%	(203)	-70.2%	137	-67.3%
9	Gross profit (3+8)	384	85.2%	87	30.2%	297	n.m.
10	Other income	(0)	-0.1%	0	0.0%	(0)	0.0%
11	Cost of services	(353)	-78.4%	(799)	-275.9%	446	-55.8%
12	Lease and rental charges	(9)	-1.9%	(15)	-5.1%	6	-40.8%
13	Personnel costs	(630)	-139.9%	(615)	-212.3%	(15)	2.4%
14	Other operating costs	(47)	-10.4%	(36)	-12.5%	(11)	28.7%
15	Total operating costs	(1,039)	-230.8%	(1,465)	-505.9%	426	-29.1%
16	Gross operating margin (EBITDA) (9+10+15)	(655)	-145.6%	(1,378)	-476.0%	723	-52.4%
17	Depreciation and amortisation	(289)	-64.3%	(282)	-97.5%	(7)	2.5%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(289)	-64.3%	(282)	-97.5%	(7)	2.5%
22	Operating margin (EBIT) (16+21)	(944)	-209.6%	(1,660)	-573.1%	716	-43.1%

The Other activities operating segment reports revenue of Euro 404 thousand which regards sales made by the Daily Fantasy Sport Fantasfida and revenue generated by training courses organised by Digital Bros Game Academy S.r.l..

Revenue adjustments regard the tax amount paid on revenue generated by the www.gameplaza.it and www.fantasfida.it web sites and amounts paid as prizes to Fantasfida players. They have decreased significantly compared to the corresponding period in prior year.

Operating costs have decreased by Euro 462 thousand from Euro 1,465 thousand to Euro 1,039 thousand as a result of the lower costs incurred for Fantasfida related services.

EBIT was negative by Euro 944 thousand, an improvement of Euro 716 thousand compared to the negative EBIT of Euro 1,660 thousand for the nine months ended 31 March 2017.

The effect of the activities of the Daily Fantasy Sport Fantasfida on the operating margin was Euro 881 thousand negative. Following the Group's decision not to participate to the new public call for procurement of the concession for the future, the activities under AAMS concession will be interrupted in May 2018 and therefore this loss will not be repeatable.

Holding

Reclassified income statement highlights

Consolidated figures in thousands of Euro		Holding					
		31 March 2018		31 March 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	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase 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	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	104	0.0%	113	0.0%	(9)	-7.9%
11	Cost of services	(1,058)	0.0%	(1,164)	0.0%	106	-9.1%
12	Lease and rental charges	(550)	0.0%	(560)	0.0%	10	-1.8%
13	Personnel costs	(2,919)	0.0%	(2,184)	0.0%	(735)	33.7%
14	Other operating costs	(318)	0.0%	(839)	0.0%	521	-62.0%
15	Total operating costs	(4,845)	0.0%	(4,747)	0.0%	(98)	2.1%
16	Gross operating margin (EBITDA) (9+10+15)	(4,741)	0.0%	(4,634)	0.0%	(107)	2.3%
17	Depreciation and amortisation	(159)	0.0%	(167)	0.0%	8	-5.0%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(20)	0.0%	0	0.0%	(20)	n.m.
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(179)	0.0%	(167)	0.0%	(12)	7.1%
22	Operating margin (EBIT) (16+21)	(4,920)	0.0%	(4,801)	0.0%	(119)	2.5%

Operating costs amounted to Euro 4,845 thousand, an increase of Euro 98 thousand compared to the first nine months of prior year. The decrease is the net result of a Euro 521 thousand reduction in other operating costs and a Euro 735 thousand increase in personnel costs.

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

9. ANALYSIS OF RESULTS FOR THE THIRD QUARTER OF THE FINANCIAL YEAR 2017/2018

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

	Euro thousands	3rd quarter 2017/2018		3rd quarter 2016/2017		Change	
1	Gross revenue	17,906	106.0%	29,893	105.8%	(11,987)	-40.1%
2	Revenue adjustments	(1,006)	-6.0%	(1,246)	-5.8%	240	-19.3%
3	Net revenue	16,900	100.0%	28,647	100.0%	(11,748)	-41.0%
4	Purchase of products for resale	(5,388)	-31.9%	(9,170)	-26.7%	3,782	-41.2%
5	Purchase of services for resale	(1,826)	-10.8%	(1,934)	-8.3%	108	-5.6%
6	Royalties	(2,882)	-17.1%	(9,466)	-30.5%	6,584	-69.6%
7	Changes in inventories of finished products	1,537	9.1%	2,256	2.0%	(719)	-31.9%
8	Total cost of sales	(8,559)	-50.6%	(18,315)	-63.5%	9,755	-53.3%
9	Gross profit (3+8)	8,341	49.4%	10,333	36.5%	(1,991)	-19.3%
10	Other income	993	5.9%	330	1.0%	663	n.m.
11	Cost of services	(2,111)	-12.5%	(2,908)	-10.3%	797	-27.4%
12	Lease and rental charges	(359)	-2.1%	(376)	-1.2%	16	-4.4%
13	Personnel costs	(4,768)	-28.2%	(4,196)	-12.7%	(572)	13.6%
14	Other operating costs	(284)	-1.7%	(313)	-1.9%	30	-9.4%
15	Total operating costs	(7,522)	-44.5%	(7,793)	-26.1%	270	-3.5%
16	Gross operating margin (EBITDA) (9+10+15)	1,812	10.7%	2,871	11.4%	(1,059)	-36.9%
17	Depreciation and amortisation	(1,916)	-11.3%	(1,604)	-5.2%	(312)	19.5%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(1)	0.0%	(27)	-0.7%	26	0.0%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(1,917)	-11.3%	(1,631)	-5.9%	(286)	17.5%
22	Operating margin (EBIT) (16+21)	(105)	-0.6%	1,240	5.5%	(1,345)	n.m.
23	Interest and finance income	296	1.8%	(571)	14.8%	867	n.m.
24	Interest expense and finance costs	(432)	-2.6%	(435)	-3.3%	3	-0.7%
25	Net finance income (costs)	(136)	-0.8%	(1,006)	11.5%	870	-86.5%
26	Profit before tax (22+25)	(241)	-1.4%	235	17.0%	(476)	n.m.
27	Current tax	(166)	-1.0%	(401)	-5.3%	235	-58.7%
28	Deferred tax	142	0.8%	71	0.2%	71	n.m.
29	Total income tax expense	(24)	-0.1%	(329)	-5.0%	305	-92.6%
30	Profit from continuing operations (26+29)	(265)	-1.6%	(93)	11.9%	(172)	n.m.
	Profit from discontinued operations	12,261	72.6%	482	1.7%	11,779	n.m.
	Net Profit	11,996	71.0%	389	1.4%	11,607	n.m.

Revenue for the third quarter of the current fiscal year are Euro 17,906 thousand, decreased by Euro 11,987 thousand compared to Euro 29,893 thousand of past fiscal year.

The decrease in cost of sales of 53,3% was higher than the decrease in revenue, lowering the gross profit reduction to 19.3% (-Euro 1,991 thousand).

Operating costs are in line with the previous fiscal year at Euro 7,522 thousand due to increased personnel costs.

The gross operating margin is negative of Euro 105 thousand compared to the positive gross operating margin reported for the prior year third quarter of Euro 1,240 thousand.

Net loss from continuing operations for the period amounted to Euro 265 thousand compared to the net loss of Euro 93 thousand for the third quarter of last financial year.

Net profit for the quarter came to Euro 12,261 thousand compared to a net profit of Euro 482 thousand for the prior year third quarter following the capital gain effects from Pipeworks Inc. disposal.

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

Premium Games

The Premium Games operating segment's results for the third quarter, together with prior year comparatives, are set out below:

	Euro Thousand	Premium Games					
		3rd quarter 2017/2018		3rd quarter 2016/2017		Change	
1	Gross revenue	12,540	102.7%	23,214	103.0%	(10,676)	-46.0%
2	Revenue adjustments	(328)	-2.7%	(675)	-3.0%	347	0.0%
3	Net revenue	12,212	100.0%	22,539	100.0%	(10,327)	-45.8%
4	Purchase of products for resale	(2,062)	-16.9%	(5,616)	-24.9%	3,554	-63.3%
5	Purchase of services for resale	(994)	-8.1%	(767)	-3.4%	(226)	29.5%
6	Royalties	(2,865)	-23.5%	(9,447)	-41.9%	6,581	-69.7%
7	Changes in inventories of finished products	56	0.5%	1,450	6.4%	(1,394)	-96.1%
8	Total cost of sales	(5,865)	-48.0%	(14,380)	-63.8%	8,515	-59.2%
9	Gross profit (3+8)	6,347	52.0%	8,160	36.2%	(1,812)	-22.2%
10	Other income	616	5.0%	8	0.0%	608	n.m.
11	Cost of services	(1,180)	-9.7%	(1,529)	-6.8%	349	-22.8%
12	Lease and rental charges	(145)	-1.2%	(154)	-0.7%	9	-5.8%
13	Personnel costs	(2,460)	-20.1%	(1,830)	-8.1%	(630)	34.4%
14	Other operating costs	(89)	-0.7%	(121)	-0.5%	32	-26.9%
15	Total operating costs	(3,874)	-31.7%	(3,634)	-16.1%	(240)	6.6%
16	Gross operating margin (EBITDA) (9+10+15)	3,089	25.3%	4,534	20.1%	(1,444)	-31.9%
17	Depreciation and amortisation	(1,171)	-9.6%	(635)	-2.8%	(536)	84.5%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(1)	0.0%	0	0.0%	(1)	n.m.
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(1,172)	-9.6%	(635)	-2.8%	(537)	84.6%
22	Operating margin (EBIT) (16+21)	1,917	15.7%	3,899	17.3%	(1,982)	-50.8%

Gross revenue reported by the Premium Games operating segment decreased by Euro 10,676 thousand compared to the prior year third quarter, whereas net revenue decreased by Euro 10,327 thousand, from Euro 22,539 thousand to Euro 12,212 thousand for the quarter just ended. Gross profit amounted to Euro 6,347 thousand versus Euro 8,160 thousand reported for the prior year third quarter.

Operating costs increased by Euro 240 thousand, whereas non-monetary operating costs increased by Euro 537 thousand, resulting in an operating margin of Euro 1,917 thousand, compared to an operating margin of Euro 3,899 thousand for the prior year third quarter.

Free to Play

The Free to Play operating segment's results for the third quarter, together with prior year comparatives, are set out below:

	Euro Thousand	Free to Play					
		3rd quarter 2017/2018		3rd quarter 2016/2017		Change	
1	Gross revenue	1,489	100.0%	1,979	100.0%	(491)	-24.8%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	1,489	100.0%	1,979	100.0%	(491)	-24.8%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(508)	-34.2%	(848)	-42.8%	339	-40.0%
6	Royalties	(6)	-0.4%	0	0.0%	(6)	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(515)	-34.6%	(848)	-42.8%	333	-39.3%
9	Gross profit (3+8)	975	65.5%	1,131	57.2%	(157)	-13.8%
10	Other income	335	22.5%	279	14.1%	56	19.9%
11	Cost of services	(135)	-9.1%	(371)	-18.7%	235	-63.5%
12	Lease and rental charges	(20)	-1.3%	(16)	-0.8%	(5)	24.9%
13	Personnel costs	(685)	-46.0%	(918)	-46.4%	233	-25.4%
14	Other operating costs	(22)	-1.5%	(20)	-1.0%	(2)	9.8%
15	Total operating costs	(862)	-57.9%	(1,325)	-66.9%	462	-34.9%
16	Gross operating margin (EBITDA) (9+10+15)	448	30.1%	86	4.3%	362	n.m.
17	Depreciation and amortisation	(510)	-34.3%	(731)	-36.9%	221	-30.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	0	0.0%	(27)	-1.4%	27	0.0%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(510)	-34.3%	(758)	-38.3%	248	-32.7%
22	Operating margin (EBIT) (16+21)	(62)	-4.2%	(672)	-34.0%	610	-90.8%

Gross revenue reported by the Free to Play operating segment amounted to Euro 1,489 thousand, decreased by 24.8% compared to the prior year third quarter.

The most significant part consists of revenue arising from sales of the Gems of War video game, which generated revenue for Euro 920 thousand.

Cost of sales fell by Euro 333 thousand, as a result of a decrease in the cost of services for resale of Euro 339 thousand.

Gross profit for the third quarter came to Euro 975 thousand, compared to a prior year gross profit of Euro 1,131 thousand.

Operating costs decreased by Euro 462 thousand compared to the same prior year period and non-monetary operating costs decreased by Euro 248 thousand, resulting in a negative operating margin of just Euro 62 thousand, representing a marked improvement compared to the negative operating margin of Euro 672 thousand euros for the prior year third quarter.

Italian Distribution

The Italian Distribution operating segment's results for the third quarter, together with prior year comparatives, are set out below:

Euro Thousand		Italian Distribution					
		3rd quarter 2017/2018		3rd quarter 2016/2017		Change	
1	Gross revenue	3,678	120.5%	4,484	111.6%	(806)	-18.0%
2	Revenue adjustments	(626)	-20.5%	(466)	-11.6%	(160)	34.2%
3	Net revenue	3,052	100.0%	4,018	100.0%	(966)	-24.0%
4	Purchase of products for resale	(3,326)	-109.0%	(3,554)	-88.5%	227	-6.4%
5	Purchase of services for resale	(310)	-10.1%	(265)	-6.6%	(45)	16.8%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	1,481	48.5%	805	20.0%	677	84.1%
8	Total cost of sales	(2,155)	-70.6%	(3,014)	-75.0%	859	-28.5%
9	Gross profit (3+8)	897	29.4%	1,004	25.0%	(107)	-10.6%
10	Other income	5	0.2%	6	0.2%	(1)	-14.9%
11	Cost of services	(397)	-13.0%	(397)	-9.9%	0	0.0%
12	Lease and rental charges	(9)	-0.3%	(10)	-0.3%	2	-15.1%
13	Personnel costs	(360)	-11.8%	(416)	-10.3%	56	-13.4%
14	Other operating costs	(47)	-1.5%	(64)	-1.6%	17	-26.4%
15	Total operating costs	(813)	-26.6%	(887)	-22.1%	74	-8.4%
16	Gross operating margin (EBITDA) (9+10+15)	89	2.9%	122	3.0%	(34)	-27.6%
17	Depreciation and amortisation	(80)	-2.6%	(82)	-2.0%	2	-1.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(80)	-2.6%	(82)	-2.0%	2	-1.4%
22	Operating margin (EBIT) (16+21)	9	0.3%	41	1.0%	(32)	n.m.

Revenue of the operating segment decreased in the quarter by 18% from Euro 4,484 thousand to Euro 3,678 thousand, due to a significant decrease of the sales of trading cards through newsstand.

Gross revenue is analysed by type of video game distributed as follows:

Euro Thousands	3rd quarter 2017/2018	3rd quarter 2016/2017	Change	
Distribution of video games for consoles	2,626	1,661	965	58.1%
Distribution of video games for PC	15	36	(21)	-57.5%
Distribution of trading cards	874	2,642	(1,768)	-66.9%
Distribution of other products and services	163	145	18	12.4%
Total gross Italian Distribution revenue	3,678	4,484	(806)	-17.9%

The operating segment's cost of sales for the quarter decreased by Euro 859 thousand, which was higher than the increase in revenue, this permitted the limitation in gross profit reduction of Euro 107 thousand to Euro 897 thousand compared with that reported for the prior year third quarter of Euro 1,004 thousand.

Operating costs decreased by Euro 74 thousand, giving rise to a positive operating margin of Euro 9 thousand, representing stable situation compared to the prior year third quarter.

10. CONTINGENT ASSETS AND LIABILITIES

The sale of PAYDAY2 rights 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 the net revenue generated by Starbreeze from sales of PAYDAY3.

At the reporting date, the Group treated this contractual item as a contingent asset, as at the end of the previous reporting period.

11. EVENTS AFTER THE REPORTING PERIOD

There were no events after the closing of the financial period.

12. BUSINESS OUTLOOK

FOURTH QUARTER

The Group's activities in the last quarter will remain focused on the preparation of the release of major productions whose launch is expected in the next fiscal year. Further the Group is working towards the release of the new video game Memories of Mars on Steam early access program, in June.

The Directors expect results for the last quarter of the current fiscal year to be in line with the previous two quarters of this fiscal year in terms of revenues and operating margin.

The net financial position is expected to remain stable to what registered at 31 March 2018.

FISCAL YEAR ENDING 30 JUNE 2019

Revenue of between Euro 145 million and Euro 190 million is forecast for the next financial year, as already indicated, thanks to the simultaneous release of major productions already in progress such as OVERKILL's the Walking Dead (Autumn 2018), the videogame which is the result of an agreement with Finnish company Remedy Entertainment and, not least, Bloodstained.

In line with investment on new productions, the net financial position will deteriorate during the first half of the financial year before recovering strongly in line with the trend seen in previous annual reporting periods.

13. OTHER INFORMATION

EMPLOYEES

The following table contains a breakdown of the employee headcount at 31 March 2018 with comparative figures at 31 March 2017:

Category	31 March 2018	31 March 2017	Change
Managers	8	10	(2)
White collar workers	168	234	(66)
Blue collar workers and apprentices	4	4	0
Total employees	180	248	(68)

The decrease in employees is determined from Pipeworks Inc. disposal on 23 February 2018.

The following table contains a detailed breakdown of the employee headcount of non-Italian companies at 31 March 2018 with comparative figures at 31 March 2017:

Category	31 March 2018	31 March 2017	Change
Managers	3	5	(2)
White collar workers	101	171	(70)
Total employees in other countries	104	176	(72)

In order to give a better view for the nine months period, the following table contains the detailed breakdown of the employee headcount at 31 March 2018 with comparative figures at 31 March 2017 excluding Pipeworks Inc. employees.

Category	31 March 2018	31 March 2017	Change
Managers	8	9	(1)
White collar workers	168	160	8
Blue collar workers and apprentices	4	4	0
Total employees	180	173	7

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

Category	2018 average	2017 average	Change
Managers	9	10	(1)
White collar workers	237	229	8
Blue collar workers and apprentices	4	4	0
Total employees	250	243	7

The average headcount at non-Italian companies during the period is as follows:

Category	2018 average	2017 average	Change
Managers	4	5	(1)
White collar workers	167	170	(3)
Total employees in other countries	172	175	(4)

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

ENVIRONMENT

At 31 March 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 any such problems should arise in the future.

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Condensed consolidated financial statements for the period ended 31 March 2018

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated statement of financial position as at 31 March 2018

	Euro Thousand	31 March 2018	30 June 2017	Change	
	Non-current assets				
1	Property, plant and equipment	5,902	6,619	(717)	-10.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	16,009	18,867	(2,858)	-15.1%
4	Equity investments	1,279	1,345	(66)	0.0%
5	Non-current receivables and other assets	9,158	1,052	8,106	n.m.
6	Deferred tax assets	2,855	2,807	48	1.7%
	Total non-current assets	35,203	30,690	4,513	14.7%
	Non-current liabilities				
7	Employee benefits	(530)	(545)	15	-2.7%
8	Non-current provisions	(80)	(79)	(1)	1.1%
9	Other non-current payables and liabilities	0	0	0	n.m.
	Total non-current liabilities	(610)	(624)	14	-2.2%
	Net working capital				
10	Inventories	14,916	12,815	2,101	16.4%
11	Trade receivables	34,749	36,763	(2,014)	-5.5%
12	Current tax assets	3,784	2,064	1,720	83.3%
13	Other current assets	5,436	3,263	2,173	66.6%
14	Trade payables	(18,544)	(27,680)	9,136	-33.0%
15	Current tax liabilities	(1,828)	(5,736)	3,908	-68.1%
16	Current provisions	(854)	(854)	0	0.0%
17	Other current liabilities	(1,266)	(3,954)	2,688	-68.0%
	Total net working capital	36,393	16,681	19,712	n.m.
	Shareholders' equity				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,094)	(19,805)	(289)	1.5%
20	Treasury shares	0	0	0	0.0%
21	Retained earnings (accumulated losses)	(43,124)	(33,265)	(9,859)	29.6%
	Total equity	(68,922)	(58,774)	(10,148)	17.3%
	Total net assets	2,064	(12,027)	14,091	n.m.
22	Cash and cash equivalents	3,995	12,136	(8,141)	-67.1%
23	Current bank borrowing	(3,258)	(1,942)	(1,316)	67.8%
24	Other current financial assets and liabilities	(390)	950	(1,340)	n.m.
	Current net financial position	347	11,144	(10,797)	-96.9%
25	Non-current financial assets	1,332	1,306	26	2.0%
26	Non-current bank borrowing	(3,714)	(383)	(3,331)	n.m.
27	Other non-current financial liabilities	(29)	(40)	11	-28.7%
	Non-current net financial position	(2,411)	883	(3,294)	n.m.
	Total net financial position	(2,064)	12,027	(14,091)	n.m.

Digital Bros Group
Consolidated statement of profit or loss for the period ended 31 March 2018

	Euro Thousands	31 March 2018		31 March 2017		Change	
1	Gross revenue	61,968	107.6%	92,173	105.8%	(30,205)	-32.8%
2	Revenue adjustments	(4,370)	-7.6%	(4,700)	-5.8%	330	-7.0%
3	Net revenue	57,598	100.0%	87,473	100.0%	(29,875)	-34.2%
4	Purchase of products for resale	(16,464)	-28.6%	(24,857)	-26.7%	8,393	-33.8%
5	Purchase of services for resale	(5,016)	-8.7%	(6,818)	-8.3%	1,802	-26.4%
6	Royalties	(12,399)	-21.5%	(27,379)	-30.5%	14,980	-54.7%
7	Changes in inventories of finished products	2,101	3.6%	3,404	2.0%	(1,303)	-38.3%
8	Total cost of sales	(31,778)	-55.2%	(55,650)	-63.5%	23,872	-42.9%
9	Gross profit (3+8)	25,820	44.8%	31,823	36.5%	(6,003)	-18.9%
10	Other income	2,084	3.6%	939	1.0%	1,145	n.m.
11	Cost of services	(6,748)	-11.7%	(8,943)	-10.3%	2,195	-24.5%
12	Lease and rental charges	(1,078)	-1.9%	(1,104)	-1.2%	26	-2.4%
13	Labour costs	(13,759)	-23.9%	(11,671)	-12.7%	(2,088)	17.9%
14	Other operating costs	(847)	-1.5%	(1,454)	-1.9%	607	-41.7%
15	Total operating costs	(22,432)	-38.9%	(23,172)	-26.1%	740	-3.2%
16	Gross operating margin (EBITDA) (9+10+15)	5,472	9.5%	9,590	11.4%	(4,118)	-42.9%
17	Depreciation and amortisation	(5,637)	-9.8%	(4,502)	-5.2%	(1,135)	25.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(81)	-0.1%	(432)	-0.7%	351	-81.2%
20	Reversal of impairment losses and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary income and operating costs	(5,718)	-9.9%	(4,934)	-5.9%	(784)	15.9%
22	Operating margin (EBIT) (16+21)	(246)	-0.4%	4,656	5.5%	(4,902)	n.m.
23	Interest and finance income	1,059	1.8%	8,155	14.8%	(7,096)	-87.0%
24	Interest expense and finance costs	(967)	-1.7%	(2,398)	-3.3%	1,431	-59.7%
25	Net finance income (costs)	92	0.2%	5,757	11.5%	(5,665)	-98.4%
26	Profit before tax (22+25)	(154)	-0.3%	10,413	17.0%	(10,567)	n.m.
27	Current tax	(596)	-1.0%	(3,490)	-5.3%	2,894	-82.9%
28	Deferred tax	337	0.6%	143	0.2%	194	n.m.
29	Total income tax expense	(259)	-0.5%	(3,347)	-5.0%	3,088	-92.2%
30	Net profit from continuing operations (26+29)	(413)	-0.7%	7,066	11.9%	(7,479)	n.m.
	Net profit from discontinued operations	12,427	21.6%	718	0.8%	11,709	n.m.
	Profit for the period	12,014	20.9%	7,784	8.9%	4,230	54.3%

Digital Bros Group

Earnings per share at 31 March 2018

	Earnings per share (in Euro):	31 March 2018	31 March 2017	Change	
33	Basic earnings per share from continuing operations	(0.03)	0.50	(0.53)	n.m.
33	Basic earnings per share from assets destined for sale	0.87	0.05	0.82	n.m.
33	Total basic earnings per share	0.84	0.55	0.29	52.7%
34	Diluted earnings per share from continuing operations	(0.03)	0.50	(0.53)	n.m.
34	Diluted earnings per share from assets destined for sale	0.87	0.05	0.82	n.m.
34	Diluted earnings per share	0.84	0.55	0.29	52.7%

Consolidated statement of comprehensive income for the period ended 31 March 2018

Euro Thousand	31 March 2018	31 March 2017	Change
Profit (loss) for the period (A)	12,014	7,785	4,229
Items that will not be reclassified subsequently to profit or loss (B)			
Actuarial gain (loss)	(5)	8	(13)
Income tax relating to the actuarial gain (loss)	1	(2)	3
Exchange differences on translation of foreign operations	(316)	152	(468)
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
Income tax relating to the fair value measurement of shares designated as available for sale	0	845	(845)
Items that may be reclassified subsequently to profit or loss (C)	316	(2,072)	2,388
Total other comprehensive income D = (B)+(C)	(320)	(2,072)	1,752
Total comprehensive income (loss) (A)+(D)	11,694	5,712	5,982
Attributable to:			
Parent Company Shareholders	11,694	5,712	5,982

Digital Bros Group

Consolidated statement of cash flows for the period ended 31 March 2018

	Euro Thousands	31 March 2018	31 March 2017
A. Opening net cash		12,027	3,511
B. Cash flows from operating activities			
Profit (loss) for the period attributable to the Group		12,014	7,784
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment losses		81	0
Amortisation of intangible assets		5,146	4,370
Depreciation of property, plant and equipment		492	578
Net change in other provisions		1	(9)
Net change in employee benefit provisions		(15)	23
Net change in other non-current liabilities		0	(252)
SUB TOTAL B		17,719	12,494
C. Change in net working capital			
Inventories		(2,101)	(3,404)
Trade receivables		1,953	672
Current tax assets		(1,720)	(311)
Other current assets		(2,173)	1,029
Trade payables		(9,136)	9,462
Current tax liabilities		(3,908)	(1,060)
Current provisions		0	0
Other current liabilities		(2,688)	1,370
SUB TOTAL C.		(19,773)	7,758
D. Cash flows from investing activities			
Net investment on intangible assets		(2,288)	(15,371)
Net investment on property, plant and equipment		225	(441)
Net investment on non-current financial assets		(8,108)	721
SUB TOTAL D.		(10,171)	(15,091)
E. Cash flows from financing activities			
Capital increases		0	60
Increase in share premium reserve		0	1,532
SUB TOTAL E.		0	1,592
F. Movements on consolidated shareholders' equity			
Dividends paid		(2,139)	(1,834)
Change in treasury shares held		0	390
Increases (decreases) in other equity items		273	(616)
SUB TOTAL F.		(1,866)	(2,060)
G. Cash flows for the period (B+C+D+E+F)		(14,091)	4,693
H. Closing net financial position (A+G)		(2,064)	8,204

Notes to statement of cash flows

Details of cash flows by maturity:

Euro Thousands	31 March 2018	31 March 2017
Increase (decrease) in securities and cash and cash equivalents	(8,141)	6,200
Decrease (increase) in current bank borrowing	(1,316)	23,507
Decrease (increase) in other current financial assets and liabilities	(1,340)	(28,159)
Cash flow for the period pertaining to current net cash/debt	(10,797)	1,548
Cash flow for the period pertaining to non-current net cash/debt	(3,294)	3,145
Cash flows for the period	(14,091)	4,693

Digital Bros Group

Consolidated statement of changes in equity

Euro Thousands	Share capital (A)	Share premium	Legal reserve	IAS transition reserve	Currency translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (accumulated losses)	Profit (loss) for the period	Total retained earnings (D)	Consolidated equity attributable to Group (A+B+C+D)
As at 1 July 2016	5,644	16,954	1,129	1,367	(813)	2,167	20,804	(390)	5,903	16,387	22,290	48,348
Capital increase	60	1,532					1,532				0	1,592
Allocation of profit							0		16,387	(16,387)	0	0
Payment of dividends							0		(1,834)		(1,834)	(1,834)
Other changes						(56)	(56)	390	1,512		1,512	1,846
Comprehensive income (loss)					152	(2,224)	(2,072)			7,784	7,784	5,712
As at 31 March 2017	5,704	18,486	1,129	1,367	(661)	(113)	20,208	0	21,968	7,785	29,753	55,665
Total at 1 July 2017	5,704	18,486	1,129	1,367	(1,447)	270	19,805	0	21,968	11,297	33,265	58,774
Allocation of profit			12				12		11,285	(11,297)	(12)	0
Payment of dividends							0		(2,139)		(2,139)	(2,139)
Other changes						597	597		(4)		(4)	593
Comprehensive income (loss)					(316)	(4)	(320)			12,014	12,014	11,694
Total at 31 March 2018	5,704	18,486	1,141	1,367	(1,763)	863	20,094	0	31,110	12,014	43,124	68,922



**Notes to the condensed consolidated
financial statements for the period ended
31 March 2018**

Introductory note

Digital Bros Group's condensed nine months consolidated financial statements have been prepared on a going concern basis and by applying the same accounting policies used to prepare the annual financial statements for the year ended 30 June 2017.

Pipeworks Inc. has been consolidated 100% for the six-month period ending 31 December 2017 and, after that, has been consolidated 87.5% until the date of its disposal.

Analysis of the Statement of Financial Position

The consolidated statement of financial position at 31 March 2018 is set out below together with comparative figures at 30 June 2017:

	Euro Thousands	31 March 2018	30 June 2017	Change	
	Non-current assets				
1	Property, plant and equipment	5,902	6,619	(717)	-10.8%
2	Investment property	0	0	0	0.0%
3	Intangible assets	16,009	18,867	(2,858)	-15.1%
4	Equity investments	1,279	1,345	(66)	0.0%
5	Non-current receivables and other assets	9,158	1,052	8,106	n.m.
6	Deferred tax assets	2,855	2,807	48	1.7%
	Total non-current assets	35,203	30,690	4,513	14.7%
	Non-current liabilities				
7	Employee benefits	(530)	(545)	15	-2.7%
8	Non-current provisions	(80)	(79)	(1)	1.1%
9	Other non-current payables and liabilities	0	0	0	n.m.
	Total non-current liabilities	(610)	(624)	14	-2.2%
	Net working capital				
10	Inventories	14,916	12,815	2,101	16.4%
11	Trade receivables	34,749	36,763	(2,014)	-5.5%
12	Current tax assets	3,784	2,064	1,720	83.3%
13	Other current assets	5,436	3,263	2,173	66.6%
14	Trade payables	(18,544)	(27,680)	9,136	-33.0%
15	Current tax liabilities	(1,828)	(5,736)	3,908	-68.1%
16	Current provisions	(854)	(854)	0	0.0%
17	Other current liabilities	(1,266)	(3,954)	2,688	-68.0%
	Total net working capital	36,393	16,681	19,712	n.m.
	Shareholders' equity				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,094)	(19,805)	(289)	1.5%
20	Treasury shares	0	0	0	0.0%
21	Retained earnings (accumulated losses)	(43,124)	(33,265)	(9,859)	29.6%
	Total shareholders' equity	(68,922)	(58,774)	(10,148)	17.3%
	Total net assets	2,064	(12,027)	14,091	n.m.
22	Cash and cash equivalents	3,995	12,136	(8,141)	-67.1%
23	Current bank borrowing	(3,258)	(1,942)	(1,316)	67.8%
24	Other current financial assets and liabilities	(390)	950	(1,340)	n.m.
	Current net financial position	347	11,144	(10,797)	-96.9%
25	Non-current financial assets	1,332	1,306	26	2.0%
26	Non-current bank debt	(3,714)	(383)	(3,331)	n.m.
27	Other non-current financial liabilities	(29)	(40)	11	-28.7%
	Non-current net financial position	(2,411)	883	(3,294)	n.m.
	Total net financial position	(2,064)	12,027	(14,091)	n.m.

NON-CURRENT ASSETS

Capex on intangible assets during the period of Euro 2,396 thousand as follow:

Euro Thousands	31 March 2018	31 March 2017
Premium Games rights of usage	355	4,603
Investment on development of management systems	64	120
Hawken rights	0	759
Free to Play rights of usage	8	2,180
Other rights of usage	17	66
Total increases in concessions and licences	444	7,728
Internal development contracts in progress	1,772	633
Premium Games assets in progress	180	4,110
Free to Play assets in progress	0	291
Total increases in assets in progress	1,952	5,034
Kunos Goodwill	0	2,609
Total increases in intangible assets	2,396	15,371

Non-current receivables and other assets for Euro 8,116 (10 million USD) consist of receivables beyond 12 months maturity resulting from Pipeworks Inc. disposal and for the residual Euro 1,042 thousand of guarantee deposits relating to contractual obligations.

Deferred tax assets are calculated on tax loss carry forwards and temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis. They are measured at the tax rates that are expected to be applied to the period when the asset is realised, based on tax rates that have been enacted by the end of the reporting period.

NON-CURRENT LIABILITIES

“Employee benefits” reflects the actuarial value of the Group's effective liability towards employees, as calculated by an independent actuary in accordance with IAS 19.

This item non-current provisions consists entirely of the agents’ leaving indemnity provision.

NET WORKING CAPITAL

Net working capital increased by Euro 19,712 thousand compared to 30 June 2017 mainly for a decrease in trade payables of Euro 9,136 thousand and a decrease in current tax liabilities of Euro 3,908 thousand.

The table below provides details of net working capital at 31 March 2018 compared to figures at 30 June 2017:

Migliaia di Euro	31 March 2018	30 June 2017	Change	
Inventories	14,916	12,815	2,101	16.4%
Trade receivables	34,749	36,763	(2,014)	-5.5%
Current tax assets	3,784	2,064	1,720	83.3%
Other current assets	5,436	3,263	2,173	66.6%
Trade payables	(18,544)	(27,680)	9,136	-33.0%
Current tax liabilities	(1,828)	(5,736)	3,908	-68.1%
Current provisions	(854)	(854)	0	0.0%
Other current liabilities	(1,266)	(3,954)	2,688	-68.0%
Total net working capital	36,393	16,681	19,712	n.m.

SHAREHOLDERS' EQUITY

Details of changes in shareholders' equity are provided in the consolidated statement of changes in equity. They may be summarised as follows:

Euro Thousands	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the period	Total retained earnings (D)	Consolidated equity attributable to Group (A+B+C+D)
Total at 1 July 2017	5,704	18,486	1,129	1,367	(1,447)	270	19,805	0	21,968	11,297	33,265	58,774
Allocation of profit			12				12		11,285	(11,297)	(12)	0
Payment of dividends							0		(2,139)		(2,139)	(2,139)
Other changes						597	597		(4)		(4)	593
Comprehensive income (loss)					(316)	(4)	(320)			12,014	12,014	11,694
Total at 31 March	5,704	18,486	1,141	1,367	(1,763)	863	20,094	0	31,110	12,014	43,124	68,922

As at 31 March, share capital has not changed since 30 June 2017 and consists of 14,260,837 ordinary shares with a par value of Euro 0.4 each, amounting to Euro 5,704,334.80. No other types of shares are outstanding. 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.

The change of the item other reserves consists in the provision of stock option reserve for the period.

NET FINANCIAL POSITION

The following table contains details of the Group's Net Financial Position at 31 March 2018 together with comparative figures at 30 June 2017:

	Euro Thousands	31 March 2018	30 June 2017	Change
22	Cash and cash equivalents	3,995	12,136	(8,141)
23	Current bank borrowing	(3,258)	(1,942)	(1,316)
24	Other current financial assets and liabilities	(390)	950	(1,340)
	Current net financial position	347	11,144	(10,797)
25	Non-current financial assets	1,332	1,306	26
26	Non-current bank borrowing	(3,714)	(383)	(3,331)
27	Other non-current financial liabilities	(29)	(40)	11
	Non-current net financial position	(2,411)	883	(3,294)
	Total net financial position	(2,064)	12,027	(14,091)

The total net financial position shows a decrease of Euro 14,091 thousand compared to 30 June 2017, mainly because of a Euro 8,141 thousand reduction in cash and cash equivalents and a Euro 3,331 thousand increase in non-current bank borrowing.

For cash and cash equivalents, the carrying amount represents a reasonable approximation of the relative fair value as highly liquid financial investments, while for financial liabilities related to financial leasing commitments (included in other financial liabilities) the book value represents a reasonable approximation of the relative fair value.

The following table reports the financial liabilities at 31 March 2018, listed by different maturity:

Euro thousands	Within 1 year	1-5 year	Over 5 years	Total
Current bank borrowing	0	0	0	0
Advances on invoices and subject to collection	0	0	0	0
Advances on import/export financing	(3,020)	0	0	(3,020)
Payables to banks for unsecured loans	(238)	(3,714)	0	(3,952)
Total bank borrowing (A)	(3,258)	(3,714)	0	(6,972)
Other financial liabilities (B)	(390)	(29)	0	(419)
Total financial liabilities (A) + (B)	(3,648)	(3,743)	0	(7,391)

Amounts due to banks for unsecured loans between one and five years include Euro 1,367 thousand relating to the over 12 months maturity portion of the loan contracted by the American subsidiary 133 W Broadway Inc. with Intesa San Paolo bank, New York Branch, for the purchase of the property located in Eugene. The purchaser of Pipeworks Inc. holds an option right to purchase such property expiring on 22 August 2018; if the option is exercised, the residual debt to the Intesa San Paolo bank, New York Branch, will be repaid.

Analysis of statement of profit or loss

NET REVENUE

Details are provided below of revenue by operating segment, except for the Holding segment, which does not generate revenue:

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	4,188	43,124	14,053	603	61,968
2	Revenue adjustments	0	(2,619)	(1,598)	(153)	(4,370)
3	Total net revenue	4,188	40,505	12,455	450	57,598

At 31 March 2017, the breakdown was as follows:

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	5,845	70,749	14,959	620	92,173
2	Revenue adjustments	0	(3,009)	(1,361)	(330)	(4,702)
3	Total net revenue	5,845	67,740	13,598	290	87,473

Revenue from the Other activities operating segment were Euro 603 thousand and represents the sales made by Daily Fantasy Sport Fantasfida and the revenue generated by specialist courses organised by Digital Bros Game Academy S.r.l.

NET FINANCE INCOME (EXPENSES)

This caption is analysed as follows:

	Euro Thousands	31 March 2018	31 March 2017	Change	%
23	Interest and finance income	1,059	8,155	(7,096)	-87.0%
24	Interest and finance expenses	(967)	(2,398)	1,431	-59.7%
25	Net finance income (expense)	92	5,757	(5,665)	-98.4%

Net finance income totalled Euro 92 thousand against Euro 5,757 thousand for the nine months ended 31 March 2017.

Interest and finance income is analysed as follows:

Euro Thousands	31 March 2018	31 March 2017	Change	%
Exchange gains	889	1,157	(268)	-23.2%
Finance income	88	6,899	(6,811)	-98.7%
Other	82	99	(17)	-17.6%
Total interest and finance income	1,059	8,155	(7,096)	-87.0%

Interest and finance income has decreased by Euro 7,096 thousand compared to the corresponding period in prior year as the period ended 31 March 2017 included the gain of Euro 6,891 thousand on the sale of Starbreeze shares.

Interest and finance expenses for the period amounted to Euro 967 thousand, a decrease of Euro 1,431 thousand compared to the same period in prior year. The caption at 31 March 2017 mainly included

financial costs for capital loss on Starbreeze shares sale for Euro 882 thousand, increased exchange losses of Euro 370 thousand and increased interest expenses of Euro 309 thousand. Meanwhile, the caption at 31 March 2018 includes Euro 130 thousand for equity participation valuation in the company Seekhana Ltd..

Details of interest and finance expenses are provided below:

Euro Thousands	31 March 2018	31 March 2017	Change	%
Interest expense on current accounts and trading activities	(72)	(317)	245	-77.2%
Interest expense on loans and leases	(107)	(166)	59	-35.7%
Interest on factoring	(8)	(13)	5	-41.5%
Total interest expenses on sources of finance	(187)	(496)	309	-62.4%
Exchange losses	(650)	(1,020)	370	-36.3%
Finance expenses	0	(882)	882	n.m.
Equity participation in associated companies	(130)	0	(130)	n.m.
Total interest and finance expenses	(967)	(2,398)	1,560	-65.1%

TAXATION

Details of current and deferred taxes for the period ended 31 March 2018 are provided below:

Euro Thousands	31 March 2018	31 March 2017	Change	%
Current tax	(596)	(3,490)	2,894	-82.9%
Deferred tax	337	143	194	n.m.
Total income tax expense	(259)	(3,347)	3,088	-92.2%

The decrease in the income tax expense compared to 31 March 2017 is in line with the Group's income and profit trends for the period ended 31 March 2018.

Non-recurring income and expenses

As required by Consob Resolution 15519 of 27 July 2006, non-recurring income and expenses are shown separately in the statement of profit or loss. These are generated by transactions or events that by nature do not occur on a regular basis in the ordinary course of business.

The Group did not recognise any non-recurring income and expenses in the period.

Information by geographical area

Gross revenue is analysed by geographical area as follows:

Euro Thousands	31 March 2018		31 March 2017		Change	
Europe	11,843	19%	27,052	29%	(15,209)	-56.2%
The Americas	32,945	53%	44,785	49%	(11,840)	-26.4%
Rest of the world	2,524	4%	4,757	5%	(2,233)	-46.9%
Total foreign revenue	47,312	76%	76,594	83%	(29,282)	-38.2%
Italy	14,656	24%	15,579	17%	(923)	-5.9%
Total gross consolidated revenue	61,968	100%	92,173	100%	(30,205)	-32.8%

Foreign revenue accounted for 76% of gross consolidated revenue compared to 83% in the corresponding period of prior year and decreased by 38.2% compared to the period ended 31 March 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 - it generated foreign revenue of Euro 43,124 thousand, accounting for 91% of total foreign revenue.

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

Euro Thousands	31 March 2018		31 March 2017		Change	
Free to Play	4,188	9%	5,845	15%	(1,657)	-28.4%
Premium Games	43,124	91%	70,749	83%	(27,625)	-39.0%
Total foreign gross revenue	47,312	100%	76,594	100%	(29,282)	-38.2%

Related party transaction

It is hereby disclosed that at 31 March 2018 there were no atypical or unusual transactions with related party with significant amounts, different from the continuing transaction.

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

The undersigned Abramo Galante - chairman of the Board of Directors - and Stefano Salbe - as financial reporting manager of Digital Bros Group - hereby declare, also in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of 24 February 1998:

- appropriateness in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the interim management report for the nine months ended 31 March 2018. No issues have been identified.

We also confirm that:

1. Digital Bros Group's interim financial report for the nine months ended 31 March 2018:
 - a) has been prepared in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
 - b) reflects the contents of the accounting books and records;
 - c) gives 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 contains a reliable analysis of the operating performance and results, as well as of Digital Bros S.p.A. and the other consolidated entities, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 10 May 2018

Signed

The Chairman of the Board of Directors

Abramo Galante

The Manager responsible for
financial reporting

Stefano Salbe