



**Interim Management Report  
for the nine months ended 31 March 2020  
(3<sup>rd</sup> quarter of financial year 2019/2020)**

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

VAT No. and Company tax code 09554160151

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

Milan Companies Register No. 290680

Vol. 7394 Chamber of Commerce No.1302132

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

*Please note that the Italian original version shall always prevail in case of any discrepancy or inconsistency between Italian version and its English translation*

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## **Board of Directors and Governance Bodies**

Lidia Florean	Director <sup>(2)</sup>
Abramo Galante	Chairman and Managing Director <sup>(1)</sup>
Davide Galante	Director <sup>(2)</sup>
Raffaele Galante	Managing Director <sup>(1)</sup>
Luciana La Maida	Director <sup>(3)</sup>
Irene Longhin	Director <sup>(3)</sup>
Susanna Pedretti	Director <sup>(3)</sup>
Stefano Salbe	Director <sup>(1) (4)</sup>
Laura Soifer	Director <sup>(3)</sup>
Dario Treves	Director <sup>(1)</sup>

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

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

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

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

## **Internal Control and Risk Committee**

Luciana La Maida  
Susanna Pedretti  
Laura Soifer (Chairman)

## **Remuneration and Appointments Committee**

Luciana La Maida (Chairman)  
Irene Longhin  
Susanna Pedretti

## **Permanent Related Parties Committee**

Luciana La Maida  
Susanna Pedretti  
Laura Soifer (Chairman)

## **Board of Statutory Auditors**

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

The Shareholders' Meeting of 27 October 2017 appointed the members of the Board of Directors and Board of Statutory Auditors. The terms of office of the Directors and Statutory Auditors will end with the Shareholders' Meeting held to approve the financial statements for the year ended 30 June 2020.

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

The Shareholders' Meeting of 25 October 2019 appointed directors Paola Carrara and Susanna Pedretti who had already been co-opted by the Board of Directors on 6 June 2019; they will remain in office until the end of the mandate of the current Board of Directors.

Director Paola Carrara resigned on 28 February 2020. Until that date, she was an Independent Director, Chairman of the Internal Control and Risk Committee and Chairman of the Permanent Related Parties Committee. The Board of Directors of March 5th, 2020 appointed the new Director Laura Soifer. The Board, after having verified the independence requirements of the new Director, appointed Laura Soifer as a member of the Control and Risk Committee, and the Permanent Related Parties Committee. Il Consiglio di Amministrazione in data 5 marzo 2020 ha cooptato l'amministratore Laura Soifer.

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

### **External Auditors**

Deloitte & Touche S.p.A.

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

### **Other information**

Publication of the Interim Management Report of Digital Bros Group for the nine months ended 31 March 2020 was authorized by a resolution of the Board of Directors of May 13<sup>th</sup>, 2020.

Digital Bros S.p.A. is a joint stock company 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**

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

The Group is organised into five operational business segments:

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

The video games are normally acquired under exclusive licence and with international exploitation rights valid for several years. The brand name used by the Group is 505 Games.

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

Italian company Kunos Simulazioni S.r.l., which developed and published the Assetto Corsa video game, is consolidated in this operating segment.

During the quarter, the Group acquired two new companies: 100% of AvantGarden S.r.l, previously Ovosonico S.r.l., of which the Group already had 49% and 60% of the Company Rasplata B.V..

AvantGarden is an Italian videogame developer with a team of approximately 25 people while Rasplata B.V. is a Dutch Company owner of an *Intellectual Property* (IP) under development.

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

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

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

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

Business operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by subsidiary Game Entertainment S.r.l. which performs distribution – mainly of trading cards - through the newsstand distribution channel.

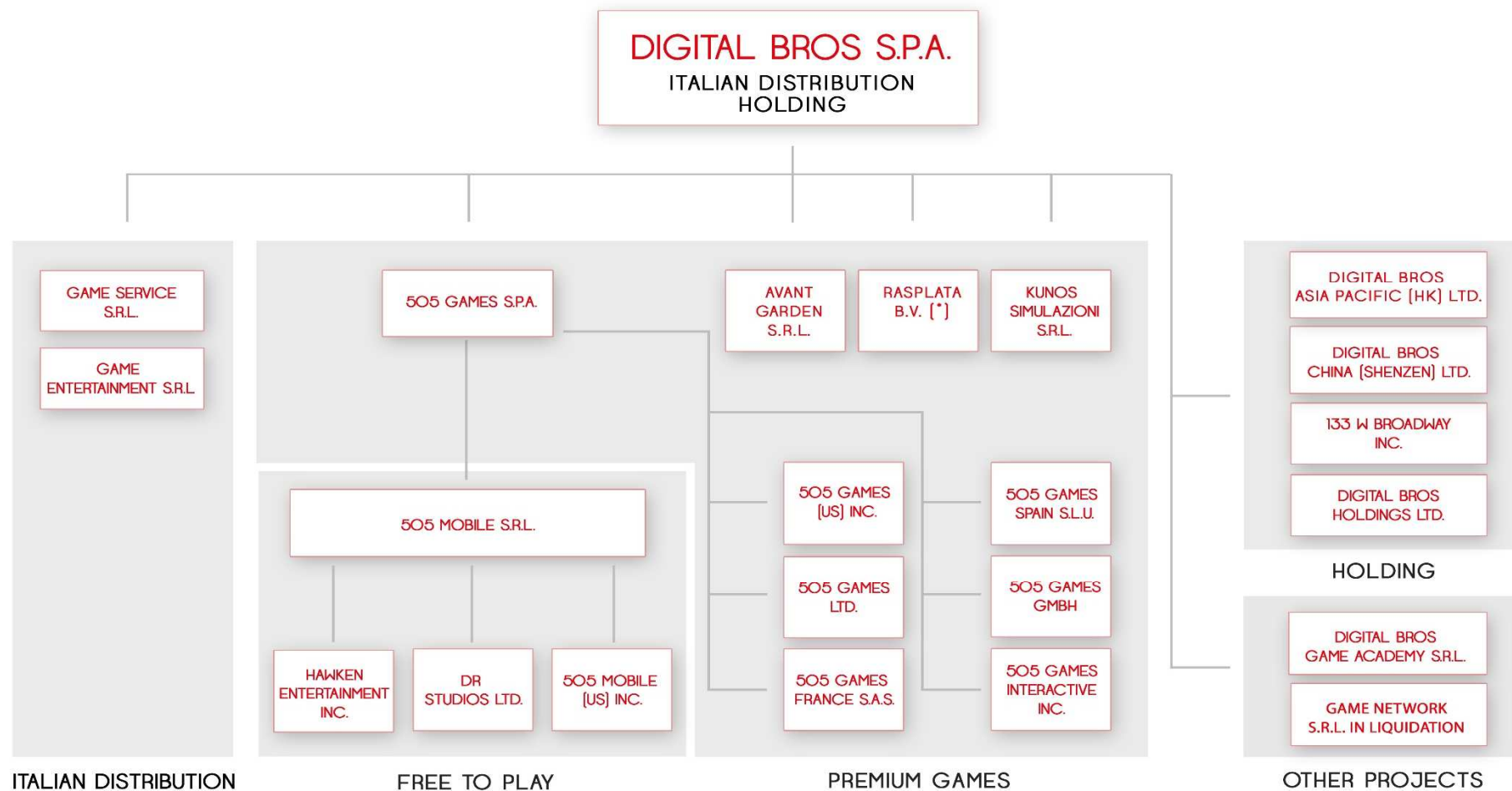
**Other Activities:** this operating segment handles all of the Group's lesser activities which are grouped together in a separate operating segment for presentation of the results. It includes the operations of subsidiary Digital Bros Game Academy S.r.l. which organises video game training and professional update courses and the activities of Game Network S.r.l. which ceased to operate in June 2018 and was put into liquidation in October 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 activities. The holding company has also been supported by Digital Bros China Ltd. and by Digital Bros Asia Pacific (HK) Ltd which have operated as business developers for Asian markets. 133 W Broadway Inc. which, until October 2018, owned the property in Eugene, Oregon, USA, forms part of this operating segment. Digital Bros Holdings Ltd was inactive during the period.

All of the investments reported are 100% owned except for Raspata B.V. which is 60% owned.

The Group organization chart at 31 March 2020 is shown below:

## GROUP STRUCTURE AT 31 MARCH 2020



[\*] INVESTMENT AT 60%



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

Company	Address	Function
Digital Bros S.p.A.	Via Tortona, 37 Milano	Office
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
AvantGarden S.r.l. <sup>(1)</sup>	Via Tortona, 37 Milano	Offices
Digital Bros Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	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 Milano	Offices
Digital Bros Holdings Ltd. <sup>(2)</sup>	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milano	Offices
505 Games S.p.A.	Via Tortona, 37 Milano	Offices
505 Games France S.a.s.	2,Chemin de la Chauderaie, Francheville, Francia	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spagna	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, Germania	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. in liquidazione	Via Tortona, 37 Milano	Offices
Game Service S.r.l.	Via Tortona, 37 Milano	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Roma)	Offices
505 Mobile S.r.l.	Via Tortona, 37 Milano	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. <sup>(3)</sup>	Churchill-laan 131 2, Amsterdam, Olanda	Offices
133 W Broadway, Inc.	133 W. Broadway, Suite 200, Eugene, Oregon, U.S.A.	Offices

(1) Consolidated starting from March 2020

(2) Inactive in the period

(3) Consolidated at 60%

On 31 March 2020 the Group held an investment in the affiliated Company Seekhana Ltd., based in Milton Keynes UK, holding 34.77% of the share capital at a carrying amount of Euro 365 thousand.

The sale of the investment held in Delta DNA Ltd was completed during the period at a gain of Euro 383 thousand.

On 3 March 2020, the Group completed the acquisition of a 51% interest in Ovosonico S.r.l.. It will be consolidated on a line-by-line basis from March. At the same time the name of the Company was changed to AvantGarden S.r.l..

During the quarter, the Parent Company acquired 60% of the Dutch Company Rasplata B.V..

## 2. VIDEOGAME MARKET

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The video games market is an important segment of the broader entertainment industry. Cinema, publishing, video games and toys are sectors that share the same characters, brands, distinctive features and intellectual property.

The market is in constant flux and its growth rate is driven by non-stop technological advances. Gaming is no longer limited to traditional consoles, such as the various iterations of Sony PlayStation and Microsoft Xbox, but has expanded to mobile phones, tablet devices and hybrid consoles like the Nintendo Switch. Widespread connectivity at increasingly lower costs and the availability of fibre optic networks and high speed, ever better, mobile phones enable video games to become increasingly diversified, sophisticated and interactive. Widespread use of smartphones by people of all ages and walks of life has expanded the video gaming population and led to the publication of games aimed at adult gamers and women only gamers.

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

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



### *Developers*

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

### *Publishers*

The video game publisher decides when the game is released onto the market, determines global pricing and commercial policy, studies product positioning, packaging design and takes on all of the risks. Together

with the developer, it benefits from all the opportunities that the video game may produce if it is a success. Publishers usually finance the game development stage.

#### *Console manufacturers*

The console manufacturer is the company that designs, engineers, produces and markets the hardware or platform on which consumers play the game. Sony is the Sony Playstation 4 console manufacturer, Microsoft is the Microsoft Xbox One console manufacturer and Nintendo is the Nintendo Switch console manufacturer. The console manufacturer produces the physical support format on behalf of the publishers. The console manufacturer and the video game publisher are often one and the same.

#### *Distributors*

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

#### *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 retail web sites that sell directly to the public.

Console manufacturers have developed marketplaces where video games can be sold direct to end consumers in digital format without involving a distributor or retailer. In this case, as for personal computer, smartphone and tablet games, the value chain is less complex, as shown below:



The main marketplaces on which console video games 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 launch of a new market place for PC games, Epic Games Store, managed by US company Epic, was announced during the period in the wake of the success enjoyed by the Fortnite video game which is owned by Epic.

Gradual digitalisation of the market has led both Microsoft (with Microsoft Xbox Game Pass and Microsoft Xbox Games with Gold and Sony (with Sony PlayStation Now) to create digital platforms where, rather than making single purchases, gamers access all of the games available on the marketplace by paying a

subscription fee valid for a given period of time. Revenues to publishers are recognised directly or indirectly based on end consumers' usage of their video games. Google and Apple have adopted the same strategy with the Stadia and Apple Arcade platforms, respectively.

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

Digital distribution has significantly extended the lifespan of individual games. In fact, the availability of a game is no longer strictly limited to the launch period as in the retail channel. Rather, the product remains available on the various marketplaces, even subsequently, thus making it possible to generate a constant flow of sales that may be influenced – sometimes significantly – by temporary communications policies and promotional pricing. The extension of product life cycle is also greatly affected by product policies adopted by publishers when, after the launch of the main game, they create additional episodes or functions available free of charge or for payment on digital marketplaces (so-called DLC, or downloadable content).

### **3. MARKET SEASONALITY**

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Market seasonality is influenced by the launch of popular products. The launch of a successful game in a given period can lead to significant revenue variations from one quarter to another. In fact, the launch of these products leads to a concentration of sales in the first few days following their release.

The publication and marketing of video games on digital marketplaces partially reduces the variability of a publisher's results from one quarter to the next. In fact, in case of digital distribution, revenue is recognized when the end consumer purchases a game on 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 when it is purchased by the end consumer. The fact that it is possible to organise promotional campaigns for products on the main digital marketplaces in a fairly rapid and effective manner tends to concentrate revenue during such short periods. Clearly, publishers try to plan their promotional campaigns for the most favourable phases of the market e.g. the Christmas season for European markets or Black Friday for the American market.

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

The financial position is also closely linked to the revenue trend. The physical distribution of a product in a quarter leads to concentration of net working capital investment. This is temporarily reflected by the level of net cash/debt until such time as the related sales revenue is collected. The significant decrease of revenues from physical distribution on total revenues lowers volatility of the balance sheet figures.

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

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The most significant events during the period were as follows

- on October 28th, 2019, Digital Bros Group announced the deal with the studio Kojima Productions for the worldwide publishing rights of the PC version of the videogame Death Stranding. The Group expects to generate lifetime revenues in excess of €50 million from the PC version of the videogame. On March 2nd, 2020, it has been announced that the PC version of the videogame Death Stranding was expected to be released on June 2, 2020. On April 21st, 2020 the release date was moved to July 2020 following the temporary closure of the studio Kojima Productions for Covid-19 precautionary measures;
- On February 28th, 2020, the independent Director Paola Carrara resigned from the Board of Directors for personal reasons;
- On March 3rd, 2020, Digital Bros acquired the remaining 51% of Ovosonico S.r.l. for a total consideration of Euro 210 thousand. The studio, that is currently working on the development of one of the Group's IP, changed its company name in AvantGarden S.r.l.;
- On March 5th, 2020, the Group subscribed a settlement agreement with the Italian Tax Authorities (Agenzia delle Entrate) referred to the tax litigation for the years 2011-2015. This dispute is related to some operations of the subsidiary 505 Games S.p.A. which, based on the assessments conducted by the financial administration, would have been considered as royalty and therefore subject to withholding tax. Even if the Group considers the transactions as purchases of goods and/or services and does not agree, both in form and substance, with the claims of the Italian Tax Authorities, to avoid a potentially long and costly litigation, the Company has decided to enter into a conciliatory agreement. Following the above the Group recorded non-recurring costs for Euro 1.4 million at 31 December 2019. The amount includes interest of €580 thousand and penalties of €224 thousand together with potential credit losses of €594 thousand relating to potential unrecognized items from vendors against the withholding taxes the company will pay on their behalf;
- on March 5th, 2020 the Board of Directors appointed Laura Soifer as new Independent Director. The Board of Directors after having verified the independence requirements of the new Director, appointed Laura Soifer as member of the Control and Risks Committee and the Related Parties Committee.

## ***Relations with Starbreeze and Starbreeze shareholders***

The Digital Bros Group and the Starbreeze Group were party to numerous commercial and financial relations as summarised below:

- in May 2016, the Group sold its rights to PAYDAY 2 to Starbreeze in return for a payment of USD 30 million and a potential earn out of 33% of net revenues from the video game PAYDAY 3 to be published in future;
- in April 2015, the two groups signed a contract for the development and publication of the console version of a video game inspired by TV Series The Walking Dead. The contract provided for a development budget of USD 10 million to be borne by subsidiary 505 Games S.p.A. As at 31 December 2019, subsidiary 505 Games S.p.A. had paid USD 4.8 million for development of this video game. In November 2018, Starbreeze launched the PC version of the video game but sales were lower than expected. On 27 February 2019, Skybound informed Starbreeze that it was terminating the contract for rights to the video game OVERKILL's The Walking Dead and, consequently, on 8 April 2019, subsidiary 505 Games S.p.A. requested the termination of the contract with Starbreeze for development and publication of the console version of the video game;
- since November 2018, Digital Bros has acquired 4,096,809 Starbreeze STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 2.14 per share. On 4 June 2019, Stefano Salbe, an Executive Director of the Group, joined the Board of Directors of the Swedish company as a non-Executive Director;
- on 21 November 2018, Digital Bros S.p.A. granted a loan of Euro 2 million to Varvtre AB. Varvtre AB is a Swedish company owned by the former Managing Director of Starbreeze AB (who resigned on 3 December 2018) who, at that date, held 19,021,541 Starbreeze AB shares A and 1,305,142 Starbreeze AB shares B corresponding today at 5.61% of the share capital and 16.92% of the voting rights of Starbreeze AB.

After the financial difficulties connected to OVERKILL's The Walking Dead unsucces, on 3 December 2018, Starbreeze AB and five subsidiaries had petitioned the Swedish District Court for admission to a corporate restructuring plan. The Swedish Court approved the restructuring plan and it was later extended several times until 3 December 2019. On 6 December 2019, Starbreeze AB successfully completed the corporate restructuring process, proposing to the creditors a payment plan approved by the Swedish District Court.

In January and February 2020, the Group carried out the following transactions:

- on 15 January 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze A shares held by Swedish company Varvtre AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition. The consideration was paid, in part, by waiving the loan granted to Varvtre AB and

the interest accruing thereon at 31 December 2019. The shares acquired represented 5.24% of share capital and 16.76% of the voting rights.

- On 26 February 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze AB for a price of Euro 19.2 million. At the date of purchase, the assets acquired have a nominal value of Euro 35.3 million, as detailed below:
  - a) convertible bond of SEK 215 million (around Euro 19.7 million) issued by Starbreeze AB at a conversion price of SEK 2.25 per share, for a total amount of Euro 16.9 million. Any conversion would lead to the issue of 95,578,667 new Starbreeze AB STAR B shares, representing 20.87% of the share capital and 7.79% of the voting rights;
  - b) loan receivable of around USD 16.3 million (around Euro 14.8 million) for a consideration of Euro 100 thousand. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not after December 2024;
  - c) 3,601,083 Starbreeze STAR A shares and 6,018,948 Starbreeze STAR B shares which, on 13 May 2020, representing 2.66% of Starbreeze AB share capital and 3.71% of the voting rights, for a total amount of Euro 2.2 million.

The total consideration of Euro 19.2 million will be paid in two instalments: Euro 9.2 million on the closing date of the transaction and Euro 10 million by 28 February 2021.

Despite the contractual relationships still in place and the share held in the capital of the Swedish Company, the Group does not consider its influence on the participated company as dominant influence and has therefore decided to maintain its classification under the other investments already used in previous periods. If, due to substantial changes in the relations between the two groups, this evaluation should change, the asset classification would consequently be adequate.



## ***Covid-19***

The health and wellbeing of its employees have been Digital Bros' priority during Covid-19 pandemic. The Group has monitored the emergency since the beginning and anticipated precautionary measures, following the government authority's guidance, to guarantee employees' safety and ensure business continuity.

Among the measures undertaken, Digital Bros:

- activated remote working for the majority of its employees in all its offices around the world;
- implemented all prevention and protection measures, in view of offices' reopening, including sanitization of the workplace and provision of the individual protection equipment;
- activated a supplementary insurance coverage for all its Italian employees in the case of Covid-19 hospitalization.

## 5. ANALYSIS OF CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2020

	Euro thousands	31 March 2020		31 March 2019		Change	
1	Gross revenue	99,143	106.4%	42,601	107.2%	56,542	132.7%
2	Revenue adjustments	(6,002)	-6.4%	(2,858)	-7.2%	(3,146)	n.m.
3	<b>Net revenue</b>	<b>93,141</b>	<b>100.0%</b>	<b>39,743</b>	<b>100.0%</b>	<b>53,398</b>	<b>134.4%</b>
4	Purchase of products for resale	(14,160)	-15.2%	(10,777)	-27.1%	(3,383)	31.4%
5	Purchase of services for resale	(6,421)	-6.9%	(4,337)	-10.9%	(2,084)	48.1%
6	Royalties	(26,883)	-28.9%	(7,898)	-19.9%	(18,985)	n.m.
7	Changes in inventories of finished products	514	0.6%	(172)	-0.4%	686	n.m.
8	<b>Total cost of sales</b>	<b>(46,950)</b>	<b>-50.4%</b>	<b>(23,184)</b>	<b>-58.3%</b>	<b>(23,766)</b>	<b>102.5%</b>
9	<b>Gross profit (3+8)</b>	<b>46,191</b>	<b>49.6%</b>	<b>16,559</b>	<b>41.7%</b>	<b>29,632</b>	<b>n.m.</b>
10	Other income	2,375	2.6%	2,426	6.1%	(51)	-2.1%
11	Cost of services	(11,536)	-12.4%	(5,613)	-14.1%	(5,923)	n.m.
12	Lease and rental charges	(183)	-0.2%	(1,069)	-2.7%	886	-82.8%
13	Personnel costs	(15,358)	-16.5%	(13,118)	-33.0%	(2,240)	17.1%
14	Other operating costs	(924)	-1.0%	(825)	-2.1%	(99)	11.9%
15	<b>Total operating costs</b>	<b>(28,001)</b>	<b>-30.1%</b>	<b>(20,625)</b>	<b>-51.9%</b>	<b>(7,376)</b>	<b>35.8%</b>
16	<b>Gross operating margin/EBITDA (9+10+15)</b>	<b>20,565</b>	<b>22.1%</b>	<b>(1,640)</b>	<b>-4.1%</b>	<b>22,205</b>	<b>n.m.</b>
17	Depreciation and amortisation	(9,405)	-10.1%	(5,307)	-13.4%	(4,098)	77.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment losses recognised on assets	(1,189)	-1.3%	(665)	-1.7%	(524)	78.7%
20	Reversal of imp. losses and non-monetary income	236	0.3%	0	0.0%	236	n.m.
21	<b>Total non-monetary income and operating costs</b>	<b>(10,358)</b>	<b>-11.1%</b>	<b>(5,972)</b>	<b>-15.0%</b>	<b>(4,386)</b>	<b>73.4%</b>
22	<b>Operating margin/EBIT (16+21)</b>	<b>10,207</b>	<b>11.0%</b>	<b>(7,612)</b>	<b>-19.2%</b>	<b>17,819</b>	<b>n.m.</b>
23	Interest and financial income	2,521	2.7%	1,066	2.7%	1,455	n.m.
24	Interest expense and financial expenses	(2,796)	-3.0%	(956)	-2.4%	(1,840)	n.m.
25	<b>Net financial income (expenses)</b>	<b>(275)</b>	<b>-0.3%</b>	<b>110</b>	<b>0.3%</b>	<b>(385)</b>	<b>n.m.</b>
26	<b>Profit/(Loss) before tax (22+25)</b>	<b>9,932</b>	<b>10.7%</b>	<b>(7,502)</b>	<b>-18.9%</b>	<b>17,434</b>	<b>n.m.</b>
27	Current tax	(3,114)	-3.3%	1,433	3.6%	(4,547)	n.m.
28	Deferred tax	(437)	-0.5%	187	0.5%	(624)	n.m.
29	<b>Total income tax expense</b>	<b>(3,551)</b>	<b>-3.8%</b>	<b>1,620</b>	<b>4.1%</b>	<b>(5,171)</b>	<b>n.m.</b>
30	<b>Net profit (26+29)</b>	<b>6,381</b>	<b>6.9%</b>	<b>(5,882)</b>	<b>-14.8%</b>	<b>12,263</b>	<b>n.m.</b>
	Attributable to shareholders of the Group	6,389	6.9%	(5,882)	-14.8%	12,271	n.m.
	Attributable to minority shareholders	(8)	0.0%	0	0.0%	(8)	n.m.
	<b>Earnings per share</b>						
33	<b>Basic earnings per share (in Euro)</b>	<b>0.45</b>		<b>(0.41)</b>		<b>0.86</b>	<b>n.m.</b>
34	<b>Diluted earnings per share (in Euro)</b>	<b>0.45</b>		<b>(0.41)</b>		<b>0.86</b>	<b>n.m.</b>

The portion attributable to minority shareholder is related to the 40% share capital of Rasplata B.V. held by other shareholders.

As described in Significant Events During the Period, on 5 March 2020, the Group signed a settlement agreement with the Italian Tax Authorities in relation to a tax dispute regarding the years from 2011 to 2015 inclusive. The dispute regarded certain operations of subsidiary 505 Games S.p.A. which, based on the assessments conducted by the Tax Authorities, should have been treated as royalties and, therefore, subjected to withholding taxes. As a result of the settlement, in the period ended 31 March 2020, the Group had to record non-recurring costs of Euro 1,398 thousand. This amount represents an estimate of the bad debts the Group will suffer in respect of the withholding taxes it will be required to pay on behalf of its suppliers, interest and penalties in excess of the provision for contingent risks of Euro 856 thousand already created.

As a result of the above matter, we have prepared a Statement of Profit or Loss net of non-recurring items in order to provide a clearer picture and understanding of the operating performance.

Euro thousands		31 March 2020		
		Total	of which non-recurring	Total net of non-recurring items
1	Gross revenue	99,143	0	99,143
2	Revenue adjustments	(6,002)	0	(6,002)
3	<b>Net revenue</b>	<b>93,141</b>	<b>0</b>	<b>93,141</b>
4	Purchase of products for resale	(14,160)	0	(14,160)
5	Purchase of services for resale	(6,421)	0	(6,421)
6	Royalties	(26,883)	0	(26,883)
7	Changes in inventories of finished products	514	0	514
8	<b>Total cost of sales</b>	<b>(46,950)</b>	<b>0</b>	<b>(46,950)</b>
9	<b>Gross profit (3+8)</b>	<b>46,191</b>	<b>0</b>	<b>46,191</b>
10	Other income	2,375	0	2,375
11	Cost of services	(11,536)	0	(11,536)
12	Lease and rental charges	(183)	0	(183)
13	Personnel costs	(15,358)	0	(15,358)
14	Other operating costs	(924)	0	(924)
15	<b>Total operating costs</b>	<b>(28,001)</b>	<b>0</b>	<b>(28,001)</b>
16	<b>Gross operating margin/EBITDA (9+10+15)</b>	<b>20,565</b>	<b>0</b>	<b>20,565</b>
17	Depreciation and amortisation	(9,405)	0	(9,405)
18	Allocations to provisions	0	0	0
19	Impairment losses recognised on assets	(1,189)	(594)	(595)
20	Reversal of imp. losses and non-monetary income	236	0	236
21	<b>Total non-monetary income and operating costs</b>	<b>(10,358)</b>	<b>(594)</b>	<b>(9,764)</b>
22	<b>Operating margin/EBIT (16+21)</b>	<b>10,207</b>	<b>(594)</b>	<b>10,801</b>
23	Interest and financial income	2,521	0	2,521
24	Interest expense and financial expenses	(2,796)	(580)	(2,216)
25	<b>Net financial income (expenses)</b>	<b>(275)</b>	<b>(580)</b>	<b>305</b>
26	<b>Profit/(Loss) before tax (22+25)</b>	<b>9,932</b>	<b>(1,174)</b>	<b>11,106</b>
27	Current tax	(3,114)	(224)	(2,890)
28	Deferred tax	(437)	0	(437)
29	<b>Total income tax expense</b>	<b>(3,551)</b>	<b>(224)</b>	<b>(3,327)</b>
30	<b>Net profit (26+29)</b>	<b>6,381</b>	<b>(1,398)</b>	<b>7,779</b>
	<b>Attributable to shareholders of the Group</b>	<b>6,389</b>	<b>(1,398)</b>	<b>7,787</b>
	<b>Attributable to minority shareholders</b>	<b>(8)</b>	<b>0</b>	<b>(8)</b>

The videogames Control, Indivisible and Journey to the Savage Planet were launched on all platforms during the period. The Nintendo Switch console versions of Indivisible and Journey to the Savage Planet are expected to be released in the last quarter of the fiscal year. The launches are part of the investment plan of new videogames started during the last quarter of the past fiscal year with the launch of Bloodstained. The release plan enabled a significant increase of revenues and of all financial margins.

During the third quarter of the fiscal year, the world has been materially affected by the Covid-19 pandemic. The precautionary measures adopted by governments around the world, to contain the spread of the contagion, locked people in their houses and caused the shutdown of numerous retail stores and chains. The free time from work and school significantly impacted the demand for home entertainment and increased the revenue stream coming from digital distribution improving the operating margins of the Group.

Consolidated gross revenues more than doubled in the period to €99.1 million from €42.6 million. A breakdown by operating segment for the period ended 31 March 2020 compared to the period ended 31 March 2019 is provided below:

Euro thousands	Gross revenue				Net revenue			
	2020	2019	Change		2020	2019	Change	
Premium Games	86,764	25,743	61,021	237.0%	81,275	24,304	56,971	234.4%
Distribuzione Italia	6,811	11,692	(4,881)	-41.7%	6,298	10,273	(3,975)	-38.7%
Free to Play	5,117	4,758	359	7.6%	5,117	4,758	359	7.6%
Other activities	451	408	43	10.5%	451	408	43	10.5%
<b>Total revenues</b>	<b>99,143</b>	<b>42,601</b>	<b>56,542</b>	<b>132.7%</b>	<b>93,141</b>	<b>39,743</b>	<b>53,398</b>	<b>134.4%</b>

The Premium Games operating segment gross revenues amounted for 87% of the consolidated revenues and significantly increased (up by €61 million) as a result of the sales of Control, released on August 27th, 2019, Bloodstained, launched in June 2019 and Journey to the Savage Planet, launched in the third quarter of the current fiscal year 2020.

A breakdown of gross revenue by video game in the Premium Games segment is provided below:

Euro thousands	31 March 2020	31 March 2019	Change	
Control	30,036	0	30,036	n.m.
Journey to the Savage Planet	10,889	0	10,889	n.m.
Bloodstained	9,917	0	9,917	n.m.
Terraria	9,681	3,482	6,199	n.m.
Assetto Corsa	6,108	5,058	1,050	20.8%
Indivisible	4,051	0	4,051	n.m.
PAYDAY 2	3,109	3,277	(168)	-5.1%
Other products	7,041	6,041	1,000	16.6%
Retail products	5,932	7,885	(1,953)	-24.8%
<b>Premium Games total gross revenue</b>	<b>86,764</b>	<b>25,743</b>	<b>61,021</b>	<b>237.0%</b>

The launch of Control – considered best game of the year by several market experts – led to the generation of gross revenue of Euro 30,036 thousand. This product was developed together with Remedy Entertainment, a Finnish company listed on the Nasdaq First North Growth.. The game is available on the

Epic Games Store video game marketplace for PC and on the Sony Playstation 4 and Microsoft XboX consoles.

Bloodstained generated revenue of Euro 13,888 thousand in the fiscal year ended 30 June 2019. In the nine months ended 31 March 2020, it generated further Euro 9,917 thousand, thanks to the launch of the game on Far Eastern markets and the launch of the Nintendo Switch version

The video game Journey to the Savage Planet, developed by the Canadian Typhoon Studios, was launched in the PC, Playstation 4 and Microsoft XboX versions. The Nintendo Switch console version will be available in May 2020.

The video game Terraria benefited from the launch of the Nintendo Switch in prior year and generated revenue of Euro 9.681 thousand in the nine months ended 31 March 2020; this was also thanks to highly effective marketing campaigns.

The PC version only of Assetto Corsa Competizione, the official game of the Blancpain GT Series car racing championship, was launched in the final quarter of the last annual reporting period and this made it possible to achieve the same level of revenue as in prior year. The complexity of the video game, which is a car racing simulator, made it impossible to develop console versions at the same time and they will be launched in the fourth quarter of the current financial year.

Revenue from the publication of the console version of PAYDAY2 have decreased. The PC version is published by Swedish developer Starbreeze and that company's problems have made it impossible to focus on the development of console versions of the additional content made available for the PC version.

The shutdown period of retail business activities requested by government authorities contributed to the reduction of the revenues coming from the Italian Distribution operating segments. The decrease was Euro 4,881 thousand, down by 41.7% compared to the same reporting period of last fiscal year.

The Free to Play operating segment revenue showed a 7.6% increase, following the positive performance of the videogame Gems of War, launched more five years ago and constantly updated and improved.

In line with the gross revenue trend, net revenue more than doubled compared to first nine months of last fiscal year, to Euro 93,141 thousand (up by 134.4%).

In line with the revenue trend, cost of sales increased by Euro 23,766 thousand because of a Euro 18,958 thousand increase in royalties relating to new products. Gross profit increased by Euro 29.632 thousand.

Other revenue remained basically unchanged and amounted to Euro 2,375 thousand. It almost entirely consisted of the capitalisation of investment in intellectual property realised in-house (development of video games to be launched soon). In particular, during the reporting period, these activities included the ongoing development of the new Free to Play version of Hawken by subsidiary DR Studios Ltd..

Operating costs increased by Euro 7,376 thousand – a smaller percentage increase than that recorded by revenue – because of higher advertising expenditure following the launch of new products. The decrease in lease and rental costs is due to the application of the new IFRS 16.

Gross operating margin/EBITDA has increased by Euro 22,205 thousand representing 22,4% of gross revenue.

Depreciation and amortization has increased by Euro 4,098 thousand compared to March 31, 2019. This is due to both additional depreciation of intellectual property owned by the Group and the application of the new IFRS 16 (Euro 897 thousand). Impairment adjustments amount to Euro 1,189 thousand compared to Euro 665 thousand on 31 March 2019. This is due to cancellation of certain development projects (Euro 519 thousand) and the write-down of Euro 594 thousand applied to certain amounts receivable by 505 Games S.p.A. from developers following the settlement agreement signed with the Tax Authorities.

Operating margin/EBIT is positive by Euro 10,207 thousand compared to a loss of Euro 7,612 thousand register on 31 March, 2019. Excluding non-recurring items, EBIT amounts to Euro 10,801 thousand i.e. 10.9% of gross revenue.

Net financial expenses amounted to Euro 275 thousand against net financial income of Euro 110 thousand in the first nine months of prior fiscal year. This was due to a Euro 1,840 thousand increase in interest and financial expenses following the recognition of Euro 1,455 thousand of interest expenses under the agreement with the Tax Authorities. Excluding non-recurring items, there would have been net interest income of Euro 180 thousand.

Interest and financial income amount to Euro 1,455 thousand due to the effect of higher exchange gains and higher financial income as a result of the gain of Euro 383 thousand realised upon the sale of the investment in Delta Dna Ltd..

A profit before taxes of Euro 9,932 thousand is reported for the period ended 31 March 2020, Euro 11,106 thousand excluding non-recurring items, an improvement of Euro 17,434 thousand, Euro 18,608 thousand excluding non-recurring items, compared to loss of Euro 7,502 thousand for the period ended 31 March 2019.

The consolidated net profit amounts to Euro 6,381 thousand compared to the net loss of Euro 5,882 thousand for the period ended 31 March 2019. Meanwhile, net profit adjusted to exclude non-recurring items amounts to Euro 7,779 thousand.

Net profit attributable to shareholders of the Group amounts to Euro 6,389 thousand.

Basic earnings per share and diluted earnings per share amounts to Euro 0.45 Euro compared to a loss for share of Euro 0.41 for the period ended 31 March 2019.

## 6. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	Euro thousands	31 March 2020	30 June 2019	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	9,117	3,584	5,533	n.m.
2	Investment property	0	0	0	0.0%
3	Intangible assets	30,778	18,341	12,437	67.8%
4	Equity investments	4,492	1,706	2,786	n.m.
5	Non-current receivables and other assets	5,702	9,322	(3,620)	-38.8%
6	Deferred tax assets	2,688	2,745	(57)	-2.1%
	<b>Total non-current assets</b>	<b>52,777</b>	<b>35,698</b>	<b>17,079</b>	<b>47.8%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(646)	(573)	(73)	12.7%
8	Non-current provisions	(81)	(81)	0	0.0%
9	Other non-current payables and liabilities	(479)	(923)	444	-48.1%
	<b>Total non-current liabilities</b>	<b>(1,206)</b>	<b>(1,577)</b>	<b>371</b>	<b>-23.5%</b>
	<b>Net working capital</b>				
10	Inventories	14,423	13,909	514	3.7%
11	Trade receivables	50,877	55,070	(4,193)	-7.6%
12	Current tax assets	5,479	6,076	(597)	-9.8%
13	Other current assets	6,178	1,668	4,510	n.m.
14	Trade payables	(36,854)	(24,631)	(12,223)	49.6%
15	Current tax liabilities	(5,332)	(1,138)	(4,194)	n.m.
16	Current provisions	0	(856)	856	n.m.
17	Other current liabilities	(9,525)	(3,761)	(5,764)	n.m.
	<b>Total net working capital</b>	<b>25,246</b>	<b>46,337</b>	<b>(21,091)</b>	<b>-45.5%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,871)	(21,223)	352	-1.7%
20	Treasury shares	0	0	0	0.0%
21	(Retained earnings) accumulated losses	(43,707)	(37,298)	(6,409)	17.2%
	<b>Total equity</b>	<b>(70,282)</b>	<b>(64,225)</b>	<b>(6,057)</b>	<b>9.4%</b>
	<b>Total equity attributable to minority shareholders</b>	<b>(656)</b>	<b>0</b>	<b>(656)</b>	<b>n.m.</b>
	<b>Total net assets</b>	<b>5,879</b>	<b>16,233</b>	<b>(10,354)</b>	<b>-63.8%</b>
22	Cash and cash equivalents	9,131	4,767	4,364	91.5%
23	Current bank borrowing	(14,822)	(20,795)	5,973	-28.7%
24	Other current financial assets and liabilities	(11,336)	2,155	(13,491)	n.m.
	<b>Current net financial position</b>	<b>(17,027)</b>	<b>(13,873)</b>	<b>(3,156)</b>	<b>22.7%</b>
25	Non-current financial assets	16,900	1,942	14,958	n.m.
26	Non-current bank borrowing	(1,349)	(4,293)	2,944	-68.6%
27	Other non-current financial liabilities	(4,403)	(9)	(4,394)	n.m.
	<b>Non-current net cash/debt</b>	<b>11,148</b>	<b>(2,360)</b>	<b>13,508</b>	<b>n.m.</b>
	<b>Total net financial position</b>	<b>(5,879)</b>	<b>(16,233)</b>	<b>10,354</b>	<b>-63.8%</b>



Property, plant and equipment have increased by Euro 5,533 mila Euro, mainly as a result of application of the new IFRS 16 which led to the recognition of buildings of Euro 5,476 thousand, net of depreciation for the nine-month reporting period. Intangible assets have increased by Euro 12,437 thousand due to investment in new video games minus amortisation and impairment adjustments for the period..

Net working capital has decreased by Euro 21,091 thousand compared to 30 June 2019 mainly because of a Euro 12,223 in trade payables and other current liabilities of Euro 5.764 thousand. The following table contains a breakdown of net working capital with comparative figures at 30 June 2019:

<b>Euro thousand</b>	<b>31 March 2020</b>	<b>30 June 2019</b>	<b>Change</b>	
Inventories	14,423	13,909	514	3.7%
Trade receivables	50,877	55,070	(4,193)	-7.6%
Tax receivables	5,479	6,076	(597)	-9.8%
Other current assets	6,178	1,668	4,510	n.m.
Trade payables	(36,854)	(24,631)	(12,223)	49.6%
Tax payables	(5,332)	(1,138)	(4,194)	n.m.
Current provisions	0	(856)	856	n.m.
Other current liabilities	(9,525)	(3,761)	(5,764)	n.m.
<b>Total net working capital</b>	<b>25,246</b>	<b>46,337</b>	<b>(21,091)</b>	<b>-45.5%</b>

Better than expected, net debt remained stable at Euro 5,879 thousand compared to 31 December 2019 including the investments made by the Group during the third quarter.

Net debt decreased by Euro 10,354 thousand compared to June 30 2019, including the application of the IFRS 16 (which resulted in a Euro 5,481 increase). Net financial debts, excluding the application of the IFRS 16, decreased by 15.835 thousand.

The following table contains a breakdown of the net financial position with comparative figures at 30 June 2019:

<b>Euro thousand</b>	<b>31 March 2020</b>	<b>30 June 2019</b>	<b>Change</b>	
Cash and cash equivalents	9,131	4,767	4,364	91.5%
Current bank borrowing	(14,822)	(20,795)	5,973	-28.7%
Other current financial assets and liabilities	(11,336)	2,155	(13,491)	n.m.
<b>Current net financial position - cash</b>	<b>(17,027)</b>	<b>(13,873)</b>	<b>(3,156)</b>	<b>22.7%</b>
Non-current financial assets	16,900	1,942	14,958	n.m.
Non-current bank borrowing	(1,349)	(4,293)	2,944	-68.6%
Other non-current financial liabilities	(4,403)	(9)	(4,394)	n.m.
<b>Non-current net financial position – (debt)/cash</b>	<b>11,148</b>	<b>(2,360)</b>	<b>13,508</b>	<b>n.m.</b>
<b>Total net financial position</b>	<b>(5,879)</b>	<b>(16,233)</b>	<b>10,354</b>	<b>-63.8%</b>

## 7. PERFORMANCE BY OPERATING SEGMENT

### Premium Games

#### Reclassified P&L highlights

	Euro thousands	Premium Games					
		31 March 2020		31 March 2019		Change	
1	Gross revenue	86,764	106.8%	25,743	105.9%	61,021	n.m.
2	Revenue adjustments	(5,489)	-6.8%	(1,439)	-5.9%	(4,050)	n.m.
3	<b>Net revenue</b>	<b>81,275</b>	<b>100.0%</b>	<b>24,304</b>	<b>100.0%</b>	<b>56,971</b>	<b>n.m.</b>
4	Purchase of products for resale	(9,842)	-12.1%	(2,881)	-11.9%	(6,961)	n.m.
5	Purchase of services for resale	(4,648)	-5.7%	(2,274)	-9.4%	(2,374)	n.m.
6	Royalties	(26,618)	-32.8%	(7,458)	-30.7%	(19,160)	n.m.
7	Changes in inventories of finished products	1,287	1.6%	(635)	-2.6%	1,922	n.m.
8	<b>Total cost of sales</b>	<b>(39,821)</b>	<b>-49.0%</b>	<b>(13,248)</b>	<b>-54.5%</b>	<b>(26,573)</b>	<b>n.m.</b>
9	<b>Gross profit (3+8)</b>	<b>41,454</b>	<b>51.0%</b>	<b>11,056</b>	<b>45.5%</b>	<b>30,398</b>	<b>n.m.</b>
10	Other income	749	0.9%	821	3.4%	(72)	n.m.
11	Cost of services	(8,940)	-11.0%	(3,092)	-12.7%	(5,848)	n.m.
12	Lease and rental charges	(56)	-0.1%	(467)	-1.9%	411	-87.9%
13	Labour costs	(8,051)	-9.9%	(6,375)	-26.2%	(1,676)	26.3%
14	Other operating costs	(321)	-0.4%	(296)	-1.2%	(25)	8.2%
15	<b>Total operating costs</b>	<b>(17,368)</b>	<b>-21.4%</b>	<b>(10,230)</b>	<b>-42.1%</b>	<b>(7,138)</b>	<b>69.8%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>24,835</b>	<b>30.6%</b>	<b>1,647</b>	<b>6.8%</b>	<b>23,188</b>	<b>n.m.</b>
17	Depreciation and amortisation	(7,684)	-9.5%	(3,522)	-14.5%	(4,162)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	n.m.
19	Impairment adjustments to assets	(767)	-0.9%	(181)	-0.7%	(586)	n.m.
20	Reversal of impairment adjustments and non-monetary income	187	0.2%	0	0.0%	187	n.m.
21	<b>Total non-monetary income and operating costs</b>	<b>(8,264)</b>	<b>-10.2%</b>	<b>(3,703)</b>	<b>-15.2%</b>	<b>(4,561)</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>16,571</b>	<b>20.4%</b>	<b>(2,056)</b>	<b>-8.5%</b>	<b>18,627</b>	<b>n.m.</b>

The videogames Control, Indivisible and Journey to the Savage Planet were launched on all platforms during the period. The Nintendo Switch console versions of Indivisible and Journey to the Savage Planet are expected to be released in the last quarter of the fiscal year. The launches are part of the investment plan of new videogames started during the last quarter of the past fiscal year with the launch of Bloodstained. The release plan enabled a significant increase of revenues and of all financial margins.

The Premium Games operating segment gross revenues amounted for 87% of the consolidated revenues and significantly increased (up by €61 million) as a result of the sales of Control, released on August 27th, 2019, Bloodstained, launched in June 2019 and Journey to the Savage Planet, launched in the third quarter of the current fiscal year.

A breakdown of gross revenue by video game in the Premium Games segment is provided below:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	
Control	30,036	0	30,036	n.m.
Journey to the Savage Planet	10,889	0	10,889	n.m.
Bloodstained	9,917	0	9,917	n.m.
Terraria	9,681	3,482	6,199	n.m.
Assetto Corsa	6,108	5,058	1,050	20.8%
Indivisible	4,051	0	4,051	n.m.
PAYDAY 2	3,109	3,277	(168)	-5.1%
Other products	7,041	6,041	1,000	16.6%
Retail products	5,932	7,885	(1,953)	-24.8%
<b>Premium Games total gross revenue</b>	<b>86,764</b>	<b>25,743</b>	<b>61,021</b>	<b>237.0%</b>

The launch of Control – considered best game of the year by several market experts – led to the generation of gross revenue of Euro 30,036 thousand. This product was developed together with Remedy Entertainment, a Finnish company listed on the Nasdaq First North Growth. The game is available on the Epic Games Store video game marketplace for PC and on the Sony Playstation 4 and Microsoft XboX consoles both in retail and digital format.

Bloodstained generated revenue of Euro 13,888 thousand in the fiscal year ended 30 June 2019. In the nine months ended 31 March 2020, it generated further Euro 9,917 thousand, thanks to the launch of the game on Far Eastern markets and the launch of the Nintendo Switch version

The video game Journey to the Savage Planet, developed by the Canadian Typhoon Studios, was launched in the PC, Playstation 4 and Microsoft XboX versions. The Nintendo Switch console version will be available in May 2020.

The video game Terraria benefited from the launch of the Nintendo Switch in prior year and generated revenue of Euro 9.681 thousand in the nine months ended 31 March 2020; this was also thanks to highly effective marketing campaigns.

The PC version only of Assetto Corsa Competizione, the official game of the Blancpain GT Series car racing championship, was launched in the final quarter of the last annual reporting period and this made it possible to achieve the same level of revenue as in prior year. The complexity of the video game, which is a car racing simulator, made it impossible to develop console versions at the same time and they will be launched in the fourth quarter of the current financial year.

Revenue from the publication of the console version of PAYDAY2 have decreased. The PC version is published by Swedish developer Starbreeze. Starbreeze problems have made it impossible to focus on the development of additional contents for consoles while additional contents were made available for the PC version.

A breakdown of gross revenue by type is provided below:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>
Retail distribution revenue	28,494	10,173	18,321
Digital distribution revenue	53,061	14,924	38,137
Sub-licensing revenue	4,941	646	4,295
Revenue from services	268	0	268
<b>Total Premium Games revenue</b>	<b>86,764</b>	<b>25,743</b>	<b>61,021</b>

Retail distribution revenue increased in the period by Euro 18,321 thousand representing the 33% of total revenue compared to 40% of prior fiscal year. Digital distribution revenue increased by Euro 38,137 thousand, from 58% to 62% of the operating segment total revenues.

Sub-licensing revenue refer to sublicensing of games rights in markets where the Group does not operate directly, mainly far east markets.

Digital distribution revenue for the period ended 31 March 2020 may be broken down by console type as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	
Sony Playstation	16,942	5,493	11,449	n.m.
Microsoft XboX	8,982	2,902	6,080	n.m.
Nintendo Switch	4,619	582	4,037	n.m.
<b>Total consoles</b>	<b>30,543</b>	<b>8,977</b>	<b>21,566</b>	<b>n.m.</b>
PC	19,965	4,748	15,217	n.m.
Mobile	2,553	1,199	1,354	n.m.
<b>Total digital distribution revenue</b>	<b>53,061</b>	<b>14,924</b>	<b>38,137</b>	<b>n.m.</b>

Revenue from digital distribution significantly increased on all platforms.

In line with the gross revenue trend, net revenue has almost trebled compared to the first nine months of prior year to stand at Euro 81,275 thousand.

Total cost of sales has increased by Euro 26,573 thousand due to a Euro 19,160 thousand increase in royalties regarding new products. Gross profit has increased by Euro 30,398 thousand.

Other revenues remained stable and amounted to Euro 749 thousand. In the first nine months it consisted almost entirely of the capitalisation of work on in-house development of video games to be launched in the near future.

Operating costs increased by Euro 7,138 thousand – a smaller percentage increase than that recorded by revenue – because of higher advertising expenditure following the launch of new products. The decrease in lease and rentals costs is due to application of the new IFRS 16.

Gross operating margin/EBITDA has increased by Euro 23,188 thousand. It represented 30.6% of net revenue for the nine months ended 31 March 2020 against 6.8% for the first nine months of prior year.

EBIT amounted to 16,571 thousand and increased by Euro 18,627 thousand compared to the negative figure of Euro 2,056 thousand recorded at 31 March 2019; it represented 20.4% of net revenue.

## Free to Play

### Reclassified P&L highlights

	Euro thousands	Free to Play					
		31 March 2020		31 March 2019		Change	
1	Gross revenue	5,117	100.0%	4,758	100.0%	359	7.6%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>5,117</b>	<b>100.0%</b>	<b>4,758</b>	<b>100.0%</b>	<b>359</b>	<b>7.6%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(1,636)	-32.0%	(1,556)	-32.7%	(80)	5.2%
6	Royalties	(244)	-4.8%	(421)	-8.8%	177	-42.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(1,880)</b>	<b>-36.7%</b>	<b>(1,977)</b>	<b>-41.6%</b>	<b>97</b>	<b>-4.9%</b>
9	<b>Gross profit (3+8)</b>	<b>3,237</b>	<b>63.3%</b>	<b>2,781</b>	<b>58.4%</b>	<b>456</b>	<b>16.4%</b>
10	Other income	1,555	30.4%	1,402	29.5%	153	10.9%
11	Costs for services	(232)	-4.5%	(171)	-3.6%	(61)	36.0%
12	Lease and rental costs	(13)	-0.3%	(44)	-0.9%	31	-70.2%
13	Labour costs	(3,324)	-65.0%	(2,558)	-53.8%	(766)	29.9%
14	Other operating costs	(66)	-1.3%	(61)	-1.3%	(5)	8.1%
15	<b>Total operating costs</b>	<b>(3,635)</b>	<b>-71.0%</b>	<b>(2,834)</b>	<b>-59.6%</b>	<b>(801)</b>	<b>28.3%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>1,157</b>	<b>22.6%</b>	<b>1,349</b>	<b>28.4%</b>	<b>(192)</b>	<b>-14.2%</b>
17	Depreciation and amortisation	(893)	-17.5%	(1,376)	-28.9%	483	-35.1%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(346)	-6.8%	(286)	-6.0%	(60)	21.2%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(1,239)</b>	<b>-24.2%</b>	<b>(1,662)</b>	<b>-34.9%</b>	<b>423</b>	<b>-25.4%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(82)</b>	<b>-1.6%</b>	<b>(313)</b>	<b>-6.6%</b>	<b>231</b>	<b>-73.8%</b>

The Free to Play operating segment recorded 7.6% revenue growth thanks to the particularly strong performance of the Gems of War video game which was launched more than five years ago but which is constantly updated and improved.

Revenue is broken down by video game as follows:

Euro thousands	31 March 2020	31 March 2019	Change
Gems of War	3,968	3,313	655
Battle Islands	614	910	(296)
Prominence Poker	494	490	4
Other products	41	45	(4)
<b>Total Free to Play revenue</b>	<b>5,117</b>	<b>4,758</b>	<b>359</b>

Purchases of services for resale have increased by Euro 80 thousand because of increased expenditure on live support activities. Details are as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>
Live support	682	926	97
Quality assurance	76	153	(57)
Hosting	252	370	18
Other	90	107	22
<b>Total purchases of services</b>	<b>1,636</b>	<b>1,556</b>	<b>80</b>

Live support consists in the further development and improvement of the video game after its initial launch and it's important to increase players loyalty and maintain players' interest in the additional contents (DLCs - downloadable contents) that are made available over the time.

Other revenue has increased by Euro 153 thousand compared to the period ended 31 March 2019. It mainly comprises the internal development costs incurred by the Group for the development of the future version of the Hawken series video game whose launch is scheduled for next year.

Operating costs increased by Euro 801 thousand because of a Euro 766 thousand increase in personnel costs.

Gross operating margin/EBITDA amounted to Euro 1,157 thousand, a Euro 192 thousand decrease compared to the nine months ended 31 March 2019.

Depreciation and amortisation has decreased by Euro 483 thousand due to completion of the amortisation period of several products. Impairment adjustments of Euro 346 thousand are the result of the decision to abandon development of the video game Chef Emma.

The operating segment reports an operating loss/negative EBIT of Euro 82 thousand, an improvement of Euro 231 thousand compared to the negative EBIT of Euro 313 thousand in the period ended 31 March 2019.

## Italian Distribution

### Reclassified P&L highlights

Euro thousands		Italian Distribution					
		31 March 2020		31 March 2019		Change	
1	Gross revenue	6,811	108.1%	11,692	113.8%	(4,881)	-41.7%
2	Revenue adjustments	(513)	-8.1%	(1,419)	-13.8%	906	-63.8%
3	<b>Net revenue</b>	<b>6,298</b>	<b>100.0%</b>	<b>10,273</b>	<b>100.0%</b>	<b>(3,975)</b>	<b>-38.7%</b>
4	Purchases of products for resale	(4,318)	-68.6%	(7,896)	-76.9%	3,578	-45.3%
5	Purchases of services for resale	(128)	-2.0%	(483)	-4.7%	355	-73.6%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(773)	-12.3%	463	4.5%	(1,236)	n.m.
8	<b>Total cost of sales</b>	<b>(5,219)</b>	<b>-82.9%</b>	<b>(7,916)</b>	<b>-77.1%</b>	<b>2,697</b>	<b>-34.1%</b>
9	<b>Gross profit (3+8)</b>	<b>1,079</b>	<b>17.1%</b>	<b>2,357</b>	<b>22.9%</b>	<b>(1,278)</b>	<b>-54.2%</b>
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(1,026)	-16.3%	(1,060)	-10.3%	34	-3.3%
12	Lease and rental costs	(22)	-0.3%	(26)	-0.3%	4	-16.8%
13	Labour costs	(1,041)	-16.5%	(1,019)	-9.9%	(22)	2.2%
14	Other operating costs	(150)	-2.4%	(150)	-1.5%	0	-0.2%
15	<b>Total operating costs</b>	<b>(2,239)</b>	<b>-35.6%</b>	<b>(2,255)</b>	<b>-22.0%</b>	<b>16</b>	<b>-0.7%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(1,160)</b>	<b>-18.4%</b>	<b>102</b>	<b>1.0%</b>	<b>(1,262)</b>	<b>n.m.</b>
17	Depreciation and amortisation	(129)	-2.0%	(208)	-2.0%	79	-37.9%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(44)	-0.7%	(92)	-0.9%	48	52.2%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(173)</b>	<b>-2.7%</b>	<b>(300)</b>	<b>-2.9%</b>	<b>127</b>	<b>-42.4%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,333)</b>	<b>-21.2%</b>	<b>(198)</b>	<b>-1.9%</b>	<b>(1,135)</b>	<b>n.m.</b>

The lockdown period forced by the government authorities following the health emergency contributed to the decrease in revenue of the Italian Distribution operating segment. The reduction amounted to Euro 4,881 thousand in the period, down by 41.7% compared to the period ended 31 March 2019.

Gross revenue is analyzed by type as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	
Distribution of video games for consoles	5,139	7,834	(2,695)	-34.4%
Distribution of trading cards	1,280	3,287	(2,007)	-61.1%
Distribution of other products and services	392	571	(179)	-31.3%
<b>Total gross revenue – Italian Distribution</b>	<b>6,811</b>	<b>11,692</b>	<b>(4,881)</b>	<b>-41.7%</b>

Gross revenue by console type is analysed as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>		<b>31 March 2019</b>		<b>Change</b>	
	<b>Units</b>	<b>Revenue</b>	<b>Units</b>	<b>Revenue</b>	<b>Units</b>	<b>Revenue</b>
Sony Playstation 4	132,553	4,295	178,264	6,217	-25.6%	-30.9%
Microsoft Xbox One	16,488	550	28,832	953	-42.8%	-42.3%
Nintendo Switch	11,502	281	18,278	618	-37.1%	-54.5%
Altre console	9,031	13	14,676	46	-38.5%	-72.2%
<b>Totale ricavi console</b>	<b>169,574</b>	<b>5,139</b>	<b>240,050</b>	<b>7,834</b>	<b>-29.4%</b>	<b>-34.4%</b>

In line with the life cycle of consoles, revenue from the distribution of video games for the Sony PlayStation 3 and Microsoft Xbox 360 has almost dried up and is now classified under other consoles.

Sales of trading cards have decreased by 61.1%, also as a result of the commercial decision not to use newsstands distribution channel from August 2019 onwards; activities will recommence next quarter.

Cost of sales amounts to Euro 5,219 thousand and has decreased by Euro 2,697 thousand compared to 31 March 2019.

Operating costs amounted to 2,239 thousand, stable compared to Euro 2,255 thousand at 31 March 2019. As a result of the above, gross operating margin/EBITDA is negative by Euro 1,160 thousand (a deterioration of Euro 1,262 thousand compared to the first nine months of prior year) while net operating margin/EBIT has deteriorated by Euro 1,135 thousand compared to the first nine months of prior year to stand at a negative figure of Euro 1,333 thousand.



## Other Activities

### Reclassified P&L highlights

	Euro thousands	Other activities					
		31 March 2020		31 March 2019		Change	
1	Gross revenue	451	100.0%	408	100.0%	43	10.4%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>451</b>	<b>100.0%</b>	<b>408</b>	<b>100.0%</b>	<b>43</b>	<b>10.4%</b>
4	Purchases of products for resale	0	0.1%	0	0.1%	0	0.0%
5	Purchases of services for resale	(9)	-1.9%	(24)	-5.9%	15	-63.8%
6	Royalties	(21)	-4.6%	(19)	-4.7%	(2)	66.6%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(30)</b>	<b>-6.7%</b>	<b>(43)</b>	<b>-10.5%</b>	<b>13</b>	<b>-29.6%</b>
9	<b>Gross profit (3+8)</b>	<b>421</b>	<b>93.3%</b>	<b>365</b>	<b>89.5%</b>	<b>56</b>	<b>15.1%</b>
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(122)	-27.0%	(103)	-25.2%	(19)	18.3%
12	Lease and rental costs	(1)	-0.3%	(5)	-1.1%	4	-66.6%
13	Labour costs	(239)	-53.0%	(449)	-110.0%	210	-46.8%
14	Other operating costs	(29)	-6.3%	(32)	-7.9%	3	-11.0%
15	<b>Total operating costs</b>	<b>(391)</b>	<b>-86.8%</b>	<b>(589)</b>	<b>-144.2%</b>	<b>198</b>	<b>-33.5%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>30</b>	<b>6.7%</b>	<b>(224)</b>	<b>-54.9%</b>	<b>254</b>	<b>n.s.</b>
17	Depreciation and amortisation	(81)	-18.0%	(66)	-16.3%	(15)	22.1%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adj. and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(81)</b>	<b>-18.0%</b>	<b>(66)</b>	<b>-16.3%</b>	<b>(15)</b>	<b>22.1%</b>
22	<b>Operating margin/EBIT (16+21)</b>	<b>(51)</b>	<b>-11.3%</b>	<b>(290)</b>	<b>-70.9%</b>	<b>239</b>	<b>-82.5%</b>

The revenue of the Other Activities operating segment has increased by Euro 43 thousand from Euro 408 thousand to Euro 451 thousand in the period ended 31 March 2020.

Operating costs have decreased by Euro 198 thousand mainly because of lower personnel costs which, in the first nine months of prior year, included one-off costs for the liquidation of Game Network S.r.l..

There is an operating loss/negative EBIT of Euro 51 thousand, much smaller than the operating loss of Euro 290 thousand for the period ended 31 March 2019.

## Holding

### Reclassified P&L Highlights

Euro thousands		Holding					
		31 March 2020		31 March 2019		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%
<b>3</b>	<b>Net revenue</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
<b>8</b>	<b>Total cost of sales</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
10	Other income	71	0.0%	203	0.0%	(132)	-64.9%
11	Costs for services	(1,216)	0.0%	(1,187)	0.0%	(29)	2.5%
12	Lease and rental costs	(91)	0.0%	(527)	0.0%	436	-82.7%
13	Labour costs	(2,703)	0.0%	(2,717)	0.0%	14	-0.5%
14	Other operating costs	(358)	0.0%	(286)	0.0%	(72)	25.2%
<b>15</b>	<b>Total operating costs</b>	<b>(4,368)</b>	<b>0.0%</b>	<b>(4,717)</b>	<b>0.0%</b>	<b>349</b>	<b>-7.4%</b>
<b>16</b>	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(4,297)</b>	<b>0.0%</b>	<b>(4,514)</b>	<b>0.0%</b>	<b>217</b>	<b>-4.8%</b>
17	Depreciation and amortisation	(618)	0.0%	(135)	0.0%	(483)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(32)	0.0%	(106)	0.0%	74	-69.7%
20	Reversal of impairment adjustments and non-monetary income	49	0.0%	0	0.0%	49	0.0%
<b>21</b>	<b>Total non-monetary operating income and costs</b>	<b>(601)</b>	<b>0.0%</b>	<b>(241)</b>	<b>0.0%</b>	<b>(360)</b>	<b>n.m.</b>
<b>22</b>	<b>Operating margin (EBIT) (16+21)</b>	<b>(4,898)</b>	<b>0.0%</b>	<b>(4,755)</b>	<b>0.0%</b>	<b>(143)</b>	<b>3.0%</b>

Other income has decreased by Euro 132 thousand. In the first nine months of prior year, it included the gain of Euro 169 thousand realised on the sale of the property owned by 133 W Broadway.

Operating costs amounted to Euro 4,368 thousand, a Euro 349 thousand decrease compared to the period ended 31 March 2019. The decrease in lease and rental costs – countered by the increase in depreciation and amortisation – is due to application of the new IFRS 16.

Operating margin/EBIT was negative by Euro 4,898 thousand compared to a negative figure of Euro 4,755 thousand at 31 March 2019.

## 8. ANALYSIS OF CONSOLIDATED RESULTS FOR THE THIRD QUARTER OF FY 2019/2020

Results of the third quarter compared to prior year are as follows:

	Euro thousands	3° quarter 2019/2020		3° quarter 2018/2019		Change	
1	Gross revenue	31,293	102.1%	12,385	107.0%	18,908	152.7%
2	Revenue adjustments	(637)	-2.1%	(816)	-7.0%	179	n.m.
3	<b>Net revenue</b>	<b>30,656</b>	<b>100.0%</b>	<b>11,569</b>	<b>100.0%</b>	<b>19,087</b>	<b>165.0%</b>
4	Purchase of products for resale	(1,323)	-4.3%	(3,429)	-29.6%	2,106	-61.4%
5	Purchase of services for resale	(2,375)	-7.7%	(967)	-8.4%	(1,408)	n.m.
6	Royalties	(8,188)	-26.7%	(2,384)	-20.6%	(5,804)	n.m.
7	Changes in inventories of finished products	(878)	-2.9%	(433)	-3.7%	(445)	n.m.
8	<b>Total cost of sales</b>	<b>(12,764)</b>	<b>-41.6%</b>	<b>(7,213)</b>	<b>-62.3%</b>	<b>(5,551)</b>	<b>77.0%</b>
9	<b>Gross profit (3+8)</b>	<b>17,892</b>	<b>58.4%</b>	<b>4,356</b>	<b>37.6%</b>	<b>13,536</b>	<b>n.m.</b>
10	Other income	989	3.2%	880	7.6%	109	n.m.
11	Cost of services	(2,781)	-9.1%	(1,701)	-14.7%	(1,080)	63.5%
12	Lease and rental charges	(42)	-0.1%	(358)	-3.1%	316	-88.4%
13	Personnel costs	(5,345)	-17.4%	(4,667)	-40.3%	(678)	14.5%
14	Other operating costs	(301)	-1.0%	(286)	-2.5%	(15)	5.3%
15	<b>Total operating costs</b>	<b>(8,469)</b>	<b>-27.6%</b>	<b>(7,012)</b>	<b>-60.6%</b>	<b>(1,457)</b>	<b>20.8%</b>
16	<b>Gross operating margin/EBITDA (9+10+15)</b>	<b>10,412</b>	<b>34.0%</b>	<b>(1,776)</b>	<b>-15.3%</b>	<b>12,188</b>	<b>n.m.</b>
17	Depreciation and amortisation	(4,266)	-13.9%	(1,714)	-14.8%	(2,552)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	n.m.
19	Impairment losses recognised on assets	(20)	-0.1%	0	0.0%	(20)	n.m.
20	Reversal of imp. losses and non-monetary income	32	0.1%	0	0.0%	32	n.m.
21	<b>Total non-monetary income and operating costs</b>	<b>(4,254)</b>	<b>-13.9%</b>	<b>(1,714)</b>	<b>-14.8%</b>	<b>(2,540)</b>	<b>n.m.</b>
22	<b>Operating margin/EBIT (16+21)</b>	<b>6,158</b>	<b>20.1%</b>	<b>(3,490)</b>	<b>-30.2%</b>	<b>9,648</b>	<b>n.m.</b>
23	Interest and financial income	981	3.2%	396	3.4%	585	n.m.
24	Interest expense and financial expenses	(856)	-2.8%	(465)	-4.0%	(391)	n.m.
25	<b>Net financial income (expenses)</b>	<b>125</b>	<b>0.4%</b>	<b>(69)</b>	<b>-0.6%</b>	<b>194</b>	<b>n.m.</b>
26	<b>Profit/(Loss) before tax (22+25)</b>	<b>6,283</b>	<b>20.5%</b>	<b>(3,559)</b>	<b>-30.8%</b>	<b>9,842</b>	<b>n.m.</b>
27	Current tax	(2,028)	-6.6%	745	6.4%	(2,773)	n.m.
28	Deferred tax	188	0.6%	92	0.8%	96	n.m.
29	<b>Total income tax expense</b>	<b>(1,840)</b>	<b>-6.0%</b>	<b>837</b>	<b>7.2%</b>	<b>(2,677)</b>	<b>n.m.</b>
30	<b>Net profit (26+29)</b>	<b>4,443</b>	<b>14.5%</b>	<b>(2,722)</b>	<b>-23.5%</b>	<b>7,165</b>	<b>n.m.</b>
	Attributable to shareholders of the Group	4,451	14.5%	(2,722)	-23.5%	7,173	n.m.
	Attributable to minority shareholders	(8)	0.0%	0	0.0%	(8)	n.m.

## Performance by operating segment in the third quarter

### Premium Games

Results of the third quarter compared to the same period of prior fiscal year are as follows:

Euro thousands		Premium Games					
		3° quarter 2019/2020		3° quarter 2018/2019		Change	
1	Gross revenue	28,721	102.4%	5,956	105.0%	22,765	n.m.
2	Revenue adjustments	(667)	-2.4%	(285)	-5.0%	(382)	n.m.
3	<b>Net revenue</b>	<b>28,054</b>	<b>100.0%</b>	<b>5,671</b>	<b>100.0%</b>	<b>22,383</b>	<b>n.m.</b>
4	Purchases of products for resale	(1,018)	-3.6%	(372)	-6.6%	(646)	n.m.
5	Purchases of services for resale	(1,824)	-6.5%	(324)	-5.7%	(1,500)	n.m.
6	Royalties	(8,126)	-29.0%	(2,220)	-39.1%	(5,906)	n.m.
7	Changes in inventories of finished products	(556)	-2.0%	(369)	-6.5%	(187)	n.m.
8	<b>Total cost of sales</b>	<b>(11,524)</b>	<b>-41.1%</b>	<b>(3,285)</b>	<b>-57.9%</b>	<b>(8,239)</b>	<b>n.m.</b>
9	<b>Gross profit (3+8)</b>	<b>16,530</b>	<b>58.9%</b>	<b>2,386</b>	<b>42.1%</b>	<b>14,144</b>	<b>n.m.</b>
10	Other income	447	1.6%	250	4.4%	197	n.m.
11	Costs for services	(2,124)	-7.6%	(942)	-16.6%	(1,182)	n.m.
12	Lease and rental costs	(29)	-0.1%	(160)	-2.8%	131	-82.1%
13	Labour costs	(2,813)	-10.0%	(2,308)	-40.7%	(505)	21.9%
14	Other operating costs	(94)	-0.3%	(106)	-1.9%	12	-11.8%
15	<b>Total operating costs</b>	<b>(5,060)</b>	<b>-18.0%</b>	<b>(3,516)</b>	<b>-62.0%</b>	<b>(1,544)</b>	<b>43.9%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>11,917</b>	<b>42.5%</b>	<b>(880)</b>	<b>-15.5%</b>	<b>12,797</b>	<b>n.m.</b>
17	Depreciation and amortisation	(3,687)	-13.1%	(1,155)	-20.4%	(2,532)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(3,687)</b>	<b>-13.1%</b>	<b>(1,155)</b>	<b>-20.4%</b>	<b>(2,532)</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>8,230</b>	<b>29.3%</b>	<b>(2,035)</b>	<b>-35.9%</b>	<b>10,265</b>	<b>n.s.</b>

In line with the fiscal year trend, gross revenues of Premium Games operating segment increase by Euro 22,765 thousand in the quarter compared to the same period of prior fiscal year. Net revenues increased by Euro 22,383 thousand from Euro 5,671 thousand to Euro 28,054 thousand in the third quarter of the current fiscal year.

Cost of sales increase by Euro 8,239 Euro thousand in the quarter. Gross revenue amounted to Euro 16,530 in the quarter, increased by Euro 14,144 thousand compared to Euro 2,386 thousand in the third quarter of prior fiscal year.

Operating costs increase by Euro 1,544 thousand and depreciation and amortization increased by Euro 2,533 thousand. Operating margin/EBIT amounted to Euro 8,232 thousand, 28.7% of gross revenue, compared to a negative figure of Euro 2,035 thousand registered in the third quarter of last fiscal year.

## Free to Play

Results of the third quarter compared to the same period of prior fiscal year are as follows:

Euro thousands		Free to Play					
		3° quarter 2019/2020		3° quarter 2018/2019		Change	
1	Gross revenue	1,779	100.0%	1,589	100.0%	190	12.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>1,779</b>	<b>100.0%</b>	<b>1,589</b>	<b>100.0%</b>	<b>190</b>	<b>12.0%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(536)	-30.1%	(521)	-32.8%	(15)	2.8%
6	Royalties	(55)	-3.1%	(156)	-9.8%	101	-64.4%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(590)</b>	<b>-33.1%</b>	<b>(677)</b>	<b>-42.6%</b>	<b>87</b>	<b>-12.8%</b>
9	<b>Gross profit (3+8)</b>	<b>1,188</b>	<b>66.7%</b>	<b>912</b>	<b>57.4%</b>	<b>276</b>	<b>30.2%</b>
10	Other income	520	29.3%	610	38.4%	(90)	-14.7%
11	Costs for services	(96)	-5.4%	(58)	-3.6%	(38)	66.6%
12	Lease and rental costs	(3)	-0.2%	(15)	-1.0%	12	-79.7%
13	Labour costs	(1,157)	-65.0%	(969)	-61.0%	(188)	19.4%
14	Other operating costs	(24)	-1.3%	(21)	-1.3%	(3)	15.7%
15	<b>Total operating costs</b>	<b>(1,280)</b>	<b>-71.9%</b>	<b>(1,063)</b>	<b>-66.9%</b>	<b>(217)</b>	<b>20.4%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>428</b>	<b>24.0%</b>	<b>459</b>	<b>28.9%</b>	<b>(31)</b>	<b>-6.8%</b>
17	Depreciation and amortisation	(269)	-15.1%	(428)	-26.9%	159	-37.0%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(0)	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(269)</b>	<b>-15.1%</b>	<b>(428)</b>	<b>-26.9%</b>	<b>159</b>	<b>-37.0%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>159</b>	<b>9.0%</b>	<b>31</b>	<b>2.0%</b>	<b>128</b>	<b>n.s.</b>

Revenues of Free to Play operating segment amounted to Euro 1,779 thousand, increased by 12% compared to the third quarter of prior fiscal year.

Cost of sales decreased by Euro 87 thousand, following the royalty costs decrease of Euro 101 thousand. Gross profit in the quarter amounted to Eur 1,188 thousand against gross profit of Euro 912 thousand registered for the third quarter of prior fiscal year.

Operating costs increased in the period by Euro 217 thousand due to an increase in payroll costs of Euro 188 thousand.

Non-monetary operating costs decreased by Euro 159 thousand due to completion of the amortisation period of several products. Operating margin/EBIT amounted to Euro 159 thousand, 9% of gross revenue, increased compared to the EBIT of Euro 31 thousand registered in the third quarter of prior fiscal year.

### *Italian Distribution*

Results of the third quarter compared to the same period of prior fiscal year are as follows:

	Euro thousands	Italian Distribution					
		3° quarter 2019/2020		3° quarter 2018/2019		Change	
1	Gross revenue	626	95.4%	4,663	112.8%	(4,037)	-86.6%
2	Revenue adjustments	30	4.6%	(531)	-12.8%	561	n.m.
3	<b>Net revenue</b>	<b>656</b>	<b>100.0%</b>	<b>4,132</b>	<b>100.0%</b>	<b>(3,476)</b>	<b>-84.1%</b>
4	Purchases of products for resale	(305)	-46.6%	(3,057)	-74.0%	2,752	-90.0%
5	Purchases of services for resale	(12)	-1.8%	(115)	-2.8%	103	-89.7%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(322)	-49.1%	(64)	-1.5%	(258)	n.m.
8	<b>Total cost of sales</b>	<b>(639)</b>	<b>-97.5%</b>	<b>(3,236)</b>	<b>-78.3%</b>	<b>2,597</b>	<b>-80.2%</b>
9	<b>Gross profit (3+8)</b>	<b>17</b>	<b>2.5%</b>	<b>896</b>	<b>21.7%</b>	<b>(879)</b>	<b>-98.1%</b>
10	Other income	0	0.1%	0	0.0%	0	n.m.
11	Costs for services	(167)	-25.4%	(326)	-7.9%	159	-48.9%
12	Lease and rental costs	(8)	-1.2%	(9)	-0.2%	1	-14.2%
13	Labour costs	(350)	-53.3%	(346)	-8.4%	(4)	1.2%
14	Other operating costs	(48)	-7.4%	(52)	-1.3%	4	-7.7%
15	<b>Total operating costs</b>	<b>(573)</b>	<b>-87.4%</b>	<b>(733)</b>	<b>-17.7%</b>	<b>160</b>	<b>-21.8%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(556)</b>	<b>-84.7%</b>	<b>163</b>	<b>3.9%</b>	<b>(719)</b>	<b>n.m.</b>
17	Depreciation and amortisation	(44)	-6.8%	(55)	-1.3%	11	-19.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(12)	-1.8%	0	0.0%	(12)	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(56)</b>	<b>-8.5%</b>	<b>(55)</b>	<b>-1.3%</b>	<b>(1)</b>	<b>1.5%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(612)</b>	<b>-93.2%</b>	<b>108</b>	<b>2.6%</b>	<b>(718)</b>	<b>n.m.</b>

Gross revenues decreased by 86.8% in the quarter from Euro 4,663 thousand to Euro 626 thousand due to revenue decrease in both video game distribution and cards sales through newsstand, as an effect of the shutdown of retail stores during the pandemic emergency.

Cost of sales decrease in the quarter by Euro 2,597 thousand. Gross profit amounted to Euro 17 thousand compared to Euro 896 thousand registered in the third quarter of prior fiscal year.

Operating costs decrease by Euro 160 thousand determining a negative operating margin of Euro 612 thousand, decreased by Euro 718 thousand compared to the positive figure of Euro 108 thousand registered in the third quarter of last fiscal year.

## **9. CONTINGENT ASSETS AND LIABILITIES**

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

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

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On 21 April 2020, Digital Bros S.p.A. announced that the PC version of the videogame Death Stranding will be launched worldwide on July 14th, 2020 instead of June 2nd, 2020. The change came after the precautionary measures related to Coronavirus with the studio Kojima Productions, developer of the videogame, temporarily closing its Tokyo offices. The Group confirmed expected revenues in excess of Euro 50 million from the PC version of the videogame.



## **11. BUSINESS OUTLOOK**

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The investment plan in new videogames started last June with Bloodstained and continued with the releases of Control in August, Indivisible in October, and Journey to the Savage Planet in January 2020. It will be completed in the last quarter of the fiscal year with the launch of the console versions of the videogame Assetto Corsa Competizione and the Nintendo Switch versions of Indivisible and Journey to the Savage Planet. The launch of the videogame Death Stranding on PC was moved to next fiscal year, during July 2020. The revenue stream coming from the videogame Control is expected to continue also in the coming quarters due to the new contents' releases and the availability of the Steam version in August 2020.

According to this scenario, the Group expects to maintain significant revenues growth at the end of the fiscal year together with a significant improvement in all financial margins. The increased portion of revenues coming from digital distribution in the last quarter would improve the operating margins even if revenue will remain stable.

Considering the better than expected trend of net financial debts during the third quarter, which remained stable despite the significant investments made by the Group during the period, the Group forecasts a positive net financial position, gross of the IFRS 16 effect, at the end of the fiscal year.

## 12. OTHER INFORMATION

### EMPLOYEES

The following table contains analysis of the number of employees at 31 March 2020 with comparative figures at 31 March 2019:

Category	31 March 2020	31 March 2019	Change
Managers	7	7	0
Office workers	203	184	19
Blue-collar workers and apprentices	6	4	2
<b>Total employees</b>	<b>216</b>	<b>195</b>	<b>9</b>

Office workers increased following the acquisition of the Company AvantGarden S.r.l. on March 3<sup>rd</sup>, 2020.

The following table contains details of the number of employees of non-Italian companies at 31 March 2020 with comparative figures at 31 March 2019:

Category	31 March 2020	31 March 2019	Change
Managers	2	2	0
Office workers	127	119	8
<b>Total employees outside Italy</b>	<b>129</b>	<b>121</b>	<b>8</b>

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

Category	Average no in 2020	Average no in 2019	Change
Managers	7	8	(1)
Office workers	184	171	13
Blue-collar workers and apprentices	6	4	2
<b>Total employees</b>	<b>197</b>	<b>183</b>	<b>14</b>

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

Category	Average no in 2020	Average no in 2019	Change
Managers	2	3	(1)
Office workers	123	112	11
<b>Total employees outside Italy</b>	<b>125</b>	<b>115</b>	<b>10</b>

Employees of the Group's Italian companies are hired under the current *Confcommercio* national collective employment agreement for the commercial, distribution and services sector. Employees of the two studios owned, Kunos Simulazioni S.r.l. and AvantGarden S.r.l., are hired under the current *Metalmeccanico* national collective employment agreement.

## **ENVIRONMENT**

At 31 March 2020, 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 nine months ended 31 March 2020**

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## FINANCIAL STATEMENTS

### Digital Bros Group

#### Consolidated statement of financial position at 31 March 2020

	Euro thousands	31 March 2020	30 March 2019	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	9,117	3,584	5,533	n.m.
2	Investment property	0	0	0	0.0%
3	Intangible assets	30,778	18,341	12,437	67.8%
4	Equity investments	4,492	1,706	2,786	n.m.
5	Non-current receivables and other assets	5,702	9,322	(3,620)	-38.8%
6	Deferred tax assets	2,688	2,745	(57)	-2.1%
	<b>Total non-current assets</b>	<b>52,777</b>	<b>35,698</b>	<b>17,079</b>	<b>47.8%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(646)	(573)	(73)	12.7%
8	Non-current provisions	(81)	(81)	(0)	0.0%
9	Other non-current payables and liabilities	(479)	(923)	444	-48.1%
	<b>Total non-current liabilities</b>	<b>(1,206)</b>	<b>(1,577)</b>	<b>371</b>	<b>-23.5%</b>
	<b>Net working capital</b>				
10	Inventories	14,423	13,909	514	3.7%
11	Trade receivables	50,877	55,070	(4,193)	-7.6%
12	Current tax assets	5,479	6,076	(597)	-9.8%
13	Other current assets	6,178	1,668	4,510	n.m.
14	Trade payables	(36,854)	(24,631)	(12,223)	49.6%
15	Current tax liabilities	(5,332)	(1,138)	(4,194)	n.m.
16	Current provisions	0	(856)	856	n.m.
17	Other current liabilities	(9,525)	(3,761)	(5,764)	n.m.
	<b>Total net working capital</b>	<b>25,246</b>	<b>46,337</b>	<b>(21,091)</b>	<b>-45.5%</b>
	<b>Equity</b>				
18	Share capital	(5,704)	(5,704)	0	0.0%
19	Reserves	(20,871)	(21,223)	352	-1.7%
20	Treasury shares	0	0	0	0.0%
21	(Retained earnings) accumulated losses	(43,707)	(37,298)	(6,409)	17.2%
	<b>Total equity</b>	<b>(70,282)</b>	<b>(64,225)</b>	<b>(6,057)</b>	<b>9.4%</b>
	<b>Total equity attributable to minority shareholders</b>	<b>(656)</b>	<b>0</b>	<b>(656)</b>	<b>n.m.</b>
	<b>Total net assets</b>	<b>5,879</b>	<b>16,233</b>	<b>(10,354)</b>	<b>-63.8%</b>
22	Cash and cash equivalents	9,131	4,767	4,364	91.5%
23	Current bank debt	(14,822)	(20,795)	5,973	-28.7%
24	Other current financial assets and liabilities	(11,336)	2,155	(13,491)	n.m.
	<b>Current net cash/debt</b>	<b>(17,027)</b>	<b>(13,873)</b>	<b>(3,156)</b>	<b>22.7%</b>
25	Non-current financial assets	16,900	1,942	14,958	n.m.
26	Non-current bank debt	(1,349)	(4,293)	2,944	-68.6%
27	Other non-current financial liabilities	(4,403)	(9)	(4,394)	n.m.
	<b>Non-current net cash/debt</b>	<b>11,148</b>	<b>(2,360)</b>	<b>13,508</b>	<b>n.m.</b>
	<b>Total net financial position</b>	<b>(5,879)</b>	<b>(16,233)</b>	<b>10,354</b>	<b>-63.8%</b>

## Digital Bros Group

### Consolidated statement of profit and loss for the period ended 31 March 2020

	Euro thousands	31 March 2020		31 March 2019		Change	
1	Gross revenue	99,143	106.4%	42,601	107.2%	56,542	132.7%
2	Revenue adjustments	(6,002)	-6.4%	(2,858)	-7.2%	(3,146)	n.m.
3	<b>Net revenue</b>	<b>93,141</b>	<b>100.0%</b>	<b>39,743</b>	<b>100.0%</b>	<b>53,398</b>	<b>134.4%</b>
4	Purchase of products for resale	(14,160)	-15.2%	(10,777)	-27.1%	(3,383)	31.4%
5	Purchase of services for resale	(6,421)	-6.9%	(4,337)	-10.9%	(2,084)	48.1%
6	Royalties	(26,883)	-28.9%	(7,898)	-19.9%	(18,985)	n.m.
7	Changes in inventories of finished products	514	0.6%	(172)	-0.4%	686	n.m.
8	<b>Total cost of sales</b>	<b>(46,950)</b>	<b>-50.4%</b>	<b>(23,184)</b>	<b>-58.3%</b>	<b>(23,766)</b>	<b>102.5%</b>
9	<b>Gross profit (3+8)</b>	<b>46,191</b>	<b>49.6%</b>	<b>16,559</b>	<b>41.7%</b>	<b>29,632</b>	<b>n.m.</b>
10	Other income	2,375	2.6%	2,426	6.1%	(51)	-2.1%
11	Costs for services	(11,536)	-12.4%	(5,613)	-14.1%	(5,923)	n.m.
12	Lease and rental charges	(183)	-0.2%	(1,069)	-2.7%	886	-82.8%
13	Labour costs	(15,358)	-16.5%	(13,118)	-33.0%	(2,240)	17.1%
14	Other operating costs	(924)	-1.0%	(825)	-2.1%	(99)	11.9%
15	<b>Total operating costs</b>	<b>(28,001)</b>	<b>-30.1%</b>	<b>(20,625)</b>	<b>-51.9%</b>	<b>(7,376)</b>	<b>35.8%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>20,565</b>	<b>22.1%</b>	<b>(1,640)</b>	<b>-4.1%</b>	<b>22,205</b>	<b>n.m.</b>
17	Depreciation and amortisation	(9,405)	-10.1%	(5,307)	-13.4%	(4,098)	77.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(1,189)	-1.3%	(665)	-1.7%	(524)	78.7%
20	Reversal of impairment adjustments and non-monetary income	236	0.3%	0	0.0%	236	n.m.
21	<b>Total non-monetary income and operating costs</b>	<b>(10,358)</b>	<b>-11.1%</b>	<b>(5,972)</b>	<b>-15.0%</b>	<b>(4,386)</b>	<b>73.4%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>10,207</b>	<b>11.0%</b>	<b>(7,612)</b>	<b>-19.2%</b>	<b>17,819</b>	<b>n.m.</b>
23	Interest and financial income	2,521	2.7%	1,066	2.7%	1,455	n.m.
24	Interest and financial expenses	(2,796)	-3.0%	(956)	-2.4%	(1,840)	n.m.
25	<b>Net financial income (costs)</b>	<b>(275)</b>	<b>-0.3%</b>	<b>110</b>	<b>0.3%</b>	<b>(385)</b>	<b>n.m.</b>
26	<b>Profit before taxation (22+25)</b>	<b>9,932</b>	<b>10.7%</b>	<b>(7,502)</b>	<b>-18.9%</b>	<b>17,434</b>	<b>n.m.</b>
27	Current tax	(3,114)	-3.3%	1,433	3.6%	(4,547)	n.m.
28	Deferred tax	(437)	-0.5%	187	0.5%	(624)	n.m.
29	<b>Total income tax expense</b>	<b>(3,551)</b>	<b>-3.8%</b>	<b>1,620</b>	<b>4.1%</b>	<b>(5,171)</b>	<b>n.m.</b>
30	<b>Net profit (26+29)</b>	<b>6,381</b>	<b>6.9%</b>	<b>(5,882)</b>	<b>-14.8%</b>	<b>12,263</b>	<b>n.m.</b>
	Attributable to shareholders of the Group	6,389	6.9%	(5,882)	-14.8%	12,271	n.m.
	Attributable to minority shareholders	(8)	0.0%	0	0.0%	(8)	n.m.
	<b>Earnings (net profit) per share:</b>						
33	<b>Basic earnings per share (in Euro)</b>	<b>0.45</b>		<b>(0.41)</b>		<b>0.86</b>	<b>n.m.</b>
34	<b>Diluted earnings per share (in Euro)</b>	<b>0.45</b>		<b>(0.41)</b>		<b>0.86</b>	<b>n.s.</b>

**Digital Bros Group****Consolidated statement of comprehensive income for the period ended 31 March 2020**

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>
<b>Profit (Loss) for the period (A)</b>	<b>6,381</b>	<b>(5,882)</b>	<b>12,263</b>
<b>Items that will not be subsequently recycled through profit or loss (B)</b>			
Actuarial gain (loss)	9	5	4
Income tax relating to the actuarial gain (loss)	(2)	(1)	(1)
Exchange differences on translation of foreign operations	301	375	(74)
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of shares designated as “held to collect and sell”	(1,168)	(468)	(700)
Tax effect regarding fair value measurement of shares designated as “held to collect and sell”	280	112	168
<b>Items that will subsequently be recycled through profit or loss (C)</b>	<b>(580)</b>	<b>23</b>	<b>(603)</b>
<b>Total other comprehensive income D= (B)+(C)</b>	<b>(580)</b>	<b>23</b>	<b>(603)</b>
<b>Total comprehensive income (loss) (A)+(D)</b>	<b>5,801</b>	<b>(5,859)</b>	<b>11,660</b>
Attributable to:			
<b>Shareholders of the Group</b>	<b>5,809</b>	<b>(5,859)</b>	<b>11,668</b>
<b>Minority shareholders</b>	<b>(8)</b>	<b>0</b>	<b>(8)</b>



**Gruppo Digital Bros**

**Consolidated statement of cash flows for the period ended 31 March 2020**

	<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>A. Opening net financial position</b>		<b>(16,233)</b>	<b>(1,083)</b>
<b>B. Cash flows from operating activities</b>			
Profit (loss) for the year attributable to the Group		6,381	(5,882)
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment adjustments		1,189	601
Amortisation of intangible assets		7,993	4,778
Depreciation of property, plant and equipment		1,412	528
Net change in other provisions		0	0
Net change in employee benefit provisions		73	10
Net change in other non-current liabilities		(444)	34
<b>SUB TOTAL B.</b>		<b>16,604</b>	<b>69</b>
<b>C. Change in net working capital</b>			
Inventories		(514)	172
Trade receivables		4,125	(7,124)
Current tax assets		597	(2,493)
Other current assets		(5,112)	1,374
Trade payables		12,223	(3,052)
Current tax liabilities		4,194	(249)
Current provisions		(856)	2
Other current liabilities		5,764	1,388
<b>SUB TOTAL C.</b>		<b>20,421</b>	<b>(9,982)</b>
<b>D. Cash flows from investing activities</b>			
Net investment in intangible assets		(20,949)	(6,390)
Net investment in property, plant and equipment		(6,945)	1,737
Net investment in non-current financial assets		891	(1,122)
<b>SUB TOTAL D.</b>		<b>(27,003)</b>	<b>(5,775)</b>
<b>E. Cash flows from financing activities</b>			
Capital increases		0	0
Increase in share premium reserve		0	0
<b>SUB TOTAL E.</b>		<b>0</b>	<b>0</b>
<b>F. Movements on consolidated shareholders' equity</b>			
Dividends paid		0	0
Change in treasury shares held		0	0
Increases (decreases) in other equity items		332	(852)
<b>SUB TOTAL F.</b>		<b>332</b>	<b>(852)</b>
<b>G. Cash flows for the period (B+C+D+E+F)</b>		<b>10,354</b>	<b>(16,540)</b>
<b>H. Closing net financial position (A+G)</b>		<b>(5,879)</b>	<b>(17,623)</b>

## Notes to the statement of cash flows

### Details of cash flows by maturity:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
Increase (decrease) in securities and cash equivalents	4,364	1,266
Decrease (increase) in current bank borrowing	5,973	(18,772)
Decrease (increase) in other current financial assets and liabilities	(13,491)	266
Cash flows for the period pertaining to current net financial position	(3,156)	(17,240)
Cash flows for the period pertaining to non-current net financial position	13,508	700
<b>Cash flows for the period</b>	<b>10,354</b>	<b>(16,540)</b>

## Digital Bros Group

### Consolidated statement of changes in equity

<b>Euro Thousands</b>	<b>Share capital (A)</b>	<b>Share premium reserve</b>	<b>Legal reserve</b>	<b>IAS transition reserve</b>	<b>Translation reserve</b>	<b>Other reserves</b>	<b>Total reserves (B)</b>	<b>Treasury shares (C)</b>	<b>Retained earnings (Accumulated losses)</b>	<b>Profit (Loss) for the year</b>	<b>Total retained earnings (D)</b>	<b>Consolidated equity attributable to Group (A+B+C+D)</b>	<b>Consolidated equity attributable to minority shareholders</b>	<b>Total Consolidated equity</b>
<b>Total at 1 July 2018</b>	<b>5,704</b>	18,486	1,141	1,367	(1,441)	1,071	<b>20,624</b>	<b>0</b>	31,110	9,174	<b>40,284</b>	<b>66,612</b>	<b>0</b>	<b>66,612</b>
Application of IFRS 9							<b>0</b>		(1,473)		<b>(1,473)</b>	<b>(1,473)</b>	<b>0</b>	<b>(1,473)</b>
Allocation of profit for year							<b>0</b>		9,174	(9,174)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes						598	<b>598</b>				<b>0</b>	<b>598</b>	<b>0</b>	<b>598</b>
Comprehensive income (loss)					375	(352)	<b>23</b>			(5,882)	<b>(5,882)</b>	<b>(5,859)</b>	<b>0</b>	<b>(5,859)</b>
<b>Total at 31 March 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(1,066)	1,317	<b>21,245</b>	<b>0</b>	38,811	(5,882)	<b>32,929</b>	<b>59,878</b>	<b>0</b>	<b>59,878</b>
<b>Total at 1 July 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(1,350)	1,579	<b>21,223</b>	<b>0</b>	38,811	(1,513)	<b>37,298</b>	<b>64,225</b>	<b>0</b>	<b>64,225</b>
Allocation of loss for year							<b>0</b>		(1,513)	1,513	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes					(20)	248	<b>228</b>			20	<b>20</b>	<b>248</b>	<b>664</b>	<b>912</b>
Comprehensive income (loss)					301	(881)	<b>(580)</b>			6,389	<b>6,389</b>	<b>5,809</b>	<b>(8)</b>	<b>5,801</b>
<b>Total at 31 March 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,069)	946	<b>20,871</b>	<b>0</b>	37,298	6,409	<b>43,707</b>	<b>70,282</b>	<b>656</b>	<b>70,938</b>



**Notes to the condensed consolidated financial  
statements for the nine months ended  
31 March 2020**

For details of form and content and other general information, as well as the use of estimates, reference should be made to the notes to the consolidated financial statements for the year ended 30 June 2019. The condensed consolidated financial statements for the period ended 31 March 2020 of the Digital Bros Group have been prepared on a going concern basis, applying the same accounting policies used to prepare the annual financial statements for the year ended 30 June 2019, except in relation to the introduction of IFRS 16 Leases from 1 July 2019.

## **STATEMENT OF FINANCIAL POSITION**

The consolidated statement of financial position at 31 March 2020 compared to the consolidated statement of financial position at 30 June 2019 is shown in the section *Financial Statements*. The main figures are commented below.

### **NON-CURRENT ASSETS**

Property, plant and equipment have increased by Euro 5,533 thousand in the period, mainly due to the application of the new IFRS 16 which led to recognition of industrial buildings for Euro 5,476 thousands, net of the depreciation for the period.

Capex on intangible assets amounted to Euro 21,744 thousand net of depreciation and amortization and impairment adjustments for the period.

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
Premium Games user rights	6,692	0
Investment on development of management systems	173	105
Reclassification from current receivables	0	2,345
Assetto Corsa Competizione user rights	0	1,210
<b>Total concessions and licences</b>	<b>6,865</b>	<b>3,660</b>
<b>Total other intangible assets</b>	<b>0</b>	<b>110</b>
Assets in progress Premium Games	6,670	0
Internal development projects in progress	4,742	2,326
Assets in progress Rasplata B.V.	2,640	0
Assets in progress AvantGarden S.r.l.	782	0
Assets in progress Free to Play	45	0
Reclassification from current receivables	0	1,742
<b>Total capex on intangible assets in progress</b>	<b>14,879</b>	<b>4,068</b>
<b>Total capex on intangible assets</b>	<b>21,744</b>	<b>7,838</b>

The increase in net intangible assets amounted to Euro 12,437, net of use for Euro 9,307 thousand consisting mainly in depreciation and amortization during the period.

Investments in associated companies held by the Group amounted to Euro 4.492 thousand and increased by Euro 2,786 thousand compared to 30 June 2019. Details as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>30 June 2019</b>	<b>Change</b>
Delta Dna Ltd.	0	60	(60)
Ovosonico S.r.l.	0	768	(768)
Seekhana Ltd.	365	378	(13)
<b>Total investments in associated companies</b>	<b>365</b>	<b>1,206</b>	<b>(841)</b>
Starbreeze AB shares A	3,254	500	2,754
Starbreeze AB shares B	707	0	700
Unity Software Inc.	166	0	166
<b>Total other investments</b>	<b>4,127</b>	<b>500</b>	<b>3,627</b>
<b>Total investments</b>	<b>4,492</b>	<b>1,706</b>	<b>2,786</b>

The sale of the investment held in Delta DNA Ltd was completed during the period and determined a gain of Euro 383 thousand.

On March 3rd, 2020, Digital Bros acquired the remaining 51% of Ovosonico S.r.l. for a total consideration of Euro 210 thousand. It will be consolidated on a line-by-line basis from March 2020. The studio, that is currently working on the development of one of the Group's IP, changed its company name in AvantGarden S.r.l.;

The increase in Other investments is due to:

- fair value measurement of the 26,657,287 Starbreeze AB A shares and the 6,018,948 Starbreeze AB B shares (listed on Nasdaq Stockholm), with allocation to an equity reserve of the difference between the carrying amount and the fair value at 31 March 2020 as they are financial instruments classified as held to collect and sell;
- acquisition of shares in Unity Software Inc. which constitutes part of payment of the selling price of the investment in Delta DNA Ltd..

Non-current receivables and other assets amounts to Euro 5,702 thousand. This caption mainly consists (Euro 4,499 thousand) of the medium-long term portion of the receivable of USD 10 million arising from the sale of Pipeworks Inc. in February 2018. The amount relates to restatement of the receivable at the reporting date exchange rate and to recognition of interest for the nine-months period.

Non-current receivables and other assets include Euro 358 thousand of Starbreeze AB loan acquired by Smilegate Holdings. The loan has a nominal value of around USD 15.9 million and was acquired for a consideration of Euro 100 thousand. The caption at 31 March 2020 was increased for the portion of the period of the difference between the *fair value* and the purchase price. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not after more than five years.

The remainder of the balance consists of guarantee deposits for contractual obligations.

Deferred tax assets are calculated on tax loss carryforwards and temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis. They have been

measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively 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.

Non-current provisions consists entirely of the agents’ leaving indemnity provision.

Other non-current payables and liabilities amounted to Euro 479 thousand and entirely consisted of the amount payable for advisory services received by the Parent Company in relation to the disposal of Pipeworks Inc. which will be settled upon collection of the amount of USD 10 million reported under non-current receivable and other assets.

## NET WORKING CAPITAL

Net working capital decrease by Euro 21,091 thousand compared to 30 June 2019 mainly due to the increase of trade payables for Euro 12,223 thousand and other current liabilities for Euro 5,764 thousand. The analysis of net working capital compared to 30 June 2019 is detailed as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>30 June 2019</b>	<b>Change</b>	
Inventories	14,423	13,909	514	3.7%
Trade receivables	50,877	55,070	(4,193)	-7.6%
Tax receivables	5,479	6,076	(597)	-9.8%
Other current assets	6,178	1,668	4,510	n.m.
Trade payables	(36,854)	(24,631)	(12,223)	49.6%
Tax payables	(5,332)	(1,138)	(4,194)	n.m.
Current provisions	0	(856)	856	n.m.
Other current liabilities	(9,525)	(3,761)	(5,764)	n.m.
<b>Total net working capital</b>	<b>25,246</b>	<b>46,337</b>	<b>(21,091)</b>	<b>-45.5%</b>

The increase of other current assets is due to the portion with maturity within 12 months of the USD 10 million credit deriving from Pipeworks Inc. sale.

The increase in trade payables is due to is due to higher royalties payable in line with the increase in sales in the Premium Games operating segment.

The increase in other tax payables is due to the recognition by 505 Games S.p.A. of the liability for foreign withholding taxes, plus penalties and interest, covered by the settlement agreement with the Italian Tax Authorities described in Significant Events During the Period.

Other payables mainly include advance payments received by 505 Games S.p.A. from several customers, especially in relation to sub-licensing contracts for certain countries where the Group does not have a direct presence and/or in relation to the development of new games, where revenue recognition is deferred until the time of the market launch.

## SHAREHOLDERS' EQUITY

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

<b>Euro thousands</b>	<b>Share capital (A)</b>	<b>Share premium reserve</b>	<b>Legal reserve</b>	<b>IAS transition reserve</b>	<b>Translation reserve</b>	<b>Other reserves</b>	<b>Total reserves (B)</b>	<b>Treasury shares (C)</b>	<b>Retained earnings (Accumulated losses)</b>	<b>Profit (Loss) for the period</b>	<b>Total retained earnings (D)</b>	<b>Consolidated equity attributable to Group (A+B+C+D)</b>	<b>Consolidated equity attributable to minority shareholders</b>	<b>Total consolidated equity</b>
<b>Total at 1 July 2018</b>	<b>5,704</b>	18,486	1,141	1,367	(1,441)	1,071	<b>20,624</b>	<b>0</b>	31,110	9,174	<b>40,284</b>	<b>66,612</b>	<b>0</b>	<b>66,612</b>
IFRS 9 application							<b>0</b>		(1,473)		<b>(1,473)</b>	<b>(1,473)</b>	<b>0</b>	<b>(1,473)</b>
Allocation of profit							<b>0</b>		9,174	(9,174)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes						598	<b>598</b>				<b>0</b>	<b>598</b>	<b>0</b>	<b>598</b>
Comprehensive income (loss)					375	(352)	<b>23</b>			(5,882)	<b>(5,882)</b>	<b>(5,859)</b>	<b>0</b>	<b>(5,859)</b>
<b>Total at 31 March 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(1,066)	1,317	<b>21,245</b>	<b>0</b>	38,811	(5,882)	<b>32,929</b>	<b>59,878</b>	<b>0</b>	<b>59,878</b>
<b>Total at 1 July 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(1,350)	1,579	<b>21,223</b>	<b>0</b>	38,811	(1,513)	<b>37,298</b>	<b>64,225</b>	<b>0</b>	<b>64,225</b>
Allocation of loss							<b>0</b>		(1,513)	1,513	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes					(20)	248	<b>228</b>			20	<b>20</b>	<b>248</b>	<b>664</b>	<b>912</b>
Comprehensive income (loss)					301	(881)	<b>(580)</b>			6,389	<b>6,389</b>	<b>5,809</b>	<b>(8)</b>	<b>5,801</b>
<b>Total at 31 March 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,069)	946	<b>20,871</b>	<b>0</b>	37,298	6,409	<b>43,707</b>	<b>70,282</b>	<b>656</b>	<b>70,938</b>

### 18. Share capital

Share capital at 31 March 2020 is unchanged compared to 30 June 2019 and is divided into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,704,334.80.

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



## **19. Reserves**

The change in Other reserves includes Euro 248 thousand to restate the stock option reserve, negative Euro 888 thousand to restate the reserve for securities measurement and Euro 7 thousand to restate the actuarial reserve.

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

Net equity attributable to minority shareholders is related to the 40% stake of Rasplata B.V. held by third parties.

## NET FINANCIAL POSITION

The following table contains details of the Group's Net Financial Position at 31 March 2020 together with comparative figures at 30 June 2019:

	<b>Euro thousands</b>	<b>31 March 2020</b>	<b>30 June 2019</b>	<b>Change</b>
22	Cash and cash equivalents	9,131	4,767	4,364
23	Current bank borrowing	(14,822)	(20,795)	5,973
24	Other current financial assets and liabilities	(11,336)	2,155	(13,491)
	<b>Current net financial position</b>	<b>(17,027)</b>	<b>(13,873)</b>	<b>(3,156)</b>
25	Non-current financial assets	16,900	1,942	14,958
26	Non-current bank borrowing	(1,349)	(4,293)	2,944
27	Other non-current financial liabilities	(4,403)	(9)	(4,394)
	<b>Non-current net financial position</b>	<b>11,148</b>	<b>(2,360)</b>	<b>13,508</b>
	<b>Total net financial position</b>	<b>(5,879)</b>	<b>(16,233)</b>	<b>10,354</b>

Better than expected, net debt remained stable at Euro 5,879 thousand compared to 31 December, 2019 including the investments made by the Group during the third quarter.

Net debt decreased by Euro 10,354 thousand compared to June 30th, 2019 including the application of the IFRS 16 (which resulted in a Euro 5,481 thousand increase). Net financial debts, excluding the application of the IFRS 16, decreased by Euro 15,835 thousand.

Other current financial assets and liabilities include the portion for the period of the Euro 10 million debt with Smilegate Holdings with maturity 28 February 2021 for the purchase of the assets held by the south Korean company in Starebreeze AB.

Non-current financial assets include the purchase price of the Convertible Bond of SEK 215 million issued by Starbreeze AB with maturity December 2024, described in Significant Events during the period.

## ANALYSIS OF STATEMENT OF PROFIT AND LOSS

### 3. Net revenue

The following table contains a breakdown of revenue by operating segment for the nine months ended 31 March 2020. It does not include the Holding operating segment as it does not generate revenue:

	<b>Euro thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other Activities</b>	<b>Total</b>
1	Gross revenue	5,117	86,764	6,811	451	99,143
2	Revenue adjustments	0	(5,489)	(513)	0	(6,002)
3	<b>Total net revenue</b>	<b>5,117</b>	<b>81,275</b>	<b>6,298</b>	<b>451</b>	<b>93,141</b>

Details for the six months ended 31 March 2019 are as follows:

	<b>Migliaia di Euro</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other Activities</b>	<b>Total</b>
1	Gross revenue	4,758	25,743	11,692	408	42,601
2	Revenue adjustments	0	(1,439)	(1,419)	0	(2,858)
3	<b>Total net revenue</b>	<b>4,758</b>	<b>24,304</b>	<b>10,273</b>	<b>408</b>	<b>39,743</b>

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

### 25. Net financial income/(expenses)

This caption includes

	<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	<b>%</b>
23	Interest and financial income	2,521	1,066	1,455	n.m.
24	Interest and financial expenses	(2,796)	(956)	(1,840)	n.m.
25	<b>Net financial income / (expense)</b>	<b>(275)</b>	<b>110</b>	<b>(385)</b>	<b>n.m.</b>

There were net financial expenses of Euro 275 thousand compared to net financial income of Euro 110 thousand in the first nine months of prior year. The change was due to a Euro 1,840 thousand increase in interest and financial expenses which was only partially countered by a Euro 1,455 thousand increase in interest and financial income.

Interest and financial income is detailed as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	<b>%</b>
Exchange gains	1,503	655	848	n.m.
Financial income	1,010	380	630	n.m.
Other	8	31	(23)	-74.2%
<b>Total interest and financial income</b>	<b>2,521</b>	<b>1,066</b>	<b>1,455</b>	<b>n.m.</b>

Interest and financial income has increased by Euro 1,455 thousand because of higher exchange gains and higher financial income as a result of the gain of Euro 383 thousand realised on the sale of the investment in Delta Dna Ltd..

Interest and financial expenses amount to Euro 2,796 thousand, an increase of Euro 1,840 thousand compared to the nine months ended 31 March 2019. The increase is due to expenses of Euro 580 thousand booked in relation to the settlement agreement with the Italian Tax Authorities and to higher exchange losses.

Interest and financial expenses is detailed as follows:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	<b>%</b>
Interest expense on current accounts and trading activities	(205)	(174)	(31)	17.8%
Interest to the tax authorities	(587)	0	(587)	n.m.
Interest expense on loans and leases	(357)	(157)	(200)	n.m.
Interest on factoring	(6)	(4)	(2)	50.0%
<b>Total interest expenses on sources of finance</b>	<b>(1,155)</b>	<b>(335)</b>	<b>(820)</b>	<b>n.m.</b>
Exchange losses	(1,145)	(582)	(563)	96.6%
Equity valuation of investments	(496)	(39)	(457)	n.m.
<b>Total interest and financial expenses</b>	<b>(2,796)</b>	<b>(956)</b>	<b>(1,840)</b>	<b>n.m.</b>

## 29. Taxation

Current and deferred taxes for the period ended 31 March 2020 are detailed below:

<b>Euro thousands</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>Change</b>	<b>%</b>
Imposte correnti	(3,114)	1,433	(4,547)	n.m.
Imposte differite	(437)	187	(624)	n.m.
<b>Totale imposte</b>	<b>(3,551)</b>	<b>1,620</b>	<b>(5,171)</b>	<b>n.m.</b>

The higher level of current and deferred taxes is in line with Group profitability for the first nine months of the year.

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

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

<b>Euro thousands</b>	<b>31 March 2020</b>		<b>31 March 2019</b>		<b>Change</b>	
Europe	18,966	19%	8,248	19%	10,718	n.m.
Americas	59,890	60%	20,400	48%	39,490	n.m.
Rest of the world	13,025	13%	1,853	4%	11,172	n.m.
<b>Total foreign revenue</b>	<b>91,881</b>	<b>93%</b>	<b>30,501</b>	<b>72%</b>	<b>61,380</b>	<b>n.m.</b>
Italy	7,262	7%	12,100	28%	(4,838)	-40.0%
<b>Total consolidated gross revenue</b>	<b>99,143</b>	<b>100%</b>	<b>42,601</b>	<b>100%</b>	<b>56,542</b>	<b>n.m.</b>

Foreign revenue represented 93% of consolidated gross revenue compared to 72% in prior year and increased by Euro 61,380 thousand compared to the period ended 31 March 2019.

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

The bulk of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 86,764 thousand i.e. 94% of total foreign revenue.

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

<b>Euro thousands</b>	<b>31 March 2020</b>		<b>31 March 2019</b>		<b>Change</b>	
Free to Play	5,117	6%	4,758	16%	359	7.5%
Premium Games	86,764	94%	25,743	84%	61,021	n.m.
<b>Total gross foreign revenue</b>	<b>91,881</b>	<b>100%</b>	<b>30,501</b>	<b>100%</b>	<b>61,380</b>	<b>n.m.</b>

### ***Related Party Transactions***

At 31 March 2020, there were no atypical or unusual related party transactions in terms of characteristics and amounts other than the ongoing transactions.

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

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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 half-yearly financial report for the six months ended 31 March 2020. No issues have been identified.

We also confirm that:

1. Digital Bros Group's interim financial report for the nine months ended 31 March 2020:
  - 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, 13 May 2020

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Manager

Stefano Salbe