



PRESS RELEASE

NOTORIOUS PICTURES: DRAFT FINANCIAL STATEMENTS AS AT 31/12/2018 APPROVED, REVENUES AMOUNTING TO EUR 31.5 MILLION (+74% vs 2017), EBITDA EQUAL TO EUR 11.1 MILLION (+85% VS 2017) AND NET PROFITS OF EUR 4.2 MILLION (+181% vs 2017)

- Revenues amounting to EUR 31.5 million, +74% vs 2017 (EUR 18.1 million as at 31/12/2017)
- EBITDA equal to EUR 11.1 million, +85% vs 2017 (EUR 6.0 million as at 31/12/2017) with EBITDA Margin at 35% (33% as at 31/12/2017)
- EBIT equal to EUR 4.1 million, +119% vs 2017 (EUR 1.9 million as at 31/12/2017)
- Net profit equal to EUR 4.2 million, +181% vs 2017 (EUR 1.5 million as at 31/12/2017)
- Positive net financial position (net cash) of EUR 3.4 million (EUR 5.1 million as at 30/06/2018)
- Per unit dividend of EUR 0.0820 per share proposed - Dividend Yield 2.59% - Payout Ratio 43.35%
- Throughout 2019, 18 new films with international casts are expected to be released at cinemas, including "Playmobil. The Movie", "Rambo 5", "Al capone".

Milan, 22 March 2019

Notorious Pictures, a company listed on the AIM ITALIA stock exchange, organised and managed by Borsa Italiana, engaged in the entertainment sector for the production, acquisition and marketing of the rights to films (full rights) in all the distribution channels (*cinema, home video, TV, new media*) and in the management of cinemas through the subsidiary Notorious Cinemas, met today and approved the draft financial statements as at 31 December 2018,



which will be submitted to the Ordinary Shareholders' Meeting of 17 April 2019, for the first call, and on 18 April 2019 for the second call.

Guglielmo Marchetti, Chairman and CEO of the Company, commented:

"2018 highlighted results of considerable growth in terms of revenues, margins and profitability, in line with our expectations. We are not at all surprised about this excellent performance, which is part of the development plan scheduled at the time of our stock exchange listing. 2018 is considered by us as the start of a new cycle during which we consolidated the objectives planned in terms of development and growth. The activities of the new business lines dedicated to international executive production and the marketing of audio-visual content intended primarily for television in particular are a reason for great satisfaction on our part. Such diversification has put us in a position to be less and less dependent on the performance of films at cinemas.

Additional activities will be started and implemented in 2019: the establishment of the newco Notorious Cinemas, which deals with managing cinemas, the strengthening of the business unit dedicated to productions of TV series. All of this clearly prepares us for a future of additional significant growth."

Economic-financial results as at 31 December 2018

Revenues amount to EUR 31.5 million, up by 73.9% compared to EUR 18.1 million as at 31 December 2017.

The positive change is attributable to the strong growth of executive productions, which in 2019 account for 28% of total turnover, as well as to the general revenue growth experienced by all of the distribution channels. Theatrical revenues in particular rose by 32%, pay tv revenues by 34% and free tv revenues by 22%.

During 2018, Notorious Pictures distributed 19 films at cinemas, generating box office revenues of EUR 14.1 million (EUR 7.1 million as at 31 December 2017), with total attendance of 2,318,523 (Source: company processing on Cinetel data), which resulted in its ranking as 3rd largest Italian independent distributor. The most successful films include in particular "Belle e Sebastian – Friends for life" and "Loving Pablo". Furthermore, in 2018 new contracts were formalised for the international executive production, with consequent effects on the corresponding revenue line.

EBITDA, amounting to EUR 11.1 million, grew by 84.9% compared to EUR 6.0 million as at 31 December 2017. The Ebitda Margin of 35.3% improved compared to 2017 (33.2%) consequently to the different revenue mix.

Net operating profit (EBIT) was EUR 4.1 million, growing considerably (+119.0%) from EUR 1.9 million as at 31 December 2017, following depreciation, amortisation and provisions for EUR 7.0 million (EUR 4.1 million as at 31 December 2017).



Net profit stood as at EUR 4.2 million (EUR 1.5 million as at 31 December 2017), after net financial charges of EUR 29 thousand (EUR 79 thousand as at 31 December 2017), mainly attributable to exchange rate differences and positive taxes for EUR 0.03 million (taxes EUR 0.3 million as at 31 December 2017).

Positive net financial position (net cash) amounts to EUR 3.4 million compared to EUR 6.2 million as at 31 December 2017 and EUR 5.1 million as at 30 June 2018, consequently to the considerable investments made.

Net equity stood as at EUR 23.6 million (EUR 21.0 million as at 31 December 2017), up by EUR 2.5 million, confirming the company's financial soundness.

INVESTMENTS

Investments mainly concerned the acquisition of films for approximately EUR 7.4 million, of which EUR 3.4 million were advances for films that will be released in 2019 and 2020.

TREASURY SHARES

As at 28 February 2019, as stated in the press release regarding the buy back published on 5 March, within the framework of the plan to purchase and sell treasury shares ("Buy-Back Plan"), approved by the Meeting of 8 November 2017, Notorious Pictures held 538,800 treasury shares in its portfolio, accounting for 2.395% of the current share capital, equal to 22,491,480 shares.

DIVIDEND PROPOSAL

The Board of Directors resolved to propose to the Shareholders' Meeting the distribution of the profit equal to EUR 4,152,909 as follows:

- i. distribute a dividend of EUR 0.0820 (2.59% dividend yield at the closing price of 21 March 2019 equal to EUR 3.17 per share) for each ordinary share in circulation, excluding the treasury shares in the company's portfolio on the day of paying said dividend. The first coupon is set to be due for 23 April 2019, with record date of 24 April 2019 and payment from 25 April 2019;
- ii. carry forward the residual profit.

MAIN EVENTS OCCURRED IN THE YEAR 2019

Film library acquisitions and distribution

Notorious Pictures actively participated **in the leading global markets and festivals for the industry**: it expanded its pipeline by purchasing 2 new films at the American Film Market in Los Angeles in November and acquired 4 new films at the European Film Market of Berlin in March. These transactions have resulted in the consolidation of the 2019 line up. A library of 178 films was also acquired for distribution, to be used in Home Video, PayTv, Free Tv, SVoDda Network



mode (September).

Commercial agreements

Several **commercial agreements** were signed for the distribution of the library. In particular, Notorious Pictures renewed the commercial agreement with SKY Italia (June) for the exclusive transfer of the rights on the films that will be distributed in cinemas by Notorious from 1 July 2018 to 30 June 2021; again with Sky Italia, a new commercial agreement was signed for the exclusive transfer of the rights and the TV distribution of 22 films, part of which come from the library and part from Direct to Video (September). The films purchased by Sky Italia will be broadcast on Pay per View, Pay TV and Video on Demand channels. An agreement was signed and executed with a well known international Broadcaster for the transfer of the Free TV usage rights regarding a library of 32 films (July). The Company also signed a commercial agreement with Mediaset RTI for the exclusive transfer of the Free TV rights of a package of films (June).

Executive Production

The project to **diversify the business** continued with the strengthening of executive production activities on the behalf of international producers, which contributed to consolidating a path of robust and sustainable growth. In the first half of 2018, the executive production of the two international films "Bent" and "Lamborghini" was started.

Film Production

In July 2018, Notorious Pictures started two **co-productions**: the first, with Elio Film and Rai Cinema, concerns the film "Copperman", which was distributed at cinemas at the beginning of February 2019. The second one, with the Belgian company Tarantula, concerns the international co-production of "The Shift", (60% referable to Notorious Pictures and 40% to Tarantula). During the month of May, Notorious Pictures started the associated production of the film "Non è vero ma ci credo" (It's not true but I believe it), distributed at cinemas in October 2018. Notorious Pictures concluded the Italian-Brazilian co-production of the film "Quanto basta" (How much is enough), distributed at cinemas in April.

EVENTS SUBSEQUENT TO 31 DECEMBER 2018

- On 9 January 2019, Notorious Pictures established NOTORIOUS CINEMAS SRL, a newco with principal place of business in Milan, full subsidiary (100%), dedicated to the direct management of films exclusively under lease and headed by the CEO Andrea Stratta, a manager with many years of experience in the sector. Notorious Cinemas' objective is to manage about 20 multiplexes in 5 years, aiming for about 5 million spectators in 2023. The start of this new business is not expected to require dedicated capital increases.
- On 21 January 2019, Notorious Pictures signed the first agreement for the international executive production of 10 Web Series with the US producer AMBI Distribution Corp. This contract is worth USD 7.0 million.



- On 30 January 2019, Notorious Pictures purchased from STX Entertainment the right for the exclusive distribution for the Italian market of the film "The Upside", the US remake of the French film "The Intouchables", written and directed in 2011 by Olivier Nakache and Éric Toledano.
- On 25 February 2019, Notorious Pictures signed a commercial agreement with Mediaset RTI SpA for the exclusive transfer of the Free TV rights. The agreement provides for the distribution of a selection of films, including "Bridge to Therabithia", "Planet 51" and "The Cold Light of Day".
- On 27 February 2019, the subsidiary NOTORIOUS CINEMAS signed a definitive contract with IGD MANAGEMENT for the opening of the first multiplex with the Notorious Cinemas brand (10 screens) located in the Sarca Shopping Centre in Sesto San Giovanni (MI). The multi-year rental agreement will start on 1 March 2019, with an initial term of 9 years, plus another 9 years after these. Notorious will devise an innovative format for cinemas (Notorious Cinemas "Experience") based on higher audio- and video-related technical standards, top of the range comfort, qualified reception, accurate location, good quality food & beverage, computerised and automated ticketing area. The preliminary contract had been signed and announced to the market on 14 January 2019.

MANAGEMENT OUTLOOK

The management will continue the strategy of integration and growth in the area of co-productions and productions by signing new commercial agreements with independent Italian and foreign operators. The business unit dedicated to international executive productions will be further upgraded in order to bring new important contracts. Business expansion also with regard to the production of TV series. Investments will continue in order to expand the library to be allocated, with focus on sales to Broadcast and New Media (Pay Tv, Free TV, EST, VOD and SVOD).

The 2019 line-up includes the launch of 18 films.

NOTICE CALLING THE ORDINARY SHAREHOLDERS' MEETING AND FILING OF DOCUMENTS

The Board resolved to call the Shareholders' Meeting, for the first call on 17 April 2019 at 8:30 am at the Milan head office, Via della Signora 2/a, and for second call on 18 April 2019 at the same time and place as the first call. Pursuant to current legislation, the notice calling the Meeting will be made available to the public at the registered office of the Company and in the Company website www.notoriouspictures.com ("Governance" section), which will also contain the director's reports to the Meeting on the proposal concerning the items on the agenda.

The Annual Financial Report as at 31 December 2018 will be made available to the public in the company website www.notoriouspictures.it, in the Investor Relations, as set forth in the regulations in force. Note that the data in the Annual Financial Report and the attached statements is still being audited.



This press release is available in the Investors/Financial news section of the website.

Notorious Pictures is an independent company established in July 2012, with registered office in Rome, listed on the AIM ITALIA stock exchange, organised and managed by Borsa Italiana, engaged in the production, acquisition and marketing of the Rights to Films (full rights) in all the distribution channels (cinema, home video, pay tv and free tv, new media) and in the management of cinemas through the subsidiary Notorious Cinemas. Based on the financials illustrated in compliance with IAS/IFRS accounting standards, in 2018 the Company recorded revenues of EUR 31 million, an Ebitda margin of 35% and a net profit of EUR 4.3 million. Notorious Pictures has been an Innovative SME since July 2017.

For further information:

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ATTACHED HERETO:

- **Income Statement as at 31/12/2018 (vs 31/12/2017)**
- **Balance Sheet as at 31/12/2018 (vs 31/12/2017)**
- **Net financial position and Cash flow statement as at 31/12/2018 (vs 31/12/2017)**

INCOME STATEMENT AS AT 31 DECEMBER 2018

Income Statement Data	31/12/2018	31/12/2017	Change	%
Revenues	31,533,818	18,138,707	13,395,111	73.85%
Operating costs	(18,472,826)	(10,649,442)	(7,823,384)	73.46%
Value added	13,060,992	7,489,266	5,571,726	74.40%
<i>% value added</i>	41.4%	41.3%		
Personnel costs	(1,942,016)	(1,474,243)	(467,774)	31.73%
EBITDA	11,118,975	6,015,023	5,103,953	84.85%
<i>% EBITDA</i>	35.3%	33.2%		
Depreciation, amortisation, and provisions	(6,971,079)	(4,117,639)	(2,853,440)	69.30%
EBIT	4,147,897	1,897,384	2,250,513	118.61%
<i>% EBIT</i>	13.2%	10.5%		
Net financial charges	(29,096)	(79,283)	50,187	-63.30%
Pre-tax profit/(loss)	4,118,801	1,818,101	2,300,700	126.54%
<i>Taxes</i>	34,108	(338,722)	372,831	-110.07%
Net profit/(loss) for the year	4,152,909	1,479,379	2,673,530	180.72%
<i>% profit/(loss)</i>	13.2%	8.2%		
EPS	0.19	0.07		



BALANCE SHEET AS AT 31 DECEMBER 2018

Statement of Financial Position Data	31/12/2018	31/12/2017	Change	%
Fixed assets	14,645,970	13,839,746	806,224	6%
Operating assets	18,604,209	13,344,351		
Operating liabilities	(9,393,263)	(7,218,760)		
Net working capital	9,210,947	6,125,590	3,085,356	50%
Provisions	3,709,384	5,164,559	(1,455,175)	-28%
Net invested capital	20,147,533	14,800,778	5,346,755	36%
Net financial position	(3,410,064)	(6,218,889)	2,808,825	-45%
Shareholders' equity	23,557,597	21,019,667	2,537,930	12%

NET FINANCIAL POSITION AND CASH FLOW STATEMENT AS AT 31 DECEMBER 2018

Net financial position	31/12/2018	30/06/2018	31/12/2017	Change	%
Cash and cash equivalents	3,410,064	5,137,658	6,218,889	(1,727,594)	-34%
Net financial position	(3,410,064)	(5,137,658)	(6,218,889)	(1,727,594)	-34%

The column with the changes refers to the figure of the NFP as at 31/12/2018 compared to 30/06/2018.

Cash Flow Statement	31/12/2018	31/12/2017
A. Opening balance - cash and cash equivalents	6,218,889	3,848,561
B. Cash flow from operations	6,274,931	10,741,196
C. Cash flow from investment activities	(7,470,207)	(7,174,534)
D. Cash flow from financing activities	(1,613,549)	(1,196,334)
E. Net increase (decrease) in cash and cash equivalents	(2,808,825)	2,370,328
F. Closing balance - cash and cash equivalents	3,410,064	6,218,889