



PRESS RELEASE

NOTORIOUS PICTURES: THE BOARD APPROVES THE DRAFT FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

- Revenues equal to EUR 18.1 million (EUR 23.0 million as at 31/12/2016)
- EBITDA equal to EUR 6.0 million (EUR 6.6 million as at 31/12/2016) with an EBITDA Margin of 33% (29% as at 31/12/2016)
- Net profit equal to EUR 1.5 million (EUR 2.8 million as at 31/12/2016)
- Positive net financial position (net cash) of EUR 6.2 million (positive EUR 3.8 million as at 31/12/2016)
- Unit dividend of EUR 0.0543 per share proposed - Dividend Yield 4.24%
- The release of new films in cinemas is in the pipeline in 2018, with international casts like "Hostiles", "Belle & Sebastien 3", "Loving Pablo", "Quanto basta" ("As needed"), "City of lies", "Asterix: The Secret of the Magic Potion".

Milan, 30 March 2018

The Board of Directors of **Notorious Pictures**, company listed on the AIM Italia market, organised and managed by Borsa Italiana, active in the production, acquisition and marketing of film rights (full rights) through all the distribution channels (cinema, home video, tv, new media), which met on today's date, approved the draft financial statements as at 31 December 2017, which will be presented to the Ordinary Shareholders' Meeting on 27 April 2018, on first and sole call.

Guglielmo Marchetti, Company Chairman and CEO, who commented:

"2018 will be characterised by the definition of new and important contracts in relation to executive production, which will determine both the consolidation of activities at national and international level, and positive effects in terms of the generation of revenues and profitability of Notorious Pictures. The company's equity and financial strength, confirmed by the historical ability to generate profits, allows us to look to the future with optimism. Following an initial company phase heavily focused on distribution, in the near future we will strengthen the diversification of our business by investing in significant



international co-production projects, to bolster the assets we own in the long-term and our library. At the same time, we will continue to expand distribution on new digital channels that will be increasingly more important in the years to come”.

Main economic-financial results as at 31 December 2017

Revenues amounted to EUR 18.1 million, compared to EUR 23.0 million as at 31 December 2016, which benefitted from the executive production of the film *Black Butterfly* for EUR 5.3 million.

Notorious Pictures released 16 films in cinemas, generating box office revenues of EUR 11.1 (EUR 10.3 million as at 31 December 2016), with total attendance of 1,851,306 (Source: corporate processing of Cinetel data), which resulted in its ranking as 4th largest Italian independent distributor. The most successful films include, in particular “*Shot Caller*”, “*The Nut Job: Nutty by Nature 2*” and “*The Man Who Invented Christmas*”. At the same time, the company was affected by the extraordinary events surrounding the Weinstein scandal, which caused a postponement in the release of 2 important films scheduled for the fourth quarter of 2017, on the scheduled 18-film pipeline. In addition to this, the formalisation of new contracts for executive production was also postponed to 2018, with knock-on effects on the corresponding line of revenues.

With respect to the distribution of revenues, the “theatrical” portion amounted to EUR 4.5 million, marking a slight decrease from 31 December 2016 (EUR 4.8 million), while the “TV” portion increased, amounting to EUR 9.4 million (EUR 8.4 million in 2016). Executive production revenues amounted to EUR 1.9 million (EUR 5.3 million in 2016).

EBITDA came to EUR 6.0 million (EUR 6.6 million as at 31 December 2016). The Ebitda Margin, standing at 33.2%, improved considerably compared to 2016 (28.7%) as a result of the different mix in the composition of revenues and a reduction of EUR 4.2 million in operating costs.

EBIT (net operating profit) came to EUR 1.9 million, down compared to EUR 3.2 million as at 31 December 2016. The change in EBIT with respect to 2016 is also due to the prudential policy of amortisation of rights, which led to the recognition of amortisation and provisions in 2017 of EUR 4.1 million (EUR 3.4 million in 2016).

Net profit totalled EUR 1.5 million (EUR 2.8 million as at 31 December 2016), after net financial expenses of EUR 79 thousand (EUR 4 thousand as at 31 December 2016), largely attributable to exchange differences, and taxes of EUR 0.3 million (EUR 0.4 million as at 31 December 2016).

The **net financial position** was a positive (net cash) EUR 6.2 million, a significant improvement compared to 31 December 2016 (EUR 3.8 million) and to 30 June 2017 (EUR 3.3 million). The variation is mainly attributable to the stability of the investment cycle, linked to new film productions, which allows the company to generate continuous net cash flows. The company does not resort to bank borrowings.



Shareholders' equity amounted to EUR 21.0 million (EUR 20.7 million as at 31 December 2016), confirming the company's equity strength.

INVESTMENTS

Investments in 2017, amounting to EUR 7.1 million, mainly concerned the acquisition of films targeted at enriching the library, of which approximately EUR 1.5 million as advances on films that will be released in cinemas in 2018 and 2019, and EUR 1.5 million as advances for the co-production of the film "Quanto basta" ("As needed"), which will be released in cinemas in April 2018.

The total value of the Library as at 31 December 2017 was around EUR 8.0 million, in respect of gross investments of EUR 23.1 million, amortised by 65% for a total of 388 films, of which 84 films primarily intended for theatrical release and 304 DTV (Direct to Video) titles.

TREASURY SHARES

As at 28 February 2018, as part of the plan to purchase and dispose of treasury shares (Buy-Back), approved by the shareholders' meeting on 8 November 2017, Notorious Pictures holds 361,200 treasury shares, equal to 1.61% 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 a profit of EUR 1,479,379 as follows:

- i. to distribute a dividend of EUR 0.0543 (dividend yield of 4.24% at the closing price of 29 March 2018 equal to EUR 1.28 per share) for each ordinary share outstanding, therefore excluding treasury shares in the company's portfolio on the day of payment of said dividend. The date for the associated coupon detachment is set for 07 May 2018, with record date 08 May 2018 and payment from 09 May 2018;
- ii. to retain the residual profit.

MAIN EVENTS OCCURRED IN 2017

The year 2017 was characterised by the **expansion of the pipeline**, with the purchase of **new films: 4 at the American Film Market of Los Angeles** (November), **8 at the Cannes Festival** (May) and **6 at the Berlin Festival** (February). A library of **13 films** was also purchased from Lakeshore Entertainment (July).

On the **production** front, June saw the signing of a **co-production** agreement with KimeraFilm for the film "Il Contagio" ("Tainted Souls") based on the novel by Walter Siti, while July saw the launch, together with Verdeoro by Daniele Mazzocca, of the **Italian-Brazilian co-production** of the film "Quanto basta" ("As needed"). July also saw Notorious Pictures' production of "La verità vi spiego sull'amore" ("The Truth About Love is...") with Ambra Angiolini winning the "Cineciack d'oro". The film "Hostiles" was distributed by Notorious Pictures in September, opening the Rome cinema festival.



Numerous **commercial agreements** were signed for the distribution of the library, in addition to the existing ones with **SKY** for Pay TV for the purposes of distributing the current films and Pay and Free uses, **Netflix** for the New Media distribution channel and **RAI** for FREE TV. In particular, agreements were signed with **Netflix** for the SVoD distribution of 32 titles (December), with **VIACOM International Media Networks Italia and Turner Broadcasting System** for the distribution on Free TV of 7 films (October), with **TIM** for the distribution of 70 films on the TIMVISION platform (August), again with **Sky** for the TV distribution of 44 films (August) and, finally, with **Vodafone Italia** for the non-exclusive transfer of SVoD rights on 58 films on Vodafone TV (April).

During the year, the company also obtained the **qualification of innovative SME** (July), appointed **Banca Finnat** as the new **Nomad and Specialist** and **Intermonte** as **corporate broker** (October) and, lastly, renewed the **buy-back plan** (November 2017).

EVENTS AFTER 31 DECEMBER 2017

- On 8 March 2018, Notorious Pictures acquired 4 new films at the European Film Market in Berlin: "Kung Fury", "Extremely wicked, shockingly evil", "The Haunting of Sharon Tate" and "Little Miss Dolittle", strengthening its Theatrical Distribution.

- On 5 February 2018, the BoD examined and disclosed the preliminary, unaudited results relating to 2017.

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. In addition, investments will continue to enhance the library intended for the entire distribution chain, with a focus on sales to Broadcast TV and New Media (EST, VOD and SVOD).

The 2018 line-up includes the launch of 18 films, including two Notorious Pictures productions.

CALL NOTICE OF THE ORDINARY SHAREHOLDERS' MEETING AND FILING OF DOCUMENTATION

The Board resolved to call the shareholders' meeting, on first call, for 27 April 2018 at 9:00, at the administrative headquarters in Milan, Via della Signora 2/a. In accordance with the terms set out in the applicable legislation, the call notice of the shareholders' meeting will be made available to the public at the company's registered office, and on the company's website, www.notoriouspictures.com ("Governance" section), in which the directors' reports to the shareholders' meeting on the proposals concerning the items on the agenda will also be available.

The Annual Financial Report as at 31 December 2017 will be made available to the public on the company's website www.notoriouspictures.it, in the Investor Relations section, within the terms set forth



in the applicable legislation. It should be noted that the audit of the data reported in the Annual Financial Report and the attached tables is still in the process of being completed.

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

Notorious Pictures, an independent company formed in July 2012, with registered office in Rome, listed on the AIM Italia market, organised and managed by Borsa Italiana, operates in the production, acquisition and marketing of film rights (full rights) through all the distribution channels (cinema, home video, pay tv and free tv, new media). In 2017, based on the financial data disclosed in compliance with IAS/IFRS, the company registered revenues of EUR 18 million, an Ebitda margin of 33% and a net profit of EUR 1.5 million. Notorious Pictures has been an innovative SME since July 2017.

For more information:

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Attached:

- **Income Statement as at 31 December 2017 (vs 31/12/2016)**
- **Statement of financial position as at 31 December 2017 (vs 31/12/2016)**
- **Net financial position and Cash Flow Statement as at 31/12/2017 (vs 31/12/2016)**



INCOME STATEMENT AS AT 31 DECEMBER 2017

Income Statement Data	31/12/2017	31/12/2016	Change	%
Revenues	18,138,707	22,993,206	(4,854,499)	-21.11%
Operating costs	10,649,442	14,883,517	(4,234,076)	-28.45%
Value added	7,489,266	8,109,689	(620,423)	-7.65%
<i>% value added</i>	41.3%	35.3%		
Personnel costs	1,474,243	1,517,751	(43,508)	-2.87%
EBITDA - Gross Operating Profit	6,015,023	6,591,938	(576,915)	-8.75%
<i>% EBITDA</i>	33.2%	28.7%		
Depreciation, amortisation, and provisions	4,117,639	3,422,349	695,290	20.32%
EBIT - Operating result	1,897,384	3,169,589	(1,272,205)	-40.14%
<i>% EBIT</i>	10.5%	13.8%		
Net financial charges	(79,283)	(3,838)	(75,445)	1965.70%
Pre-tax profit/(loss)	1,818,101	3,165,751	(1,347,650)	-42.57%
Taxes	(338,722)	(362,963)	24,241	-6.68%
Net profit/(loss) for the year	1,479,379	2,802,788	(1,323,409)	-47.22%
<i>% profit/(loss)</i>	8.2%	12.2%		

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

Statement of Financial Position Data	31/12/2017	31/12/2016	Change	%
Fixed assets	13,839,746	10,929,424	2,910,322	27%
Operating assets	13,344,351	17,979,534		
Operating liabilities	7,218,760	6,684,358		
Net working capital	6,125,590	11,295,176	(5,169,586)	-46%
Provisions	5,164,559	5,324,309	(159,751)	-3%
Net invested capital	14,800,778	16,900,291	(2,099,513)	-12%
Net financial position	(6,218,889)	(3,848,561)	(2,370,328)	62%
Shareholders' equity	21,019,667	20,748,852	270,815	1%



NET FINANCIAL POSITION AND CASH FLOW STATEMENT AS AT 31 DECEMBER 2017

Net financial position	31/12/2017	30/06/2017	31/12/2016	Change	%
Cash and cash equivalents	6,218,889	3,303,320	3,848,561	2,370,328	62%
Short-term financial payables					
Net financial position	(6,218,889)	(3,303,320)	(3,848,561)	(2,370,328)	62%

The column 'changes' refers to the NFP data as at 31/12/2017 with respect to 31/12/2016

Cash Flow Statement	31/12/2017	31/12/2016
A. Opening balance - cash and cash equivalents	3,848,561	6,354,774
B. Cash flow from operations	10,741,196	6,498,647
C. Cash flow from investment activities	(7,174,534)	(7,025,273)
D. Cash flow from financing activities	(1,196,334)	(1,979,588)
E. Net increase (decrease) in cash and cash equivalents	2,370,327	(2,506,214)
F. Closing balance - cash and cash equivalents	6,218,889	3,848,561