



NOTORIOUS PICTURES: THE BOARD OF DIRECTORS APPROVES

**THE CONSOLIDATED RESULTS FOR 1H2019.
REVENUES OF € 24.7 MILLION, +16%, and EBIT OF € 3.8
MILLION, +12%**

- **Revenues: EUR 24.7 million, +16% vs 30 June 2018 (EUR 21.3 million)**
- **EBITDA: EUR 7.3 million (EUR 8.0 million as at 30 June 2018)**
- **EBIT: EUR 3.8 million, +12% vs 30 June 2018 (EUR 3.4 million)**
- **Net Profit: EUR 2.7 million (EUR 3.0 million as at 30 June 2018)**
- **NFP of EUR 5.2 million considering the impact of the first-time application of new accounting standard IFRS 16; without this impact, the NFP would have been a positive EUR 0.1 million (positive EUR 3.4 million (net cash) as at 31 December 2018)**
- **In the second half, 9 films will be released in cinemas, including Rambo V, Playmobil, Scary stories to tell in the dark and Light of my life**

The income statement and statement of financial position figures as at 30 June 2019 include the impact resulting from the first-time application of IFRS 16 and are consolidated following the incorporation of Notorious Cinemas in January 2019. In this regard note that the economic impact of Notorious Cinemas is not significant.

Milan, 19 September 2019

The Board of Directors of **Notorious Pictures**, a company listed on the AIM Italia market, organised and managed by Borsa Italiana, and active in the production, acquisition and marketing of film rights (full rights) through all distribution channels (cinema, home video, TV and new media), as well as in cinema management through its subsidiary Notorious Cinemas, today approved the half-yearly financial report as at 30 June 2019.

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



"We are extremely satisfied with the results for the first half of 2019, which confirm the continuous growth of our Group with revenues of around EUR 25 million, corresponding to almost 80% of the whole of 2018, and up by 16% against the first half of 2018. Our consolidated business areas, which contribute significant added value, have enabled us to no longer be dependent on the performance of the films at the cinema. The newco Notorious Cinemas, incorporated in January of this year, launched its business activities and immediately reported very positive and encouraging results for the development of the business plan. The production of content, which in the first half of the year has been our prime focus, and the collaboration with Netflix, among others, has demonstrated the value of our editorial offering. We will continue in this direction, determined to achieve even better results".

Note that, following the incorporation of Notorious Cinemas in January 2019, the Company **is submitting for the first time its half-yearly results on a consolidated basis**, which are subject to the **application of accounting standard IFRS 16**, which has influenced how the income statement and the statement of financial position are presented.

Main economic and financial results as at 30 June 2019

Revenues amounted to EUR 24.7 million, up by 16% compared to 30 June 2018 (EUR 21.3 million), representing 78% of the revenues for the whole of 2018. The increase in revenues was due in particular to Theatrical revenues (+28%), which amounted to EUR 5.1 million, due to the box office performance of the films distributed to cinemas in the period, which in turn boosted revenues from Pay TV (+50%), which reported EUR 5.3 million.

The half-year recorded revenues for the distribution of third-party libraries of EUR 5.5 million. The filming of "Love. Wedding. Repeat" started in March 2019, and was still underway at the end of the first half of 2019. For this reason, the production costs incurred during the six-month period were suspended through the recognition of inventories for work in progress of EUR 6.5 million.

Lastly, it should be noted that in the first half of 2019, no revenues were generated from executive international production, although the same is expected to resume in the second half of 2019.

Note that revenues resulting from the subsidiary Notorious Cinemas were EUR 0.7 million.

Gross operating profit (EBITDA) amounted to EUR 7.3 million, with an EBITDA margin of 30% (EUR 8.0 million as at 30 June 2018), which includes a positive impact of EUR 0.2 million resulting from the application of accounting standard IFRS 16. The EBITDA Margin suffered in particular from the diluting impact of both EUR 5.5 million already included in revenues from the distribution of third-party libraries, a business characterised by low profit margins, and of EUR 6.5 million for work order still in progress, the full profitability of which will be reflected in the financial statements when the order is completed, expected in the second half of 2019. It should also be noted that due to new productions in progress, personnel costs, which include related external staff, increased from EUR 1.0 million to EUR 3.2 million.

Net operating profit (EBIT) was EUR 3.8 million, up by 12% compared with EUR 3.4 million as at 30 June 2018. This result includes the negative impact of EUR 0.1 million resulting from the first-time



application of accounting standard IFRS 16, and the positive impact of lower amortisation and depreciation. The fall in amortisation and depreciation is related to the breakdown of revenues, part of which is not related to the calculation of amortisation and depreciation, but rather to operating costs, which actually rose by around EUR 1.9 million.

Pre-tax profit (EBIT) was EUR 3.8 million, up by around 10% compared with the EUR 3.4 million recorded last year.

Net profit was EUR 2.7 million against EUR 3.0 million as at 30 June 2018, as an ordinary tax rate was applied in the first half, due to the recognition of exempt income (tax credit for productions), which leads to a reduction of the tax rate, postponed to the second half of 2019.

From an **equity** perspective, fixed assets rose by EUR 5.2 million, reaching a value of EUR 19.9 million (EUR 14.4 million as at 31 December 2018), due mainly to the application of IFRS 16, which envisages the capitalisation of the value in use of lease and rental agreements. More specifically, the capitalisation of the lease agreement for the new cinema of the subsidiary company alone had an impact of EUR 4.8 million. Net Working Capital rose by EUR 4.2 million against 31 December 2018 due mainly to the value of work in progress of EUR 6.5 million, as the net balance of the other current items is a negative EUR 2.3 million.

A **net financial position** of EUR 5.2 million was recorded (a negative EUR 3.4 million - net cash - as at 31 December 2018) mainly due to the combined impact of the application of accounting standard IFRS 16 (EUR 5.3 million) and the outlay for work in progress, as illustrated above.

The bank debt included in the NFP refers to a loan agreement for the production of "Love. Wedding. Repeat", which is currently underway (EUR 6.8 million).

Shareholders' equity amounted to EUR 24.3 million, up EUR 0.7 million against the EUR 23.6 million recorded as at 31 December 2018, confirming the company's capital solidity.

The **library** of Notorious Pictures is comprised by 912 titles, under temporary concession, plus 7 produced and co-produced films owned by the company. In the second half of 2019, 9 cinematographic works are expected to be released.

Treasury shares

As at 30 June 2019, Notorious Pictures held 543,600 treasury shares in its portfolio, corresponding to 2.4169% of share capital, within the framework of the plan to purchase and sell treasury shares (Buy-Back Plan), approved by the Shareholders' Meeting on 17 April 2019.



Main events of the first half of 2019

Film Library Acquisitions and Distribution

Notorious Pictures actively participated in the leading global markets and festivals for the industry, which enabled it to strengthen the 2019 line-up.

At the end of May, the film released by Notorious Pictures called "The Professor" was the number one in the box office for that weekend, generating revenues of EUR 516,568 and recording 79,265 admissions. The film stars Johnny Depp, back on the big screen, and is directed by Wayne Roberts.

At the end of March, a film called "Five Feet Apart" released by Notorious Pictures recorded winning box office takings in its first 4 days of EUR 1.34 million, then totalling EUR 5.0 million at the end of its run.

At the end of February, the wholly-owned subsidiary NOTORIOUS CINEMAS signed the final contract with IGD MANAGEMENT for the rental of the company branch relating to a Multiplex located at the Sarca Mall in Sesto San Giovanni (MI), the first Notorious Cinemas brand Multiplex. The agreement became effective on 1 March 2019 and is a multi-year contract, following the guidelines of the new concept "Notorious Cinemas – The Experience" transforming it into a latest-generation "Reclining cinema".

At the end of January, Notorious Pictures purchased exclusive distribution rights to the film *The Upside*, an American remake of the French film *Intouchables* (written and directed by Olivier Nakache and Éric Toleda in 2011) from STX Entertainment for the Italian market.

Commercial agreements

In May, Notorious Pictures signed a preliminary agreement with NETFLIX for the concession of exclusive rights at international level for the romantic comedy "Love. Wedding. Repeat", co-produced by Notorious Pictures and Tempo Productions Ltd.

Last February, the company signed and executed a commercial agreement with Mediaset RTI for the exclusive concession of Free TV rights, which envisages the distribution of a selection of films. The value of the agreement for the concession of the film rights is EUR 0.8 million.

Film Production

International co-production continues: at the beginning of May, the filming of "Love. Wedding. Repeat" started in Rome. The cast stars: Sam Claflin (*Hunger Games saga*, *Me before You*, *Adrift*), Olivia Munn (*XMen: Apocalypse*, *Ocean's 8*, *Office Christmas Party*) and Freida Pinto (*Slumdog Millionaire*, *Rise of the Planet of the Apes*).



Significant events after the end of the half-year

10 September 2019: two new commercial agreements were signed with Sky Italia, the first for the concession of Free TV distribution rights on 14 titles (library and First Run); the second for the distribution of 700 library titles for Pay TV (exclusive) and Pay via Internet (SVOD), not exclusive. The total value of the agreements is EUR 7.45 million, relating entirely to the current year with the concession of rights for 4 years on average.

26 August 2019: final agreement with NETFLIX for the concession of exclusive rights at global level for the romantic comedy "Love. Wedding. Repeat".

Management outlook

The management intends to continue its strategy of integration and growth in the field of co-productions and productions by signing new commercial agreements with independent Italian and foreign operators. Moreover, investments will continue to be made to enrich the library intended for the entire distribution chain, with a focus on sales to Broadcast TV and New Media (EST, VOD and SVOD). The Company will continue researching and developing orders in the area of international executive productions.

The line-up for the second half envisages the cinema release of 9 films.

In October, the subsidiary Notorious Cinemas plans to open a second Multiplex in Rovigo, next to the La Fattoria Shopping Mall.

Documentation

The Half-Yearly Financial Report as at 30 June 2019 will be made available to the public on the Company's website www.notoriuspictures.it, in the Investors/Financial Reports section, within the time limits envisaged by the regulations in force.

This press release is available in the Investors/Financial Press Release section of the Company's website.

Notorious Pictures, an independent company established in 2012 and with registered offices in Rome, listed on the AIM Italia market organised and managed by Borsa Italiana, is active in the production, acquisition and marketing of film rights (full rights) through all distribution channels (cinema, home video, pay-per-view, freeview, new media), as well as in cinema management through its subsidiary Notorious Cinemas. On the basis of the financial data released in compliance with the IAS/IFRS accounting standards, in 2018 the company recorded revenues of EUR 31.5 million, an EBITDA margin of 35% and a net profit of EUR 4.2 million. Notorious Pictures has been an Innovative SME since July 2017.



For further information:

Notorious Pictures SpA
 Guglielmo Marchetti - IR Manager
 Via della Signora 2a - Milan
 Tel: +39 02 36588810
 Email: g.marchetti@notoriuspictures.it

IR TOP Consulting
 Domenico Gentile
 Via Cantù, 1 - Milan
 Tel: +39 02 45473884
 Email: ufficiostampa@irtop.com

Banca Finnat SpA (NomAd)
 Angelo De Marco
 Piazza del Gesù, 49 - Palazzo Altieri - Rome
 Tel.: 39 06 69933215
 Email: a.demarco@finnat.it

Annexes:

- **Consolidated Income Statement as at 30 June 2019**
- **Consolidated Statement of Financial Position and Consolidated Net Financial Position as at 30 June 2019**
- **Consolidated Cash Flow Statement as at 30 June 2019**

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2019

Income Statement Data	30/06/2019	30/06/2018	Change	%
Revenues	24.747.923	21.321.934	3.425.989	16,07%
Operating costs	(14.242.865)	(12.337.849)	(1.905.016)	15,44%
Value added	10.505.058	8.984.085	1.520.973	16,93%
% value added	42,4%	42,1%		
Personnel costs	(3.173.389)	(1.027.618)	(2.145.771)	208,81%
EBITDA	7.331.669	7.956.467	(624.798)	-7,85%
% EBITDA	29,6%	37,3%		
Depreciation, amortisation, and provisions	(3.511.735)	(4.549.595)	1.037.860	-22,81%
EBIT	3.819.934	3.406.872	413.062	12,12%
% EBIT	15,4%	16,0%	12,1%	75,5%
Net financial charges	(78.051)	(10.233)	(67.818)	662,74%
Pre-tax profit/(loss)	3.741.883	3.396.639	345.244	10,16%
Taxes	(1.081.649)	(374.170)	(707.479)	189,08%
Net profit/(loss) for the year	2.660.233	3.022.469	(362.235)	-11,98%
% profit/(loss)	10,7%	14,2%		

Note that the figures as at 30 June 2019 are consolidated for the first time, following the incorporation of Notorious Cinemas in January 2019. In this regard note that the economic impact of Notorious Cinemas as at 30 June 2019 is not significant.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Consolidated Statement of Financial Position	30/06/19	31/12/18	Change	%
Fixed assets	19.908.685	14.645.970	5.262.715	36%
Operating assets	30.068.382	18.693.945		
Operating liabilities	(16.705.011)	(9.482.999)		
Net working capital	13.363.371	9.210.946	4.152.425	45%
Provisions	3.761.496	3.709.384	52.112	1%
Net invested capital	29.510.560	20.147.533	9.363.028	46%
Net financial position	5.208.086	(3.410.064)	8.618.151	-253%
Shareholders' equity	24.302.474	23.557.597	744.877	3%
 Consolidated Net Financial Position	 30/06/19	 31/12/18	 30/06/18	 Change
Cash and cash equivalents	6.867.719	3.410.064	5.137.658	3.457.655
Bank Debts	(6.801.419)			(6.801.419)
Financial debts - ROU	(5.274.386)			(5.274.386)
Net Financial Position	5.208.086	(3.410.064)	(5.137.658)	(8.618.151)

Note that the figures as at 30 June 2019 are consolidated for the first time, following the incorporation of Notorious Cinemas in January 2019. With regard to the capital impact resulting from the consolidation of Notorious Cinemas, refer to the specific section of the press release.

CONSOLIDATED CASH FLOW STATEMENT AS AT 30 JUNE 2019

Consolidated Cash Flow Statement	30/06/19	31/12/18
A. Opening balance - cash and cash equivalents	3.410.064	6.218.889
B. Cash flow from operations	2.070.671	2.978.689
C. Cash flow from investment activities	(8.774.450)	(2.591.701)
D. Revenue flow from financing activities	10.161.434	(1.468.219)
E. Net increase (decrease) in cash and cash equivalents	3.457.655	(1.081.231)
F. Closing balance - cash and cash equivalents	6.867.719	5.137.658