



Consolidated financial statements as of June 30th, 2022

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT number IT095

Share capital: Euro 6,024,334.80 of which Euro 5,706,014.80 subscribed
Milan Companies House No. 290680-Vol. 7394 Chamber of Commerce number 1302132

This report is available in the Investor Relations section of the Company's website at www.digitalbros.com

Please consider that this is an Italian to English translation and that the Italian version shall always prevail in case of any discrepancy or inconsistency

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Board of Directors and Corporate Governance Structure

Member	Office	Control and Risk Committee	Remuneration Committee	Nomination Committee
Sylvia Anna Bartyan	Independent director	M	M	M
Lidia Florean	Non-executive director			
Abramo Galante	President and CEO			
Davide Galante	Non-executive director			
Raffaele Galante	CEO			
Susanna Pedretti	Independent director	M	P	M
Stefano Salbe ⁽¹⁾	Executive director			
Laura Soifer ⁽²⁾	Independent director	P	M	M
Dario Treves	Executive director			

P: President of the Committee

M: Member of the Committee

⁽¹⁾ Financial reporting manager pursuant to Art. 154 bis of Legislative Decree 58/98

⁽²⁾ Lead Independent Director

Board of Statutory Auditors

Gianfranco Corrao

Statutory Auditor

Carlo Hassan

Chairman

Maria Pia Maspes

Statutory Auditor

Daniela Delfrate

Substitute Statutory Auditor

Stefano Spiniello

Substitute Statutory Auditor

The Shareholders' Meeting held on October 28th, 2020 appointed the Board of Directors and Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will expire on the Shareholders' Meeting which will approve the financial statements as of June 30th, 2023.

On October 28th, 2020, the Shareholders' Meeting appointed Abramo Galante as Chairman of the Board of Directors. On the same date, the Board of Directors appointed Abramo Galante and Raffaele Galante as Chief Executive Officers. The Chief Executive Officers received appropriate powers of attorney.

On August 7th, 2007, the Board of Directors appointed the Executive Director Stefano Salbe as Financial Reporting Manager pursuant to Art. 154 bis of Legislative Decree 58/98 with appropriate powers.

Auditors

EY S.p.A.

On October 27th, 2021, the Shareholders' Meeting appointed EY S.p.A., based in Via Meravigli 12, Milan as auditors until the approval of the financial statements as of June 30th, 2030.

Other information

The publication of Digital Bros Group's consolidated financial statements and the Digital Bros S.p.A. financial statements as of June 30th, 2022 was authorized by a resolution of the Board of Directors held on September 22nd, 2022.

Digital Bros S.p.A. is incorporated and operating in Italy. The Company is listed on the Euronext STAR segment of the Euronext Milan market operated by Borsa Italiana S.p.A..

In September 2022, the Nomination Committee approved its rules of procedure and appointed Sylvia Anna Bartyan as President of the Committee.

DIRECTORS' REPORT

1. GROUP ORGANIZATION

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

The Group is organized into five operational business segments:

Premium Games: main operations are the acquisition of video games intellectual properties from developers and the distribution of video games through an international retail sales network and digital marketplaces such as Steam, Sony PlayStation Network, Microsoft Xbox Live, Epic Game Store, etc..

The Group develops some video games through the internal studios. When the video games are developed by external studios they are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights.

The label used for worldwide publishing is 505 Games. A second label, Hook S.r.l., publishes budget video games.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which controls 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. 505 Games Interactive (US) Inc. provides consultancy services on behalf of 505 Games S.p.A.. The progressive digitalization of the market and the following centralization of revenues enabled to focus local operations to marketing and PR activities.

The following studios are also included in the Premium Games segment:

- the Italian company Kunos Simulazioni S.r.l., which develops and publishes the Assetto Corsa and the Assetto Corsa Competizione video games;
- the Dutch company Rasplata B.V. (60%) that owns an intellectual property currently under development;
- the Czech company Ingame Studios a.s. (60%), a Brno-based studio developing the video game based on the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., a development studio with a team of around fourteen people;
- the Italian company Supernova Games Studios, a Milan-based studio incorporated during the previous fiscal year and with a team of fourteen people;
- the Canadian company Chrysalide Jeux et Divertissement Inc. incorporated in June 2021. The company (75% of which is held by the Group) is currently developing a brand-new video game.

A Spanish joint venture was set up last fiscal year together with the development studio MercurySteam Entertainment S.L., MSE & DB S.L., in order to jointly create a new intellectual property.

Free to Play: main operations are the development and publishing of video games and/or applications that are available for free on digital marketplaces with in-app purchases features. Free to Play video games usually presents less technical complexity than Premium Games but, in case of success, will have a longer life cycle. Free to Play video games are continuously upgraded after the launch in order to retain players and enhance the video game's life cycle.

Worldwide Free to Play publishing is operated by 505 Mobile S.r.l., together with the U.S. company 505 Mobile (US) Inc., which provides consultancy services to Group companies and the UK company DR Studios Ltd. which is the developer of Free to Play video games.

The Australian company 505 Games Pty Ltd. was incorporated in the previous fiscal year. In January 2021 it finished the acquisition of 100% of the shares of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of Puzzle Quest and Gems of War and provide live support to such video games.

The label used for publishing on a worldwide basis is 505 Games Mobile.

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

The operations are run by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l.. The dissolution of the subsidiary Game Service S.r.l. was completed during the period.

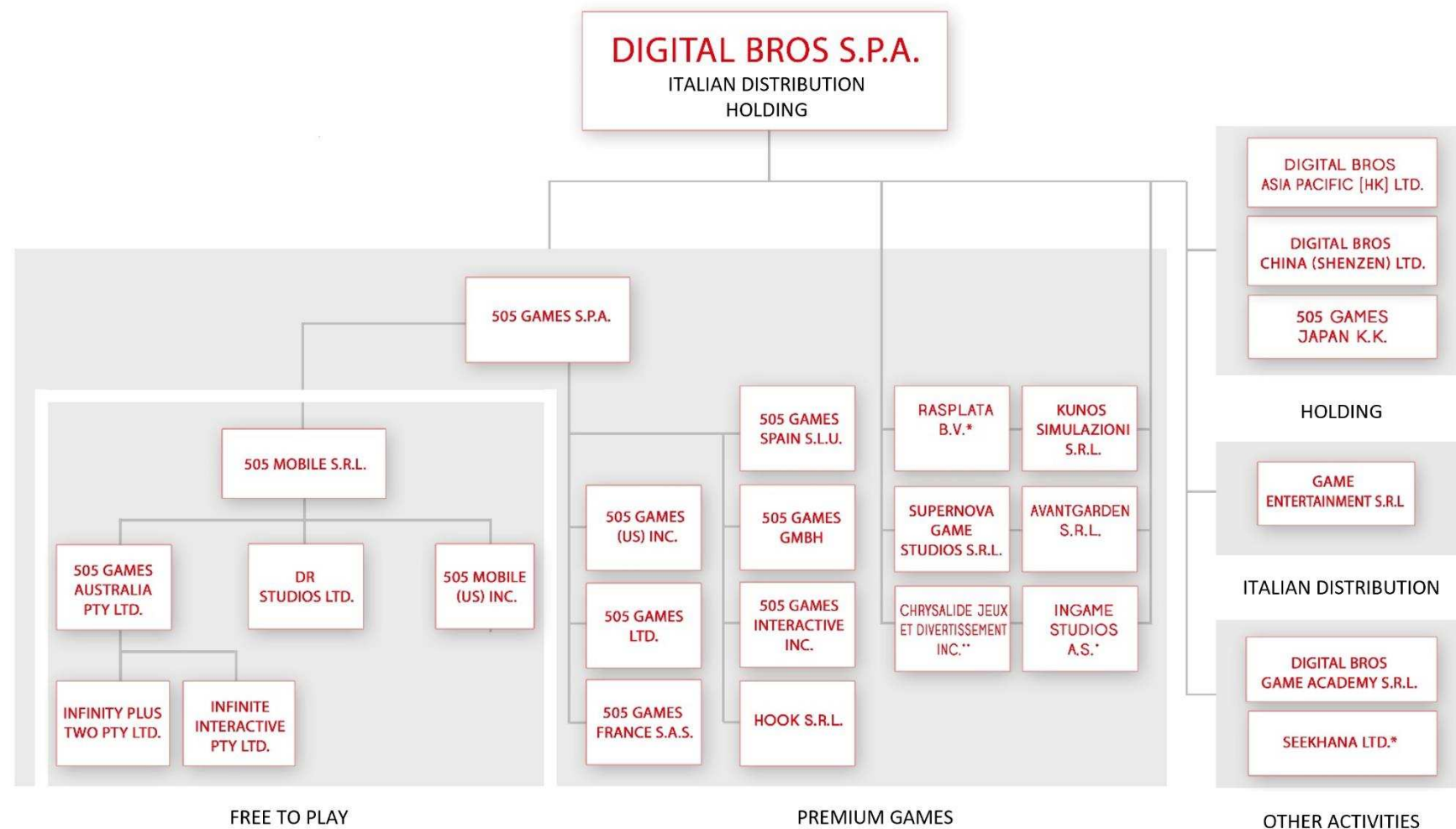
Other Activities: all Group's remaining activities are consolidated together for reporting purposes under the Other Activities operating segment. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses. The Group also holds a 60% stake in the UK company Seekhana Ltd..

Holding: it includes all the corporate functions provided by Digital Bros S.p.A. in finance, control and business development activities. The holding company has been supported by Digital Bros China Ltd., Digital Bros Asia Pacific (HK) Ltd and 505 Games Japan K.K. which have operated as business developers for the Asian markets. Digital Bros Holdings Ltd. has been inactive during the period.

All the companies mentioned above are 100% owned, except for Rasplata B.V., Ingame Studios a.s. and Seekhana Ltd. which are controlled with a 60% interest and Chrysalide Jeux et Divertissement Inc. with a 75% interest.

The organization chart of the operating companies as of June 30th, 2022 was as follows:

GROUP STRUCTURE AS OF JUNE 30TH, 2022



(*) 60% INTEREST
 (**) 75% INTEREST

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

Company	Address	Activities
AvantGarden S.r.l.	Via Tortona 37, Milan	Offices
Chrysalide Jeux et Divertissement Inc. ⁽²⁾	252 Rue Christophe Colomb Est, Québec, Canada	Offices
Digital Bros S.p.A.	Via Tortona 37, Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
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, Milan	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona 37, Milan	Offices
505 Games S.p.A.	Via Tortona 37, Milan	Offices
505 Games Australia Pty Ltd.	153 Park Street, South Melbourne, Victoria, Australia	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. ⁽³⁾	Via Tortona 37, Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona 37, Milan	Offices
Ingame Studios a.s. ⁽¹⁾	Moravské náměstí 249/8, Brno, Czech Republic	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
Infinity Plus Two Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
Infinite Interactive Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
505 Mobile S.r.l.	Via Tortona 37, Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. ⁽¹⁾	Churchill-laan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. ⁽¹⁾	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Supernova Games Studios S.r.l.	Via Tortona 37, Milan	Offices

- (1) 60% consolidated.
(2) 75% consolidated.
(3) In dissolution.

Rasplata B.V., Seekhana Ltd. and Ingame Studios a.s. (60%), as well as Chrysalide Jeux et Divertissement Inc. (75%), have been consolidated line-by-line with a separate recognition of the non-controlling interests.

A Spanish joint venture was set up last fiscal year together with the development studio MercurySteam Entertainment S.L. - MSE & DB S.L.. Arttractive S.A., a company in which the Group holds a 40% stake, was incorporated under the Polish law during the period. Arttractive S.A. is currently developing a new video game on behalf of 505 Games S.p.A.. Both companies are consolidated with the net equity method.

The dissolutions of 133 W Broadway Inc. and Game Service S.r.l. were completed during the period, and the dissolution process of Hawken Entertainment Inc. is still ongoing.

2. THE VIDEOGAMES MARKET

The video games market represents one of the most important segments of the entertainment industry. Movies, books and magazines, video games and toys are part of the industry and share the same characteristics, brands, features and intellectual properties.

The market is constantly evolving and growing, driven by the continuous technological upgrades. Gaming is no longer limited to personal computers and traditional consoles (Sony, Microsoft and Nintendo), but has expanded to mobile phones and tablet devices. High-speed connectivity, fiber optic networks and smart phones have made video games increasingly diversified, sophisticated and interactive and have expanded the gaming population to adults and women. Streaming gaming is also becoming increasingly popular.

The video games market follows the continuous technological evolution of consoles. At the launch of a new console, as it happened in the reporting period, the prices of the hardware and the related video games are high and relatively low quantities are sold. Across their lifecycle, console and video game prices gradually decline, while the volumes and the video games quality increase.

Video games are sold through digital marketplaces, however highly popular and high-quality video games are also distributed through the traditional sales channel. In this case, the value chain is as follows:



The COVID-19 pandemic further accelerated the decline of the video games retail distribution being replaced by digital distribution.

Developers

Developers are the creators and programmers of a video game, usually based on an original idea, a successful brand, a movie, sports simulations etc.. It is becoming very common for a highly popular video game to be turned into a movie, TV series etc..

Even if developers sometimes retain the intellectual property, they often assign the rights to an international video game publisher for a contractually defined period of time. Therefore, publishers are key in the value chain: they are essential to the completion of the video game, in building and fostering the video game community and its international distribution through their direct or indirect commercial networks.

The developer can directly publish and market the video game. In such a scenario, the financial and operational risks for the developer increase significantly.

Publishers

The publisher is responsible for the launch of the video game, defines the global commercial policy, and assumes all the risks related. Publishers usually finance the video game development process and often acquire the video game intellectual property on a permanent basis.

Console manufacturers

The console manufacturer designs and manufactures the hardware through which the video game is played. Sony produces the Sony PlayStation, Microsoft the Microsoft Xbox and Nintendo the Nintendo Switch. In case of physical distribution, the console manufacturer reproduces the physical disk on behalf of the publishers. The console manufacturer also operates as a video game publisher.

Distributors

The role of the distributor is losing importance as a result of the digital transition. In the future, retail distribution will be concentrated on a limited number of specialized operators.

Retailers

Retailers may be international retail chains specialized in the sale of video games, independent shops or web sites that sell directly to the public.

Console manufacturers have created marketplaces where video games can be directly purchased in a digital format without involving a distributor or retailer. In this case, as for smartphone and tablet video games, the value chain involves a lower number of players, as illustrated below:



The main marketplaces on which console video games are sold are Sony's PlayStation Store, Microsoft's Xbox Live and Nintendo's eShop. Steam is the global leader in the digital distribution of video games for personal computers. The US company Epic launched Epic Games Store, a new marketplace for PC games.

The digitalization of the market has led both Microsoft (with Microsoft Xbox Game Pass) and Sony (with Sony PlayStation Now) to create digital platforms on which players can access the full library of video games by paying a subscription fee. Revenues are recognized to publishers based on the utilization of their video games. More recently, Amazon has set up a similar platform, Luna, while Apple has launched Apple Arcade, a platform dedicated to mobile video games.

Digital distribution has extended the lifecycle of a single video game. The availability of a video game is no longer limited to its launch period as happened in the retail channel. The product remains available on the different marketplaces for a longer period, generating a continuous flow of sales significantly influenced by promotional campaigns. A video game life cycle can also be extended through the release of additional episodes and functions (the so-called DLC, or Downloadable Contents).

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, the PlayStore for Android for Western markets and a large number of different marketplaces for Far Eastern markets. Some Free to Play video games are also available on Sony PlayStation Store, Microsoft's Xbox Live, Steam and Epic Store.

3. ALTERNATIVE PERFORMANCE RATIOS

Since different fiscal years, the Group continuously utilizes some performance ratios to simplify the comprehension of the consolidated profit and loss statement and balance sheet.

The following ratios are directly reported in the profit and loss statement:

- Gross profit being the difference between net revenue and total cost of sales;
- EBITDA, being the difference between gross profit, other income and total operating cost plus other income;
- EBIT, being the difference between EBITDA and total depreciation, amortization and impairment adjustments.

The balance sheet ratio net financial position is detailed in section 7 of the Notes.

The definitions of the ratios used by the Group, as they are not defined by any accounting standard, may not be homogeneous with those adopted by other companies and therefore comparable with them. A reconciliation between the Directors Report and the profit and loss statement is not needed, because they are used on a consistent base.

4. SEASONALITY EFFECTS

Market seasonality is influenced by the launch of highly anticipated and popular products. The launch of a successful video game in a certain period may create significant revenue increases between quarters. In fact, the sale of these products is concentrated in the first few days from the release.

The publishing of video games on digital marketplaces has partially reduced the volatility of the publisher's results between quarters. Digital distribution revenues are recognized when the consumer purchases a video game from the marketplace. This occurs gradually and it is not concentrated in the days immediately after the launch, differently from the traditional retail distribution whose revenues are recognized upon the shipment of the product to the distributor/retailer, regardless of when the final sale to end consumer effectively occurs.

Digital promotional campaigns are effective and concentrate revenue during these periods. Publishers tend to plan their promotional campaigns when the consumer spending is higher i.e., the Christmas season for European markets or Black Friday for the American market.

Free to Play video games revenues are less influenced by seasonality than Premium video games. Free to Play video games show constant revenue growth over time with some exception for the most anticipated titles. Unlike Premium video games, Free to Play promotions are more weekly-based and therefore, do not create volatility across quarters.

The financial position is closely related to the revenue trend. The physical distribution of a product in a quarter increases net working capital investment. This is temporarily reflected by the level of net cash/debt

until the time as the related sales revenue will be collected. The significant reduction in physical distribution revenues as a percentage of total consolidated revenues resulted in lower volatility of the financial position.

5. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The most significant events during the period were as follows:

- on October 27th, 2021, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2020-2021, a dividend distribution of Euro 0.18 per share and appointed Ernest & Young S.p.A. as the new auditor for the 2022-2030 period, until the approval of the Financial Statements as of June 30th, 2030;
- on November 30th, 2021, the Group announced the agreement between 505 Games S.p.A. and MercurySteam Entertainment S.L. for the co-publishing and development on a new video game for multiplatform release. The intellectual property of the video game is co-owned by Digital Bros and MercurySteam Entertainment through the joint-venture MSE & DB S.L. set up under the Spanish Law. The initial development investment amounts to Euro 27 million;
- on June 17th, 2022, the Group announced the acquisition of 100% of D3 Go!, the American publisher of the video games "Puzzle Quest: The Legend Returns" and other video games including spin-offs of the Puzzle Quest series, intellectual property owned by Digital Bros following the acquisition of Infinity Plus Two Pty. in January 2021. The acquisition has been finalized on July 1st, 2022.

Relations with Starbreeze AB and Starbreeze AB shareholders

During the reporting period, no particular changes in the relations with the Swedish company Starbreeze occurred.

In recent years, Digital Bros Group and Starbreeze AB Group have entered multiple different transactions, summarized below:

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze AB against a payment of USD 30 million and an earn-out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3. As of June 30th, 2022, the earn-out was not accounted for and has been considered a contingent asset;
- in April 2015, the two groups signed a contract for the development and publishing of the console version of a video game inspired by the TV series The Walking Dead. The contract provided a development budget of USD 10 million. In November 2018, Starbreeze AB launched the PC version of the video game, but the related sales were lower than expected. The subsidiary 505 Games S.p.A. had paid USD 4.8 million for the development of such video game. On February 27th, 2019, Skybound terminated the license contract for OVERKILL's The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze AB for the development and publishing of the console version;

- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze AB A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

The OVERKILL's The Walking Dead unsuccess created financial problems to Starbreeze AB, enforcing the company and five subsidiaries to demand the Swedish District Court for admission to a restructuring plan. The Swedish Court approved the restructuring request which was later extended several times until December 3rd, 2019. On December 6th, 2019, Starbreeze AB successfully completed the corporate restructuring process, proposing a payment plan to its creditors.

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB A shares held by Swedish company Varvte 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;
- on February 26th, 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. The assets acquired have a nominal value of Euro 35.3 million, as detailed below:
 - a) a convertible bond of SEK 215 million (around Euro 20 million as of June 30th, 2022) issued by Starbreeze AB for a total of Euro 16.9 million. The full conversion of the bond would lead to the issue of 131,933,742 new Starbreeze AB B shares. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze AB in September 2020. Should it not be fully or even partially converted, the bond will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - b) a receivable of around USD 20 million for a consideration of Euro 100 thousand. This credit 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 later than December 2024;
 - c) 3,601,083 Starbreeze AB A shares and 6,018,948 Starbreeze AB B shares for a total amount of Euro 2.2 million.

The total consideration was paid as follows: Euro 9.2 million on the closing date of the transaction and Euro 10 million on February 23rd, 2021.

In order to keep its interest in the share capital and its voting rights, on June 23rd, 2020, the Group signed a binding agreement for the pro-quota subscription of the share issue to be approved by a future General Meeting of Starbreeze AB. This share issue was finalized in September 2020.

As of June 30th, 2022, also as a result of other purchases, the Group holds 61,758,625 Starbreeze AB A shares and 24,890,329 Starbreeze AB B shares representing 11.96% of share capital and 28.92% of voting rights.

Despite the on-going contractual relations and the equity interest held in the Swedish company, the Group does not believe to have any influence over Starbreeze AB. Accordingly, it decided to keep the

classification of the investment under other investments as in the previous reporting periods. Digital Bros S.p.A. will reclassify the investment in its financial statement, should the circumstances evolve as a result of substantial changes in the relations between the two groups.

COVID-19

The Group adopted remote working arrangements, following the outbreak of the COVID-19 pandemic and the Italian Ministerial guidelines issued from March 2020, later modified several times, in order to guarantee the health and safety of its employees and collaborators. The majority of its employees and collaborators in Italy and abroad may efficiently work from home. Since November, a partial return to the office, limited to certain offices, started. From an operational perspective, the remote working arrangements did not have a significant impact on the main areas of operations of the Group.

The most significant effects of the pandemic on the video games market may be summarized as follows:

- increased use of video games during the lockdown period, especially for mass market products, by casual gamers and for under promotion products;
- general growth in digital revenues;
- inconsistent revenues from traditional distribution channels, except for the small share generated by e-commerce sales.

In terms of video game development, carried out by teams all around the world, the remote working arrangements created production delays. These delays were more evident on large development teams and products close to launch when teams are normally required to cooperate to a greater extent.

The digitalization of the market was further accelerated because consumers were unable to access retail stores and the Group's revenues were largely generated on digital marketplaces which enabled a significant increase in the operating margins as an effect of significant savings in terms of manufacturing and logistics costs.

**6. CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED
JUNE 30TH, 2022**

	Euro thousand		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	132,238	100.0%	150,703	101.0%	(18,465)	-12.3%	
2	Revenue adjustments	0	0.0%	(1,523)	-1.0%	1,523	n.m.	
3	Net revenue	132,238	100.0%	149,180	100.0%	(16,942)	-11.4%	
4	Purchase of products for resale	(4,607)	-3.5%	(5,598)	-3.8%	991	-17.7%	
5	Purchase of services for resale	(6,733)	-5.1%	(10,528)	-7.1%	3,795	-36.1%	
6	Royalties	(32,586)	-24.6%	(41,322)	-27.7%	8,736	-21.1%	
7	Changes in inventories of finished products	(1,535)	-1.2%	(2,281)	-1.5%	746	-32.7%	
8	Total cost of sales	(45,461)	-34.4%	(59,729)	-40.0%	14,268	-23.9%	
9	Gross profit (3+8)	86,777	65.6%	89,451	60.0%	(2,674)	-3.0%	
10	Other income	11,584	8.8%	4,060	2.7%	7,524	n.m.	
11	Costs for services	(8,562)	-6.5%	(9,617)	-6.4%	1,055	-11.0%	
12	Rent and leasing	(497)	-0.4%	(311)	-0.2%	(185)	59.6%	
13	Payroll costs	(33,867)	-25.6%	(24,617)	-16.5%	(9,250)	37.6%	
14	Other operating costs	(1,307)	-1.0%	(1,170)	-0.8%	(137)	11.7%	
15	Total operating costs	(44,233)	-33.4%	(35,715)	-23.9%	(8,519)	23.9%	
16	Gross operating margin (EBITDA) (9+10+15)	54,128	40.9%	57,796	38.7%	(3,668)	-6.3%	
17	Depreciation and amortization	(19,030)	-14.4%	(24,600)	-16.5%	5,570	-22.6%	
18	Provisions	0	0.0%	0	0.0%	0	0.0%	
19	Asset impairment charge	(1,708)	-1.3%	(2,647)	-1.8%	939	-35.5%	
20	Impairment reversal	2,570	1.9%	0	0.0%	2,570	n.m.	
21	Total depreciation, amortization and impairment adjustments	(18,168)	-13.7%	(27,247)	-18.3%	9,067	-33.3%	
22	Operating margin (EBIT) (16+21)	35,960	27.2%	30,549	20.5%	5,411	17.7%	
23	Interest and financial income	8,349	6.3%	7,666	5.1%	683	8.9%	
24	Interest and financial expenses	(4,148)	-3.1%	(3,401)	-2.3%	(747)	22.0%	
25	Net interest income/(expenses)	4,201	3.2%	4,265	2.9%	(64)	-1.5%	
26	Profit/ (loss) before tax (22+25)	40,161	30.4%	34,814	23.3%	5,347	15.4%	
27	Current tax	(10,929)	-8.3%	(11,910)	-8.0%	981	-8.2%	
28	Deferred tax	(576)	-0.4%	9,032	6.1%	(9,608)	n.m.	
29	Total taxes	(11,505)	-8.7%	(2,878)	-1.9%	(8,627)	n.m.	
30	Net profit/loss (26+29)	28,656	21.7%	31,936	21.4%	(3,280)	-10.3%	
	attributable to the shareholders of the Parent Company	28,546	21.6%	32,025	21.5%	(3,479)	-10.9%	
	attributable to non-controlling interests	110	0.1%	(89)	-0.1%	199	n.m.	
	Earnings per share:							
33	Basic earnings per share (in Euro)	2.00		2.25		(0.25)	-11.1%	
34	Diluted earnings per share (in Euro)	1.97		2.21		(0.24)	-10.9%	

Revenues for the fiscal year were almost exclusively made up of back catalogue products. The bestselling video game was the evergreen Assetto Corsa, intellectual property owned by the Group, which exceeded Euro 21 million revenue. On March 28th, 2022, the most recent version of the video game Death Stranding came to market, significantly contributing to the revenue of the fourth quarter.

Total gross revenue amounted to Euro 132,238 thousand, a decrease of 12.3% compared to the previous fiscal year, when the bestselling video game Death Stranding and the Steam version of the video game Control were initially launched.

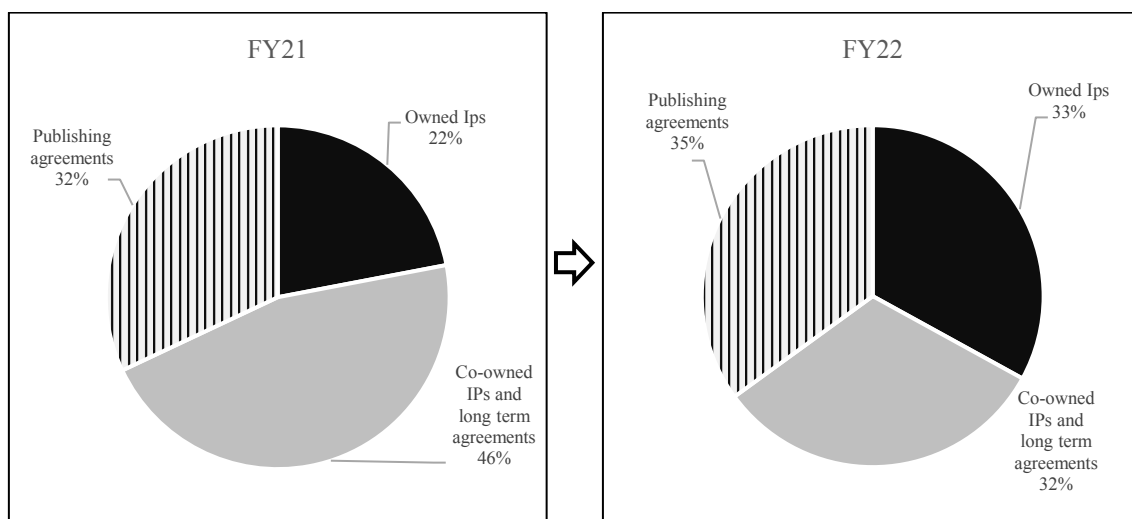
Revenues from international markets were 96% of the total revenues in the period and digital revenues in the period were 88% of the total.

A breakdown by operating segment for the period ended June 30th, 2022 compared to the period ended June 30th, 2021 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2022	2021	Change		2022	2021	Change	
Premium Games	120,308	134,648	(14,340)	-10.7%	120,308	133,406	(13,098)	-9.8%
Free to Play	7,132	10,679	(3,547)	-33.2%	7,132	10,679	(3,547)	-33.2%
Italian Distribution	4,043	4,774	(731)	-15.3%	4,043	4,493	(450)	-10.0%
Other Projects	755	602	153	25.3%	755	602	153	25.3%
Total gross revenues	132,238	150,703	(18,465)	-12.3%	132,238	149,180	(16,942)	-11.4%

The Premium Games operating segment represented 91% of the gross revenue.

Video games developed by the internal studios and through intellectual properties fully owned by the Group accounted for 33% of the total revenue from 22% as of June 30th, 2021. 32% of revenue came from the co-owned intellectual properties and long-term agreements (more than ten years), compared to 46% as of June 30th, 2021. A breakdown of Premium Games revenue by the type of rights held by the Group as of June 30th, 2022 is provided below with comparative figures as of June 30th, 2021:



The Free to Play operating segment showed a 33.2% decrease from Euro 10,679 thousand as of June 30th, 2021 to Euro 7,132 thousand. Last fiscal year, a licensing agreement for the Chinese market rights of Gems of War resulted in Euro 1,895 thousand revenue.

The Italian Distribution operating sector revenue decreased by 15.3% (from Euro 4,774 thousand down to Euro 4,043 thousand), due to the continuous decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Total cost of sales decreased by Euro 14,268 thousand (-23.9%), more than the revenue decrease and enabled only a small decrease in gross profit (-3%) from Euro 89,451 thousand to Euro 86,777 thousand, as the sale of back catalogue products generally has lower operating costs.

Other income amounted to Euro 11,584 thousand, increased by Euro 7,524 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games, that, during the reporting period, included:

- the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd.;
- the development of the Free to Play video game Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd.;
- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

Total operating costs amounted to Euro 44,233 thousand, increased by 23.9% compared to the previous fiscal year. Payroll costs grew by Euro 9,250 thousand following the acquisition and the incorporation of several new development studios that have significantly increased the number of people employed by the Group. Cost for services (mainly advertisement-related) decreased by Euro 1,055 thousand in sync with the revenue trend.

Gross operating margin (EBITDA) for the period has been Euro 54,128 thousand corresponding to 40.9% of the consolidated gross revenue, decreasing by Euro 3,668 thousand from the Euro 57,795 thousand realized in the previous fiscal year.

Amortization and depreciation decreased by Euro 5,570 thousand in line with the revenue trend.

Impairment reversals consisted almost exclusively of the adjustment of the debt of 505 Games Australia Pty. For the earn-out to be paid in connection with the acquisition of the Australian companies.

EBIT amounted to Euro 35,960 thousand significantly increasing by Euro 5,411 thousand compared to Euro 30,549 thousand as of June 30th, 2021. The higher margins generated by the sales of fully owned intellectual properties, together with the higher profit generated by the sales of back catalogue products enabled the 17.7% EBIT increase. The EBIT for the period was 27.2% of the consolidated gross revenue, compared to the 20.5% of last fiscal year.

Net interest income was positive for Euro 4,201 thousand, in line with Euro 4,265 thousand realized in the previous fiscal year.

Profit before tax for the period ended June 30th, 2022 amounted to Euro 40,161 thousand, an increase of Euro 5,347 thousand compared to profit before tax of Euro 34,814 thousand as of June 30th, 2021.

Net profit for the period amounted to Euro 28,656 thousand compared to Euro 31,936 thousand as of June 30th, 2021. The increase in the total tax is due to a Euro 9,608 thousand decrease in deferred tax. Last fiscal year, the Group benefitted from a tax benefit deriving from the valuation of the Assetto Corsa brand.

Net profit attributable to the Shareholders of the Parent Company was Euro 28,546 thousand.

Basic earnings per share and diluted earnings per share were respectively Euro 2.00 and Euro 1.97 compared to the Euro 2.25 and Euro 2.21 earnings per share as of June 30th, 2021.

The net profit attributable to non-controlling interests reflected the 40% held by the minority shareholders of the Dutch company Rasplata B.V., the 40% of the English company Seekhana Ltd., the 40% of the Czech Ingame Studios a.s. and the 25% of the Canadian company Chrysalide Jeux et Divertissement Inc. It amounted to positive Euro 110 thousand.

7. CONSOLIDATED BALANCE SHEET AS OF JUNE 30TH, 2022

	Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	10,353	8,198	2,155	26.3%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	104,089	66,776	37,313	55.9%
4	Equity investments	7,511	11,190	(3,679)	-32.9%
5	Non-current receivables and other assets	14,072	5,089	8,983	n.m.
6	Deferred tax assets	12,829	11,644	1,185	10.2%
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	167,111	121,737	45,374	37.3%
	Current assets				
8	Inventories	4,173	5,708	(1,535)	-26.9%
9	Trade receivables	27,781	18,283	9,498	52.0%
10	Tax receivables	2,926	1,500	1,426	95.1%
11	Other current assets	13,030	19,279	(6,249)	-32.4%
12	Cash and cash equivalents	10,961	35,509	(24,548)	-69.1%
13	Other current financial assets	329	0	329	0.0%
	Total current assets	59,200	80,279	(21,079)	-26.3%
	TOTAL ASSETS	226,311	202,016	24,295	12.0%
	Shareholders' equity				
14	Share capital	(5,705)	(5,704)	(1)	0.0%
15	Reserves	(22,030)	(23,016)	986	-4.3%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(108,160)	(82,181)	(25,979)	31.6%
	Equity attributable to the shareholders of the Parent Company	(135,895)	(110,901)	(24,994)	22.5%
	Equity attributable to non-controlling interests	(1,423)	(890)	(533)	59.9%
	Total net equity	(137,318)	(111,791)	(25,527)	22.8%
	Non-current liabilities				
18	Employee benefits	(761)	(719)	(42)	5.8%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(1,954)	(5,415)	3,461	-63.9%
21	Non-current financial liabilities	(15,213)	(11,694)	(3,519)	30.1%
	Total non-current liabilities	(18,009)	(17,909)	(100)	0.6%
	Current liabilities				
22	Trade payables	(52,125)	(47,193)	(4,932)	10.5%
23	Tax payables	(3,575)	(10,782)	7,207	-66.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,657)	(9,932)	5,275	-53.1%
26	Current financial liabilities	(10,627)	(4,409)	(6,218)	n.m.
	Total current liabilities	(70,984)	(72,316)	1,332	-1.8%
	TOTAL LIABILITIES	(88,993)	(90,225)	1,232	-1.4%
	TOTAL NET EQUITY AND LIABILITIES	(226,311)	(202,016)	(24,295)	12.0%

Total non-current assets increased by Euro 45,374 thousand. Intangible assets increased by Euro 37,313 thousand, net of the depreciation for the period, due to the significant investment plan implemented by the Group in order to achieve its growth objectives.

Total current assets decreased by Euro 21,079 thousand mainly due to lower cash and cash equivalents for Euro 24,548 thousand and lower other current assets for Euro 6,249 thousand, partially offset by higher trade receivables for Euro 9,498 thousand.

Total non-current liabilities amounted to Euro 18,009 thousand, in line with last fiscal year. Total current liabilities decreased by Euro 1,332 thousand.

The following table details the Group's net financial position as of June 30th, 2022 together with comparative figures as of June 30th, 2021:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
12	Cash and cash equivalents	10,961	35,509	(24,548)	-69.1%
13	Other current financial assets	329	0	329	n.m.
26	Current financial liabilities	(10,627)	(4,409)	(6,218)	n.m.
	Current net financial position	663	31,100	(30,437)	n.m.
7	Non-current financial assets	18,257	18,840	(583)	-3.1%
21	Non-current financial liabilities	(15,213)	(11,694)	(3,519)	30.1%
	Non-current net financial position	3,044	7,146	(4,102)	-57.4%
	Total net financial position	3,707	38,246	(34,539)	-90.3%

The net financial position prepared in accordance with the Guidelines on disclosure requirements under the Prospectus Regulation issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed in the Notes to the consolidated financial statements as of June 30th, 2022.

The net financial position amounted to Euro 3,707 thousand. As expected, it decreased from Euro 38,246 thousand as of June 30th, 2021, by Euro 34,539 thousand in sync with the significant investment plan implemented by the Group during the fiscal year. Net of the IFRS 16 effect, the net financial position amounted to positive Euro 9,727 thousand as of June 30th, 2022.

8. FINANCIAL RATIOS

Key financial ratios are reported below:

Profitability ratios:	June 30th, 2022	June 30th, 2021
ROE (Net profit / Net equity)	21.1%	28.9%
ROI (Operating margin / Total assets)	15.9%	15.1%
ROS (Operating margin / Gross profit)	27.3%	20.3%

Structure ratios:	June 30th, 2022	June 30th, 2021
Net working capital ratio (Current assets / Total assets)	26.2%	39.7%
Current ratio (Current assets / Current liabilities)	83.4%	111.0%
Quick ratio (Cash and cash equivalents and Other current financial assets / Current liabilities)	15.9%	49.1%

9. SEGMENT REPORTING

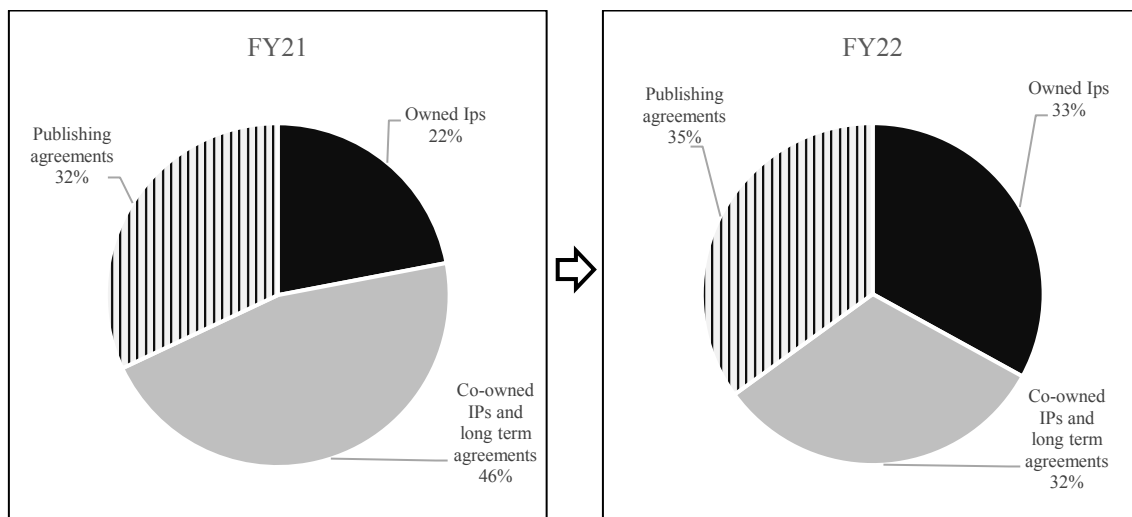
Premium Games

Consolidated amounts in Euro thousand		Premium Games					
		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	120,308	100.0%	134,648	100.9%	(14,340)	-10.6%
2	Revenue adjustments	0	0.0%	(1,242)	-0.9%	1,242	-100.0%
3	Net revenue	120,308	100.0%	133,406	100.0%	(13,098)	-9.8%
4	Purchases of products for resale	(2,722)	-2.3%	(3,169)	-2.4%	447	-14.1%
5	Purchases of services for resale	(5,983)	-5.0%	(9,121)	-6.8%	3,138	-34.4%
6	Royalties	(32,410)	-26.9%	(41,127)	-30.8%	8,717	-21.2%
7	Changes in inventories of finished products	(653)	-0.5%	(1,333)	-1.0%	680	-51.0%
8	Total cost of sales	(41,768)	-34.7%	(54,750)	-41.0%	12,982	-23.7%
9	Gross profit (3+8)	78,540	65.3%	78,656	59.0%	(116)	-0.1%
10	Other income	7,998	6.6%	1,439	1.1%	6,559	n.m.
11	Costs for services	(5,115)	-4.3%	(6,658)	-5.0%	1,543	-23.2%
12	Lease and rental costs	(221)	-0.2%	(99)	-0.1%	(122)	n.m.
13	Payroll costs	(19,258)	-16.0%	(13,091)	-9.8%	(6,167)	47.1%
14	Other operating costs	(564)	-0.5%	(298)	-0.2%	(266)	89.2%
15	Total operating costs	(25,158)	-20.9%	(20,146)	-15.1%	(5,012)	24.9%
16	Gross operating margin (EBITDA) (9+10+15)	61,380	51.0%	59,949	44.9%	1,431	2.4%
17	Depreciation and amortization	(15,842)	-13.2%	(22,552)	-16.9%	6,710	-29.8%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(1,629)	-1.4%	(2,584)	-1.9%	955	-36.9%
20	Impairment reversal	50	0.0%	0	0.0%	50	n.m.
21	Total depreciation, amortization and impairment adjustments	(17,421)	-14.5%	(25,136)	-18.8%	7,715	-30.7%
22	Operating margin (EBIT) (16+21)	43,959	36.5%	34,813	26.1%	9,146	26.3%

Revenues for the fiscal year were almost exclusively made up of back catalogue products. The bestselling video game was the evergreen Assetto Corsa, intellectual property owned by the Group, which exceeded Euro 21 million revenue. On March 28th, 2022, the most recent version of the video game Death Stranding came to market, significantly contributing to the revenue of the fourth quarter.

The Premium Games operating segment represented 91% of the gross revenue.

Video games developed by the internal studios and through intellectual properties fully owned by the Group accounted for 33% of the total revenue from 22% as of June 30th, 2021. 32% of revenue came from the co-owned intellectual properties and long-term agreements (more than ten years), compared to 46% as of June 30th, 2021. A breakdown of Premium Games revenue by the type of rights held by the Group as of June 30th, 2022 is provided below with comparative figures as of June 30th, 2021:



A breakdown of revenue by type is provided below:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
Retail distribution revenue	7,077	10,028	(2,951)	-29.4%
Digital distribution revenue	109,379	121,560	(12,181)	-10.0%
Sub-licensing revenue	3,852	3,060	792	25.6%
Total Premium Games revenue	120,308	134,648	(14,340)	-10.6%

Digital distribution revenue amounted to 88% of the operating segment gross revenue, in sync with last fiscal year.

Sub-licensing revenue reflected the sub-licensing of video game rights to publishers on markets where the Group does not operate directly, especially on the Far East markets.

Digital distribution revenue for the period ended June 30th, 2022 broken down by console type are as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
Sony Playstation	19,715	21,782	(2,067)	-9.5%
Microsoft XboX	37,255	12,930	24,325	188.1%
Nintendo Switch	4,833	5,597	(764)	-13.7%
Total digital revenue on console	61,803	40,309	21,494	53.3%
Personal Computer	41,447	74,373	(32,926)	-44.3%
Mobile	6,129	6,878	(749)	-10.9%
Total digital revenue	109,379	121,560	-12,181	-10.0%

Microsoft XboX revenues increased significantly due to the investments Microsoft is making to promote its subscription services. During the fiscal year four Group's videogames were added to the Microsoft subscription programme.

Last fiscal year Personal Computer revenues increased significantly following the launch of the video game Death Stranding, on which the Group exclusively holds the rights to this platform, and of the Steam version of Control (console versions of the video game were launched during the 2019-2020 fiscal year).

Net revenue amounted to Euro 120,308 thousand in line with the gross revenue trend.

Total cost of sales decreased by Euro 12,982 thousand due to lower royalties for Euro 8,717 thousand and purchase of services for resale for Euro 3,138 thousand. Inventories of finished products decreased to negative Euro 653 thousand.

Gross profit amounted to Euro 78,540 thousand, unchanged compared to June 30th, 2021.

Other income amounted to Euro 7,998 thousand, increased by Euro 6,559 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games, that, during the reporting period, included:

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

Total operating costs amounted to Euro 25,158 thousand increasing by Euro 5,012 thousand compared to the previous fiscal year. Payroll costs grew by Euro 6,167 thousand following the most recently consolidated and incorporated studios that have significantly increased the operating segment's workforce. Cost for services (almost exclusively advertisement-related) decreased by Euro 1,543 thousand.

Gross operating margin (EBITDA) amounted to Euro 61,380 thousand, increasing by Euro 1,431 thousand compared to the previous period. EBITDA represented 51% of net revenue.

Depreciation and amortization decreased by Euro 6,710 thousand compared to June 30th, 2021 due to small number of products launched during the reporting period and in line with the revenue trend.

Total asset impairment change were Euro 1,629 thousand and related for Euro 1,099 thousand to video games for which it is expected that the value of the assets recorded will not be recoverable due to results below expectations, and for Euro 530 thousand to the withholding tax which has been considered losses.

Operating margin (EBIT) amounted to Euro 43,959 thousand, significantly increasing by Euro 9,146 thousand compared to Euro 34,813 thousand as of June 30th, 2021. The higher margins generated by the sales of fully owned intellectual properties, together with the higher profit generated by the sales of back catalogue products enabled the 26.3% EBIT increase. The EBIT for the period was 36.5% of the consolidated gross revenue, compared to the 26.1% of last fiscal year.

The assets and liabilities attributable to the Premium Games operating segment are as follows:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	3,848	1,402	2,446	174.5%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	83,950	50,703	33,247	65.6%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	4,639	181	4,458	n.m.
6	Deferred tax assets	10,891	10,995	(104)	-0.9%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	103,328	63,281	40,047	63.3%
	Current assets				
8	Inventories	1,280	1,934	(654)	-33.8%
9	Trade receivables	26,365	16,119	10,246	63.6%
10	Tax receivables	659	214	445	n.m.
11	Other current assets	12,164	17,157	(4,993)	-29.1%
12	Cash and cash equivalents	8,705	33,670	(24,965)	-74.1%
13	Other current financial assets	301	0	301	n.m.
	Total current assets	49,474	69,094	(19,620)	-28.4%
	TOTAL ASSETS	152,802	132,375	20,427	15.4%
	Non-current liabilities				
18	Employee benefits	(392)	(311)	(81)	26.2%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	0	(242)	242	n.m.
21	Non-current financial liabilities	(10,074)	(4,130)	(5,944)	n.m.
	Total non-current liabilities	(10,466)	(4,683)	(5,783)	n.m.
	Current liabilities				
22	Trade payables	(48,312)	(44,865)	(3,447)	7.7%
23	Tax payables	(2,829)	(4,903)	2,074	-42.3%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(2,665)	(6,857)	4,192	-61.1%
26	Current financial liabilities	(7,607)	(883)	(6,724)	n.m.
	Total current liabilities	(61,413)	(57,507)	(3,906)	6.8%
	TOTAL LIABILITIES	(71,879)	(62,190)	(9,689)	15.6%

During the reporting period, the Group continued its investment strategy, reinvesting the largest part of the cash flow generated in new intellectual properties. As forecasted, cash and cash equivalents decreased by Euro 24,965 thousand.

Trade receivables increased by Euro 10,246 thousand due to the concentration of revenues in the last quarter of the fiscal year. Other current assets decreased by Euro 4,993 thousand as all advances paid for the most recently signed contracts are now classified among intangible assets, following the digitalization of the video games market that enabled a longer life cycle. Even if the advances are paid without the transfer of the intellectual property to the Group, they refer to long term rights and consequently they are now reported as intangible assets.

The increase in trade payables is related to higher royalties in line with the increase in revenues during the last quarter. Royalties are contractually paid in the quarter following the actual collection by the Group. A reduction in the net working capital is expected in the coming fiscal years. The investment plan implemented by the Group was financed with dedicated credit lines.

Free to Play

	Consolidated amounts in Euro thousand	Free to Play					
		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	7,132	100.0%	10,679	100.0%	(3,547)	-33.2%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	7,132	100.0%	10,679	100.0%	(3,547)	-33.2%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(750)	-10.5%	(1,404)	-13.1%	654	-46.6%
6	Royalties	(176)	-2.5%	(192)	-1.8%	16	-8.4%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(926)	-13.0%	(1,596)	-14.9%	670	-41.9%
9	Gross profit (3+8)	6,206	87.0%	9,083	85.1%	(2,877)	-31.7%
10	Other income	3,569	50.0%	2,582	24.2%	987	38.2%
11	Costs for services	(967)	-13.6%	(406)	-3.8%	(561)	n.m.
12	Lease and rental costs	(96)	-1.3%	(53)	-0.5%	(43)	80.9%
13	Payroll costs	(7,654)	-107.3%	(5,360)	-50.2%	(2,294)	42.8%
14	Other operating costs	(181)	-2.5%	(123)	-1.2%	(58)	47.1%
15	Total operating costs	(8,898)	-124.8%	(5,942)	-55.6%	(2,956)	49.7%
16	Gross operating margin (EBITDA) (9+10+15)	877	12.3%	5,723	53.6%	(4,846)	-84.7%
17	Depreciation and amortization	(1,951)	-27.4%	(957)	-9.0%	(994)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	2,367	33.2%	0	0.0%	2,367	0.0%
21	Total depreciation, amortization and impairment adjustments	416	5.8%	(957)	-9.0%	1,373	n.m.
22	Operating margin (EBIT) (16+21)	1,293	18.1%	4,766	44.6%	(3,473)	-72.9%

The Free to Play operating segment revenues showed a 33.2% decrease from Euro 10,679 thousand as of June 30th, 2021 to Euro 7,132 thousand. Last fiscal year, a licensing agreement for the Chinese market rights of Gems of War resulted in Euro 1,895 thousand revenue.

A breakdown of gross revenue by video game in the Free to Play segment is reported in the following table:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	
Gems of War	5,668	8,761	(3,093)	-35.3%
Battle Islands	818	969	(151)	-15.6%
Puzzle Quest 3	300	0	300	n.m.
Other products	346	949	(603)	-63.5%
Free to Play total revenue	7,132	10,679	(3,547)	-33.2%

Gems of War realized Euro 5,668 thousand revenue. This game became part of the Group's intellectual properties portfolio as a result of the acquisition of the Australian studio Infinity Plus Two in January 2021.

The mobile and personal computer versions of Puzzle Quest 3 were launched in March, while the consoles version is scheduled to arrive to the market during the next fiscal year, generating significant revenues expectations.

Purchases of services for resale decreased by Euro 654 thousand because the live support services performed by the Australian subsidiary Infinity Plus Two Pty Ltd. were accounted as payroll costs after the consolidation. Details are provided below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Live support	0	832	(832)
Quality assurance	67	42	25
Hosting	478	363	115
Other	205	167	38
Total purchase of services for resale	750	1,404	(654)

Other income amounted to Euro 3,569 thousand increasing by Euro 987 thousand compared to June 30th, 2021 due to an increased number of video games developed by the Group's internal studios, notably the future version of Hawken developed by the subsidiary DR Studios Ltd. and Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd..

Total operating costs amounted to Euro 8,898 thousand, increasing by Euro 2,956 thousand compared to the previous fiscal year. Payroll costs grew by Euro 2,294 thousand following the acquisition of the Australian companies that have significantly increased the operating segment's workforce. Cost for services also increased by Euro 561 thousand due to the preliminary marketing activities for the release of Puzzle Quest 3.

Gross operating margin (EBITDA) amounted to Euro 877 thousand, 12.3% of net revenue, decreasing by Euro 4,846 thousand compared to Euro 5,723 thousand as of June 30th, 2021.

Depreciation and amortization amounted to Euro 1,951 thousand and included the amortization of the goodwill between the purchase price of the Australian companies and the net equity for Euro 1,785 thousand.

Impairment reversals consisted almost exclusively of the adjustment of the debt of 505 Games Australia Pty. For the earn-out to be paid following the acquisition of the Australian companies.

Operating margin (EBIT) amounted to positive Euro 1,293 thousand compared to Euro 4,766 thousand as of June 30th, 2021.

The assets and liabilities attributable to the Free to Play operating segment are as follows:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	491	106	385	n.m.
2	Investment properties	0	0	0	0.0%
3	Intangible assets	18,885	14,803	4,082	27.6%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	30	11	19	n.m.
6	Deferred tax assets	875	3	872	n.m.
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	20,281	14,923	5,358	35.9%
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	833	1,236	(403)	-32.6%
10	Tax receivables	1,470	154	1,316	n.m.
11	Other current assets	203	1,116	(913)	-81.8%
12	Cash and cash equivalents	1,693	466	1,227	n.m.
13	Other current financial assets	0	0	0	0.0%
	Total current assets	4,199	2,972	1,227	41.3%
	TOTAL ASSETS	24,480	17,895	6,585	36.8%
	Non-current liabilities				
18	Employee benefits	0	0	0	0.0%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	(1,954)	(4,651)	2,697	-58.0%
21	Non-current financial liabilities	(323)	(13)	(310)	0.0%
	Total non-current liabilities	(2,277)	(4,664)	2,387	-51.2%
	Current liabilities				
22	Trade payables	(1,597)	(564)	(1,033)	n.m.
23	Tax payables	(434)	(443)	9	-2.1%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(534)	(1,966)	1,432	-72.8%
26	Current financial liabilities	(134)	(54)	(80)	n.m.
	Total current liabilities	(2,699)	(3,027)	329	-10.9%
	TOTAL LIABILITIES	(4,976)	(7,691)	2,715	-35.3%

Non-current assets increased by Euro 5,358 thousand due to higher intangible assets for Euro 4,082 thousand. The increase in intangible assets stems from the capitalization of the internal costs that the Group is incurring in for the development of the Free to Play video games Hawken and Puzzle Quest 3. The mobile and PC version of Puzzle Quest 3 were launched during the reporting period, whereas the console and PC upgraded version will arrive to the market in the next fiscal year.

The decrease in both other non-current payables and liabilities and other current liabilities is due to payment of the first installment of the earn-out contractually due, as well as the adjustment of the debt for future installments.

Italian Distribution

	Consolidated amounts in Euro thousand	Italian Distribution					
		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	4,043	100.0%	4,774	106.3%	(731)	-15.3%
2	Revenue adjustments	0	0.0%	(281)	-6.3%	281	n.m.
3	Net revenue	4,043	100.0%	4,493	100.0%	(450)	-10.0%
4	Purchases of products for resale	(1,885)	-46.6%	(2,429)	-54.1%	544	-22.4%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	n.m.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(882)	-21.8%	(948)	-21.1%	66	-7.0%
8	Total cost of sales	(2,767)	-68.4%	(3,377)	-75.2%	610	-18.1%
9	Gross profit (3+8)	1,276	31.6%	1,116	24.8%	160	14.4%
10	Other income	0	0.0%	0	0.0%	0	n.m.
11	Costs for services	(608)	-15.0%	(695)	-15.5%	87	-12.6%
12	Lease and rental costs	(18)	-0.4%	(28)	-0.6%	10	-35.0%
13	Payroll costs	(1,056)	-26.1%	(1,225)	-27.3%	169	-13.8%
14	Other operating costs	(92)	-2.3%	(162)	-3.6%	70	-43.0%
15	Total operating costs	(1,774)	-43.9%	(2,110)	-47.0%	336	-15.9%
16	Gross operating margin (EBITDA) (9+10+15)	(498)	-12.3%	(994)	-22.1%	496	-49.9%
17	Depreciation and amortization	(143)	-3.5%	(160)	-3.6%	17	-10.5%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(65)	-1.6%	0	0.0%	(65)	0.0%
20	Impairment reversal	122	3.0%	0	0.0%	122	0.0%
21	Total depreciation, amortization and impairment adjustments	(86)	-2.1%	(160)	-3.6%	74	-46.3%
22	Operating margin (EBIT) (16+21)	(584)	-14.4%	(1,154)	-25.7%	570	-49.4%

The Italian Distribution operating sector revenue decreased by 15.3%, from Euro 4,774 thousand down to Euro 4,043 thousand, due to the continuous decline of retail distribution, and accelerated by the effects of the COVID-19 pandemic.

Gross revenue by type are as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
Distribution of video games for consoles	1,338	2,164	(826)	-38.2%
Distribution of trading cards	2,543	2,551	(8)	-0.3%
Distribution of other products and services	162	59	103	n.m.
Italian Distribution total gross revenue	4,043	4,774	(731)	-15.3%

The distribution of video games for consoles decreased by 38.2% while the distribution of trading cards is in line with the previous fiscal year. The distribution of trading cards appears not particularly affected by

digitalization, as it is a physical product by nature, rather they are mainly impacted by changes in consumer taste.

Total cost of sales amounted to Euro 2,767 thousand, down by Euro 610 thousand compared to June 30th, 2021 due to the decrease in purchase of products for resale and inventories in line with the decrease in the overall sales of the operating sector.

Total operating costs amounted to Euro 1,774 thousand, a 15.9% decrease compared to Euro 2,110 thousand registered as of June 30th, 2022. As a result, the gross operating margin (EBITDA) was negative for Euro 498 thousand (negative Euro 944 thousand as of June 30th, 2021). The operating margin (EBIT) was negative for Euro 584 thousand compared to negative Euro 1,154 thousand as of June 30th, 2021.

The assets and liabilities attributable to the Italian Distribution operating segment are as follows:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	2,177	2,244	(67)	-3.0%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	0	0	0	0.0%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	6	6	0	0.0%
6	Deferred tax assets	214	640	(426)	-66.5%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	2,398	2,890	(493)	-17.1%
	Current assets				
8	Inventories	2,893	3,774	(881)	-23.3%
9	Trade receivables	577	928	(351)	-37.8%
10	Tax receivables	338	1,121	(783)	-69.9%
11	Other current assets	212	199	13	6.7%
12	Cash and cash equivalents	388	1,040	(652)	-62.7%
13	Other current financial assets	0	0	0	0.0%
	Total current assets	4,408	7,062	(2,654)	-37.6%
	TOTAL ASSETS	6,806	9,952	(3,147)	-31.6%
	Non-current liabilities				
18	Employee benefits	(346)	(391)	45	-11.4%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	0	0	0.0%
21	Non-current financial liabilities	0	0	0	0.0%
	Total non-current liabilities	(427)	(472)	45	-9.4%
	Current liabilities				
22	Trade payables	(271)	(432)	161	-37.3%
23	Tax payables	(139)	(335)	196	-58.4%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(741)	(950)	209	-22.0%
26	Current financial liabilities	(12)	(8)	(4)	51.4%
	Total current liabilities	(1,163)	(1,725)	562	-32.6%
	TOTAL LIABILITIES	(1,590)	(2,197)	607	-27.6%

The decrease in inventories is continuous, as shown in the previous fiscal years. As of June 30th, 2022, inventories decreased to Euro 2,893 thousand compared to Euro 3,774 thousand as of June 30th, 2021. The 37.8% decrease in trade receivables allowed for a slight improvement in cash and cash equivalents.

Other Activities

	Consolidated amounts in Euro thousand	Other Activities					
		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	755	100.0%	602	100.0%	153	25.3%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	755	100.0%	602	100.0%	153	25.3%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	(3)	-0.4%	3	n.m.
6	Royalties	0	0.0%	(3)	-0.5%	3	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	(6)	-1.0%	6	-100.0%
9	Gross profit (3+8)	755	100.0%	596	98.8%	159	26.8%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(358)	-47.4%	(184)	-30.6%	(174)	94.2%
12	Lease and rental costs	(3)	-0.4%	(1)	-0.2%	(2)	-66.6%
13	Payroll costs	(591)	-78.2%	(351)	-58.2%	(240)	68.5%
14	Other operating costs	(38)	-5.1%	(35)	-5.9%	(3)	8.7%
15	Total operating costs	(990)	-131.1%	(571)	-94.8%	(419)	73.3%
16	Gross operating margin (EBITDA) (9+10+15)	(235)	-31.1%	25	4.1%	(260)	n.m.
17	Depreciation and amortization	(206)	-27.3%	(73)	-12.2%	(133)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment adjustments	(206)	-27.3%	(73)	-12.2%	(133)	n.m.
22	Operating margin (EBIT) (16+21)	(441)	-58.4%	(48)	-7.9%	(393)	n.m.

Other Activities revenues increased by Euro 153 thousand from Euro 602 thousand as of June 30th, 2021 to Euro 755 thousand following the introduction of new training by the subsidiary Digital Bros Game Academy S.r.l.. This entailed considerable advertising investments and greater use of teachers, resulting in an increase in costs for services for Euro 174 thousand and payroll costs for Euro 240 thousand. As a result, operating costs increased by Euro 419 thousand, from Euro 571 thousand as of June 30th, 2021 to Euro 990 thousand as of June 30th, 2022.

Total depreciation, amortization and impairment adjustments increased by Euro 133 thousand due to the amortization of the software developed by the subsidiary Seekhana Ltd. to support the new training courses.

The operating loss of Euro 441 thousand as of June 30th, 2022 increased compared to the negative EBIT of Euro 48 thousand registered at June 30th, 2021.

The assets and liabilities attributable to the Other Activities operating segment are as follows:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	57	56	1	1.0%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	1.088	1.107	(19)	-1.7%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	0	0	0	0.0%
6	Deferred tax assets	0	1	(1)	-100.0%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	1.145	1.164	(19)	-1.6%
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	6	0	6	n.m.
10	Tax receivables	5	3	2	62.7%
11	Other current assets	22	367	(345)	-94.1%
12	Cash and cash equivalents	97	267	(170)	-63.7%
13	Other current financial assets	0	0	0	0.0%
	Total current assets	130	637	(507)	-79.6%
	TOTAL ASSETS	1.275	1.801	(526)	-29.2%
	Non-current liabilities				
18	Employee benefits	(23)	(17)	(6)	36.2%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	0	0	0	0.0%
21	Non-current financial liabilities	0	0	0	0.0%
	Total non-current liabilities	(23)	(17)	(6)	36.2%
	Current liabilities				
22	Trade payables	(206)	(223)	18	-8.1%
23	Tax payables	(12)	(12)	(2)	14.2%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(128)	(147)	19	-13.0%
26	Current financial liabilities	0	0	0	0.0%
	Total current liabilities	(346)	(382)	37	-9.5%
	TOTAL LIABILITIES	(369)	(399)	30	-7.6%

Holding

	Consolidated amounts in Euro thousand	Holding					
		June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	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%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	17	0.0%	39	0.0%	(22)	-57.3%
11	Costs for services	(1,514)	0.0%	(1,674)	0.0%	160	-9.6%
12	Lease and rental costs	(159)	0.0%	(130)	0.0%	(29)	22.2%
13	Payroll costs	(5,308)	0.0%	(4,590)	0.0%	(718)	15.6%
14	Other operating costs	(432)	0.0%	(552)	0.0%	120	-21.7%
15	Total operating costs	(7,413)	0.0%	(6,946)	0.0%	(467)	6.7%
16	Gross operating margin (EBITDA) (9+10+15)	(7,396)	0.0%	(6,907)	0.0%	(489)	7.1%
17	Depreciation and amortization	(888)	0.0%	(858)	0.0%	(30)	3.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(14)	0.0%	(63)	0.0%	49	-78.2%
20	Impairment reversal	31	0.0%	0	0.0%	31	0.0%
21	Total depreciation, amortization and impairment adjustments	(871)	0.0%	(921)	0.0%	49	-5.4%
22	Operating margin (EBIT) (16+21)	(8,267)	0.0%	(7,828)	0.0%	(439)	5.6%

Total operating costs amounted to Euro 7,413 thousand, increasing by Euro 467 thousand compared to June 30th, 2021, due to higher payroll costs following the increase in the Group's coordination activities caused by the recent acquisitions.

The operating margin (EBIT) was negative for Euro 8,267 thousand compared to a negative Euro 7,828 thousand as of June 30th, 2021.

The assets and liabilities attributable to the operating segment are as follows:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	3,780	4,390	(610)	-13.9%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	166	163	3	2.0%
4	Equity investments	7,511	11,190	(3,679)	-32.9%
5	Non-current receivables and other assets	9,397	4,891	4,506	92.1%
6	Deferred tax assets	849	5	843	0.0%
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	39,959	39,479	481	1.2%
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	0	0	0	0.0%
10	Tax receivables	454	8	446	n.m.
11	Other current assets	429	440	(11)	-2.4%
12	Cash and cash equivalents	78	66	12	17.8%
13	Other current financial assets	28	0	28	0.0%
	Total current assets	989	514	475	92.5%
	TOTAL ASSETS	40,949	39,993	956	2.4%
	Non-current liabilities				
18	Employee benefits	0	0	0	0.0%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	0	(522)	523	n.m.
21	Non-current financial liabilities	(4,816)	(7,551)	2,736	-36.2%
	Total non-current liabilities	(4,816)	(8,073)	3,256	-40.3%
	Current liabilities				
22	Trade payables	(1,739)	(1,109)	(629)	56.7%
23	Tax payables	(161)	(5,089)	4,928	-96.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(589)	(12)	(577)	n.m.
26	Current financial liabilities	(2,874)	(3,464)	589	-17.0%
	Total current liabilities	(5,363)	(9,674)	4,312	-44.6%
	TOTAL LIABILITIES	(10,179)	(17,747)	7,568	-42.6%

Equity investments decreased by Euro 3,679 thousand due to the adjustment to the market value of the Starbreeze AB shares held at the end of the fiscal year, without there having been any movements during the period.

Non-current receivables and other assets increased by Euro 4,506 thousand due to the adjustment of the USD 20 million receivable from Starbreeze AB described in paragraph 8 of the Notes.

The tax receivables increase and the simultaneous decrease in current tax payables is the result of the national tax consolidation adopted by all Italian companies of the Group.

The decrease in current financial liabilities is mainly due to the payment, occurred on February 23rd, 2021, of the Euro 10 million debt to Smilegate Holdings relating to the portion of the purchase price of the assets previously held in Starbreeze AB by the Korean company.

10. INTERCOMPANY AND RELATED PARTY TRANSACTION AND ATYPICAL/UNUSUAL TRANSACTIONS

All intercompany and related party transactions entered into by Group companies were conducted at arm's length.

Intercompany transactions

Some intercompany transactions referred to the sale of video games by 505 Games S.p.A. to local distribution companies in Europe.

505 Games S.p.A. invoiced royalties to U.S. subsidiary 505 Games (US) Inc. about the products distributed on American markets.

505 Games Ltd. and 505 Games (US) Inc. charged 505 Games S.p.A. payroll costs and certain general expenses relating to employees involved in production and international marketing for the Premium Games operating segment.

505 Games Interactive Inc. charged 505 Games S.p.A. payroll costs and general costs relating to employees involved in product management for the Premium Games operating segment.

505 Mobile (US) Inc. charged 505 Mobile S.r.l. and 505 Games S.p.A. for personnel costs and general costs relating to employees involved in the production and marketing for the Free to Play operating segment.

Before the acquisition of DR Studios Ltd., there were already development and live support contracts in place for several video games with 505 Games S.p.A. and 505 Mobile S.r.l., which remained unchanged. New development contracts signed after the business acquisition were regulated by a framework agreement providing the recharge of the direct project costs incurred plus a markup.

Digital Bros China Ltd., Digital Bros Asia Pacific Ltd. and 505 Games Japan K.K. charged 505 Games S.p.A. costs relating to business development activities on Asian markets.

Before the acquisition of Kunos Simulazioni S.r.l., there was already a contract in place with 505 Games S.p.A. for the development of the Assetto Corsa video game which remained unchanged.

Before the acquisition of AvantGarden S.r.l., there was already a contract in place with 505 Games S.p.A. for the development of the Rebound video game which remained unchanged.

Before the acquisition of Infinity Plus Two Pty. Ltd., there was already a contract in place with 505 Games S.p.A. for the development of several video games which remained unchanged.

Before the acquisition of Ingame Studios a.s., there was already a contract in place with Rasplata B.V. for the development of a new video game which remained unchanged.

505 Games France, 505 Games Spain Slu and 505 Games GmbH charged 505 Games S.p.A. the local marketing costs.

Digital Bros S.p.A. recharged 505 Games S.p.A. direct costs and based on a percentage of the holding company's total cost, for the coordination of the acquisition of video games and for financial, legal, logistics and IT services.

Digital Bros S.p.A. recharged Digital Bros Game Academy S.r.l. the cost of administrative, financial, legal and IT services incurred on its behalf and for the rent of the property located in Via Labus, Milan, the subsidiary's operational headquarters.

Digital Bros S.p.A. recharged AvantGarden S.r.l. for the rent of the property located in Via Tortona, Milan, the subsidiary's operational headquarters.

505 Games S.p.A. recharged U.S. company 505 Games US for the cost of coordinating the acquisition of games and the cost of administrative, financial, legal and IT services.

Digital Bros S.p.A. granted a loan to Rasplata B.V. with quarterly interests.

Other minor transactions regarding financial, legal and general services are usually carried out by Digital Bros S.p.A. on behalf of other Group companies. The parent company also operates a cash pooling service, using intercompany current accounts to which positive and negative balances between Group companies are transferred, including the transfer of receivables. These accounts were interest free.

Italian Group companies transferred tax receivables and payables to the Parent Company Digital Bros S.p.A. in accordance with domestic tax group arrangements.

The intercompany transactions effects on the results and financial position were fully eliminated in the consolidated financial statements as of June 30th, 2022.

Transactions with other related parties

Related party transactions referred to:

- legal advisory services provided by the Executive Director Dario Treves;
- property leased by Matov Imm. S.r.l. to the parent company and to the subsidiary 505 Games France S.a.s.;
- property leased by Matov LLC to the subsidiary 505 Games (US) Inc..

Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante.

The effects of related party transactions on profit or loss and on the balance sheet are disclosed in paragraph 8 of the Notes.

Atypical transactions

During the reporting period, there were no atypical or unusual transactions, as defined by Consob Communication DEM 6064293 of July 28th, 2006, as in the prior fiscal year.

11. TREASURY SHARES

As of June 30th, 2022, Digital Bros S.p.A. did not hold any treasury shares and did not carry out any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2) (3) of the Italian Civil Code.

12. RESEARCH AND DEVELOPMENT

During the reporting period, the Group incurred development costs of Euro 11,412 thousand compared to Euro 3,807 thousand as of June 30th, 2021.

During the reporting period, these activities included:

- the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd.;
- the development of the Free to Play video game Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd.;
- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently in production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

13. OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Group has a risk identification process that involves the Board of Directors together with the first-level organisational structures in coordination meetings held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the Executive Director in charge of internal control, who is part of the coordination meetings. Each risk is summarized in a report that provides a description of the risk, a detailed gross risk rating based on a probability/impact matrix, the mitigating factors and/or the internal process implemented to reduce and monitor the risk. The process above allows the determination of the individual net risk rating. The Control and Risk Committee reviewed the risk matrix prepared by the Executive Director in charge of internal control.

The individual risk schedule also reports the impact that failure to meet the control objectives would have in terms of operations and financial reporting.

The two Chief Executive Officers and the Executive Director in charge of internal control jointly assess the completeness of the risk matrix and the net risk ratings. The Board of Statutory Auditors supervises the process and the Board of Directors approves the risk matrix.

Risks fall into two different categories: operational risks and financial risks.

Operational risks

The most significant operational risks are:

- management of development projects;
- assessment of the future demand for video games;
- disintermediation of the publisher and failure to control intellectual property;
- product obsolescence;
- dependence on key personnel.

Management of development projects

The Group manages the game development process either through external developers who contractually guarantee game release dates, or through internal studios. Any failure by the Group to manage game development process timings could cause a delay in their market launch. In the case of products tied into specific events and/or in case of contractual restrictions with any licensors, this would have a significant impact on the sales potential of the game and on the development costs.

Any product launch could also be delayed by the spread of COVID-19: the remote working arrangements brought by the pandemic could partially or totally disrupt a video game development process.

The Group is focusing on video games not related to specific events. The ever-increasing number of products developed by the Group internal studios also allows for a greater degree of control of the production processes: the Group employs development teams comprising a relatively small number of employees, thus making remote working easy and efficient. The Group has also adopted a contract acquisition procedure that requires, for significant projects, a deep due diligence by the Board of Directors of the curriculum vitae and track record of the game development studio. A project management procedure with ongoing monitoring of the development process by the appointment of specific professionals within the organisation (project manager, brand manager and producer) has also been adopted.

Assessment of the future demand for video games

Like the entertainment industry as a whole, the video games market is exposed to a range of risks that the Group cannot control but which are connected to the public appeal of the products published. If the Group is unable to encounter consumer preferences and be in track with rapid technological changes, its revenues and margins could be seriously affected, and its business plan targets could be downsized.

This risk is mitigated by the experienced management and by the procedure implemented by the Group for the acquisition of licensing and development contracts. This involves deep preliminary examination of a product's economic potential through an ongoing market analysis throughout the development process of the video game. For larger investments, the Group also uses market research and/or specific studies conducted by independent experts about the product's potential. Forecasts are reviewed quarterly in order to put in place corrective actions.

Disintermediation of the publisher and failure to control intellectual property

The gradual digitalisation of video game distribution shortened the industry value chain. The possibility of a further shortening in the near future could change the role of the publisher, especially if it does not own the intellectual property and/or have long term contractual rights.

In order to mitigate this risk, the Group has followed a strategy of acquiring controlling and non-controlling interests in developers in order to increase its level of control over the intellectual properties developed and/or published. Moreover, the Group has set up organisational units designed to identify new intellectual properties and plays an active role in the establishment of start-ups. The risk is still considered high and, accordingly, the Group preferably contractually acquires the intellectual property and/or long-term exploitation rights.

Product obsolescence

Video games are subject to rapid obsolete. A game that is sold at a certain price is then gradually repositioned at lower prices over time. The launch price of a game is usually higher during the launch of a console and then decreases throughout the life cycle of the hardware.

The decision to invest in a specific product is often made years before its expected release. Therefore, management must assess the selling price of a game for the future periods. A rapid acceleration in the obsolescence of a game or its supporting hardware could result in lower retail prices than originally forecasted, with the result that revenues and margins could be lower than the forecast.

The risk is mitigated by the possibility of adjusting marketing and production costs and royalties to be paid to developers, thus reducing the impact of lower revenues. The knowledge of the consoles' life cycles and a certain advance in the introduction of new gaming platforms also contributes to the mitigation of this risk. The Group has implemented a contract management procedure that provides for detailed marketing plans approved by the management on a quarterly basis and a licensing and development contract acquisition procedure that selects the products after an accurate analysis of the prospective profit and loss statements carried out during all stages of the development of the video game.

Dependence on key personnel

The Group's success depends on the performance of certain key individuals who have made an important contribution to its development and have acquired valuable experience in the games industry.

The Group has an executive team (Chairman, CEOs and CFO) with many years of experience in the sector and who plays a decisive role in the management of its business. The loss of the services of these individuals without suitable replacements could have a negative impact on the Group's results and financial position and, in particular, could affect the risk detection, assessment and monitoring process.

This risk is mitigated by the fact that the two CEOs are also major shareholders in the Group and by the fact that a long-term incentive plan has been implemented for the CFO. The Parent Company's Board of Directors has also established a Nomination Committee with the aim to implement a succession plan for the executive directors.

Management of financial risks

The main financial instruments used by the Group are:

- Bank overdrafts;
- Sight and short-term bank deposits;
- Import financing;
- Export financing;
- Commercial credit lines (factoring of trade receivables and advances on notes);
- Finance leases;
- Medium-term product development financing.

The purpose of these instruments is to finance the Group's operating activities.

Credit facilities granted to the Group and utilised as of June 30th, 2022 are as follows:

Euro thousands	Facility	Disposed	Available
Bank overdrafts	2,200	0	2,200
Import financing	9,250	0	9,250
Advances on invoices and cash orders subject to collection	17,317	0	17,317
Factoring	5,000	12	4,988
Medium-term product development financing	19,108	19,108	0
Total	52,875	19,120	33,755

Parent company Digital Bros S.p.A. and 505 Games S.p.A. manage all financial risks, also on behalf of the other subsidiaries. This is excepted in relation to other financial instruments not listed above i.e., trade payables and receivables arising from operating activities for which each subsidiary remains responsible for the financial risk.

The Group seeks to maintain a balance between short-term and medium/long-term financial instruments in line with forecast performance. The Group's core business, the sale and marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term credit lines often dedicated to the individual investment, including finance leases.

Given the above, medium- and long-term financial payables have a well-distributed range of maturities.

The main risks generated by the Group's financial instruments are:

- Exchange rate risk;
- Interest rate risk;
- Liquidity risk;
- Risk of dependence on key customers and collection risk.

Exchange rate risk

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that

currency. This means that any negative changes in the EUR/USD exchange rate would cause production costs and royalties to increase but would also lead to higher revenues in USD (the reverse also holds true). While preparing the forecast plans, the Group implements models that take into account the different currencies in which the companies operate using forward exchange rates based on reports by independent analysts.

The risk is mitigated by the fact that foreign currency payments are often made in advance. The Group books in advance the actual development costs for a video game and manages to reflect any additional expenses due to exchange rate fluctuation in its selling prices. The Group can also take action to adjust selling prices in order to offset the effect of any exchange rate fluctuation. Another mitigating factor is the possibility of entering into contracts in the same currency so as to mitigate the effect of any negative exchange rate fluctuation.

The Group also adopts a medium and long-term planning procedure.

505 Games S.p.A. has signed three development contracts in Yen against which has stipulated two flexible forward contracts for a total notional of Yen 1,985,600 thousand to partially cover the risks connected to future contractual payments which are equal to Yen 4,164,598 thousand. At June 30th, 2022, the fair value of the instruments was negative for Euro 579 thousand.

Interest rate risk

The risk of interest rate increases is an effective risk for short-term financial instruments because the Group cannot immediately pass on any interest rate rises by increasing its selling prices.

This risk is mitigated by the Group overall low level of debt and by the adoption of a short-term cash flowing procedure. The Group has subscribed three option contracts for a notional value of Euro 1,375 thousand, Euro 4,000 thousand and Euro 15,000 thousand to hedge interest rates changes on the Euro 1,375 thousand, Euro 4,000 thousand and Euro 15,000 thousand loans granted by UniCredit S.p.A. to the Parent Company and to 505 Games S.p.A on January 28th, 2021, and on September 30th, 2021 to 505 Games S.p.A..

Liquidity risk

The liquidity risk relates to problems in accessing the credit market.

It often takes several years to develop a video game. This means it is necessary to find additional lines of credit to cover the period between the investment and the return on invested capital after the product launch.

The mitigating factors that can reduce this risk are:

- cash flows, financing requirements and liquidity requirements are monitored centrally by the Group Treasury with the aim of ensuring effective and efficient management of financial resources and guaranteeing an appropriate level of available liquidity;
- the Group's level of capitalisation means it only has to use leverage to a marginal extent.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Group to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Group's funding requirements in good time.

Risk of dependence on key customers and collection risk

During the reporting period, the top ten global customers accounted for around 88.4% of trade receivables while the top 50 customers accounted for 99.7%. Gradual market digitalisation will necessarily lead to a further increase in the level of receivables concentration as sales will be made on marketplaces operating on a global scale. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on all digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning.

The concentration of sales on a small number of customers increases the credit risk.

This risk is mitigated by the potential entry of new marketplaces onto the video game digital distribution market and by the high concentration of digital revenues on a handful of marketplaces with high credit ratings (i.e., Sony, Microsoft, Apple, etc).

14. CONTINGENT ASSETS AND LIABILITIES

The sale of rights to PAYDAY2 by the Group to Starbreeze AB occurred in May 2016 granted the Group the possibility to earn-out maximum of USD 40 million to be calculated as 33% of the net revenue that Starbreeze AB will realize on the sales of PAYDAY3. In March 2021, the Swedish company signed an agreement with an important international publisher for the worldwide publication of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent asset as in the prior fiscal years and therefore no amount has been showed in the financial statement.

15. SUBSEQUENT EVENTS

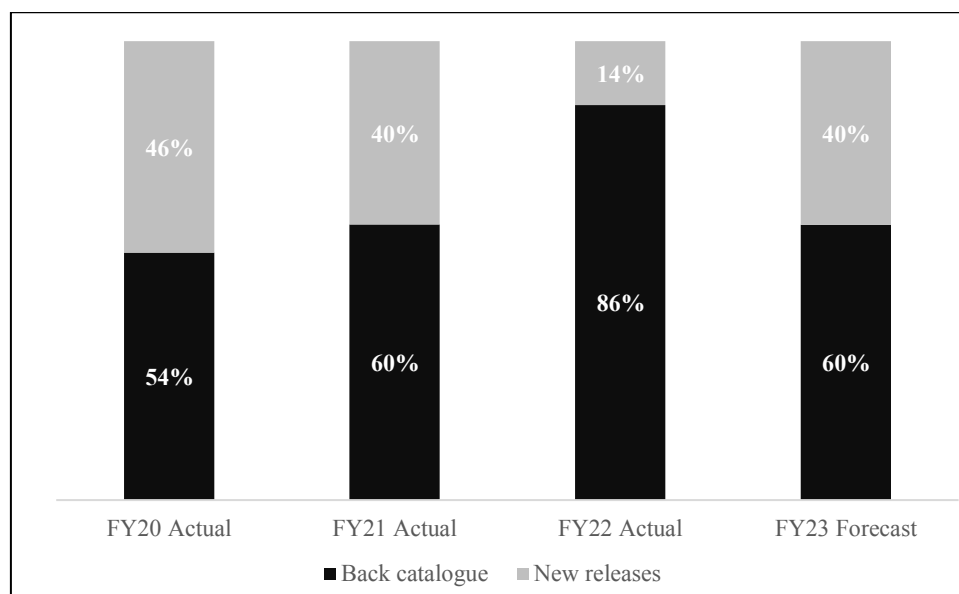
No significant event, even in relation to external geopolitical factors, occurred after the end of the period.

16. BUSINESS OUTLOOK

Most of the video games currently under development will come to market starting from the fiscal year 2023 onwards and will also benefit from the most recent acquisition of D3 GO!, now 505 GO!. The Group has planned to invest more than Euro 50 million in the next fiscal year as in the previous. As a result, the Group expects increasing revenue for the next two fiscal years.

The mix of products sold as of June 30th, 2022, made up by back catalogue products and by the record hitting Assetto Corsa, which propelled significant EBIT growth, is expected to change when the video games under development hit the market. The launch of new intellectual properties will initially reduce the margin percentages on sales due to the initial investments for a successful launch. No significant changes in the total EBIT are expected in fiscal year 2023.

A breakdown of back catalogue and new releases of Premium Games' revenue expected for the next full fiscal year is provided below with previous years comparisons:



In accordance with the significant investments made in the period which will continue into the next fiscal year, the net financial position, positive for Euro 3.7 million as of June 30th, 2022, is expected to further decrease in the first half of the fiscal year 2023. The net financial position is expected to increase back again during the second half of the fiscal year.

17. OTHER INFORMATION

EMPLOYEES

The following table reports analysis of the number of employees as of June 30th, 2022 with comparative figures as of June 30th, 2021:

Category	June 30 th , 2022	June 30 th , 2021	Change
Managers	13	9	4
Office workers	362	245	117
Blue-collar workers and apprentices	4	5	(1)
Total employees	379	259	120

The increase in the number of office workers was the effect of the acquisition of Ingame Studios a.s. and of the incorporation of Chrysalide Jeux et Divertissement Inc. and Supernova Games Studios S.r.l..

The following table details the number of employees of non-Italian companies as of June 30th, 2022 with comparative figures as of June 30th, 2021:

Category	June 30 th , 2022	June 30 th , 2021	Change
Managers	8	4	4
Office workers	267	161	106
Total employees outside Italy	275	165	120

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

Category	Average no in 2022	Average no in 2021	Change
Managers	13	7	6
Office workers	347	224	123
Blue-collar workers and apprentices	4	7	(3)
Total employees	364	238	126

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

Category	Average no in 2022	Average no in 2021	Change
Managers	8	2	6
Office workers	257	145	112
Total employees outside Italy	265	147	118

Employees of the Group's Italian companies are contracted under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector. Employees of the three Italian studios – Kunos Simulazioni S.r.l., AvantGarden S.r.l. and Supernova Games Studios S.r.l. – are contracted under the national collective employment agreement for the mechanical industry.

ENVIRONMENTAL ISSUES

The video game industry has a negligible impact on the environment, as its activities are mainly digital.

Most of the products are sold through digital marketplaces and the Group aims to progressively reduce sales in physical stores. Although the environmental impact is considered very low, the Group actively monitors any solutions that may reduce the environmental impacts of the Group's activities to date and in the future.

The Group updates obsolete equipment as much as possible and recycles all components correctly. The Group stores everything in a digital format and prints documents only if required by the Law or if the scope of a specific task requires it. Consumables such as printer toners and similar waste are returned to the supplier for correct recycling. The Group is committed to replace travel with digital communications (i.e. video conferencing) to improve sustainability both from an environmental and a cost reduction standpoint.

18. DISCLOSURE OF NON-FINANCIAL INFORMATION

The Group is not within the scope of application of Legislative Decree no 254 of December 30th, 2016, in terms of Article 2, so it has not prepared a Non-Financial Statement.

19. CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

The corporate governance and ownership structure report, which describes how Digital Bros Group complies with the Corporate Governance Code and which provides the additional information required by Art. 123-bis of the L.D.58 of February 24th 1998, the Consolidate Law on Finance or T.U.F., is published in Italian and English in the Governance/Corporate Governance Report section of the website at www.digitalbros.com.

20. REMUNERATION POLICY AND FEES PAID REPORT

The Remuneration policy and fees paid report, containing the information required by Art. 123-ter of the T.U.F., is published in Italian and English in the Governance/Remuneration section of the website at www.digitalbros.com.



**Consolidated financial statements
as of June 30th, 2022**

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated balance sheet as of June 30th, 2022

	Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	10,353	8,198	2,155	26.3%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	104,089	66,776	37,313	55.9%
4	Equity investments	7,511	11,190	(3,679)	-32.9%
5	Non-current receivables and other assets	14,072	5,089	8,983	n.m.
6	Deferred tax assets	12,829	11,644	1,185	10.2%
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	167,111	121,737	45,374	37.3%
	Current assets				
8	Inventories	4,173	5,708	(1,535)	-26.9%
9	Trade receivables	27,781	18,283	9,498	52.0%
10	Tax receivables	2,926	1,500	1,426	95.1%
11	Other current assets	13,030	19,279	(6,249)	-32.4%
12	Cash and cash equivalents	10,961	35,509	(24,548)	-69.1%
13	Other current financial assets	329	0	329	0.0%
	Total current assets	59,200	80,279	(21,079)	-26.3%
	TOTAL ASSETS	226,311	202,016	24,295	12.0%
	Shareholders' equity				
14	Share capital	(5,705)	(5,704)	(1)	0.0%
15	Reserves	(22,030)	(23,016)	986	-4.3%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(108,160)	(82,181)	(25,979)	31.6%
	Equity attributable to the shareholders of the Parent Company	(135,895)	(110,901)	(24,994)	22.5%
	Equity attributable to non-controlling interests	(1,423)	(890)	(533)	59.9%
	Total net equity	(137,318)	(111,791)	(25,527)	22.8%
	Non-current liabilities				
18	Employee benefits	(761)	(719)	(42)	5.8%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(1,954)	(5,415)	3,461	-63.9%
21	Non-current financial liabilities	(15,213)	(11,694)	(3,519)	30.1%
	Total non-current liabilities	(18,009)	(17,909)	(100)	0.6%
	Current liabilities				
22	Trade payables	(52,125)	(47,193)	(4,932)	10.5%
23	Tax payables	(3,575)	(10,782)	7,207	-66.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,657)	(9,932)	5,275	-53.1%
26	Current financial liabilities	(10,627)	(4,409)	(6,218)	n.m.
	Total current liabilities	(70,984)	(72,316)	1,332	-1.8%
	TOTAL LIABILITIES	(88,993)	(90,225)	1,232	-1.4%
	TOTAL NET EQUITY AND LIABILITIES	(226,311)	(202,016)	(24,295)	12.0%

Digital Bros Group

Consolidated profit and loss statement for the period ended June 30th, 2022

	Euro thousand	June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	132,238	100.0%	150,703	101.0%	(18,465)	-12.3%
2	Revenue adjustments	0	0.0%	(1,523)	-1.0%	1,523	n.m.
3	Net revenue	132,238	100.0%	149,180	100.0%	(16,942)	-11.4%
4	Purchase of products for resale	(4,607)	-3.5%	(5,598)	-3.8%	991	-17.7%
5	Purchase of services for resale	(6,733)	-5.1%	(10,528)	-7.1%	3,795	-36.1%
6	Royalties	(32,586)	-24.6%	(41,322)	-27.7%	8,736	-21.1%
7	Changes in inventories of finished products	(1,535)	-1.2%	(2,281)	-1.5%	746	-32.7%
8	Total cost of sales	(45,461)	-34.4%	(59,729)	-40.0%	14,268	-23.9%
9	Gross profit (3+8)	86,777	65.6%	89,451	60.0%	(2,674)	-3.0%
10	Other income	11,584	8.8%	4,060	2.7%	7,524	n.m.
11	Costs for services	(8,562)	-6.5%	(9,617)	-6.4%	1,055	-11.0%
12	Rent and leasing	(497)	-0.4%	(311)	-0.2%	(185)	59.6%
13	Payroll costs	(33,867)	-25.6%	(24,617)	-16.5%	(9,250)	37.6%
14	Other operating costs	(1,307)	-1.0%	(1,170)	-0.8%	(137)	11.7%
15	Total operating costs	(44,233)	-33.4%	(35,715)	-23.9%	(8,519)	23.9%
16	Gross operating margin (EBITDA) (9+10+15)	54,128	40.9%	57,796	38.7%	(3,668)	-6.3%
17	Depreciation and amortization	(19,030)	-14.4%	(24,600)	-16.5%	5,570	-22.6%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(1,708)	-1.3%	(2,647)	-1.8%	939	-35.5%
20	Impairment reversal	2,570	1.9%	0	0.0%	2,570	n.m.
21	Total depreciation, amortization and impairment adjustments	(18,168)	-13.7%	(27,247)	-18.3%	9,067	-33.3%
22	Operating margin (EBIT) (16+21)	35,960	27.2%	30,549	20.5%	5,411	17.7%
23	Interest and financial income	8,349	6.3%	7,666	5.1%	683	8.9%
24	Interest and financial expenses	(4,148)	-3.1%	(3,401)	-2.3%	(747)	22.0%
25	Net interest income/(expenses)	4,201	3.2%	4,265	2.9%	(64)	-1.5%
26	Profit/ (loss) before tax (22+25)	40,161	30.4%	34,814	23.3%	5,347	15.4%
27	Current tax	(10,929)	-8.3%	(11,910)	-8.0%	981	-8.2%
28	Deferred tax	(576)	-0.4%	9,032	6.1%	(9,608)	n.m.
29	Total taxes	(11,505)	-8.7%	(2,878)	-1.9%	(8,627)	n.m.
30	Net profit/loss	28,656	21.7%	31,936	21.4%	(3,280)	-10.3%
	attributable to the shareholders of the Parent Company	28,546	21.6%	32,025	21.5%	(3,479)	-10.9%
	attributable to non-controlling interests	110	0.1%	(89)	-0.1%	199	n.m.
	Earnings per share:						
33	Basic earnings per share (in Euro)	2.00		2.25		(0.25)	-11.1%
34	Diluted earnings per share (in Euro)	1.97		2.21		(0.24)	-10.9%

Digital Bros Group**Consolidated comprehensive income statement as of June 30th, 2022**

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Profit (Loss) for the period (A)	28,656	31,936	(3,280)
Actuarial gain (loss)	39	1	38
Income tax relating to actuarial gain (loss)	(9)	0	(9)
Changes in the fair value	(3,390)	2,170	(5,560)
Tax effect regarding fair value measurement of financial assets	813	(521)	1,334
Items that will not be subsequently reclassified to profit or loss (B)	(2,547)	1,650	(4,197)
Exchange differences on translation of foreign operations	728	77	651
Items that will subsequently be reclassified to profit or loss (C)	728	77	651
Total other comprehensive income D= (B)+(C)	(1,819)	1,727	(3,546)
Total comprehensive income (loss) (A)+(D)	26,924	33,663	(6,739)
Attributable to:			
Shareholders of the Parent Company	26,727	33,752	(7,025)
Non-controlling interests	110	(89)	199

Changes in fair value reflected the changes in third party equity investments that were classified in the consolidated statement of comprehensive income and not in the consolidated profit and loss statement.

Digital Bros Group

Consolidated cash flow statement as of June 30th, 2022

	Euro thousand	June 30 th , 2022	June 30 th , 2021
A. Opening net cash/debt		35,509	8,527
B. Cash flows from operating activities			
Profit (loss) for the period		28,656	31,936
<i>Depreciation, amortization and non-monetary costs:</i>			
Provisions and impairment losses		(1,694)	2,600
Amortization of intangible assets		16,872	22,829
Depreciation of property, plant and equipment		2,158	1,771
Net change in tax advance		(1,185)	(8,162)
Net change in employee benefit provisions		42	60
Net change in other non-current liabilities		(651)	2,063
SUBTOTAL B.		44,285	53,096
C. Change in net working capital			
Inventories		1,535	2,281
Trade receivables		(9,562)	9,903
Current tax assets		(1,426)	1,600
Other current assets		6,779	12,775
Trade payables		4,932	6,053
Current tax liabilities		(7,207)	5,309
Current provisions		0	0
Other current liabilities		(5,275)	5,211
Other non-current liabilities		(3,461)	4,946
Non-current receivables and other assets		(8,983)	1,655
SUBTOTAL C.		(22,538)	49,733
D. Cash flows from investing activities			
Net payments for intangible assets		(53,086)	(58,212)
Net payments for property, plant and equipment		(4,313)	(1,132)
Net payments for non-current financial assets		3,679	(5,702)
SUBTOTAL D.		(53,720)	(65,047)
E. Cash flows from financing activities			
Capital increases		1	0
Changes in financial liabilities		9,737	(7,073)
Changes in financial assets		254	(1,589)
SUBTOTAL E.		9,992	(8,662)
F. Changes in consolidated equity			
Dividends paid		(2,567)	(2,139)
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		0	0
SUBTOTAL F.		(2,567)	(2,139)
G. Cash flow for the period (B+C+D+E+F)		(24,548)	26,982
H. Closing net cash/debt (A+G)		10,961	35,509

Digital Bros Group

Consolidated statement of changes in equity as of June 30th, 2022

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of previous year result							0		14,990	(14,990)	0	0	0	0
Dividend paid									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						329	329		7		7	336		336
Comprehensive income (loss)					77	1,650	1,727			32,025	32,025	33,752	(89)	33,663
Total on June 30th, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Total on July 1st, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		32,025	(32,025)	0	0	0	0
Dividend paid							0		(2,567)		(2,567)	(2,567)		(2,567)
Other changes						812	812				0	812	423	1,235
Comprehensive income (loss)					728	(2,547)	(1,819)			28,546	28,546	26,727	110	26,837
Total on June 30th, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318

Digital Bros Group

Consolidated profit and loss statement for the period ended June 30th, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	132,238	0	150,703	0
2	Revenue adjustments	(0)	0	(1,523)	0
3	Net revenue	132,238	0	149,180	0
4	Purchase of products for resale	(4,607)	0	(5,598)	0
5	Purchase of services for resale	(6,733)	0	(10,528)	0
6	Royalties	(32,586)	0	(41,322)	0
7	Changes in inventories of finished products	(1,535)	0	(2,281)	0
8	Total cost of sales	(45,461)	0	(59,729)	0
9	Gross profit (3+8)	86,777	0	89,451	0
10	Other income	11,584	0	4,060	0
11	Costs for services	(8,562)	(339)	(9,617)	(394)
12	Rent and leasing	(497)	(136)	(311)	(85)
13	Payroll costs	(33,867)	(133)	(24,617)	0
14	Other operating costs	(1,307)	0	(1,170)	0
15	Total operating costs	(44,233)	(608)	(35,715)	(479)
16	Gross operating margin (EBITDA) (9+10+15)	54,128	(608)	57,796	(479)
17	Depreciation and amortization	(19,030)	(1,031)	(24,600)	(1,036)
18	Provisions	0	0	0	0
19	Asset impairment charge	(1,708)	0	(2,647)	0
20	Impairment reversal	2,570	0	0	0
21	Total depreciation, amortization and impairment adjustments	(18,168)	(1,031)	(27,247)	(1,036)
22	Operating margin (EBIT) (16+21)	35,960	(1,639)	30,549	(1,515)
23	Interest and finance income	8,349	0	7,666	0
24	Interest expense and finance costs	(4,148)	(71)	(3,401)	(75)
25	Net interest income/(expense)	4,201	(71)	4,265	(75)
26	Profit/ (loss) before tax (22+25)	40,161	(1,710)	34,814	(1,590)
27	Current tax	(10,929)	0	(11,910)	0
28	Deferred tax	(576)	0	9,032	0
29	Total taxes	(11,505)	0	(2,878)	0
30	Net profit (loss) (26+29)	28,656	(1,710)	31,936	(1,590)

Digital Bros Group

Consolidated balance sheet as of June 30th, 2022 prepared in accordance with
CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
		Total	Of which with related parties	Total	Of which with related parties
	Non-current assets				
1	Property, plant and equipment	10,353	0	8,198	0
2	Investment properties	0	0	0	0
3	Intangible assets	104,089	0	66,776	0
4	Equity investments	7,511	0	11,190	0
5	Non-current receivables and other assets	14,072	778	5,089	760
6	Deferred tax assets	12,829	0	11,644	0
7	Non-current financial activities	18,257	0	18,840	0
	Total non-current assets	167,111	778	121,737	760
	Current assets				
8	Inventories	4,173	0	5,708	0
9	Trade receivables	27,781	0	18,283	0
10	Tax receivables	2,926	0	1,500	0
11	Other current assets	13,030	0	19,279	0
12	Cash and cash equivalent	10,961	0	35,509	0
13	Other current financial assets	329	0	0	0
	Total current assets	59,200	0	80,279	0
	TOTAL ASSETS	226,311	778	202,016	760
	Capital and reserves				
14	Share capital	(5,705)	0	(5,704)	0
15	Reserves	(22,030)	0	(23,016)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(108,160)	0	(82,181)	0
	Equity attributable to the shareholders of the Parent Company	(135,895)	0	(110,901)	0
	Equity attributable to non-controlling interests	(1,423)	0	(890)	0
	Total net equity	(137,318)	0	(111,791)	0
	Non-current liabilities				
18	Employee benefits	(761)	0	(719)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	(1,954)	0	(5,415)	0
21	Non-current financial liabilities	(15,213)	(1,701)	(11,694)	(3,509)
	Total non-current liabilities	(18,009)	(1,701)	(17,909)	(3,509)
	Current liabilities				
22	Trade payables	(52,125)	(341)	(47,193)	(124)
23	Tax payables	(3,575)	0	(10,782)	0
24	Short term provisions	(0)	0	(0)	0
25	Other current liabilities	(4,657)	0	(9,932)	0
26	Current financial liabilities	(10,627)	(800)	(4,409)	(1,002)
	Total current liabilities	(70,984)	(1,141)	(72,316)	(1,126)
	TOTAL LIABILITIES	(88,993)	(2,842)	(90,225)	(4,635)
	TOTAL NET EQUITY AND LIABILITIES	(226,311)	(2,842)	(202,016)	(4,635)

Digital Bros Group

Consolidated profit and loss statement for the period ended June 30th, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	132,238	0	150,703	0
2	Revenue adjustments	(0)	0	(1,523)	0
3	Net revenue	132,238	0	149,180	0
4	Purchase of products for resale	(4,607)	0	(5,598)	0
5	Purchase of services for resale	(6,733)	0	(10,528)	0
6	Royalties	(32,586)	0	(41,322)	0
7	Changes in inventories of finished products	(1,535)	0	(2,281)	0
8	Total cost of sales	(45,461)	0	(59,729)	0
9	Gross profit (3+8)	86,777	0	89,451	0
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11	Costs for services	(8,562)	0	(9,617)	0
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14	Other operating costs	(1,307)	0	(1,170)	0
15	Total operating costs	(44,233)	0	(35,715)	0
16	Gross operating margin (EBITDA) (9+10+15)	54,128	0	57,796	0
17	Depreciation and amortization	(19,030)	0	(24,600)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(1,708)	0	(2,647)	0
20	Impairment reversal	2,570	2,367	0	0
21	Total depreciation, amortization and impairment adjustments	(18,168)	2,367	(27,247)	0
22	Operating margin (EBIT) (16+21)	35,960	2,367	30,549	0
23	Interest and finance income	8,349	0	7,666	0
24	Interest expense and finance costs	(4,148)	0	(3,401)	0
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26	Profit/ (loss) before tax (22+25)	40,161	2,367	34,814	0
27	Current tax	(10,929)	0	(11,910)	0
28	Deferred tax	(576)	0	9,032	0
29	Total taxes	(11,505)	0	(2,878)	0
30	Net profit (loss) (26+29)	28,656	2,367	31,936	0
	attributable to the shareholders of the Parent Company	28,546	0	32,025	0
	attributable to non-controlling interests	110	0	(89)	0

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**Notes to the consolidated financial statements as
of June 30th, 2022**

1. CONTENT AND OTHER GENERAL INFORMATION

The main operating activities, including those of the subsidiaries, are described in the Directors' Report.

The consolidated financial statements as of June 30th, 2022 have been prepared on a going concern basis. The risks and uncertainties to which the Group is exposed, as described in the Directors' Report, do not create any uncertainty as to its ability to operate as a going concern. The Group will continue to monitor the effects of the COVID-19 pandemic which, for now, has had no effect on its ability to operate as a going concern. The Group will adopt appropriate mitigation measures, as necessary, and will report to the market on any issues not already considered to a sufficient degree.

Accounting standards adopted and declaration of compliance with IAS/IFRS

The consolidated financial statements as of June 30th, 2022 have been prepared in accordance with IAS/IFRS and with the related interpretations (SIC/IFRIC) endorsed by the European Commission as of the reporting date.

The financial statements and the notes thereto also include the disclosures required by Consob Resolution 15519 of July 27th, 2006 and Consob Communication 6064293 of July 28th, 2006.

The financial statements comprise the:

- consolidated balance sheet as of June 30th, 2022 with comparative figures as of June 30th, 2021 (the annual reporting date for the previous consolidated financial statements);
- consolidated profit and loss statement for the period ended June 30th, 2022 with comparative figures as of June 30th, 2021;
- consolidated comprehensive income statement as of June 30th, 2022 with comparative figures as of June 30th, 2021;
- consolidated cash flow statement as of June 30th, 2022 with comparative figures as of June 30th, 2021;
- consolidated statement of changes in equity as of June 30th, 2022 with comparative figures as of June 30th, 2021.

The left-hand column of the balance sheet indicates the number of the relevant note.

The components of the balance sheet have been allocated to the following five categories:

- non-current assets;
- current assets;
- equity;
- current liabilities;
- non-current liabilities.

Non-current assets consist of assets that are long-term in nature, such as property, plant and equipment to be used for more than one year, equity investments in associated companies and receivables that fall due in subsequent periods. They also include deferred tax assets regardless of when they might be realised.

Current assets consist of items of a short-term nature such as inventories, trade receivables, cash and cash equivalents and other current financial assets.

Equity consists of share capital, reserves and retained earnings (profit for the fiscal year plus prior fiscal year profits not allocated to specific reserves by the Shareholders General Meeting) with amounts attributable to non-controlling interests disclosed separately.

Non-current liabilities comprise provisions not expected to be used within twelve months as well as post-employment benefits, particularly the provision for employee termination indemnities pertaining to the Parent Company and its Italian subsidiaries, and, in general, payables that fall due beyond June 30th, 2023.

Current liabilities include liabilities due by June 30th, 2023, mainly trade payables, tax liabilities and current financial liabilities.

The left-hand column of the consolidated profit and loss statement and of the consolidated profit and loss statement presented for segment reporting purposes indicates the number of the relevant note.

The profit and loss statement has been presented in a multi-step format, with expenses analysed by nature and shows four intermediate levels of profit:

- gross profit, being the difference between net revenue and total cost of sales;
- gross operating margin (EBITDA), being the difference between gross profit and total operating costs, plus other income;
- operating margin (EBIT), being the difference between gross operating margin and total depreciation, amortization and impairment adjustments;
- profit before tax, being the difference between the operating margin and net financial income (expenses).

Basic earnings per share and diluted earnings per share are shown after net profit / (loss) for the fiscal year i.e., the difference between profit before tax and total taxes.

The consolidated cash flow statement has been prepared using the indirect method, whereby profit is adjusted for the effects of transactions of a non-cash nature, changes in net working capital, cash flows from financing and investing activities and changes in consolidated equity.

The overall change for the period is given by the sum of the following:

- cash flows from operating activities;
- changes in net working capital;
- cash flows from investing activities;
- cash flows from financing activities;
- changes in consolidated equity.

The statement of changes in equity has been prepared in accordance with IAS/IFRS and shows changes between July 1st, 2020 and June 30th, 2022; non-controlling interests are disclosed separately.

2. ACCOUNTING POLICIES

The consolidated financial statements as of June 30th, 2022 have been prepared in accordance with International Financial Reporting Standards and their interpretations in force at that date.

The consolidated financial statements have been prepared on the basis of financial statements prepared by the Group companies included in the scope of consolidation as of June 30th, 2022, adjusted, as necessary, to bring them into line with Group accounting policies and IAS/IFRS. All the prior fiscal years' comparative figures have been adjusted, as necessary, to render them compliant with IAS/IFRS.

The measurement criteria used to prepare the consolidated financial statements as of June 30th, 2022 are consistent with those used to prepare the consolidated financial statements as of June 30th, 2021, with the exception of the new standards applied from July 1st, 2021 described below.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost and are shown net of depreciation and impairment. No assets have been revalued in prior years. No borrowing costs have been capitalised.

Leasehold improvements and costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits associated with the asset. All other costs are recognised in profit and loss when incurred.

Depreciation is computed on a straight-line basis over the assets' estimated useful lives or based on the duration of the lease, as follows:

Buildings	2.56%-3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%
Leasehold improvements	17%

Assets held under finance leases are recognised at the lower of their fair value at the inception of the lease and the present value of the minimum lease payments payable over the entire lease term, whereunder all risks and rewards of ownership are transferred to the Group. The corresponding lease obligation is recognised under financial liabilities. Depreciation is charged on a straight-line basis over the estimated useful life of each asset category.

Land is not depreciated but impairment adjustments are made if recoverable amount i.e., the greater of fair value and value in use, falls below reported cost.

The book value of an element of property, plant and equipment and any significant component initially recognized is eliminated at the time of disposal (i.e. on the date on which the purchaser obtains control) or when no future economic benefit is expected from its use or disposal. The profit / loss that emerges at the

time of the derecognition of the asset (calculated as the difference between the net book value of the asset and the consideration received) is recognized in the profit and loss statement when the item is eliminated from the accounts.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each year-end and, where appropriate, corrected prospectively.

Right of use for leased assets

The right of use for leased assets is recorded as assets on the effective date of the leasing contract, or the date on which a lessor makes the underlying asset available to the lessee. In some circumstances, the lease agreement may contain different components and consequently the effective date must be determined for each individual lease component.

This item is initially valued at cost and includes the present value of the Liability for leased assets, payments for leases made before or on the effective date of the contract and any other initial direct cost. The item can subsequently be further adjusted in order to reflect any restatements of assets / liabilities for leased assets.

The right of use for leased assets is amortized systematically in each fiscal year at the lesser of the contractual duration and the residual useful life of the underlying asset.

Typically, Group leasing contracts do not provide for the transfer of ownership of the underlying asset and therefore amortization is carried out over the contractual term. Amortization starts at the date of the lease.

The asset is correspondingly written down should there be a loss in value determined according to the criteria described in the principle of onerous contracts, regardless of the amortization already accounted for.

Intangible assets

Intangible assets purchased or produced internally are capitalised in accordance with IAS 38 - Intangible Assets when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

They are recognised at purchase or production cost and those with a finite useful life are amortized on a straight-line basis over their estimated useful lives.

The amortization rates applied are as follows:

- Intellectual property, long-term user rights and licences, based on useful lives of the related assets;
- Microsoft Dynamics Navision licences and other long-term licences/user rights - 20%;
- Brands and trademarks - 20%.

Intangible assets with finite useful lives are amortized systematically over their estimated useful lives and amortization begins when the assets are available for use; carrying amount is tested for recoverability in accordance with IAS 36, as explained under “impairment of assets” below.

The amortization criterion is defined analytically for each intangible asset based on the expected degree of use determined when the video game is launched on the market. The residual value is validated in an impairment analysis which is carried out at least twice per year.

An intangible asset is eliminated at the time of disposal (i.e., on the date on which the buyer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss resulting from the elimination of the asset (calculated as the difference between the net consideration for the disposal and the book value of the asset) is reported in the profit and loss statement.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred as of the acquisition date plus the amount of any non-controlling interest held in the acquiree. For each business combination, the Group decides whether to measure any non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest's attributable portion of the acquiree's net identifiable assets. Acquisition-related expenses are generally recognised in profit and loss and classified as administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired and the liabilities assumed in accordance with the relevant contractual terms and the economic and other conditions existing at the acquisition date.

If a business combination is achieved in several steps, the Group's previously held equity interest in the acquiree as measured using the equity method is restated at its acquisition-date fair value and any resulting profit or loss is recognised in the profit and loss statement.

Any contingent consideration is recognised at its acquisition-date fair value. A change in the fair value of contingent consideration classified as an asset or a liability is recognised in profit and loss or in other items of the comprehensive income statement. If the contingent consideration is classified as equity, no remeasurement is needed until settlement of the contingency is reflected in equity. The subsequent transaction will be accounted for in equity.

Goodwill is initially stated at cost, measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by the Group. The difference is recognised in profit and loss, if the consideration paid is less than the fair value of the net assets acquired.

The business combination is recognised using preliminary amounts, if it is only possible to make a preliminary determination of the fair value of the assets, liabilities and contingent liabilities. Any adjustments arising from completion of the valuation process are recognised within twelve months of the acquisition and the comparatives are restated.

After its initial recognition, goodwill is carried at cost net of the accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to said units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the profit or loss on disposal. The goodwill associated with the operation disposed of is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. At the effective acquisition date, the assets and liabilities part of the transaction are recognised at their fair value, except for deferred tax and assets or liabilities related to employee benefits that are recognised in accordance with the relevant accounting standards. Acquisition-related expenses are recognised in profit and loss.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. This is except for the following which are measured in accordance with the relevant accounting standards:

- deferred tax assets and liabilities;
- assets or liabilities related to employee benefits;
- liabilities or equity instruments related to payments arrangements based on the acquiree' shares or share-based payment arrangements of the Group entered into to replace the acquiree' share-based arrangements;
- discontinued operations;
- discontinued assets and liabilities.

Investments in associated companies and other entities

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of the financial and management policies of the associated company without having control or joint control.

Investments in associated companies are initially recognised at cost and adjusted for any impairment.

Any positive difference arising at the time of acquisition from third parties between the purchase cost and the Group's share of the fair value of equity is included in the carrying amount of the investment.

The profits and losses and assets and liabilities of associated companies are recorded in the consolidated financial statements using the equity method, except where the investments have been classified as held for sale.

Under this method, investments in associated companies are initially recognised at cost. The consolidated financial statements include the Group share of the profits or losses of the associated companies as recognised using the equity method until the date on which significant influence ends. Any changes in the other items of the comprehensive income statement relating to these associated companies are presented as part of the Group's comprehensive income statement. Furthermore, in the event that an associated company or a joint venture recognizes a change with direct attribution to equity, the Group recognizes its share,

where applicable, in the statement of changes in equity. Unrealized profits and losses deriving from transactions between the Group and associates or joint ventures are eliminated in proportion to the interest held in the associates or joint ventures.

Following the application of the equity method, the Group assesses whether it is necessary to recognize an impairment of its investment in associated companies.

Upon loss of significant influence over an associate or of joint control over a joint venture, the Group evaluates and recognizes the residual equity investment at fair value. The difference between the book value of the investment at the date of loss of significant influence or joint control and the fair value of the residual investment and the payments received is recognized in the profit and loss statement.

In accordance with IFRS 9, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are measured at fair value, except in situations where fair value cannot be reliably determined: in such cases, the cost method is adopted. The changes in fair value are recognized in the comprehensive income statement (fair value through other comprehensive income - FVOCI) and without reclassification to the income statement of the profits or losses realized.

For further information on the accounting policy for financial assets, refer to the relevant note (“Financial Assets”) included in the Net Financial Position section.

Impairment of assets

IAS 36 requires intangible assets, property, plant and equipment and investments in associated companies and other entities to be tested for impairment losses.

Accordingly, at least once a year, the Group tests the recoverability of the carrying amount of the above assets. If an impairment loss is identified, the recoverable amount of the asset is estimated in order to determine the extent of the adjustment required. The Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, when it is not possible to estimate the recoverable amount of an individual asset.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. The value in use of an asset is estimated by discounting estimated future cash flows after taxes to their present value at a discount rate that reflects the time value of money and the asset specific risks.

An impairment loss is recognised if the recoverable amount is less than carrying amount. If impairment is subsequently reduced or reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment adjustment been recognised. This is except for goodwill in relation to which impairment adjustments cannot be reversed. A reversal of an impairment adjustment is recognised immediately in profit and loss.

Inventories

Inventories of finished goods are recognised at the lower of purchase cost including ancillary expenses and

realisable value, as estimated based on market trends. Cost is determined based on specific cost.

When the realisable value of inventories is lower than their purchase cost, impairment is charged directly to the unit value of the article in question.

Receivables and payables

Receivables are measured at amortized cost which coincides with their estimated realisable value. The nominal amount of receivables is brought into line with estimated realisable amount by means of a provision for doubtful accounts, taking account of the specific circumstances of each debtor.

Receivables due from customers involved in insolvency proceedings are written off in full or written down to the extent that ongoing legal action indicates they are partially collectible.

Payables are stated at nominal amount.

Factoring of trade receivables

The Group factors trade receivables on a non-recourse basis with various factoring companies. In accordance with IFRS 9, factored assets may be derecognised only when the associated risks and rewards have been substantially transferred. Accordingly, receivables factored without recourse that include provisions limiting the transfer of these risks and rewards at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the consolidated financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognised in the consolidated financial statements under other current financial liabilities.

Employee benefits

Employee termination indemnities (*trattamento di fine rapporto* or TFR) - mandatory for Italian companies pursuant to Art. 2120 of the Civil Code - constitute deferred compensation and depend on the employees' period of employment and the amount of compensation received while in service.

Effective January 1st, 2007, significant changes were made to Italian law governing the TFR. These changes included the choice given to employees to decide where to allocate their TFR entitlement accruing (in supplementary pension schemes or in the "Treasury Fund" managed by the Social Security agency INPS). Thus, the obligation towards INPS and the payments to supplementary pension schemes qualify as defined contribution plans while the amounts remaining in TFR, in accordance with IAS 19, retain their status as defined benefit plans.

In accordance with the amendment to IAS 19, actuarial gains and losses are recognised in the comprehensive income statement as items that will not be subsequently reclassified to profit or loss and in equity under other reserves.

Other long-term employee benefits

The valuation of other long-term benefits does not generally present the same degree of uncertainty as the

valuation of post-employment benefits. For this reason, IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting required for post-employment benefits, this method does not recognize revaluations in the other components of the comprehensive income statement.

For other long-term employee benefits, the Group shall recognize the net total of the retirement cost in profit or loss.

Current and non-current risks provisions

The Group creates provisions for risks and charges when it has legal or constructive obligations to third parties whose exact amount and/or timing is uncertain and/or it is probable that the Group will have to employ resources to fulfil the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any increases/decreases in the estimated amount of the liability.

Changes in estimates are recognised in the profit and loss statement for the period in which the change occurs.

Financial assets and liabilities

Current and non-current financial assets and current and non-current financial liabilities are recognised in accordance with IFRS 9 – Financial Instruments.

Cash and cash equivalents include cash on hand, bank deposits, mutual fund units, other highly negotiable securities and other financial assets recognised as available-for-sale.

Current financial assets and securities are recorded based on their trading date.

Initial measurement

Upon initial recognition, financial assets are classified, as appropriate, based on the subsequent measurement methods, i.e. at amortized cost, at fair value recognized in the OCI comprehensive income statement and at fair value recognized in the profit and loss statement.

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. With the exception of trade receivables which do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially values a financial asset at its fair value plus the transaction costs, in the case of a financial asset that is not at fair value recognized in profit and loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the transaction price.

Subsequent evaluation

For the purposes of subsequent evaluation, financial assets are classified into four categories:

- Financial assets measured at amortized cost (debt instruments);
- Financial assets measured at fair value recognized in the comprehensive income statement (“OCI”)

with reclassification of accumulated profits and losses (debt instruments);

- Financial assets at fair value recognized in the comprehensive income statement (“OCI”) without reversal of accumulated profits and losses at the time of elimination (equity instruments);
- Financial asset at fair value through profit or loss.

Financial assets measured at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently valued using the criterion of effective interest and are subject to impairment. Profit and losses are recognized in the profit and loss statement when the asset is eliminated, modified or revalued.

Financial assets measured at fair value through OCI (debt instruments)

For assets from debt instruments measured at fair value through OCI, interest income, changes for exchange differences and losses in value, together with write-backs, are recognized in the profit and loss statement and are calculated in the same way as financial assets measured at amortized cost. The remaining variations of fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognized in OCI is reclassified in the profit and loss statement.

Investments in equity instruments

Upon initial recognition, the Group can irrevocably choose to classify its own equity investments as equity instruments recognized at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 “Financials Instruments: Presentation” and are not held for trading. The classification is determined for each instrument.

Profit and losses on these financial assets are never reversed to the profit and loss statement. Dividends are recognized as other revenues in the profit and loss statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial activity, in which case such profits are recognized in OCI. Equity instruments registered at fair value recognized in OCI are not subject to impairment test.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss are recognized in the balance sheet prospectus at fair value and the net changes in fair value recognized in the profit and loss for the fiscal year.

Cancellation

Investments in financial assets can be derecognized (derecognition process) only when the contractual rights to receive the financial flows deriving from the investments have expired (e.g. final repayment of subscribed bonds) or when the Company transfers the financial asset and all the risks and benefits associated with it.

Financial liabilities include financial payables as well as other financial liabilities, including liabilities deriving from the market value valuation of derivative instruments, if negative.

Initial assessment

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss or at amortized cost.

All financial liabilities are initially recognized at fair value plus the transaction costs directly attributable to them if they are to be measured at amortized cost.

Subsequent evaluation

For the purposes of subsequent evaluation, financial liabilities are classified into two categories:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities measured at amortized cost (financing and loans).

Financial liabilities measured at fair value through profit or loss

Liabilities held for trading are all those assumed with the intent of extinguishing or transferring them in the short term. This category includes derivative financial instruments subscribed by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9.

Profit or losses on liabilities held for trading are recognized in the profit and loss statement for the fiscal year.

Financial liabilities measured at amortized cost (financing and loans)

This represents the most relevant category for the Group. After the initial recognition, the loans are measured at amortized cost using the effective interest rate method. The profits and losses are recognized in the profit and loss statement when the liability is extinguished, as well as through the depreciation process.

The amortized cost is calculated by noting the discount or premium on the acquisition and the fees or costs that they are an integral part of the effective interest rate. Amortization at the effective interest rate is included in the profit and loss statement under finance costs.

Cancellation

A financial liability is canceled when the obligation underlying the liability is extinguished, canceled or fulfilled. Where an existing financial liability was replaced by another of the same lender, under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a write-off of the original liability, accompanied by the recognition of a new liability, with registration in the profit and loss statement for the fiscal year of any differences between the book values.

Fair value

Fair value represents the consideration for which an asset could be exchanged or that should be paid to transfer the liability (exit price) in a free transaction between informed and independent parties. In the case of stocks traded on regulated markets, the fair value is determined with reference at the market price

recorded (bid price) at the end of trading on the closing date of the period.

If the market price is not available, the fair value of the financial instruments is measured with the more appropriate valuation techniques, such as, for example, the analysis of discounted cash flows carried out with market information available at the closing date of the period.

Purchases or sales settled according to market prices are recognized according to the trade date which corresponds to the date on which the Group undertakes to buy or sell the asset. Should the fair value be not reliably determined, the financial asset is valued at cost, with indication in the explanatory notes of its type and related reasons.

Derivative financial instruments

The new hedge accounting requirements of IFRS 9 have confirmed the existence of three types of hedging. Nonetheless, greater flexibility has been introduced with regard to the types of transaction that qualify for hedge accounting. Specifically, the types of instruments that qualify as hedging instruments and the types of risk components relating to non-financial elements that are eligible for hedge accounting have been extended. Moreover, the effectiveness test has been replaced with an “economic relationship” principle. Also, the retrospective determination of the effectiveness of the hedge is no longer required.

IFRS 9 requires that income and expenses resulting from hedges be recognised as adjustments to the initial carrying amount of the hedged non-financial items (basis adjustments). Moreover, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments in terms of IAS 1 - Presentation of Financial Statements. Hedging income and losses subject to basis adjustments are classified as amounts that will not subsequently be recycled through profit and loss for the year or in other components of comprehensive income. This is consistent with the practice followed by the Group prior to adoption of IFRS 9.

As in prior years, the Group has designated the change in the fair value of the entire forward contract, including forward points, as a hedging instrument, when a forward contract is used in a cash flow hedge or a fair value hedge relationship.

When option contracts are used to hedge highly probable, planned operations, the Group designates only the intrinsic value of the options as a hedging instrument. Under IAS 39, changes in the fair value of the time value of the option (the part not designated) were immediately recorded in profit (loss) for the period. Under IFRS 9, changes in the time value of options relating to the hedged item are recognised as other items of comprehensive income and accumulated in the hedging reserve in equity. Amounts accumulated in equity are either recycled in profit and loss for the period when the hedged item affects profit and loss for the period or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting treatment relating to the non-designated time value of an option be applied retrospectively. This applies solely to hedging relationships that existed as at July 1st, 2018.

When derivative financial instruments meet the conditions for hedge accounting, they are accounted for as follows:

- *Fair value hedge* – If a derivative financial instrument is designated as a hedge against changes

in the fair value of a recognised asset or liability attributable to a particular risk that may affect profit and loss, the profit or loss arising from subsequent fair value measurement of the hedge is recognised in profit and loss. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognised in profit and loss.

- *Cash flow hedge* – If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognised asset or liability or a forecast transaction that is highly probable and could affect profit and loss, the effective portion of the profit and loss on the financial instrument is recognised directly in equity. The cumulative profit and loss is transferred from equity to profit and loss in the same period in which the hedged transaction is recognised. The ineffective portion of the profit or loss on the hedging instrument is recognised immediately in profit and loss. If a hedge or a hedging relationship is closed, but the hedged transaction has yet to take place, the profits or losses recognised up to that time in equity are reclassified to profit and loss as soon as the transaction occurs. If the hedged transaction is no longer deemed probable, the profits or losses not yet realised and accounted for in equity are immediately recognised in profit and loss.

If hedge accounting cannot be applied, the profits or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit and loss as interest income/expense or financial income/expense.

Leased assets liabilities

The Group recognizes the leased assets liability on the effective date of the leasing contract.

The leased assets liability corresponds to the present value of the minimum payments due for the leasing and unpaid at the effective date, inclusive of those determined on the basis of an index or rate (initially assessed using the index or rate on the date of the contract), as well as any penalties provided for in the event that the duration of the leasing contract (“Lease term”) provides for the option for the exercise of early termination of the leasing contract and the exercise of the same is estimated reasonably certain. The present value is determined using the implicit interest rate of the lease.

The leased assets liability is subsequently increased by the interest accruing on it liabilities and less payments made for the lease.

Revenue

The IFRS 15 standard – Revenue from Contracts with Customers establishes a new revenue recognition model providing for:

- identification of the contract with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract;
- revenue recognition criteria when the entity satisfies each performance obligation.

Accordingly, revenues from the sale of goods and purchase costs are measured at the fair value of the consideration received or due, taking account of the amount of any returns, bonuses, trade discounts and volume-related rewards.

Revenues are recognised when the obligation to transfer the goods to the customer is fulfilled and the amount of the revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a revenue recognition at the same time as the sale is recognised.

Goods are transferred when the counterparty acquires control of them i.e., when it is able to decide on the use of the asset and to enjoy the benefits. In the case of retail sale, transfer generally occurs at the time of delivery of the goods and upon payment of the consideration by the end consumer. In the case of wholesale sales, transfer normally occurs when the goods arrive at the customer's warehouse.

Revenue and costs relating to services are recognised based on the state of completion of the service at the reporting date. The state of completion is determined based on an assessment of the work done. When the services under a single contract are rendered in more than one reporting period, the consideration is allocated to the various services based on their fair value.

Chargebacks to third parties of costs incurred on their account are recorded as reductions to the related cost.

Costs

Costs and other operating expenses are recognised when incurred in accordance with the accrual and matching principles, when they do not produce future economic benefits, or when those benefits do not qualify for recognition as assets.

Advertising costs are recognized in profit and loss upon receipt of the service.

Cost of sales

Cost of sales includes the purchase or production cost of products, goods and/or services for resale. It includes all materials and processing costs.

Changes in inventories consist of the change in the period in the gross carrying amount of period end inventories.

Royalties paid for the exploitation of international and Italian licenses are treated as a component of cost of sales.

If royalty advances are wholly recouped, the calculation method involves determining recoupment by multiplying the unit royalty by the quantities sold during the period. In the case of partial recoupment, the degree of recoupment is calculated separately for each contract on the basis of estimated future use.

Dividends received

Dividends received from associated companies (different from subsidiary companies) are recognised when

the right to receive payment is established, provided they derive from the allocation of profits earned subsequent to the acquisition of the associated. Such dividends are deducted from the carrying amount of the equity investment, if they derive from the distribution of reserves generated prior to acquisition.

Interest income/expenses and financial income/expenses

Interest income and expense are recognised on an accrual basis and are shown separately in the profit and loss statement without being offset.

Current tax

Income tax includes all taxes computed on the Group companies' taxable income. Income tax is generally recognised in profit and loss, except when it pertains to items debited or credited directly to equity, in which case the tax effect is recognised directly in equity.

Other taxes not related to income, such as those on property and capital, are recognised as other operating costs.

Deferred tax

Deferred tax is calculated in accordance with the overall allocation of liability method. It is calculated on all temporary differences between the accounting and tax value of an asset or liability, with the exception of non-deductible goodwill and differences deriving from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Deferred tax assets on tax losses and unused tax credits available for carry forward are recognized to the extent of the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are computed using the tax rates expected to be in force when the temporary differences are likely to be realized or reversed. Unrecognized deferred taxes are reviewed at each profit and loss statement date and are recognized to the extent of the likelihood of earning enough future taxable income to be recovered. The deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable, in the respective legal systems of the countries in which the Group operates, in the years in which it is foreseen that the temporary differences will be realized or settled.

Deferred taxes relating to items recognized outside the profit and loss statement are also recognized as of outside the profit and loss and, therefore, in equity or in the comprehensive income, consistent with the element to which they refer.

They are classified as non-current assets and liabilities, regardless of the estimated year of use.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the number of shares outstanding, excluding treasury shares. Diluted earnings per share is equal to basic earnings per share as no financial instruments convertible to shares were in issue during the period.

Foreign currency transactions

Foreign currency transactions are recognised at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated at the exchange rate in force on that date. Exchange gains and losses generated by the settlement of monetary items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognised in profit and loss.

Share-based payments - Payment transactions settled with equity instruments

Group employees (including executives) receive part of their remuneration through shares, therefore employees provide services in exchange for shares (“transactions settled with equity instruments”). The cost of transactions settled with equity instruments is determined by fair value at the date in which the assignment is made using an appropriate evaluation method.

This cost, together with the corresponding increase in shareholders’ equity, is recognized under payroll costs for the period in which the conditions relating to the achievement of objectives and / or the provision of the service. The cumulative costs recognized for these transactions on the closing date of each exercise up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest. The cost or revenue in the profit and loss statement for the fiscal year represents the change in the accumulated cost recorded at the beginning and at the end of the fiscal year.

The terms of service or performance are not taken into consideration when defining the fair value of the plan at the grant date. However, the possible fulfilment of said conditions is considered when defining the best estimate of the number of capital instruments that will vest. Market conditions are reflected in the fair value at the grant date. Any other condition linked to the plan, which does not involve a service obligation, is not considered as a vesting condition. The non-vesting conditions are reflected in the fair value of the plan e involve the immediate accounting of the cost of the plan unless there are also some conditions of service or performance.

No cost is recognized for rights that do not accrue as per unfulfilled performance and / or service conditions. When the rights include a market condition or a condition of non-vesting, these are treated as if they had vested regardless of the fact that the market conditions or other non-vesting conditions to which they are subject are respected or not, it being understood that all other performance and / or service conditions must be met.

If the conditions of the plan are changed, the minimum cost to be recognized is the fair value at the date of assignment in the absence of the modification of the plan itself, on the assumption that the original conditions of the plan are satisfied. In addition, a cost is recognized for each modification that involves an increase in fair value total payment plan, or that is in any case favourable for employees; this cost is valued with the reference to the modification date. When a plan is cancelled by the entity or the counterparty, any remaining element of the plan’s fair value is immediately charged to the profit and loss statement.

The effect of the dilution of the options not yet exercised is reflected in the calculation of the profit dilution

per share.

New accounting standards

Accounting standards, amendments and IFRS interpretations applied from July 1st, 2021

The accounting standards, amendments and IFRS interpretations adopted by the Group in the financial statements for the annual reporting period commencing on July 1st, 2021 are indicated below:

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide for the temporary easing of the requirements with reference to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative essentially risk-free rate (Risk Free Rate - RFR). The amendments include the following practical expedients:
 - a practical expedient that makes it possible to consider and deal with contractual changes, or changes in cash flows that are directly required by the reform, as changes in a variable interest rate, equivalent to a movement in an interest rate in the market;
 - allow the changes, required by the IBOR reform, to be made to the documentation for the designation of the hedging relationship without the hedging relationship having to be discontinued;
 - provides temporary relief for entities from having to comply with separate identification requirements when an RFR is designated as hedging a risk component.

These amendments had no impact on the Group's first half financial results. The Group plans to use the aforementioned expedients whenever applicable.

- Amendment to IFRS 16 Covid-19 Related Rent Concessions beyond June 30th, 2021. On May 28th, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the IFRS 16 requirements on the effects accounting of the contractual changes for the reductions in lease payments granted by the lessors that are a direct consequence of the COVID-19 pandemic. According to the amendment, the lessee may choose not to assess the lease fee reductions as contractual changes, and therefore not report them as such in the scope of IFRS 16. The changes were supposed to be applicable until June 30th, 2021, but as the impact of the COVID-19 pandemic continues, on March 31st, 2021, the IASB extended the period of application up to June 30th, 2022. The amendments apply to fiscal years starting April 1st, 2021 onwards. However, the Group has not received concessions on lease payments related to COVID-19, but plans to apply the amendment should the case occur within the permitted application period;
- in June 2020 the IASB extended the temporary exemption from the application of IFRS 9 - Amendments to IFRS 4 Insurance Contracts. In particular, the amendments to IFRS 4 extend to 2023 the expiry of the temporary exemption from the application of IFRS 9 in order to align the date of entry into force of IFRS 9 with the new IFRS 17 and thus remedy the accounting consequences. which could occur in the event of the entry into force of the two standards on different dates.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatorily applicable and not adopted early by the Group as of June 30th, 2022

- in May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard relating to insurance contracts that covers the detection and measurement, presentation and disclosure. The IFRS 17 will replace the IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation characteristics. To this end, limited exceptions will apply. IFRS 17 general objective is to present a more useful and consistent accounting model for insurance contracts. In contrast to the provisions of IFRS 4 which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:
 - the variable fee approach: a specific adaptation for contracts with direct participation features;
 - the award allocation approach: a simplified approach mainly dedicated to short-term contracts.

IFRS 17 will be in force for the fiscal years starting January 1st, 2023 onwards and will require the presentation of comparative balances. Early application is permitted, in which case the entity must have also adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or earlier. This principle does not apply to the Group;

- in January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements necessary for classifying liabilities as current or non-current. The changes clarify:
 - what is meant by the right to postpone the deadline;
 - that the right of postponement must exist at the end of the financial year;
 - the classification is not impacted by the probability with which the entity will exercise its right of subordination;
 - the expiry of the liability have no impact on its classification only if an implicit derivative in a convertible liability is itself an equity instrument;

The amendments will be effective for the fiscal years starting January 1st, 2023 onwards and must be applied retrospectively. The Group is currently evaluating the impact that the changes will have on the current situation and should it become necessary to renegotiate existing loan agreements;

- in May 2020, the IASB published the amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard. The Board also added an exception to the IFRS 3 valuation principles to avoid the risk of potential “next day” losses or gains arising from

contingent liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. The Board also clarified that the existing guidance in IFRS 3 for potential assets will not be impacted by the update of the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments will be effective for the fiscal years starting January 1st, 2022 and will apply prospectively;

- in May 2020, the IASB published Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any revenue from the sale of products sold in the period in which this activity is brought to the place or conditions necessary for it to be able to operate in the manner for which it was designed by the management. Instead, an entity records the revenues from the sale of these products and the costs of producing these products in the profit and loss statement. The amendment will be effective for fiscal years starting January 1st, 2022 onwards and must be applied retrospectively to the Property, plant and equipment made available for use on or after the start date of the period prior to the period in which the entity applies this change for the first time. The Group does not expect any material impacts from these changes;
- in May 2020, the IASB published amendments to IAS 37 to specify which costs must be considered while assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach called “*directly related cost approach*”. Costs that refer directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the contract. The amendments will be effective for the fiscal years starting January 1st, 2022 onwards. The Group will apply these changes to contracts for which it has not yet satisfied all its obligations at the beginning of the year in which it will apply these changes for the first time;
- as part of the 2018-2020 annual IFRS standards improvement process, the IASB has published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to account for the accumulated translation differences based on the amounts accounted for by the parent company, considering the date of transition to IFRS by the parent. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1. The amendment will be effective for fiscal years starting January 1st, 2022 onwards and early application is permitted;
- as part of the 2018-2020 annual IFRS standards improvements process, the IASB published an amendment to IFRS 9. This amendment clarifies that the fees that an entity includes in the assessment whereas the conditions of a new or modified financial liability are substantially different with respect to the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies this amendment to financial liabilities that are changed or exchanged after the date of the first financial year in which the entity applies the amendment for the first time. The amendment will be effective for the fiscal years starting on

January 1st, 2022 onwards and early application is permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged subsequently or on the date of the first financial year in which this amendment is applied for the first time. The Group does not expect any material impact from these changes;

- as part of the 2018-2020 annual IFRS standards improvements process, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements provided for in paragraph 22 of IAS 41 and referring to the exclusion of cash flows for taxes when the fair value of an asset is measured within the scope of IAS 41. The amendment applies to an entity fair value measurement. The amendment will be effective for the fiscal years starting on January 1st, 2022 onwards and early application is permitted. The Group does not expect any material impact from these changes;
- in February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting principles and correction of errors. In addition, they clarify how entities use measurement and input techniques to develop accounting estimates. The amendments are effective for fiscal years starting January 1st, 2023 onwards and apply to changes in accounting principles and changes in accounting estimates that occur starting from the beginning of that period or subsequently. Early application is permitted provided its disclosure. The Group does not expect any significant impact from these changes;
- in February 2021, the IASB issued amendments to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidelines and examples to help entities apply materiality judgments to disclosure on standards accounting. The amendments aim to replace the obligation for entities to provide their own “significant” accounting policies with the obligation to disclose their “relevant” accounting policies; in addition, guidelines are added on how entities apply the concept of relevance in making decisions regarding disclosure on accounting principles. The amendments to IAS 1 are applicable starting from fiscal years starting January 1st, 2023 onwards and early application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on applying the definition of material to the disclosure of accounting policies, an effective date is not required for such amendments. The Group is currently evaluating the impact of the changes to determine the effect they will have on the disclosure on the Group’s accounting standards;
- in May 2021, the IASB issued amendments to IAS 12 Income taxes: Deferred taxes relating to assets and liabilities deriving from a single transaction. The amendments restricted the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, upon initial recognition, give rise to equal temporary differences taxable and deductible. The amendments were issued in response to an IFRIC recommendation. Research conducted by the Committee indicated that views differed as to whether the recognition exemption applied to transactions, such as leases, that lead to the recognition of an asset and a liability. These differing views have led entities to account for deferred taxes on such transactions in different ways, reducing the comparability of their balance

sheets. The Board expects that the amendments will reduce the diversity in reporting and align the accounting for deferred taxes on such transactions with the general principle of IAS 12 of recognizing deferred taxes for temporary differences. An entity applies changes to transactions that occur at the beginning or after the beginning of the first comparative period presented. Furthermore, at the beginning of the first comparative period presented, it recognizes the deferred taxes for all temporary differences relating to leasing and disposal obligations and recognizes the cumulative effect of the initial application of the changes as an adjustment to the opening balance of the profits brought to new (or other components of equity, as the case may be) on that date. The amendment will be effective for the fiscal years starting on January 1st, 2023 onwards and early application is permitted. At June 30th, 2022, the amendment is yet to be approved by the European Union;

- In December 2021, the International Accounting Standards Board (IASB) issued the initial application of IFRS 17 and IFRS 9 - Comparative information (amendment to IFRS 17). The amendment is a transition option relating to comparative information on financial assets presented upon first-time application of IFRS 17. The amendment aims at helping entities avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for users. The IFRS 17, which incorporates the amendment, is effective starting from fiscal years starting January 1st, 2023. The Group does not expect any material impact from these changes.

3. DISCRETIONARY ITEMS AND SIGNIFICANT ESTIMATES

Discretionary judgment

The preparation of the consolidated financial statements as of June 30th, 2022 and the notes attached requires the use of discretionary judgment to make estimates and assumptions with an effect on the carrying amount of assets and liabilities recognised in the consolidated financial statements and on the disclosures relating to contingent assets and liabilities as at the reporting date. These judgements are made based on short- and medium/long-term forecasts that are continuously updated and approved by the Board of Directors prior to all financial reports approval.

The estimates are based on the current available information. They are periodically reviewed, and the effects are reflected in the profit and loss when needed. The actual results effectively realized may be different, even significantly, from the estimated due to changes in the factors considered. Estimates are used to recognise provisions for doubtful accounts and inventories, depreciation and amortization, equity investments, asset impairment, employee benefits, deferred taxes and other provisions and allowances.

The main sources of uncertainty when making estimates regards the recoverable amount of intangible assets, credit losses, inventory impairment, employee benefits, provisions, revenue adjustments, royalties and deferred tax estimates.

Recoverable amount of intangible assets

Intangible assets are adjusted for impairment when events or a change in circumstances indicate that the carrying amount of an intangible asset is no longer recoverable. Events that may trigger an impairment adjustment include changes to the strategic plan and changes in market prices that lead to poorer expected operational performance and reduced exploitation of trademarks. The decision to proceed with an impairment adjustment and its amount depends on management's assessment of highly uncertain factors, such as future price trends and consumers demand on a global or regional scale.

Inventories

The Group estimates inventories on a quarterly basis, considering the rapid obsolescence of video games. Impairment adjustments may be recorded in relation to individual products whose market value is lower than their historical cost. Some differences are identified on a cumulative basis and are recognised in the profit and loss in the period.

Employee benefits

The estimate of the employee severances requires an assessment of the future cash outflows that may result from the of employees' voluntary and involuntary departure, in relation to their seniority and the revaluation rates these benefits provided by the Italian Law.

The TFR (employee termination severance) was significantly changed during the year ended on June 30th, 2006. Estimating the liability remains complex because a residual portion of indemnities have remained with the Group companies. The Group makes its estimate with assistance from an actuary to assess the necessary parameters.

Following the approval of the “2016-2026 Stock Option Plan”, an actuarial measurement is required in accordance with the guidelines contained in IFRS 2 – Share-based payments. An independent professional actuary has been appointed to perform the assessment.

The assessment of the liabilities arising from the introduction of the medium-long term incentive plan approved by the Shareholder’s Meeting of June 15th, 2021 is relatively easy. The eventual actuarial component of the estimate, or the possibility that bad leavers will not receive the incentive, was considered as not significant. Therefore, an independent actuary did not assist the Directors in the assessment.

Revenue adjustments

The revenue adjustments estimate involves detailed calculations for which the Group has adopted appropriate procedures.

Revenue adjustments consist of various types of cost. The first part consists of year-end bonuses. The second part reflects the expected credit notes that the Group might have to issue to customers in relation to products remained unsold. In order to prepare the estimate, the management performs an analysis by customer and by product, splitting the risk between price differences and potential returns. The process is run quarterly, on a product-by-product basis, comparing volumes sold to customers with the volumes sold to end consumers. The availability of sales figures by country makes the estimate reliable over time. Many customers submit sales and inventory figures on a weekly basis, thus facilitating the process.

Royalties and advances to developers for licences

The method used to determine royalties varies depending on the type of contract. The number of contracts that provide for variable royalties with a minimum guaranteed and/or contracts that provide for a fixed development portion has increased over time. For these last two types of contracts, it is necessary to estimate the future benefit that a contract will produce in subsequent quarters in order to match related costs and revenue. This is based on future periods forecasts. The sales forecasts are based on a medium/long-term (five-year) plan which is revised on a six-months basis. When royalties for digital and/or Free to Play products are determined, the five-year revenue plan is revised monthly.

Deferred tax assets and liabilities

The assessment of deferred tax assets and liabilities has two areas of uncertainty. The first is recoverability comparing the deferred tax assets recognised by each company with the respective business plans. The second is the tax rate to be used that it is assumed remains stable over time and corresponding to the current rates applicable in the different countries where the Group operates and amended if any change will occur.

4. CONSOLIDATION CRITERIA

Subsidiaries

The companies over which the Group has the power, directly or indirectly, to influence the financial and operating policies of the subsidiary and in such a way as to obtain benefits from its operations, are consolidated

The Group has control and influence if it has:

- the power over the subsidiary (or holds valid rights that give it the ability to direct the relevant activities of the subsidiary);
- the exposure or rights to dividends deriving from the relationship with the subsidiary;
- the ability to exercise their power over the subsidiary to affect the amount of its returns. It's presumed that the majority of voting rights enables control.

The closing financial statements of the subsidiaries are included in the consolidated financial statements starting from the date in which control is assumed or stopping when such control ceases to exist. The financial statements of subsidiaries used for the consolidation are prepared as of the same reporting date and adjusted from local GAAP to comply with the accounting standards applied by the Group.

The changes in the shareholding in a subsidiary that do not lead to a loss of control are recognized as equity.

If the Group loses control of a subsidiary, all related assets (including goodwill), liabilities, minority interests and other components of equity are eliminated, while any profit or loss is recognized in the profit and loss statement. Equity will be then recognized at fair value.

Investments in associated companies are initially recognised at acquisition cost and subsequently measured using the equity method.

Translation of foreign currency financial statements

The Group's reporting currency is the Euro which is also the functional currency of the Parent Company. As at the reporting date, the financial statements of foreign companies with a functional currency other than the Euro are translated into the reporting currency as follows:

- assets and liabilities are translated using the exchange rate at the reporting date;
- profit and loss items are translated using the average exchange rate for the period;
- equity items are translated at historical exchange rates.

Exchange differences arising from the translation process are recognized directly in comprehensive income statement and are shown in the conversion reserve part of the shareholders' equity reserves.

Upon disposal of a foreign company, the portion of the conversion reserve referring to that foreign company is shown in the profit and loss statement. Goodwill deriving from the acquisition of a foreign operation and the adjustments of the fair value net of assets and liabilities deriving from it are accounted for as assets and

liabilities of the foreign operation and therefore are expressed in the functional currency of the foreign operations and converted at the year-end exchange rate.

Transactions eliminated in the consolidation process

When preparing the consolidated financial statements as of June 30th, 2022, all intercompany assets, liabilities, income and expenses relating to transactions between Group companies were eliminated, as unrealised profits and losses on intercompany transactions.

Scope of consolidation

The tables below provide details of companies consolidated on a line-by-line basis by all the equity method. The respective stock capital is shown in local currency.

Line-by-line consolidation method:

Company name	Operational headquarters	Country	Capital	% held directly or indirectly
Avantgarden S.r.l.	Milan	Italy	€ 100,000	100%
Chrysalide Jeux et Divertissement Inc.	Québec City	Canada	0	75%
Digital Bros S.p.A.	Milan	Italy	€ 5,706,014.80	Parent Company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	€ 100,000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	€ 100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	€ 300,000	100%
Digital Bros Holdings Ltd.	Milton Keynes	UK	£ 100,000	100%
DR Studios Ltd.	Milton Keynes	UK	£ 60,826	100%
Game Entertainment S.r.l.	Milan	Italy	€ 100,000	100%
505 Games S.p.A.	Milan	Italy	€ 10,000,000	100%
505 Games Australia Pty Ltd.	Melbourne	Australia	AUD \$ 100,000	100%
505 Games France S.a.s.	Francheville	France	€ 100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€ 50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Japan K.K.	Tokyo	Japan	¥ 6,000,000	100%
505 Games Ltd.	Milton Keynes	UK	£ 100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	€ 100,000	100%
Game Network S.r.l. – in liquidation	Milan	Italy	€ 10,000	100%
Game Service S.r.l.	Milan	Italy	€ 50,000	100%
Hawken Entertainment Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Hook S.r.l.	Milan	Italy	€ 100,000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	€ 10,000	100%
Infinity Plus Two Pty Ltd.	Melbourne	Australia	AUD \$ 100	100%
Infinite Interactive Pty Ltd.	Melbourne	Australia	AUD \$ 100	100%
Ingame Studios a.s.	Brno	Czech Republic	Kr 2.000.000	60%
505 Mobile S.r.l.	Milan	Italy	€ 100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Rasplata B.V.	Amsterdam	Netherlands	€ 1,750	60%
Seekhana Ltd.	Milton Keynes	UK	£ 18,500	60%
Supernova Games Studio S.r.l.	Milan	Italy	€ 100,000	100%

Equity consolidation method:

Name	Operational Headquarters	Country	Capital	% held directly or indirectly
MSE & DB SI	Tudela	Spain	€ 10,000	50%
Arttractive s.a.	Kraków	Poland	zl 100.000	40%

5. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As of June 30th, 2022 the Group held a 50% stake in the Spanish company MSE & DB S.L. at a book value of Euro 5 thousand and a 40% stake in the Polish company Arttractive s.a. at a book value of Euro 9 thousand.

6. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method provided for by IFRS 3. On the effective date of the acquisition, the assets and liabilities involved in the transaction are recognized at fair value, with the exception of prepaid and deferred taxes and assets and liabilities for employee benefits valued according to the reference standard. Transaction's costs are recognized in the consolidated profit and loss statement.

In July 2021, Digital Bros S.p.A. completed the acquisition of the Czech company Ingame Studios a.s.. The assessment of the fair value of the identifiable assets acquired, and the identifiable liabilities assumed by the Czech company was completed during the period, as required..

The financial position balance at July 1st, 2021 of the assets and liabilities acquired by the Group adjusted as described are shown below:

	Euro thousand	Financial position balance at July 1st, 2021	Purchase price allocation	Fair value
	Non-current assets			
1	Property, plant and equipment	534	0	534
3	Intangible assets	5	0	5
6	Deferred tax assets	36	0	36
	Total non-current assets (A)	575	0	575
9	Trade receivables	350	0	350
10	Tax receivables	38	0	38
11	Other current assets	30	0	30
12	Cash and cash equivalent	177	0	177
	Total current assets (B)	595	0	595
21	Non-current financial liabilities	(271)	0	(271)
	Total non-current liabilities (C)	(271)	0	(271)
22	Trade payables	(50)	0	(50)
23	Tax payables	(6)	0	(6)
25	Other current liabilities	(153)	0	(153)
26	Current financial liabilities	(57)	0	(57)
	Total current liabilities (D)	(266)	0	(266)
	Net equity (A+B+C+D)	633	0	633
	Consideration for the acquisition			480
	Difference			153

The difference between the net equity and the consideration paid for the acquisition generated a balance of Euro 153 thousand.

7. RECONCILIATION OF CONSOLIDATED PROFIT FOR THE YEAR AND NET EQUITY TO THOSE OF PARENT COMPANY

The following table provides a reconciliation of the consolidated result for the year and equity as reported to those reported by the Parent Company:

Euro thousand	Profit (loss) at		Equity	
	June 30 th , 2022	June 30 th , 2021	June 30 th , 2022	June 30 th , 2021
Consolidated profit (loss) for the year and net equity	7,325	8,433	58,204	55,341
Profit for the year and equity of subsidiaries	31,887	26,268	129,702	78,831
Carrying amount of equity investments	0	0	(35,164)	(34,499)
Consolidation adjustments				
Impairment of investments in subsidiaries	679	16	822	462
Elimination of intercompany profits	(3,692)	(190)	(5,563)	(1,868)
Dividends	(7,500)	(7,500)	0	0
Other adjustments	(43)	4,909	(10,683)	13,524
Total consolidation adjustments	(10,556)	(2,765)	(15,424)	12,119
Profit for the year and net equity of the Parent Company	28,656	31,936	137,318	111,791

Details are provided below of consolidation adjustments as of June 30th, 2022 and as of June 30th, 2021:

Euro thousand	Profit (loss) at		Equity	
	June 30 th , 2022	June 30 th , 2021	June 30 th , 2022	June 30 th , 2021
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	0	16	51	51
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	323	0	416	93
Impairment of Digital Bros S.p.A.'s investment in 133 W Broadway Inc.	0	0	0	318
Impairment of Digital Bros S.p.A.'s investment in Seekhana Ltd.	214	0	214	0
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	142	0	142	0
Total impairment of investments in subsidiaries	679	16	822	462
Elimination of unrealized profit in inventory	89	172	(87)	(181)
Elimination of margin on internal development contracts	(3,781)	(362)	(5,476)	(1,687)
Total elimination of intercompany profits	(3,692)	(190)	(5,563)	(1,868)
Dividends from Kunos Simulazioni S.r.l.	(2,500)	(2,500)	0	0
Dividends from 505 Games S.p.A.	(5,000)	(5,000)	0	0
Total dividends	(7,500)	(7,500)	0	0
Amortization/Allocation of acquisition price of Kunos S.r.l., net of tax effect	(301)	(561)	185	487
Allocation of acquisition price of Rasplata B.V., net of tax effect	0	0	1,011	1,011
Allocation of acquisition of Australian companies, net of tax effect	(1,356)	(651)	4,684	5,856
Application of IFRS 9	38	(23)	(308)	(346)
Deferred tax effect of the revaluation of the Assetto Corsa brand	1,246	6,453	(16,545)	6,453
Other items	330	(309)	290	63
Total other adjustments	(43)	4,909	(10,683)	13,525
Total consolidation adjustments	(10,556)	(2,765)	(15,424)	12,119

8. CONSOLIDATED BALANCE SHEET AS OF JUNE 30TH, 2022

The consolidated balance sheet as of June 30th, 2022 compared to the June 30th, 2021 figures is provided below:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	10,353	8,198	2,155	26.3%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	104,089	66,776	37,313	55.9%
4	Equity investments	7,511	11,190	(3,679)	-32.9%
5	Non-current receivables and other assets	14,072	5,089	8,983	n.m.
6	Deferred tax assets	12,829	11,644	1,185	10.2%
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	167,111	121,737	45,374	37.3%
	Current assets				
8	Inventories	4,173	5,708	(1,535)	-26.9%
9	Trade receivables	27,781	18,283	9,498	52.0%
10	Tax receivables	2,926	1,500	1,426	95.1%
11	Other current assets	13,030	19,279	(6,249)	-32.4%
12	Cash and cash equivalents	10,961	35,509	(24,548)	-69.1%
13	Other current financial assets	329	0	329	0.0%
	Total current assets	59,200	80,279	(21,079)	-26.3%
	TOTAL ASSETS	226,311	202,016	24,295	12.0%
	Shareholders' equity				
14	Share capital	(5,705)	(5,704)	(1)	0.0%
15	Reserves	(22,030)	(23,016)	986	-4.3%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(108,160)	(82,181)	(25,979)	31.6%
	Equity attributable to the shareholders of the Parent Company	(135,895)	(110,901)	(24,994)	22.5%
	Equity attributable to non-controlling interests	(1,423)	(890)	(533)	59.9%
	Total net equity	(137,318)	(111,791)	(25,527)	22.8%
	Non-current liabilities				
18	Employee benefits	(761)	(719)	(42)	5.8%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(1,954)	(5,415)	3,461	-63.9%
21	Non-current financial liabilities	(15,213)	(11,694)	(3,519)	30.1%
	Total non-current liabilities	(18,009)	(17,909)	(100)	0.6%
	Current liabilities				
22	Trade payables	(52,125)	(47,193)	(4,932)	10.5%
23	Tax payables	(3,575)	(10,782)	7,207	-66.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,657)	(9,932)	5,275	-53.1%
26	Current financial liabilities	(10,627)	(4,409)	(6,218)	n.m.
	Total current liabilities	(70,984)	(72,316)	1,332	-1.8%
	TOTAL LIABILITIES	(88,993)	(90,225)	1,232	-1.4%
	TOTAL NET EQUITY AND LIABILITIES	(226,311)	(202,016)	(24,295)	12.0%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment increased from Euro 8,198 thousand to Euro 10,353 thousand, due to Euro 4,293 thousand additions, partially offset by lower disposals for Euro 185 thousand and depreciation for Euro 2,158 thousand. The following tables details movements in the current and previous reporting periods:

Euro thousand	July 1 st , 2021	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30 th , 2022
Industrial buildings	6,719	2,580	0		(1,619)	0	7,680
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	523	1,184	(84)	20	(341)	84	1,386
Other assets	321	529	(101)	0	(198)	101	652
Total	8,198	4,293	(185)	20	(2,158)	185	10,353

Euro thousand	July 1 st , 2020	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30 th , 2021
Industrial buildings	7,257	829	0	0	(1,367)	0	6,719
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	493	244	0	0	(214)	0	523
Other assets	452	64	(46)	(5)	(190)	46	321
Total	8,837	1,137	(46)	(5)	(1,771)	46	8,198

Industrial buildings increased by Euro 2,580 thousand as a result of the application of the IFRS 16 to the rental contracts of:

- Ingame Studios a.s., consolidated since July 1st, 2021;
- Chrysalide Jeux et Divertissement Inc. which signed the lease agreement for the new offices during the month of July following the set-up in June 2021;
- the English subsidiaries' new offices;
- the Australian subsidiaries' new offices.

Land included the land where the logistic facilities are based in Trezzano sul Naviglio. Its value is Euro 635 thousand.

The investments in Industrial and commercial equipment amounted to Euro 1,184 thousand and are made by Euro 442 thousand and Euro 242 thousand to the office automation equipment of Chrysalide Jeux et Divertissement Inc. and Ingame Studios a.s. respectively. The remaining Euro 500 thousand are office automation equipment investments by other Group companies.

The investments in Other assets are Euro 220 thousand and Euro 176 thousand to the improvements made to the English subsidiaries' new headquarters and to Ingame Studios a.s.'s offices, respectively.

Reporting period ended June 30th, 2022*Gross amount of property, plant and equipment*

Euro thousand	July 1st, 2021	Investments	Disposals	Forex translation differences	June 30th, 2022
Industrial buildings	10,674	2,580	0	0	13,254
Land	635	0	0	0	635
Plant and machinery	24	0	0		24
Industrial & commercial equipment	4,859	1,184	(84)	20	5,979
Other assets	2,678	529	(101)	0	3,106
Total	18,870	4,293	(185)	20	22,999

Accumulated depreciation

Euro thousand	July 1st, 2021	Depreciation	Disposals	June 30th, 2022
Industrial buildings	(3,955)	(1,619)	0	(5,573)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(4,336)	(341)	84	(4,594)
Other assets	(2,357)	(198)	101	(2,454)
Total	(10,672)	(2,158)	185	(12,646)

Reporting period ended June 30th, 2021*Gross amount of property, plant and equipment*

Euro thousand	July 1st, 2020	Additions	Disposals	Forex translation differences	June 30th, 2021
Industrial buildings	9,845	829	0	0	10,674
Land	635	0	0	0	635
Plant and machinery	24	0	0	0	24
Industrial & commercial equipment	4,615	244	0	0	4,859
Other assets	2,665	64	(46)	(5)	2,678
Total	17,784	1,137	(46)	(5)	18,870

Accumulated depreciation

Euro Thousand	July 1st, 2020	Depreciation	Disposals	June 30th, 2021
Industrial buildings	(2,588)	(1,367)	0	(3,955)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(4,122)	(214)	0	(4,336)
Other assets	(2,213)	(190)	46	(2,357)
Total	(8,947)	(1,771)	46	(10,672)

3. Intangible assets

Intangible assets increased by Euro 37,313 thousand net of the amortization for the period, as part of the significant investment plan undertaken by the Group to pursue its growth.

Intangible assets increased from Euro 66,776 thousand to Euro 104,089 thousand. All of the intangible assets recognized by the Group have limited useful lives.

The increase of the item is also due to the fact that all advances paid for the most recently signed contracts are now classified among intangible assets, following the digitalization of the video games market that allows for the longer term exploitation, and even if the transfer of the intellectual property to the Group is not happening, they are now classified as intangible assets.

The following tables show the movements in the current and the previous reporting periods:

Euro thousand	July 1 st , 2021	Investments	Disposals	Recl.	Impairment Adj.	Forex translation diff.	Amort'n	June 30 th , 2022
Concessions and licenses	33.467	7.214	0	12.885	(1.099)	(18)	(16.428)	36.021
Trademarks and sim. rights	1.330	6	0	0	0	0	(433)	903
Other assets	34	6	0	0	0	0	(11)	29
Assets in development	31.945	45.410	0	(10.219)	0	0	0	67.136
Total	66.776	52.636	0	2.666	(1.099)	(18)	(16.872)	104.089

Euro thousand	July 1 st , 2020	Investments	Disposals	Recl.	Impairment Adj.	Forex translation diff.	Amort'n	June 30 th , 2021
Concessions and licenses	11.212	16.715	0	27.596	0	(14)	(22.042)	33.467
Trademarks and sim. rights	1.455	0	0	652	0	0	(777)	1.330
Other assets	34	10	0	0	0	0	(10)	34
Assets in development	20.547	39.096	0	(25.843)	(1.855)	0	0	31.945
Total	33.248	55.821	0	2.405	(1.855)	(14)	(22.829)	66.776

Impairment adjustments amounted to Euro 1,099 thousand and related to some videogames for which the value of the historical cost will not be recoverable due to lower than expected results.

Assets in development included the costs incurred by the Group to develop intellectual property from third parties and the cost for the development of video games by the Group's internal studios that had not yet been completed at the reporting date. Details by company are shown below:

Euro thousand	June 30th, 2022
Dr Studios Ltd.	5,902
Ingame Studios a.s.	5,050
Chrysalide Jeux et Divertissement Inc.	3,295
Kunos Simulazioni S.r.l.	2,162
Supernova Games S.r.l.	1,067
Avantgarden Games S.r.l.	748
Total assets in development by internal studios	18,224
Total assets in development for third-parties IPs	20,872
Total assets in development	39,096

The total capital expenditure on intangible assets during the period is shown below, together with comparative figures of the previous year:

Euro thousand	June 30th, 2022	June 30th, 2021
Premium Games rights	6,563	16,490
Management systems	651	225
Total investments on concessions and licences	7,214	16,715
Total investments on trademarks	6	0
Total investments on other intangible assets	6	10
Internal development contracts in progress	14,163	2,516
Assets in progress	31,247	36,580
Total investments to assets in development	45,410	39,096
Total investments on intangible assets	52,636	55,821

4. Equity investments

Total equity investments decreased by Euro 3,679 thousand as detailed below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
MSE&DB SI	5	5	0
Artactive S.A.	9	0	9
Total investments in associated companies	14	5	9
Starbreeze AB - A shares	5,180	7,635	(2,455)
Starbreeze AB - B shares	1,926	3,097	(1,171)
Unity Software Inc.	0	171	(171)
Noobz from Poland S.A.	391	282	109
Total other investments	7,497	11,185	(3,688)
Total equity investments	7,511	11,190	(3,679)

Changes of the investments in associated companies are described in the Directors' Report.

The decrease in total other investments were:

- Euro 2,455 thousand and Euro 1,171 thousand decreases respectively relating to the fair value of the 61,758,625 Starbreeze AB A shares and the 24,890,329 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 as of June 30th, 2022 as they are financial instruments classified in OCI;
- Euro 171 thousand decrease resulting from the sale of 1,860 of Unity Software Inc. shares (listed on Nasdaq Composite Index) for Euro 220 thousand realizing a capital gain of Euro 187 thousand;

- Euro 282 thousand increase relating to the fair value of the 70,000 Unity Software Inc. shares (listed on the Warsaw Stock Exchange New Connect segment), with allocation to an equity reserve of the difference between the carrying amount and the fair value as of June 30th, 2022 as they are financial instruments classified in OCI.

5. Non-current receivables and other assets

Total non-current receivables and other assets amounted to Euro 14,072 thousand and increased by Euro 8,983 thousand compared to June 30th, 2021:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change
Receivable from Starbreeze AB	13,151	4,227	8,924
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	281	222	59
Guarantee deposits – other	5	5	0
Total non-current receivables and other assets	14,072	5,089	8,983

As of June 30th, 2022, the receivable from Starbreeze AB amounted to Euro 13,151 thousand and were made by:

- the receivable purchased from Smilegate Holdings for a consideration of Euro 100 thousand with a nominal amount of around USD 20 million. The value at June 30th, 2022 has been restated and Euro 3,095 thousand has been recognized as financial income and adjusted to the exchange rate at the end of the year for Euro 1,405 thousand. The receivable is part of Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed with the Swedish District Court, but not later than December 2024. As of June 30th, 2022, the receivable amounted to Euro 8,726 thousand;
- the receivable relating to the costs paid for the development of the video game The Walking Dead by 505 Games S.p.A.. The Group requested the reimbursement of the receivable that has been previously classified among other current assets, as the collection of the receivable is expected to happen following the launch of PAYDAY3 by the Swedish company. As of June 30th, 2022, the receivable amounted to Euro 4,425 thousand.

The remaining part of non-current assets is made by security deposits for contractual obligations.

6. Deferred tax assets

Deferred tax assets are calculated on taxes loss carryforwards and on temporary differences between the carrying value and the tax value. They have been estimated at the tax rates expected in the period when the assets will be realized or settled. As of June 30th, 2022, the balance was Euro 12,829 thousand, increased by Euro 1,185 thousand compared to June 30th, 2021.

The following table contains a breakdown of the Group's deferred tax assets between Italian companies, non-Italian companies and consolidation adjustments:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Italian companies	2,468	2,373	95
Non-Italian companies	3,566	3,484	82
Consolidation adjustments	6,795	5,787	1,008
Total deferred tax assets	12,829	11,644	1,185

The following table provides details of temporary differences of the Italian companies as of June 30th, 2022 and June 30th, 2021:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Provision for doubtful accounts	708	648	60
Other liabilities	4,154	8,515	(4,361)
Actuarial differences	21	58	(38)
Costs not deducted in prior years	2,119	415	1,704
Taxes loss carryforwards	396	396	0
Reserve for IFRS securities valuation	2,542	(1,113)	3,654
Taxable reserve for IFRS 9 application	5	5	0
Reserve for derivatives hedge accounting	(317)	0	(317)
Total differences	9,628	8,925	703
IRES tax rate	24,0%	24,0%	
Deferred tax assets for IRES	2,311	2,142	169
Deferred tax assets for IRAP	158	231	(73)
Total deferred tax assets of Italian companies	2,468	2,373	95

The deferred tax assets of the non-Italian subsidiaries are as follows:

Euro thousand	June 30th, 2022	June 30th, 2021
Deferred tax assets for losses of 505 Games Spain SI	8	17
Deferred tax assets for losses of the Australian subsidiaries	1,533	1134
Deferred tax assets for temporary differences of 505 Games (US) Inc.	1,842	2,141
Deferred tax assets for temporary differences of 505 Games Interactive	15	27
Deferred tax assets for temporary differences of 505 Games Mobile US	28	56
Deferred tax assets for temporary differences of Hawken Inc.	6	61
Deferred tax assets for losses of Rasplata BV	134	47
Total deferred tax assets of non-Italian subsidiaries	3,566	3,483

Deferred tax assets of non-Italian subsidiaries related to temporary differences assuming their entire recoverability, based on the approved business plans and forecasts. It is expected that each subsidiary will generate enough future taxable income to enable the full recovery of the temporary differences.

The total consolidation adjustments increased by Euro 1,008 thousand from Euro 5,787 thousand to Euro 6,795 thousand and it is made by the tax effect relating to the consolidation of internally developed products.

CURRENT ASSETS

8. Inventories

Inventories was made by finished products for resale. The following table contains a breakdown of inventories by segment:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change
Italian Distribution inventories	2,892	3,774	(882)
Premium Games inventories	1,281	1,934	(653)
Total inventories	4,173	5,708	(1,535)

Total inventories decreased by Euro 1,535 thousand, from Euro 5,708 thousand to Euro 4,173 thousand as of June 30th, 2021, in line with the decrease in retail revenues.

9. Trade receivables

Trade receivables were as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change
Receivables from customers - Italy	1,413	1,671	(258)
Receivables from customers - EU	2,964	3,417	(453)
Receivables from customers - Rest of the world	24,319	14,020	10,299
Total receivables from customers	28,696	19,108	9,588
Provision for doubtful accounts	(915)	(825)	(90)
Total trade receivables	27,781	18,283	9,498

Total trade receivables totalled Euro 27,781 thousand as of June 30th, 2022, a Euro 9,498 thousand increase compared to the June 30th, 2021 balance of Euro 18,283 thousand, due to the increase of the revenues in the last quarter of the fiscal year. Total receivables from customers are reported net of an estimate of potential credit notes to be issued by the Group for price protection or returns.

The following table contains an analysis of receivables from customers as of June 30th, 2022 by due date, together with comparative figures as of June 30th, 2021:

Euro thousand	June 30 th , 2022	% of total	June 30 th , 2021	% of total
Current	27,157	98%	18,004	94%
0 - 30 days overdue	281	1%		
30 - 60 days overdue	34	0%	0	0%
60 - 90 days overdue	30	0%	3	0%
> 90 days overdue	279	1%	916	5%
Total receivables from customers	27,781	100%	19,108	100%

The provision for doubtful accounts increased by Euro 90 thousand from Euro 825 thousand as of June 30th, 2021 to Euro 915 thousand as of June 30th, 2022. The provision for doubtful accounts is estimated based on both a detailed analysis of each single debtor and the application of the IFRS 9.

10. Tax receivables

Total tax receivables are analysed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Receivables under domestic tax group consolidation	248	0	248
VAT receivable	467	1,038	(571)
Tax credit for foreign tax withholdings	325	118	206
Other tax receivables	1,886	344	1,543
Total tax receivables	2,926	1,500	1,426

Total tax receivables increased by Euro 1,426 thousand, from Euro 1,500 thousand as of June 30th, 2021 to Euro 2,926 thousand at June 30th, 2022, mainly due to the Euro 1,233 thousand tax incentives recognized by the British government for the development of video games to the subsidiary Studios Ltd..

11. Other current assets

Total other current assets were advances paid to suppliers, employees and sales representatives. They decreased from Euro 19,279 thousand as of June 30th, 2021 to Euro 13,030 thousand as of June 30th, 2022. They are analyzed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Receivables for video game user licensing rights	3,264	5,112	(1,848)
Advances for video game development operating costs	6,648	11,467	(4,819)
Advances to suppliers	2,963	2,359	604
Other receivables	155	341	(186)
Total other current assets	13,030	19,279	(6,249)

Receivables for video game user licenses rights were advances paid for licenses not yet exploited or completely exploited as at the reporting date. They decreased by Euro 1,848 thousand over the period to stand at Euro 3,264 thousand. The decrease was the estimated use of the period, in line with the reclassification described above in paragraph 3.Intangible assets of the Notes.

Total advances for video game development operating costs amounted to Euro 6,648 thousand and included advances paid for video game programming services, quality assurance and other operating costs, detailed as follows:

Euro thousand	June 30th, 2021	June 30th, 2020	Change
Programming	3,550	8,644	(5,094)
Quality assurance	1,825	1,904	(79)
Other operating costs	1,273	919	354
Total advances for video game development operating costs	6,648	11,467	(4,819)

Total advances for video game development operating costs decreased by Euro 4,819 thousand compared to June 30th, 2021 due to the use of the fiscal year, in line with revenues realized in the period..

NET EQUITY

The detailed changes in equity are shown in the consolidated statement of changes in equity. They can be summarized as follows:

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		32,025	(32,025)	0	0	0	0
Dividend paid							0		(2,567)		(2,567)	(2,567)		(2,567)
Other changes						812	812				0	812	423	1,235
Comprehensive income (loss)					728	(2,547)	(1,819)			28,546	28,546	26,727	110	26,837
Total on June 30th, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318

14. Share capital

The share capital as of June 30th, 2022 increased by Euro 1 thousand compared to June 30th, 2021 following the exercise of 2,100 shares of the stock option plan and is split into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,705,174.80. No other shares of any nature were issued. There are no rights, liens or restrictions associated with the ordinary shares.

15. Reserves

The change in other reserves included Euro 812 thousand to adjust the stock option reserve and negative Euro 2,547 thousand consisting of:

- Euro 2,778 thousand (negative) to adjust the reserve for fair value measurement of financial assets;
- Euro 201 thousand (positive) to adjust the cash flow hedge reserve;
- Euro 30 thousand (positive) to adjust the actuarial reserve.

The Reserves, other than those provided by the Law, do not have any specific function.

Digital Bros S.p.A. has approved a stock option plan for the period 2016-2026, providing for a maximum distribution of 800,000 options. On January 20th, 2017 and May 12th, 2017, the Board of Directors approved the assignment of 744,000 options with an exercise price of Euro 10.61 and of 56,000 options with an exercise price of Euro 12.95. All the options will expire on June 30th, 2026.

As of June 30th, 2022, the options in place are 722,900 following the resignations of some beneficiaries in previous years and the exercise of 2,100 options during the reporting period.

Digital Bros S.p.A. applies the vesting conditions by adjusting the total number of outstanding options based on the assessment of those that will actually vest. The options assessed at June 30th, 2022 are no. 640,264 for a stock option reserve of Euro 3,436 thousand.

Number of options	ESOP 2016 - 2026
January 1st, 2017	-
Assigned (2017)	800,000
Expired	-
Resignation	(75,000)
Exercised	(2,100)
Number of options as of June 30th, 2022	722,900
Vesting conditions	(82,636)
Number of outstanding options assessed at June 30th, 2022	640,264

NON-CURRENT LIABILITIES

18. Employee benefits

Employee benefits reflected the actuarial value at the closing date of the Group's liability to employees, as calculated by an independent actuary. It increased by Euro 42 thousand compared to the prior fiscal year.

The IAS 19 actuarial measurement as of June 30th, 2022 was performed using a discount rate based on the Iboxx Corporate A 10y+ index, in line with the rate used at the previous reporting date. The use of a discount rate based on the Iboxx Corporate AA index would not create a significant difference.

The calculation method can be summarized as follows:

- for each employee on the payroll, projection of the termination indemnity already provided for at December 31st, 2006 and revalued as of the measurement date;
- calculation for each employee of the probable termination indemnity that the Company will have to pay in the event of the employee's dismissal, resignation, disability, death or retirement and in the event of requests for advances;
- discounting of each probable payment to net present value.

The estimate is based on the Italian companies' reporting date headcount of 104 employees.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2022 were as follows:

- annual interest rate of 3.65%;
- annual increase in remuneration rate of 3.075%;
- annual inflation rate of 2.10%.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2021 were as follows:

- annual interest rate of 0.92%;
- annual increase in remuneration rate of 2.1%;
- annual inflation rate of 0.80%.

The following table shows the changes on the provision for employee termination indemnities in the current and previous reporting periods:

Euro thousand	June 30th, 2022	June 30th, 2021
Provision for employee termination indemnities at July 1st, 2021	719	659
Utilization of provision for leavers	(49)	(12)
Allocated during period	286	288
Restatement for supplementary pension schemes	(153)	(215)
Restatement for actuarial measurement	(42)	(1)
Provision for employee termination indemnities as of June 30th, 2022	761	719

The Group does not have in place any supplementary pension plans.

19. Non-current provisions

Non-current provisions were entirely made of the sales representatives' termination indemnity provision. The balance of Euro 81 thousand as of June 30th, 2022 is unchanged compared to June 30th, 2021.

20. Other non-current payables and liabilities

As of June 30th, 2022 other non-current payables and liabilities amounted to Euro 1,954 thousand and consisted of the portion of the debt due after twelve months for the purchase of the Australian companies. The estimated cost for the 2021-2027 Medium-Long Term Monetary Incentives Plan has been classified as a current liability as the portion of the debt matured as of June 30th, 2022 will be paid within forty five days from the approval of the financial statements at June 30th, 2022 by the Shareholders' Meeting.

CURRENT LIABILITIES

22. Trade payables

Total trade payables amounted to Euro 52,125 thousand as of June 30th, 2022 and increased by Euro 4,932 thousand compared to June 30th, 2021. They were mostly payables to developers for royalties. Details by geographical area are provided below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Trade payables – Italy	(3,569)	(2,494)	(1,075)
Trade payables – EU	(16,091)	(17,507)	1,416
Trade payables – Rest of world	(32,465)	(27,192)	(5,273)
Total trade payables	(52,125)	(47,193)	(4,932)

23. Tax payables

Total tax payables decreased by Euro 7,207 thousand from Euro 10,782 thousand as of June 30th, 2021 to Euro 3,575 thousand as of June 30th, 2022. The balance is detailed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Income taxes payable	(865)	(6,735)	5,870
Other tax payables	(2,710)	(4,047)	1,337
Total tax payables	(3,575)	(10,782)	7,207

The prepaid by the Italian companies have almost offset the total debt for the current fiscal year. This lead to a Euro 5,870 thousand decrease in income taxes payable compared to June 30th, 2021.

24. Current provisions

As of June 30th, 2022, there were no current provisions as in previous periods.

25. Other current liabilities

Total other current liabilities amounted to Euro 4,657 thousand and decreasing by Euro 5,274 thousand compared to June 30th, 2021. Details are provided below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Amounts due to social security institutions	(512)	(511)	(1)
Amounts due to employees	(2,796)	(1,558)	(1,238)
Amounts due to contractors	(44)	(43)	(1)
Other payables	(1,305)	(7,820)	6,515
Total other current liabilities	(4,657)	(9,932)	5,274

Amounts due to employees included the holiday accrual at the end of the reporting period, the amounts accrued for the deferred portion of short term bonuses, and the liability relating to the 2021-2027 Medium-Long Term Monetary Incentives Plan that will be paid before the end of December 2022 which represents the reason for the increase.

Other payables mostly included advance payments received from several customers in relation to sub-licensing contracts of several intellectual properties owned by the Group. The decrease compared to June 30th, 2021 was due to the payment of a Euro 1,639 thousand portion of the purchase price of the Australian companies due in December 2021 as contractually provided, together with the reduction of the debt new assessment estimated at year end.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position as of June 30th, 2022 together with comparative figures as of June 30th, 2021:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change
12	Cash and cash equivalents	10,961	35,509	(24,548)
13	Other current financial assets	329	0	329
26	Current financial liabilities	(10,627)	(4,409)	(6,218)
	Current net financial position	663	31,100	(30,437)
7	Non-current financial assets	18,257	18,840	(583)
21	Non-current financial liabilities	(15,213)	(11,694)	(3,519)
	Non-current net financial position	3,045	7,146	(4,102)
	Total net financial position	3,707	38,246	(34,539)

The net financial position prepared in accordance with the Guidelines on disclosure requirements pursuant to the regulation on the table issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed below.

The net financial position amounted to Euro 3,707 thousand. As expected, it decreased from Euro 38,246 thousand as of June 30th, 2021, by Euro 34,539 thousand in sync with the significant investment plan implemented by the Group during the fiscal year. Net of the IFRS 16 effect, the net financial position amounted to positive Euro 9,727 thousand as of June 30th, 2022.

Current net financial position

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 10,961 thousand as of June 30th, 2022, a decrease of Euro 24,548 thousand compared to June 30th, 2021. They have no encumbrances and consist entirely of account deposits available on demand.

13. Other current financial assets

Other current financial assets as of June 30th, 2022 amounted to Euro 329 thousand and consisted of the market value at the fiscal year end, in accordance with the provisions of hedge accounting, of the three option contracts subscribed by the Group for a notional value of Euro 1,375 thousand, Euro 4,000 thousand and Euro 15,000 thousand to hedge interest rates changes on the loans granted by UniCredit S.p.A..

26. Current financial liabilities

Current financial liabilities were made by loans due within a year and other current financial liabilities for a total amount of Euro 10,627 thousand. Details are as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change
Financial loans due within a year	(8,462)	(3,110)	(5,352)
Other current financial liabilities	(2,165)	(1,299)	(866)
Total current financial liabilities	(10,627)	(4,409)	(6,218)

Financial loans amounted to Euro 8,462 thousand were the portion with a maturity within 12 months of:

- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the thirty six months loan agreement provides for principal repayments in twelve quarterly instalments in arrears between 29/04/2021 and 29/01/2024; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.35 basis points;
- a Euro 1,375 thousand financial loan granted by UniCredit S.p.A. to Digital Bros S.p.A. on 28/01/2021 to consolidate existing credit lines for a total of Euro 200 thousand and to develop and implement new investments for the remaining Euro 1,175 thousand. The loan provides for a pre-amortization period starting from the initial date and until 31/01/2022 during which Digital Bros will pay quarterly installments of interest only, and a quarterly capital repayment period between 30/04/2022 and 31/01/2025; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 basis points. Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to hedge the interest rates changes for the duration of the loan by paying Euro 14 thousand. As of June 30th, 2022 the fair value was positive for Euro 28 thousand;
- a Euro 4 million loan granted by UniCredit S.p.A. to 505 Games S.p.A. on 28/01/2021 to consolidate existing credit lines for a total of Euro 700 thousand and to develop and implement

new investments for the remaining Euro 3,300 thousand. The loan provides for a pre-amortization phase starting from the disbursement date and until 31/01/2022 during which Digital Bros will pay quarterly deferred installments of interest only, and a quarterly capital repayment between 30/04/2022 and 31/01/2025; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 basis points. Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to hedge the interest rates changes for the duration of the loan, by paying Euro 40 thousand. As of June 30th, 2022 the fair value of the option was positive for Euro 81 thousand;

- a Euro 15 million loan granted by UniCredit S.p.A. to 505 Games S.p.A. on 30/09/2021 to consolidate existing credit lines and working capital. The loan provides for a quarterly capital repayment phase between 31/12/2021 and 30/09/2024; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.85 basis points. Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to hedge the interest rates changes for the entire duration of the loan, paying Euro 70 thousand. As of June 30th, 2022 the fair value of the option was positive for Euro 221 thousand.

Other current financial liabilities are detailed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Pro soluto advances	(12)	(8)	(4)
Lease instalments due within a year	(69)	(67)	(2)
Fair value of derivatives	(579)	0	(579)
Lease contracts liabilities	(1,505)	(1,224)	162
Total current financial liabilities	(2,165)	(1,299)	(423)

The fair value of derivatives related to the valuation as of June 30th, 2022 of the two contracts signed with UniCredit S.p.A. to hedge the risks of the Yen exchange rates to which the Group is exposed for certain development contracts. Pursuant with the provisions of IAS 39, financial liabilities hedged by derivative instruments have been valued at fair value, in accordance with the provisions of hedge accounting.

Non-current net financial position

7. Non-current financial assets

Non-current financial assets amounted to Euro 18,257 thousand and consisted entirely of the fair value assessment of the convertible bond issued by Starbreeze AB with a nominal value of SEK 215 million and mature date in December 2024. The Euro 583 thousand decrease compared to June 30th, 2021 is due to the current fair value assessment.

21. Non-current financial liabilities

Total non-current financial liabilities included loans due after more than a year and other non-current financial liabilities for a total of Euro 15,213 thousand. Details are provided below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Loans due after more than a year	(10,646)	(7,858)	(2,788)
Other non-current financial liabilities	(4,567)	(3,836)	(731)
Total non-current financial liabilities	(15,213)	(11,694)	(3,519)

As of June 30th, 2022, loans due after more than a year amounted to Euro 10,646 thousand representing the non-current portion of the loans granted to Digital Bros S.p.A. and 505 Games S.p.A. described above.

Lending institution	Recipient	Issue date	Total amount of the loan	Amount due over 12 months
UniCredit S.p.A.	Digital Bros S.p.A.	28/01/2021	1,375	802
UniCredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	2,333
Intesa SanPaolo S.p.A.	Digital Bros S.p.A.	29/01/2021	5,000	1,261
UniCredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	6,250
Total loans due after more than a year			25,375	10,646

Other non-current financial liabilities amounted to Euro 4,567 thousand. They included Euro 50 thousand of lease repayments due after more than a year and Euro 4,517 thousand due to application of the IFRS 16 accounting standard.

The following table shows finance and operating lease payments by maturity:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Within 1 year	1,574	1,291	283
1-5 years	4,567	2,919	1,648
More than 5 years	0	917	(917)
Total	6,141	5,127	1,014

For information purposes only, the following table reports the net financial position in accordance with the Guidelines on disclosure requirements pursuant to the regulation on the prospectus issued by ESMA (European Securities and Markets Authority) on March 4th, 2021:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
A.	Cash	10,961	35,509	(24,548)	-69.1%
B.	Cash equivalents	0	0	329	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	10,961	35,509	(24,548)	n.m.
E.	Current financial debt (included debt instrument, but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	10,627	4,409	6,218	n.m.
G.	Current financial indebtedness (E + F)	10,627	4,409	6,218	141.0%
H.	Net current financial indebtedness (G - D)	(334)	(31,099)	30,766	n.m.
I.	Non-current financial liabilities (excluding current portion and debt instruments)	15,213	11,694	3,519	-30.1%
J.	Debt instruments	0	0	0	0.0%
K.	Non-current trade and other payables	0	0	0	0.0%
L.	Non-current financial indebtedness (I + J + K)	15,213	11,694	3,519	30.1%
M.	Total financial indebtedness (H + L)	14,879	(19,405)	34,284	n.m.

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations increased from Euro 76,514 thousand as of June 30th, 2021 to Euro 117,128 thousand as of June 30th, 2022. Obligations are made by the future payments for development and sub-licensing contracts signed at the closing date. The increase is in line with the investments plan implemented by the Group in recent years.

9. CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30TH, 2022

3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period as of June 30th, 2022. The Holding operating segment did not generate revenue:

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	7,132	120,308	4,043	755	132,238
2	Revenue adjustments	0	0	0	0	0
3	Total net revenue	7,132	120,308	4,043	755	132,238

As of June 30th, 2021 the breakdown was as follows:

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	10,679	134,648	4,774	602	150,703
2	Revenue adjustments	0	(1,242)	(281)	0	(1,523)
3	Total net revenue	10,679	133,406	4,493	602	149,180

The total net revenue is commented in the Directors' Report.

8. Cost of sales

Cost of sales is analysed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Purchase of products for resale	(4,607)	(5,598)	991	-17.7%
Purchase of services for resale	(6,733)	(10,528)	3,795	-36.1%
Royalties	(32,586)	(41,322)	8,736	-21.1%
Changes in inventories of finished products	(1,535)	(2,281)	746	-32.7%
Total cost of sales	(45,461)	(59,729)	14,268	-23.9%

The Directors' Report contains more detailed analysis of the individual revenues and cost of sales items for each of the Group's operating segments.

10. Other revenue

Other income amounted to Euro 11,584 thousand, increased by Euro 7,524 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games, that, during the reporting period, included:

- the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd.;
- the development of the Free to Play video game Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd.;
- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;

- the development of a new video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

11. Costs for services

Costs for services are analysed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Advertising, marketing, trade fairs and exhibitions	(4,153)	(5,306)	1,153	-21.7%
Transport and freight	(272)	(420)	149	-35.3%
Other sales related costs	(202)	(223)	21	-9.6%
Subtotal: sales related services	(4,627)	(5,949)	1,323	-22.2%
Sundry insurance	(358)	(364)	5	-1.5%
Consulting fees	(2,491)	(2,616)	125	-4.8%
Postage and telegraph	(198)	(211)	13	-6.1%
Travel and subsistence costs	(411)	(100)	(312)	n.m.
Utilities	(261)	(181)	(81)	44.6%
Maintenance	(96)	(88)	(8)	9.2%
Statutory Auditors' fees	(120)	(108)	(11)	0.0%
Subtotal: general services	(3,936)	(3,668)	(269)	7.3%
Total costs for services	(8,562)	(9,617)	1,054	-11.0%

Total costs for services decreased by Euro 1,054 thousand due to lower advertising, marketing, trade fairs and exhibitions costs.

12. Lease and rental costs

Lease and rental costs amounted to Euro 497 thousand compared to Euro 311 thousand as of June 30th, 2021. As of June 30th, 2022 the item included Euro 401 thousand of expenses relating to the rental of the offices of Group companies and Euro 96 thousand of lease costs for cars and warehouse equipment that do not fall within the scope of application of IFRS 16 because of their modest amount or the short residual duration of the lease.

13. Payroll costs

Payroll costs totalled Euro 33,867 thousand and increased by Euro 9,250 thousand compared to the prior fiscal year. They included the Directors' fees approved by the Shareholders' Meeting, amounts paid to temporary workers and contract staff and the cost of cars assigned to employees. Details below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Wages and salaries	(24,156)	(16,389)	(7,767)	47.4%
Social contributions	(4,629)	(3,860)	(770)	19.9%
Employee termination indemnity	(366)	(293)	(73)	25.0%
Stock option plan	(812)	(329)	(483)	n.m.
Directors' fees	(1,493)	(1,522)	29	-1.9%
Temporary labour and contract staff	(2,329)	(2,141)	(188)	8.8%
Agents' commission	(16)	(19)	3	-15.4%
Other payroll costs	(65)	(64)	(1)	1.9%
Total payroll costs	(33,867)	(24,617)	(9,250)	37.6%

Total payroll costs increased compared to the prior fiscal year due to the higher number of employees, also following the Group most recent acquisitions.

Payroll costs included wages and salaries, social contributions and the employee termination indemnity. They increased by Euro 8,609 thousand compared with the previous fiscal year, while the average cost per employee decreased by 3.8%:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Wages and salaries	(24,156)	(16,389)	(7,767)	47.4%
Social contributions	(4,629)	(3,860)	(770)	19.9%
Employee termination indemnity	(366)	(293)	(73)	25.0%
Total payroll costs	(29,151)	(20,542)	(8,609)	41.9%
Average number of employees	351	238	113	47.5%
Average cost per employee	(83.1)	(86.3)	3.2	-3.8%

A breakdown of the Group's workforce by employee category as of June 30th, 2022 is provided in the Directors' Report.

14. Other operating costs

The following table contains details of operating costs, together with prior year comparatives:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Sundry materials costs	(27)	(40)	13	-33.2%
General & administrative costs	(1,037)	(855)	(182)	21.3%
Entertainment expenses	(12)	(14)	2	-14.4%
Sundry bank charges	(231)	(261)	30	-11.4%
Total other operating costs	(1,307)	(1,170)	(137)	11.7%

Total other operating costs amounted to Euro 1,307 thousand and remained unchanged compared to the previous year against higher general & administrative costs offset by the decrease in all other items.

21. Depreciation, amortization and impairment adjustments

Total depreciation, amortization and impairment adjustments included:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Depreciation and amortization	(19,030)	(24,600)	5,569	-22.6%
Asset impairment change	(1,708)	(2,647)	939	-35.5%
Impairment reversal	2,570	0	2,570	n.m.
Total depreciation, amortization and impairment adjustments	(18,168)	(27,247)	9,078	-33.3%

Total depreciation, amortization and impairment adjustments amounted to Euro 18,168 thousand, decreasing by Euro 9,078 thousand compared to June 30th, 2021. Depreciation and amortization decreased by Euro 5,569 thousand.

The Euro 1,708 thousand asset impairment change related for Euro 1,099 thousand to video games for which it is expected that the value of the assets recorded will not be recoverable due to expected below expectations results, and for Euro 530 thousand to the portions of withholdings subject to of the agreement with the Italian Tax Authorities that were deemed irrecoverable by suppliers.

Impairment reversals consisted almost exclusively of the adjustment of the debt of 505 Games Australia Pty. for the earn-out to be paid in connection with the acquisition of the Australian companies.

25. Net financial income / (expenses)

The analysis is as follows:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
23	Interest and financial income	8,349	7,666	683	8.9%
24	Interest and financial expenses	(4,148)	(3,401)	(747)	22.0%
25	Net financial income / (expenses)	4,201	4,265	(64)	-1.5%

The net financial income was positive for Euro 4,201 thousand compared to Euro 4,265 thousand registered in the previous fiscal year. This is the result of a Euro 683 thousand increase in interest and financial income and a Euro 747 thousand increase in interest and financial expenses.

Interest and financial income may be analysed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Current exchange gains	4,649	2,995	1,654	55.2%
Financial income	3,670	4,658	(988)	-21.2%
Other	30	13	17	n.m.
Total interest and financial income	8,349	7,666	683	8.9%

Total interest and financial income increased by Euro 683 thousand due to a Euro 1,654 thousand increase in current exchange gains, partially offset by lower financial income for Euro 3,670 thousand. Financial income included Euro 3,096 thousand due to the restatement of the around USD 20 million loan receivable from Starbreeze AB as acquired for consideration of Euro 100 thousand and Euro 383 thousand fair value measurement of the convertible bond issued by Starbreeze AB.

Interest and financial expenses amounted to Euro 4,148 thousand, increasing by Euro 747 thousand compared to the previous fiscal year due to higher interest expenses on derivative products.

Interest and financial expenses are analysed in detail as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	%
Interest expenses on current accounts and trade finance	(50)	(90)	40	-44.4%
Interest expenses to tax authorities	(80)	0	(80)	n.m.
Interest expenses on derivative products	(634)	0	(634)	n.m.
Interest expenses on loans and leases	(185)	(192)	7	-3.6%
Factoring interest expenses	0	(1)	1	-80.0%
Total interest expenses on sources of finance	(949)	(283)	(666)	-3.6%
Currency exchange losses	(3,199)	(3,118)	(81)	2.6%
Interest and financial expenses	(4,148)	(3,401)	(747)	22.0%

29. Total taxes

Current and deferred taxes as of June 30th, 2022 are detailed below:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	%
Current taxes	(10,929)	(11,910)	981	-8.2%
Deferred taxes	(576)	9,032	(9,608)	n.m.
Total taxes	(11,505)	(2,878)	(8,627)	n.m.

Total taxes increased by Euro 8,627 thousand due to the Euro 9,608 thousand decrease in deferred taxes.

Last fiscal year benefited of the substitute tax on the revaluation of the Assetto Corsa brand.

Current taxes are analyzed in more detail as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	%
IRES	(8,405)	(9,154)	749	-8.2%
IRAP	(2,246)	(1,349)	(897)	66.5%
Current taxes of non-Italian companies	(278)	(657)	379	-57.7%
Other current taxes	0	(750)	750	n.m.
Total current taxes	(10,929)	(11,910)	981	-8.2%

Last fiscal year other current taxes referred to the substitute tax on the revaluation of the Assetto Corsa brand recognized in the Kunos Simulazioni S.r.l.'s separate financial statements.

IRES for the year was determined as follows:

Euro thousand	June 30 th , 2022	June 30 th , 2021
Taxable income for IRES purposes (A)	34,429	38,167
IRES rate (B)	24.0%	24.0%
IRES for the period (A)*(B)	(8,263)	(9,160)
Taxes relating to prior period	(142)	6
IRES for the period	(8,405)	(9,154)

IRES for the period is reconciled with the result reported in the financial statements as follows:

Euro thousand	June 30th, 2022		June 30th, 2021	
Parent Company profit before tax	7,974		9,140	
IRES rate	24.0%		24.0%	
Theoretical taxation	(1,914)	-24.0%	(2,194)	-24.0%
Tax effect of non-deductible costs	1,592	20%	1,689	18%
Tax effect of utilisation of tax losses not previously utilised	0		0	
Net tax effect of reversal of deferred tax assets not included in the items above	(168)		58	
IRES on capital gain classified under financial income	0		0	
Parent Company total IRES	(490)		(446)	
Tax effect of share of profits of subsidiaries	(7,773)		(8,714)	
Prior fiscal year taxation	(142)		6	
Taxes on income for the year and effective tax rate	(8,405)	-105%	(9,154)	-100%

IRAP for the period was determined as follows:

Euro thousand	June 30th, 2022	June 30th, 2021
Taxable income for IRAP purposes	33,068	33,068
IRAP rate	3.9% / 5.57%	3.9% / 5.57%
IRAP for the period	(1,743)	(1,349)
IRAP relating to prior fiscal year	(503)	0
IRAP for the period	(2,246)	(1,349)

Since July 1st, 2020, the Parent Company falls within the scope of application of the 5.57% IRAP rate for industrial holding companies.

The IRAP expense for the fiscal year may be reconciled with the result reported in the financial statements as follows:

Euro thousand	June 30th, 2022		June 30th, 2021	
Operating margin/EBIT of Parent Company	5,365		(2,927)	
IRAP rate	5.57%		5.6%	
Theoretical IRAP	(299)	-5.57%	163	-5.6%
Tax effect of non-deductible costs	111	2.1%	(382)	13.0%
Net tax effect of reversal of deferred tax assets not included in above items	(0)		21	
Parent Company total IRAP	(188)		(198)	
Tax effect of share of results of subsidiaries	(1,555)	-29.0%	(1,151)	39.3%
Tax on income for the period and effective tax rate	(1,743)	-32.5%	(1,349)	46.1%

32. Basic earnings per share

Basic earnings per share is determined based on the following figures:

Euro thousand	June 30th, 2022	June 30th, 2021
Total net result	28,546	32,025
Total average number of shares issued	14,260,964	14,260,837
Earnings per share in Euro	2.00	2.25

Basic earnings per share is calculated by dividing the result for the period by the average number of shares in issue (excluding treasury shares).

33. Diluted earnings per share

Following the vesting on July 1st, 2019 of 216,000 rights to subscribe new shares in terms of the stock option plan 2016/2026 – available on the Company website – diluted earnings per share is calculated as follows:

Euro thousand	June 30th, 2022	June 30th, 2021
Total net result	28,546	32,025
Total average number of shares in issue	14,476,837	14,476,837
Earnings per share in Euro	1.97	2.21

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (IFRS 7)

The main financial instruments used by the Group are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Medium-term loans for product development.

The objective of these instruments is to finance the Group's operating activities.

Parent Company Digital Bros S.p.A. and 505 Games S.p.A. manage all financial risks on behalf of itself and its subsidiaries. This is except for other financial instruments not listed above i.e., trade payables and receivables arising from operating activities for which the financial risk remains the responsibility of each individual subsidiary.

The Group seeks to maintain a balance between short-term and medium/long-term financial instruments in line with prospective trends. Long-term investments are normally financed through medium/long-term credit lines, often dedicated to the individual investment, sometimes in the form of finance leases.

Given the above, medium- and long-term financial payables have a well-distributed range of maturities.

The additional disclosures required by IFRS 7 are provided in the following tables for the years ended June 30th, 2022 and 2021 in order to evaluate the significance of financial instruments to the Group's results and financial position.

Financial instruments: consolidated balance sheet as of June 30th, 2022

Category of financial assets in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2022 (in Euro thousand)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30 th , 2022	Notes
Investments			7,497	7,497	4
Non-current receivables and other assets	-	13,151	-	13,151	5
Non-current financial assets	18,257	-	-	18,257	7
Trade receivables	-	27,781	-	27,781	9
Other current assets	-	13,030	-	13,030	11
Cash and cash equivalents	-	10,961	-	10,961	12
Current financial assets	-	329	-	329	13
Total	18,257	65,252	7,497	91,006	

Category of financial liabilities in terms of IFRS 9

Financial instruments – Liabilities as of June 30th, 2022 (in Euro thousand)	FVTPL	Liabilities at amortized cost	FVTOCI	Carrying amount as of June 30 th , 2022	Notes
Non-current financial liabilities	-	15,213	-	15,213	21
Trade payables	-	52,125	-	52,125	22
Other current liabilities	-	1,305	-	1,305	25
Current financial liabilities	-	10,627	-	10,627	26
Total	-	79,180	-	79,180	

Financial instruments: consolidated balance sheet as of June 30th, 2021

Category of financial assets in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2021 (in Euro thousand)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30 th , 2021	Notes
Non-current receivables and other assets	-	5,089	-	5,089	5
Non-current financial assets	18,840	-	-	18,840	7
Trade receivables	-	18,283	-	18,283	9
Other current assets	-	19,279	-	19,278	11
Cash and cash equivalents	-	35,509	-	35,509	12
Current financial assets	-	0	-	0	13
Total	18,840	78,160	-	97,000	

Category of financial liabilities in terms of IFRS 9

Financial instruments – Liabilities as of June 30th, 2021 (in Euro thousand)	FVTPL	Liabilities at amortized cost	FVTOCI	Carrying amount as of June 30 th , 2021	Notes
Non-current financial liabilities	-	11,694	-	11,694	21
Trade payables	-	47,193	-	47,193	22
Other current liabilities	-	7,820	-	7,820	25
Current financial liabilities	-	4,409	-	4,409	26
Total	-	71,116	-	71,116	

The main risks to which the Group is subject are:

- interest rate risk
- liquidity risk
- exchange rate risk
- risk of dependence on key customers and collection risk.

Interest rate risk

The risk of interest rate increases is an effective risk for short-term financial instruments because the Group cannot immediately pass on any interest rate rises by increasing its selling prices.

This risk is mitigated by the Group overall low level of debt and by the adoption of a short-term cash flowing procedure. The Group has subscribed three option contracts for a notional value of Euro 1,375 thousand, Euro 4,000 thousand and Euro 15,000 thousand to hedge interest rates changes on the Euro 1,375 thousand, Euro 4,000 thousand and Euro 15,000 thousand loans granted by UniCredit S.p.A. to the Parent Company and to 505 Games S.p.A on January 28th, 2021, and on September 30th, 2021 to 505 Games S.p.A..

Liquidity risk

The liquidity risk relates to problems in accessing the credit market.

It often takes several years to develop a video game. This means it is necessary to find additional lines of credit to cover the period between the investment and the return on invested capital after the product launch.

The mitigating factors that can reduce this risk are:

- cash flows, financing requirements and liquidity requirements are monitored centrally by the Group Treasury with the aim of ensuring effective and efficient management of financial resources and guaranteeing an appropriate level of available liquidity;
- the Group's level of capitalisation means it only has to use leverage to a marginal extent.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Group to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Group's funding requirements in good time.

The following table shows the Group's financial obligations by contractual maturity, in the worst-case scenario and using undiscounted amounts, considering the earliest date by which the Group could be asked for payment and providing the number of the relevant note.

Financial liabilities as of June 30th, 2022 (in Euro thousand)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Notes
Non-current financial liabilities	15,213		9,257	3,755	1,106	773	322	15,213	21
Current financial liabilities	10,627	10,627						10,627	26
Total	25,840	10,627	9,257	3,755	1,106	773	322	25,840	

Financial liabilities as of June 30th, 2021 (in Euro thousand)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Notes
Non-current financial liabilities	11,694		4,424	3,756	1,988	609	917	11,694	21
Current financial liabilities	4,409	4,409						4,409	26
Total	16,103	16,807	3,400	902	0	0	0	16,103	

The Group has sufficient financial resources to satisfy its debt maturing within one year. These financial resources include cash and cash equivalents, unutilised credit facilities totalling around Euro 47 million at the reporting date and cash flows from operating activities.

Exchange rate risk

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that currency. This means that any negative changes in the EUR/USD exchange rate would cause production costs and royalties to increase but would also lead to higher revenues in USD (the reverse also holds true). While preparing the forecast plans, the Group implements models that take into account the different currencies in which the companies operate using forward exchange rates based on reports by independent analysts.

The risk is mitigated by the fact that foreign currency payments are often made in advance. The Group books in advance the actual development costs for a video game and manages to reflect any additional expenses due to exchange rate fluctuation in its selling prices. The Group can also take action to adjust selling prices in order to offset the effect of any exchange rate fluctuation. Another mitigating factor is the possibility of entering into contracts in the same currency so as to mitigate the effect of any negative exchange rate fluctuation.

The Group also adopts a medium and long-term planning procedure.

505 Games S.p.A. has signed three development contracts in Yen against which has stipulated two flexible forward contracts for a total notional of Yen 1,985,600 thousand to partially cover the risks connected to future contractual payments which are equal to Yen 4,164,598 thousand. At June 30th, 2022, the fair value of the instruments was negative for Euro 579 thousand.

Risk of dependence on key customers and collection risk

During the reporting period, the top ten global customers accounted for around 88.4% of trade receivables while the top 50 customers accounted for 99.7%. Gradual market digitalisation will necessarily lead to a further increase in the level of receivables concentration as sales will be made on marketplaces operating on a global scale. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on all digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning.

The concentration of sales on a small number of customers increases the credit risk.

This risk is mitigated by the potential entry of new marketplaces onto the video game digital distribution market and by the high concentration of digital revenues on a handful of marketplaces with high credit ratings (i.e., Sony, Microsoft, Apple, etc).

The following table provides details of receivables from customers by due date as of June 30th, 2022 and June 30th, 2021:

Euro thousand	June 30th, 2022	% on total	June 30th, 2021	% on total
Not overdue	27,157	98%	18,004	94%
0 -30 days overdue	281	1%	185	1%
30 - 60 days overdue	34	0%	0	0%
60 - 90 days overdue	30	0%	3	0%
> 90 days overdue	279	1%	916	5%
Total receivables from customers	27,781	100%	19,108	100%

Fair value of financial assets and liabilities and calculation models used

The table below presents the fair value of assets and liabilities based on the calculation methods and models used. Financial assets whose fair value cannot be determined have not been included.

The fair value of bank borrowing has been calculated based on the interest rate curve at the reporting date, without making assumptions as to the credit spread.

The fair value of financial instruments listed on an active market is based on reporting date market prices. The market prices used are bid/ask prices depending on the asset/liability held. The fair value of unlisted financial instruments and derivatives is determined using the valuation models and techniques most prevalent on the market, using inputs observable on the market.

Fair value has not been calculated for trade receivables and trade payables as their carrying amount approximates fair value.

The Group believes there is no significant difference between fair value and carrying amount in regard to finance lease payables and payables to other lenders.

Euro thousand	Carrying amount as of June 30 th , 2022	Mark to Market	Mark to Model	Total Fair Value	Notes
		Fair Value	Fair Value		
Other non-current financial assets	18,257	0	18,257	18,257	7
Cash and cash equivalents	10,961	10,961		10,961	12
Other current financial assets	329	329		329	13
Non-current financial liabilities	(15,213)	(15,213)		(15,213)	21
Current financial liabilities	(10,627)	(10,627)		(10,627)	26
Total	3,707	(14,550)	18,257	3,707	

Euro thousand	Carrying amount as of June 30 th , 2021	Mark to Market	Mark to Model	Total Fair Value	Notes
		Fair Value	Fair Value		
Other non-current financial assets	18,840	0	18,840	18,840	7
Cash and cash equivalents	35,509	35,509		35,509	12
Other current financial assets	0	0		0	13
Non-current financial liabilities	(11,694)	(11,694)		(11,694)	21
Current financial liabilities	(4,409)	(4,409)		(4,409)	26
Total	38,246	19,406	38,246	38,246	

Exchange rate risk: sensitivity analysis

A sensitivity analysis has been performed in accordance with IFRS 7. It applies to all financial instruments reported in the financial statements.

The Group has performed a sensitivity analysis that measures the assessed impact on profit and loss and on the balance sheet of an exchange rate fluctuation of +/-10% compared to the rates in effect as of June 30th, 2021 for each class of financial instrument, with all other variables remaining constant. The analysis is purely illustrative, as such changes rarely take place in an isolated manner.

As of June 30th, 2022, the Group was not exposed any additional risks, such as the commodity risk.

The sensitivity analysis of exchange rates took account of the risk that may arise for any financial instrument denominated in a currency other than the Euro. Consequently, the translation risk was also considered.

The table below shows the impact on the net financial position and on profit before tax of a 10% increase/decrease in the EUR/USD exchange rate compared to the budgeted rate of 1.10:

Type of change	Effect on net financial position	Effect on profit before tax
+10% USD	(3,235)	(2,264)
-10% USD	3,848	2,769

Fair Value hierarchy

IFRS 7 requires financial instruments recognised at fair value to be classified in a hierarchy reflecting the significance of the inputs used to measure fair value. The levels are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are directly or indirectly observable in the market;
- Level 3: inputs not based on observable market data.

The Group uses various measurement and valuation models to determine the fair value of financial instruments. The following table contains a summary of such financial instruments as of June 30th, 2022 and June 30th, 2021:

Carrying amount as of June 30 th , 2022	Instrument	Level 1	Level 2	Level 3	Total	Notes
Investments	Listed shares	7.497			7.497	4
Non-current financial assets	Bonds		18.257		18.257	7

Carrying amount as of June 30 th , 2021	Instrument	Level 1	Level 2	Level 3	Total	Notes
Investments	Listed shares	10.903			10.903	4
Non-current financial assets	Bonds		18.840		18.840	7

11. NON-RECURRING ITEMS

Non-recurring income and expenses shall be presented separately in the profit and loss statement, in accordance with Consob Resolution 15519 of July 27th, 2006. They are generated by transactions or events that, by their nature, do not occur on a regular basis during ordinary operating activities.

During the fiscal year, the Group accounted non-recurring income for Euro 2,367 thousand related to the adjustment of the debt of 505 Games Australia Pty. for the earn-out to be paid in connection with the acquisition of the Australian companies.

12. INFORMATION BY OPERATING SEGMENT

Digital Bros Group develops, publishes, distributes and markets video games on an international scale. The Group is organised into five operating segments:

- Premium Games;
- Free to Play;
- Italian Distribution;
- Other Activities;
- Holding.

The directors monitor the results of each operating segment separately in order to decide how to allocate resources and verify results. Financial income and expenses (including loan income and expenses) and income tax are managed at Group level and are not allocated to the operating segments.

The results by operating segment for the years ended June 30th, 2022 and June 30th, 2021 are set out below. See the Directors' Report for related comments.

Consolidated profit and loss statement by operating segment for the period ended June 30th, 2022

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	7,132	120,308	4,043	755	0	132,238
2	Revenue adjustments	0	0	0	0	0	0
3	Total revenue	7,132	120,308	4,043	755	0	132,238
4	Purchase of products for resale	0	(2,722)	(1,885)	0	0	(4,607)
5	Purchase of services for resale	(750)	(5,983)	0	0	0	(6,733)
6	Royalties	(176)	(32,410)	0	0	0	(32,586)
7	Changes in inventories of finished products	0	(653)	(882)	0	0	(1,535)
8	Total cost of sales	(926)	(41,768)	(2,767)	0	0	(45,461)
9	Gross profit (3+8)	6,206	78,540	1,276	755	0	86,777
10	Other income	3,569	7,998	0	0	17	11,584
11	Costs for services	(967)	(5,115)	(608)	(358)	(1,514)	(8,562)
12	Lease and rental costs	(96)	(221)	(18)	(3)	(159)	(497)
13	Payroll costs	(7,654)	(19,258)	(1,056)	(591)	(5,308)	(33,867)
14	Other operating costs	(181)	(564)	(92)	(38)	(432)	(1,307)
15	Total operating costs	(8,898)	(25,158)	(1,774)	(990)	(7,413)	(44,233)
16	Gross operating margin (EBITDA) (9+10+15)	877	61,380	(498)	(235)	(7,396)	54,128
17	Depreciation and amortization	(1,951)	(15,842)	(143)	(206)	(888)	(19,030)
18	Allocations to provisions	0	0	0	0	0	0
19	Asset impairment change	0	(1,629)	(65)	0	(14)	(1,708)
20	Impairment reversal	2,367	50	122	0	31	2,570
21	Total depreciation, amortization and impairment adjustments	416	(17,421)	(86)	(206)	(871)	(18,168)
22	Operating margin (EBIT) (16+21)	1,293	43,959	(584)	(441)	(8,267)	35,960

Consolidated balance sheet as of June 30th, 2022

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	491	3,848	2,177	57	3,780	10,353
2	Investment properties	0	0	0	0	0	0
3	Intangible assets	18,885	83,950	0	1,088	166	104,089
4	Equity interests	(0)	0	0	0	7,511	7,511
5	Non-current receivables and other assets	30	4,639	6	0	9,397	14,072
6	Deferred tax assets	875	10,891	214	0	849	12,829
7	Non-current financial assets	0	0	0	0	18,257	18,257
	Total non-current assets	20,281	103,328	2,397	1,145	39,960	167,111
	Current assets						
8	Inventories	0	1,280	2,893	0	0	4,173
9	Trade receivables	833	26,365	577	6	0	27,781
10	Tax receivables	1,470	659	338	5	454	2,926
11	Other current assets	203	12,164	212	22	429	13,030
12	Cash and cash equivalents	1,693	8,705	388	97	78	10,961
13	Other current financial assets	0	301	0	0	28	329
	Total current assets	4,199	49,474	4,408	130	989	59,200
	TOTAL ASSETS	24,480	152,802	6,805	1,275	40,949	226,311
	Non-current liabilities						
18	Employee benefits	0	(392)	(346)	(23)	0	(761)
19	Non-current provisions	0	0	(81)	0	0	(81)
20	Other non-current payables and liabilities	(1,954)	0	0	0	0	(1,954)
21	Financial liabilities	(323)	(10,074)	0	0	(4,816)	(15,213)
	Total non-current liabilities	(2,277)	(10,466)	(427)	(23)	(4,816)	(18,009)
	Current liabilities						
22	Trade payables	(1,597)	(48,312)	(271)	(206)	(1,739)	(52,125)
23	Current tax liabilities	(434)	(2,829)	(139)	(12)	(161)	(3,575)
24	Current provisions	0	(0)	(0)	0	0	0
25	Other current liabilities	(534)	(2,665)	(741)	(128)	(589)	(4,657)
26	Financial liabilities	(134)	(7,607)	(12)	0	(2,874)	(10,627)
	Total current liabilities	(2,699)	(61,413)	(1,163)	(346)	(5,363)	(70,984)
	TOTAL LIABILITIES	(4,976)	(71,879)	(1,590)	(369)	(10,179)	(88,993)

Consolidated profit and loss statement by operating segment for the period ended June 30th, 2021

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	10,679	134,648	4,774	602	0	150,703
2	Revenue adjustments	0	(1,242)	(281)	0	0	(1,523)
3	Total revenue	10,679	133,406	4,493	602	0	149,180
4	Purchase of products for resale	0	(3,169)	(2,429)	0	0	(5,598)
5	Purchase of services for resale	(1,404)	(9,121)	0	(3)	0	(10,528)
6	Royalties	(192)	(41,127)	0	(3)	0	(41,322)
7	Changes in inventories of finished products	0	(1,333)	(948)	0	0	(2,281)
8	Total cost of sales	(1,596)	(54,750)	(3,377)	(6)	0	(59,729)
9	Gross profit (3+8)	9,083	78,656	1,116	596	0	89,451
10	Other income	2,582	1,439	0	0	39	4,060
11	Costs for services	(406)	(6,658)	(695)	(184)	(1,674)	(9,617)
12	Lease and rental costs	(53)	(99)	(28)	(1)	(130)	(311)
13	Payroll costs	(5,360)	(13,091)	(1,225)	(351)	(4,590)	(24,617)
14	Other operating costs	(123)	(298)	(162)	(35)	(552)	(1,170)
15	Total operating costs	(5,942)	(20,146)	(2,110)	(571)	(6,946)	(35,715)
16	Gross operating margin (EBITDA) (9+10+15)	5,723	59,949	(994)	25	(6,907)	57,796
17	Depreciation and amortization	(957)	(22,552)	(160)	(73)	(858)	(24,600)
18	Allocations to provisions	0	0	0	0	0	0
19	Asset impairment change	0	(2,584)	0	0	(63)	(2,647)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment adjustments	(957)	(25,136)	(160)	(73)	(921)	(27,248)
22	Operating margin (EBIT) (16+21)	4,766	34,813	(1,154)	(48)	(7,828)	30,549

Consolidated balance sheet as of June 30th, 2021

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	106	1,402	2,244	56	4,390	8,198
2	Investment properties	0	0	0	0	0	0
3	Intangible assets	14,803	50,703	0	1,107	163	66,776
4	Equity interests	0	0	0	0	11,190	11,190
5	Non-current receivables and other assets	11	181	6	0	4,891	5,089
6	Deferred tax assets	3	10,995	640	1	5	11,644
7	Non-current financial assets	0	0	0	0	18,840	18,840
	Total non-current assets	14,923	63,281	2,890	1,164	39,479	121,737
	Current assets						
8	Inventories	0	1,934	3,774	0	0	5,708
9	Trade receivables	1,236	16,119	928	0	0	18,283
10	Tax receivables	154	214	1,121	3	8	1,500
11	Other current assets	1,116	17,157	199	367	440	19,279
12	Cash and cash equivalents	466	33,670	1,040	267	66	35,509
13	Other current financial assets	0	0	0	0	0	0
	Total current assets	2,972	69,094	7,062	637	514	80,279
	TOTAL ASSETS	17,895	132,375	9,952	1,801	39,993	202,016
	Non-current liabilities						
18	Employee benefits	0	(311)	(391)	(17)	0	(719)
19	Non-current provisions	0	0	(81)	0	0	(81)
20	Other non-current payables and liabilities	(4,651)	(242)	0	0	(522)	(5,415)
21	Financial liabilities	(13)	(4,130)	0	0	(7,551)	(11,694)
	Total non-current liabilities	(4,664)	(4,683)	(472)	(17)	(8,073)	(17,909)
	Current liabilities						
22	Trade payables	(564)	(44,865)	(432)	(223)	(1,109)	(47,193)
23	Current tax liabilities	(443)	(4,903)	(335)	(12)	(5,089)	(10,782)
24	Current provisions	0	0	(0)	0	0	(0)
25	Other current liabilities	(1,966)	(6,857)	(950)	(147)	(12)	(9,932)
26	Financial liabilities	(54)	(883)	(8)	0	(3,464)	(4,409)
	Total current liabilities	(3,027)	(57,507)	(1,725)	(382)	(9,674)	(72,317)
	TOTAL LIABILITIES	(7,691)	(62,190)	(2,197)	(399)	(17,747)	(90,225)

Premium Games: main operations are the acquisition of video games intellectual properties from developers and the distribution of video games through an international retail sales network and digital marketplaces such as Steam, Sony PlayStation Network, Microsoft Xbox Live, Epic Game Store, etc..

The Group develops some video games through the internal studios. When the video games are developed by external studios they are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights.

The label used for worldwide publishing is 505 Games. A second label, Hook S.r.l., publishes budget video games.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which controls 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. 505 Games Interactive (US) Inc. provides consultancy services on behalf of 505 Games S.p.A.. The progressive digitalization of the market and the following centralization of revenues enabled to focus local operations to marketing and PR activities.

The following studios are also included in the Premium Games segment:

- the Italian company Kunos Simulazioni S.r.l., which develops and publishes the Aspetto Corsa and the Aspetto Corsa Competizione video games;
- the Dutch company Rasplata B.V. (60%) that owns an intellectual property currently under development;
- the Czech company Ingame Studios a.s. (60%), a Brno-based studio developing the video game based on the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., a development studio with a team of around fourteen people;
- the Italian company Supernova Games Studios, a Milan-based studio incorporated during the previous fiscal year and with a team of fourteen people;
- the Canadian company Chrysalide Jeux et Divertissement Inc. incorporated in June 2021. The company (75% of which is held by the Group) is currently developing a brand-new video game.

A Spanish joint venture was set up last fiscal year together with the development studio MercurySteam Entertainment S.L., MSE & DB S.L., in order to jointly create a new intellectual property.

Free to Play: main operations are the development and publishing of video games and/or applications that are available for free on digital marketplaces with in-app purchases features. Free to Play video games usually presents less technical complexity than Premium Games but, in case of success, will have a longer life cycle. Free to Play video games are continuously upgraded after the launch in order to retain players and enhance the video game's life cycle.

Worldwide Free to Play publishing is operated by 505 Mobile S.r.l., together with the U.S. company 505 Mobile (US) Inc., which provides consultancy services to Group companies, and the UK company DR Studios Ltd. which is the developer of Free to Play video games.

The Australian company 505 Games Pty Ltd. was incorporated in the previous fiscal year. In January 2021 it finished the acquisition of 100% of the shares of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of Puzzle Quest and Gems of War and provide live support to such video games.

The label used for publishing on a worldwide basis is 505 Games Mobile.

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

The operations are run by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l.. The dissolution of the subsidiary Game Service S.r.l. was completed during the period.

Other Activities: all Group's remaining activities are consolidated together for reporting purposes under the Other Activities operating segment. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses. The Group also holds a 60% stake in the UK company Seekhana Ltd..

Holding: it includes all the corporate functions provided by Digital Bros S.p.A. in finance, control and business development activities. The holding company has been supported by Digital Bros China Ltd., Digital Bros Asia Pacific (HK) Ltd and 505 Games Japan K.K. which have operated as business developers for the Asian markets. Digital Bros Holdings Ltd. has been inactive during the period.

All the companies mentioned above are 100% owned, except for Rasplata B.V., Ingame Studios a.s. and Seekhana Ltd. which are controlled with a 60% interest and Chrysalide Jeux et Divertissement Inc. with a 75% interest.

Information by geographical area

Gross revenue broken down by geographical area is detailed below:

Euro thousand	June 30th, 2022		June 30th, 2021		Change	
Europe	5,595	4%	23,221	15%	(17,626)	-75.9%
Americas	100,406	76%	108,582	72%	(8,176)	-7.5%
Rest of the world	21,439	16%	13,523	9%	7,916	58.5%
Total foreign revenue	127,440	96%	145,326	96%	(17,886)	-12.3%
Italy	4,798	4%	5,377	4%	(579)	-10.8%
Total consolidated gross revenue	132,238	100%	150,703	100%	(18,465)	-12.3%

Total foreign revenue represented 96% of consolidated gross revenue in sync with the 96% in the previous fiscal year and decreased by Euro 17,886 thousand compared to June 30th, 2021.

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

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 120,308 thousand, i.e. 94% of total foreign revenue.

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

Euro thousand	June 30th, 2022		June 30th, 2021		Change	
Free to Play	7,132	6%	10,679	6%	(3,547)	-33.2%
Premium Games	120,308	94%	134,648	94%	(14,340)	-10.6%
Total gross foreign revenue	127,440	100%	145,327	100%	(17,887)	-12.3%

13. RELATED PARTY TRANSACTIONS

In accordance with Consob Resolution 17221 of March 12th, 2010, it is hereby disclosed that all commercial and financial transactions between Digital Bros Group companies and between those companies and other non-subsidiary related parties have been conducted at arm's length and cannot be classed as atypical or unusual transactions.

Intercompany transactions

Intercompany transactions have already been described in section 10 of the Directors' Report.

Other related parties

- legal advisory services provided by Director Dario Treves;
- property leased by Matov Imm. S.r.l. to the parent company and to subsidiary 505 Games France S.a.s.;
- property leased by Matov LLC to subsidiary 505 Games (US) Inc..

Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante.

The following table contains details of the reporting date balance sheet balances and total transactions for the period, together with prior year comparatives:

Euro thousand	Receivables		Payables		Revenue	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(327)	0	6	(472)
Matov Imm. S.r.l.	0	635	(14)	(2.291)	0	(770)
Matov LLC	0	143	0	(210)	0	(468)
Total	0	778	(341)	(2.501)	6	(1.710)

Euro thousand	Receivables		Payables		Revenue	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(124)	0	0	(394)
Matov Imm. S.r.l.	0	635	0	(3,889)	0	(759)
Matov LLC	0	125	0	(622)	0	(437)
Total	0	760	(124)	(4,511)	0	(1,590)

Digital Bros S.p.A.'s financial receivable from Matov Imm. S.r.l. refers to the guarantee deposit paid in relation to lease instalments due for the premises at Via Tortona 37, Milan.

505 Games (US) Inc.'s financial receivable from Matov LLC relates to a guarantee deposit paid for the rental of office premises in Calabasas, California, where several US subsidiaries are based.

The financial liabilities towards Matov Imm. S.r.l. and Matov LLC are the result of application of IFRS 16.

During the period, Digital Bros S.p.A. paid Matov Imm S.r.l. rent totalling Euro 694 thousand for its Milan office premises.

During the period, 505 Games France S.a.s. paid Matov Imm S.r.l. rent totalling Euro 37 thousand for its Francheville office premises.

In November 2013, subsidiary 505 Games (US) Inc. entered a lease agreement with Matov LLC, a related party owned by the Galante family; the lease was renewed in 2020. The transaction was governed by the Procedure for related party transactions adopted by Digital Bros S.p.A. pursuant to Consob Regulation 17221 of March 12th, 2010 and provides for an annual lease charge of USD 493 thousand.

Tax consolidation

The parent company Digital Bros S.p.A. joined the tax filing system as parent-consolidating company with 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l., 505 Games S.p.A., Digital Bros Game Academy S.r.l., Game Network S.r.l., Kunos Simulazioni S.r.l., Avantgarden S.r.l., Hook S.r.l. and Supernova Games S.r.l., following the introduction into the Italian tax system of the tax filing system. Adherence to the national tax consolidation system has made it necessary to draw up a regulation implementing inter-company relations aimed at ensuring that there is no prejudice to the individual companies involved.

14. ATYPICAL OR UNUSUAL TRANSACTIONS

There were no atypical or unusual transactions during the reporting period or in prior year, as defined by Consob Communication DEM 6064293 of July 28th, 2006.

15. ASSET REVALUATION

None of the Group's assets has been revalued in terms of Art.110 of D.L. 104/2020.

16. LOANS GRANTED TO EXECUTIVES AND SUPERVISORY BODIES

It is hereby disclosed that no loans have been granted to members of the Company's administrative, management and supervisory bodies, pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC.

17. AUDIT FEES

The following table provides details of the fees payable for the reporting period to E.Y. S.p.A., the external auditor of Digital Bros S.p.A., and to other auditing firms not pertaining to the main auditor's network, pursuant to Article 149-duodecies of the Issuers' Regulation:

Nature of service	Fees pertaining to FY 2021/2022					Total
	Parent Company auditor			Parent Company auditor's network	Auditors not pertaining to parent network	
	to Parent Company	to other companies	total	to other companies	to other companies	
Audit	104,000	86,000	190,000	0	41,918	231,918
Total	104,000	86,000	190,000	0	41,918	231,918

STATEMENT PURSUANT TO ART. 154- BIS (5) OF THE T.U.F.

We, the undersigned, Abramo Galante, Chairman of the Board of Directors and Stefano Salbe, Chief Financial Officer and Financial Reporting Manager of Digital Bros Group, hereby declare, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of February 24th, 1998:

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period July 1st, 2021 – June 30th, 2022. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group as of June 30th, 2022:
 - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19th, 2002;
 - b) reflect the accounting books and records;
 - c) give 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 as of June 30th, 2022 accompanying the consolidated financial statements includes a reliable analysis of the results, as well as a description of the main risks and uncertainties to which Digital Bros S.p.A. and the consolidated entities are exposed.

Milan, September 22nd, 2022

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe