Consolidated financial statements

as of June 30th, 2023

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy
VAT number 09554160151
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 no. 1302132

This report is available on the Company's website www.digitalbros.com Investor Relations / Financial Documents section

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

(this page intentionally left blank)

Index

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE STRUCTURE

Board of Directors

Name	Office		Control & Risk Committee	Remuneration Committee	Nomination Committee
Sylvia Anna Bartyan	Director	I	M	M	P
Lidia Florean	Director	NE			
Abramo Galante	Chairman and CEO	E			
Davide Galante	Director	NE			
Raffaele Galante	CEO	E			
Susanna Pedretti	Director	I	M	P	M
Stefano Salbe (1)	Director	E			
Laura Soifer (2)	Director	I	P	M	M
Dario Treves	Director	E			

Key:

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

(2) Lead Independent Director

E: Executive Director

NE: Non-Executive Director

I: Independent Director

P: President of the Committee

M: Member of the Committee

Board of Statutory Auditors

Name	Office
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 the 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 at 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 of the Group consolidated annual and half year financial statements and Digital Bros S.p.A. annual financial statements 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, 2023 was authorized by a resolution of the Board of Directors held on September 27th, 2023.

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..

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 consist of 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 its internal studios. Video games developed by external studios are usually either acquired through 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, publishes budget video games.

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

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

- the Italian company Kunos Simulazioni S.r.l., which developed and published the Assetto Corsa and the Assetto Corsa Competizione video games;
- the Czech company Ingame Studios a.s. (60% of which is held by the Group), a Brno-based studio acquired in July 2021 and developing Crime Boss: Rockay City, the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., a development studio based in Milan;
- the Italian company Supernova Games Studios S.r.l., a development studio based in Milan;
- the Canadian company Chrysalide Jeux et Divertissement Inc. (75% of which is held by the Group) which is currently developing a brand-new video game.

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

Free to Play: main operations consist of 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 video 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, the UK company DR Studios Ltd. which is the developer of Free to Play video games and Hawken Entertainment Inc..

In January 2021, the Australian company 505 Games Australia Pty Ltd. acquired 100% of the shares of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of the video games Puzzle Quest and Gems of War and provide the live support to such products.

In July 2022, 505 Games Mobile S.r.l. acquired 100% of D3Publisher of America Inc., now 505 Go Inc., an American publisher of Free to Play video games, including spin-offs of the Puzzle Quest series.

The labels used for Free to Play worldwide publishing are 505 Mobile and 505Go!.

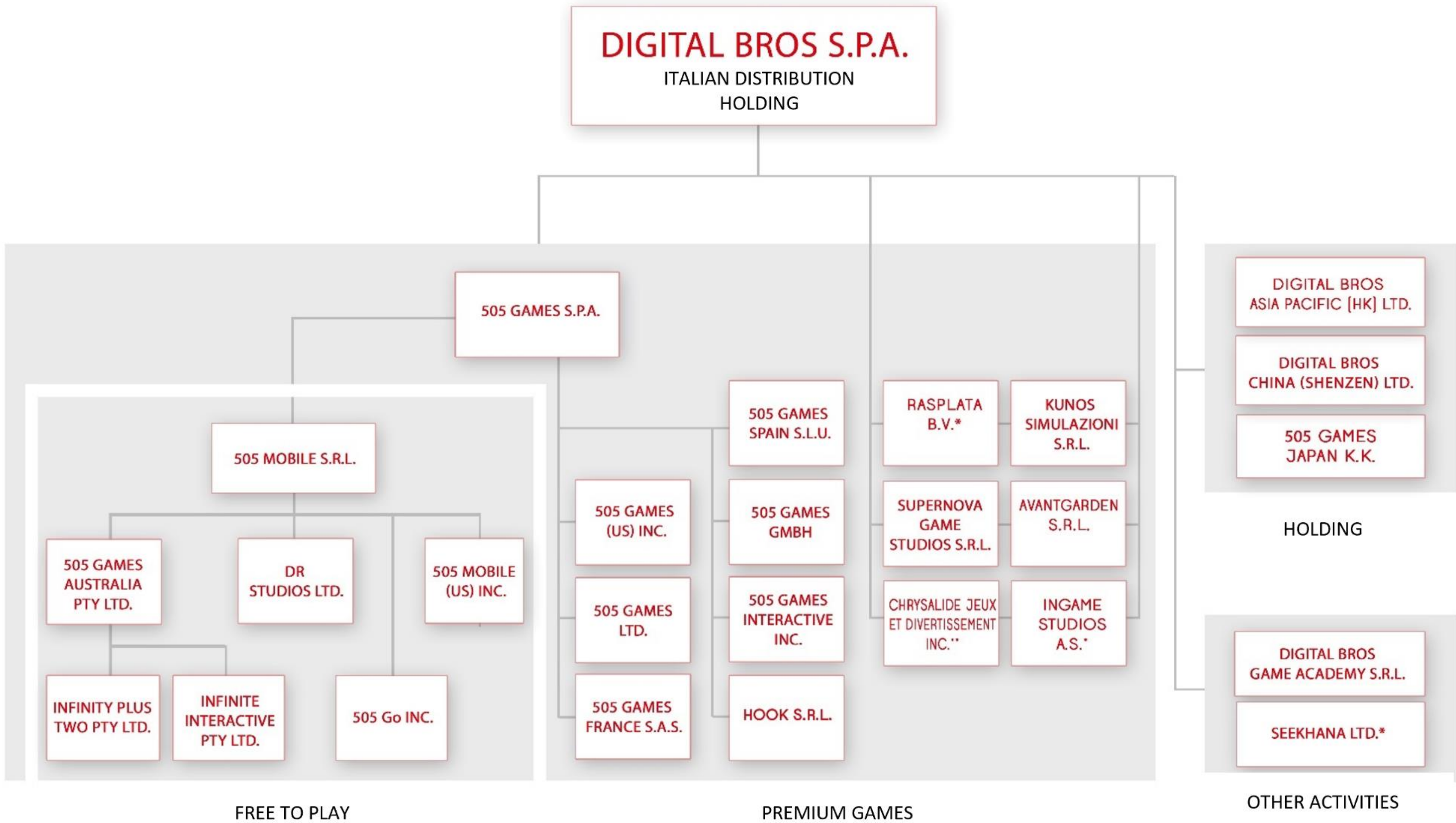
Italian Distribution: consists of the distribution in Italy of video games purchased from international publishers. The operations are run by the Parent Company, Digital Bros S.p.A., under the Halifax brand.

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: 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, 2023 was as follows:



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

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

Company	Address	Activity
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Chrysalide Jeux et Divertissement Inc. (2)	300 Rue Saint Paul – Bureau 410, Quebec City, Canada	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (Milan)	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.	403 Silbury Boulevard, 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.	333 Collins 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.	403 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
505 Go Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	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.	333 Collins Street, Melbourne Victoria, Australia	Offices
Infinite Interactive Pty Ltd.	333 Collins Street, 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)	403 Silbury Boulevard, 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. are held at 60%. Chrysalide Jeux et Divertissement Inc. is held at 75%. They have been incorporated into the consolidated financial statements through full consolidation method, acknowledging the proportion of net equity and operating results belonging to minority shareholders.

2. MAIN INTELLECTUAL PROPERTIES OWNED BY THE GROUP

First launched in 2014, Assetto Corsa is a car racing simulator, developed by the internal studio Kunos Simulazioni S.r.l..

Assetto Corsa faithfully recreates the performance and the driving experience of real cars, replicating tyre grip, aerodynamic impact, engine parameters as well as different weather conditions. Nearly one hundred cars are available to choose from, reproduced in collaboration with the most prestigious automotive manufacturers, and that can be driven on legendary circuits including Silverstone, Monza, Nürburgring-Nordschleife, Barcelona, Brands Hatch, Spa Francorchamps. All circuits are recreated using Laser Scan technology so that each bump, curb and slope is a perfect match to the real counterpart. Assetto Corsa can be played in fully customizable single player and multiplayer modes including quick races, race weekends and free practice sessions, qualifying session and race day.

Launched in 2018, Assetto Corsa Competizione is the official Blancplain GT World Challenge video game and the official video game of FIA Motorsport Games Esport Tournament.

The second version of Assetto Corsa is currently in development and its launch is scheduled for Spring 2024.

Since launch, the Assetto Corsa franchise has generated revenues exceeding Euro 115 million with over 8 million copies sold.

Developed by the Czech studio Ingame Studios S.r.l., Crime Boss: Rockay City is a first-person shooter video game, set in the thriving metropolis of Rockay City during the Nineties. Find a few familiar faces there too: from the charismatic Travis Baker (Michael Madsen) and his team (Michael Rooker, Kim Basinger, Danny Glover and Damion Poitier) to rival gang bosses (Danny Trejo and Vanilla Ice). Play as Baker as he builds his empire using strategy, cunning and a little fire power to carry out heists and take territory from rival gangs. Winning the turf war isn't easy though: rival gangs will try to take the city for themselves, and Sheriff Norris (Chuck Norris) will stop at nothing to bring all criminals to justice. Stealing everything from cash and drugs, through to priceless artifacts is more fun with accomplices: jump into the co-op multiplayer and take on thrilling hits and heists with up to four players.

Crime Boss: Rockay City launched exclusively on Epic Store on March 28th 2023. Console versions were published in June 2023.

Developed by the Polish studio One More Level, Ghostrunner is a first-person cyberpunk action slasher videogame set in a grim dystopic future. Players assume the role of an android ninja ascending the Dharma Tower, an ominous neon tower built by the Architect, who died mysteriously years ago, and representing the last bastion of humanity, torn by violence, poverty, and class inequality. Players must fight their way to the top of the structure to bring down the tyrannical Keymaster and avert humanity's extinction.

Since its launch in October 2020, Ghostrunner has sold over one million copies worldwide and is now available on all gaming platforms. The second version, Ghostrunner 2, is currently in development and its launch is scheduled for the first half of the next fiscal year.

Developed by the Australian studio Infinity Plus Two acquired by the Group in January 2021, Gems of War is a Free to Play mash-up/puzzle/RPG video game first launched in 2014 and available on mobile, Steam, console and Nintendo Switch.

Embark on an epic journey across the realms Krystara where heroes can take on a world of adventure unlike any other: battle enemies matching gems to power and cast spells, and matching skulls to smite the enemies. Then take the spoils of war and forge a mighty empire.

Since its launch, Gems of War has generated revenues exceeding Euro 33 million.

Developed by the Australian studio Infinity Plus Two acquired by the Group in January 2021, Puzzle Quest 3 is an all-new instalment to the globally renowned puzzle-RPG franchise, first launched in 2007 and with successful spin-offs published by the newly acquired 505 Go Inc.. Puzzle Quest franchise has generated over USD 200 million revenues amassing over 32 million players worldwide.

Puzzle Quest 3 is a Free to Play videogame available on mobile and Personal Computer. The console version launched in the last quarter of the current fiscal year.

INTELLECTUAL PROPERTIES CO-OWNED BY THE GROUP OR FOR WHICH THE GROUP HOLDS LICENSING RIGHTS FOR MORE THAN TEN YEARS

CONTROL

Developed by the Finnish studio Remedy Entertainment Plc using the proprietary Northlight® technology, Control is a cinematic third-person action-adventure. Play as Jesse Faden, a heroine with telekinetic powers, and unfold an epic supernatural struggle, filled with unexpected characters and bizarre events as she searches for her missing brother in the ominous Bureau, a secretive government agency.

The critically acclaimed Control was published in 2019, selling over three million copies and generating revenues exceeding Euro 92 million. Since its release, Control was nominated for eleven BAFTA® Games Awards and received over twenty “Game of the Year” awards including IGN’s 2019 “Game of the Year”.

The video game is available on all gaming platforms. Following the success of Control, the Group signed with Remedy Entertainment two new contracts for the development of Condor, a multiplayer cooperative experience spin-off of Control, and Control 2. Both video games will be built on Remedy Entertainment proprietary Northlight® technology for PC, PlayStation 5 and Xbox Series X|S. Condor and Control 2 initial investments respectively amount to Euro 25 million and Euro 50 million.

Eiyuden Chronicle

Developed by the Japanese studio Rabbit & Bear Studios, Eiyuden Chronicle – Hundred Heroes is a new JRPG with a hybrid art style that mixes pixel art with a modern 3D world in which players can interact with over a hundred different characters and creatures, in magical realm of Allraan, a tapestry of nations with different cultures and values. By dint of sword, and by way of magical objects known as “rune-lenses,” the land’s history has been shaped by the alliances and aggressions of the humans, beastmen, elves, and desert people who live there. The Galdean Empire has edged out other nations and discovered a technology that amplifies the rune-lenses’ magic. Now, the Empire is scouring the continent for an artifact that will expand their power even further.

The development of Eiyuden Chronicle - Hundred Heroes has been partially funded through a Kickstarter crowdfunding in 2020, raising a total of JPG 482 million (approximately USD 4.6 million). The Group expects to generate over Euro 30 million lifetime revenues. In May 2022, the Group launched Eiyuden Chronicle – Rising, the prequel to Hundred Heroes with characters, items and features later transferable to Hundred Heroes.

The Group co-owns the intellectual property of the video game with Rabbit & Bear Studios.

3. THE VIDEO GAMES 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. Low-cost 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, 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 retail channels. 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 vastly 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 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, studies the product strategic positioning and packaging, 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 o for multiple years and including licensing rights for sequels.

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 can also operate as a video game publisher.

Distributors

The role of the distributor is losing importance as a result of the digital transition of the gaming industry. 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 personal computers, 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 valid for a predefined period of time. Revenues are directly or indirectly recognized to publishers based on the utilization of their video games. Amazon has set up Apple Arcade, a similar 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, thus generating a continuous flow of sales that can be 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) that consumers can either buy or download for free on digital marketplaces.

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.

4. ALTERNATIVE PERFORMANCE RATIOS

The Group relies on specific key 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 costs 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 5 of the Explanatory 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 financial statements is not needed, as the Group use indicators directly from the consolidated financial statements.

5. 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, as sales are concentrated in the first few days from the release especially if supported by dedicated marketing campaigns.

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 a 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 the 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 a 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 significant reduction in physical distribution revenues as a percentage of total consolidated revenues resulted in a lower volatility of the financial position.

6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On October 26th, 2022, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2021-2022 and a dividend distribution of Euro 0.18 per share.

Relations with Starbreeze and Starbreeze shareholders

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

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze 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 March 31st, 2023, the earn-out was not accounted for and has been considered a contingent asset;
- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze STAR 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, enforcing the company and five subsidiaries to petition 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 successfully completed the restructuring process and presented a payment plan to its creditors.

In January and February 2020, the Group conducted the following transactions:

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze STAR A shares held by Swedish company Varvtre AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition;
- on February 26th, 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze 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 approximately SEK 215 million issued by Starbreeze 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 STAR B shares, at the current conversion ratio. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share following the share capital increase conducted by Starbreeze 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 SEK 165 million for a consideration of Euro 100 thousand. This credit falls under the Starbreeze 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 STAR A shares and 6,018,948 Starbreeze STAR B shares for a total amount of Euro 2.2 million.

On June 23rd, 2020, the Group signed a binding agreement for the pro-quota subscription of the share issue finalized in September 2020.

On April 28th, 2023, Starbreeze announced a rights issue of approximately Swedish Kronor ("SEK") 450 million,

Digital Bros Group has committed to:

1. underwrite the pro-rata share of the rights issue, corresponding to approximately SEK 54 million;
2. underwrite an incremental commitment for a maximum of SEK 100 million of unsubscribed rights, following the capital increase process;
3. convert the total outstanding convertible loan of approximately SEK 215 million held by Digital Bros in Starbreeze B shares within 30 days from the closing of the capital increase process and after having received the recalculation of the revised conversion price.

As part of the overall agreement, Starbreeze has committed to using the proceeds from the capital increase primarily for the payment of the credit of SEK 150 million to Digital Bros, originally amounting to SEK 165 million, and net of the effective use of the commitment described at point 2).

As of June 30th, 2023, the company holds 113.2 million Starbreeze A shares and 48.6 million Starbreeze B shares as a result of the pro quota subscription outlined in point 1) and a negligible use of the commitment mentioned in point 2) above. This number of shares represents 11.96% of the capital and 29.16% of the voting rights.

The Group assesses to have no significant influence over Starbreeze, considering its governance structure, and despite the ongoing contractual relationships and the stake held in the Swedish company. Consequently, it has classified the shares as other investments, as it has in previous periods. Adjustments to this classification and valuation would be performed if any substantial changes in the relationship between the two groups will occur.

After the end of the fiscal year, on July 3rd, 2023, the Group successfully received its credit of 150 million SEK. On the same date, 3.3 million multiple-vote Starbreeze A shares were subscribed (equivalent to approximately 2.5 million Swedish Kronor) as a result of the guarantee provided for the unsubscribed options.

On July 10th, 2023, the Company requested the conversion of approximately 29.5 million multiple-vote Starbreeze A shares into single-vote Starbreeze B shares. This process was carried out to reduce its voting stake, in order to comply with EU regulations on mandatory takeover bids and in response to conversion requests from other Starbreeze shareholders and to comply with EU regulations, while also weighing in the effects of subsequent conversion of convertible bonds.

On July 19th, 2023, the Company requested the full conversion of the convertible bond, into 148.3 million Starbreeze B shares.

As of September 27th, 2023, after additional conversions of multiple-vote shares into single-vote shares by different shareholders, the Group now holds 87 million Starbreeze A shares and 223.4 million Starbreeze B shares. This accounts for 21% of the total capital and 38.8% of voting rights.

7. CONSOLIDATED PROFIT AND LOSS STATEMENT AT JUNE 30TH, 2023

	Euro thousand	June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	118.000	100,1%	132.238	100,0%	(14.238)	-10,8%
2	Revenue adjustments	(68)	-0,1%	0	0,0%	(68)	n.m
3	**Net revenue**	**117.932**	**100,0%**	**132.238**	**100,0%**	**(14.306)**	**-10,8%**
4	Purchase of products for resale	(2.954)	-2,5%	(4.607)	-3,5%	1.653	-35,9%
5	Purchase of services for resale	(9.042)	-7,7%	(6.733)	-5,1%	(2.309)	34,3%
6	Royalties	(22.892)	-19,4%	(32.586)	-24,6%	9.694	-29,7%
7	Changes in inventories of finished products	(818)	-0,7%	(1.535)	-1,2%	717	-46,7%
8	**Total cost of sales**	**(35.706)**	**-30,3%**	**(45.461)**	**-34,4%**	**9.755**	**-21,5%**
9	**Gross profit (3+8)**	**82.226**	**69,7%**	**86.777**	**65,6%**	**(4.551)**	**-5,2%**
10	Other income	17.525	14,9%	11.584	8,8%	5.941	51,3%
11	Costs for services	(14.975)	-12,7%	(8.562)	-6,5%	(6.413)	74,9%
12	Rent and leasing	(621)	-0,5%	(497)	-0,4%	(124)	25,0%
13	Payroll costs	(38.915)	-33,0%	(33.867)	-25,6%	(5.048)	14,9%
14	Other operating costs	(1.787)	-1,5%	(1.307)	-1,0%	(480)	36,7%
15	**Total operating costs**	**(56.298)**	**-47,7%**	**(44.233)**	**-33,4%**	**(12.065)**	**27,3%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**43.453**	**36,8%**	**54.128**	**40,9%**	**(10.675)**	**-19,7%**
17	Depreciation and amortization	(18.687)	-15,8%	(19.030)	-14,4%	343	-1,8%
18	Provisions	0	0,0%	0	0,0%	0	0,0%
19	Asset impairment charge	(7.700)	-6,5%	(1.708)	-1,3%	(5.992)	n.m.
20	Impairment reversal	2.266	1,9%	2.570	1,9%	(304)	-11,8%
21	**Total depreciation, amortization and impairment adjustments**	**(24.121)**	**-20,5%**	**(18.168)**	**-13,7%**	**(5.953)**	**32,8%**
22	**Operating margin (EBIT) (16+21)**	**19.332**	**16,4%**	**35.960**	**27,2%**	**(16.628)**	**-46,2%**
23	Interest and financial income	7.428	6,3%	8.349	6,3%	(921)	-11,0%
24	Interest and financial expenses	(13.036)	-11,1%	(4.148)	-3,1%	(8.888)	n.m.
25	**Net interest income/(expenses)**	**(5.608)**	**-4,8%**	**4.201**	**3,2%**	**(9.809)**	**n.m.**
26	**Profit/ (loss) before tax (22+25)**	**13.724**	**11,6%**	**40.161**	**30,4%**	**(26.437)**	**-65,8%**
27	Current tax	(4.332)	-3,7%	(10.929)	-8,3%	6.596	-60,4%
28	Deferred tax	243	0,2%	(576)	-0,4%	819	n.m.
29	**Total taxes**	**(4.089)**	**-3,5%**	**(11.505)**	**-8,7%**	**7.416**	**-64,5%**
30	**Net profit/loss**	**9.635**	**8,2%**	**28.656**	**21,7%**	**(19.021)**	**-66,4%**
	attributable to the shareholders of the Parent Company	**9.683**	**8,2%**	**28.546**	**21,6%**	**(18.863)**	**-66,1%**
	attributable to non-controlling interests	**(48)**	**0,0%**	**110**	**0,1%**	**(158)**	**n.m.**
	Earnings per share:						
33	**Basic earnings per share (in Euro)**	**0,68**		**2,00**		**(1,32)**	**-66,1%**
34	**Diluted earnings per share (in Euro)**	**0,66**		**1,97**		**(1,31)**	**-66,6%**

Current market conditions are making the release of new games into the market somewhat challenging. This is evident for videogames with limited marketing budget to support the launch and the creation of a consumer base. With a tightening economy, consumers are playing the same games for longer, rather than spending on new and different experiences. This trend makes it more challenging to attract gamers to new games intellectual properties, requiring strong efforts in terms of marketing investments.

The Group is cautiously optimistic with respect to the medium to long-term outlook, despite the factors mentioned above. The current investment portfolio consists of new versions of successful games (Ghostrunner, Assetto Corsa, Control and Bloodstained) as well as new products with large production and marketing budgets and looks aligned with the current market headwinds, even if they will persist. In the next fiscal year, the Group will launch sequels of previously successful games, as well as introducing new games coming from crowdfunding campaigns and backed by robust investments in marketing from marketplaces.

During the reporting period, the Group generated Euro 118 million revenues, down by 10.8% compared to the previous fiscal year, still better than pre-closing forecast by Euro 2 million.

EBIT resulted at 19.3 million Euros, in the expected pre-closing range (19-21 million). This result is net of approximately 7.7 million Euros in write-offs related to the launch of Miasma, Hawken and Stray Blade in the second half of FY 2022-2023. The impairment tests of such products, based on lower expectations after launch, created the need for specific write-offs.

Total gross revenues experienced a decrease of Euro 14,238 thousand due to the 23.3% fall in Premium Games revenues. On the other hand, the Free to Play operating segment recorded a Euro 14,914 thousand increase, driven by 505 Go Inc, consolidated on June 1st, 2022. This latter realized Euro 16,332 thousand revenues, which allowed the Free to Play operating sector to triple its revenues.

Premium Games revenue amounted to Euro 92,319 thousand as of June 30th, 2023 (78.3% of total consolidated revenue) and was split between several back catalogue products among which the evergreen Assetto Corsa, developed by the fully owned studio Kunos Simulazioni. The different editions of this videogame continuously outperform, realizing Euro 24.6 million revenue

Revenues from international markets and digital sales respectively accounted for 97% and 92% of the total net revenue.

A breakdown of net revenue by operating segment for the period ended June 30th, 2023 compared to the period ended June 30th, 2022 is provided below:

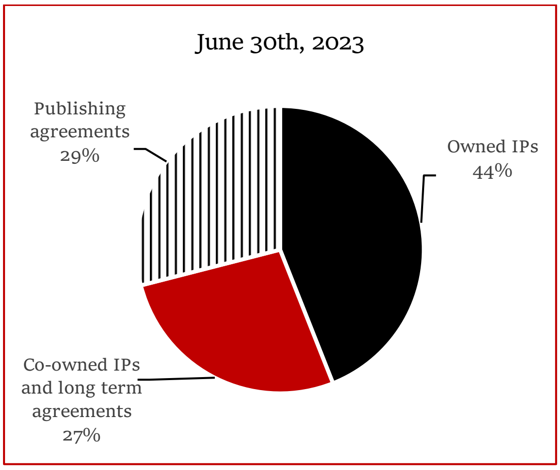
Net revenue

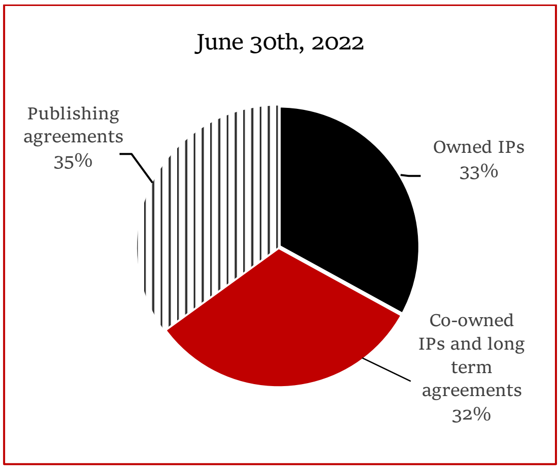
Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Premium Games	92,319	120,308	(27,989)	-23.3%
Free to Play	22,046	7,132	14,914	n.m.
Italian Distribution	2,599	4,043	(1,443)	-35.7%
Other Activities	968	755	213	28.2%
Total net revenue	**117,932**	**132,238**	**(14,306)**	**-10.8%**

The Premium Games operating segment represented 78.3% of the consolidated net revenue compared to 91% for the previous fiscal year, due to the incremental weight of the Free to Play revenue.

Video games developed by the internal studios and fully owned intellectual properties (IPs) accounted for 44% of the total revenues for the operating segment from 35% as of June 30th, 2022.

A breakdown of Premium Games revenue by the type of rights held by the Group as of June 30th, 2023 is provided below with comparative figures as of June 30th, 2022:





The Italian Distribution operating sector revenue decreased by Euro 1,443 thousand from Euro 4,043 thousand to Euro 2,599 thousand as of June 30th, 2023.

Total cost of sales amounted to Euro 35,706 thousand, down by 21.5% compared to the previous fiscal year, thus enabling a limitation of the fall in gross profit (-5.2%), from Euro 86,777 thousand to Euro 82,226 thousand.

Other income amounted to Euro 17,525 thousand, increased by Euro 5,941 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 console version 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., scheduled for launch during the next fiscal year;
- the development of a video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of Crime Boss: Rockay City by the subsidiary Ingame Studios a.s..

Operating costs amounted to Euro 56,298thousand, increased by 27.3% compared to the previous fiscal year. This increase is primarily due to incremental payroll costs related to the larger number of people resulting from recent acquisitions and from the establishment of internal development studios. Cost for services grew by Euro 6,413 thousand due to higher advertising investments related to expenses for 505 Go Inc. and support for the launches of the video games Crime Boss: Rockay City and Miasma.

Gross operating margin (EBITDA) for the period amounted to Euro 43,453 thousand, corresponding to 36.8% of the consolidated net revenue, decreasing by Euro 10,675 thousand from the Euro 54,128 thousand realized in the previous fiscal year.

Depreciation and amortization decreased by Euro 343 thousand. Asset impairment charge amounted to Euro 7,700 thousand and reflected the write offs related to the launch of Miasma, Hawken and Stray Blade in the second half of FY 2022-2023. The impairment tests of such products, based on lower expectations after launch, created the need for specific write-offs.

Impairment reversal consisted of the difference between the price paid for the acquisition of 505 Go Inc. and the net equity at the moment of the first consolidation, as well as the adjustment of the debt for the earn-out to be paid in connection with the acquisition of the Australian companies.

Operating margin (EBIT) amounted to Euro 19,332 thousand, corresponding to 16.4% of the consolidated net revenue, compared to Euro 35,960 thousand as of June 30th, 2022.

The net financial result was negative at Euro 5,608 thousand, a decrease compared to Euro 4,201 thousand realized in the previous fiscal year. This reflects the inclusion of the fair value adjustment of the Starbreeze convertible bond considered in the interest expenses. The bond loan was then converted for Euro 6,462 thousand in June 2023, net of the financial income resulting from the fair value adjustment of the financial receivable purchased from Starbreeze, which was then received at Euro 3,979 on July 3rd, 2023. Profit before tax for the period ended June 30th, 2023 amounted to Euro 13,724 thousand, a Euro 26,437 thousand decrease compared to profit before tax of Euro 40,161 thousand as of June 30th, 2022.

Net profit amounted to Euro 9,635 thousand compared to Euro 28,656 thousand as of June 30th, 2022.

Net profit attributable to the shareholders of the Parent Company was Euro 9,683 thousand.

Basic earnings per share and diluted earnings per share respectively were Euro 0.68 and Euro 0.66 compared to Euro 2.0 and 1.97 earnings per share as of June 30th, 2022.

8. CONSOLIDATED BALANCE SHEET AS OF JUNE 30TH, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	9,613	10,353	(740)	-7.1%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	153,023	104,089	48,934	47.0%
4	Equity investments	11,400	7,511	3,889	51.8%
5	Non-current receivables and other assets	8,089	14,072	(5,983)	-42.5%
6	Deferred tax assets	17,087	12,829	4,258	33,2%
7	Non-current financial activities	0	18,257	(18,257)	n.m.
	Total non-current assets	**199,212**	**167,111**	**32,101**	**19,2%**
	Current assets				
8	Inventories	3,355	4,173	(818)	-19,6%
9	Trade receivables	14,104	27,781	(13,677)	-49,2%
10	Tax receivables	3,977	2,926	1,051	35,9%
11	Other current assets	23,790	13,030	10,760	82,6%
12	Cash and cash equivalents	9,407	10,961	(1,554)	-14,2%
13	Other current financial assets	11,344	329	11,015	n.m.
	Total current assets	**65,977**	**59,200**	**6,777**	**11,4%**
	TOTAL ASSETS	***265,189***	***226,311***	***38,878***	***17,2%***
	Shareholders' equity				
14	Share capital	(5,706)	(5,705)	(1)	0,0%
15	Reserves	(21,367)	(22,030)	663	-3,0%
16	Treasury shares	0	0	0	0,0%
17	Retained earnings	(115,270)	(108,160)	(7,110)	6,6%
	Equity attributable to the shareholders of the Parent Company	**(142,343)**	**(135,895)**	**(6,448)**	**4,7%**
	Equity attributable to non-controlling interests	**(1,375)**	**(1,423)**	**48**	**-3,4%**
	Total net equity	**(143,718)**	**(137,318)**	**(6,400)**	**4,7%**
	Non-current liabilities				
18	Employee benefits	(911)	(761)	(150)	19,7%
19	Non-current provisions	(81)	(81)	0	0,0%
20	Other non-current payables and liabilities	(1,824)	(1,954)	130	-6,7%
21	Non-current financial liabilities	(11,285)	(15,213)	3,928	-25,8%
	Total non-current liabilities	**(14,101)**	**(18,009)**	**3,908**	**-21,7%**
	Current liabilities				
22	Trade payables	(46,837)	(52,125)	5,288	-10,1%
23	Tax payables	(2,782)	(3,575)	793	-22,2%
24	Short term provisions	0	0	0	0,0%
25	Other current liabilities	(8,635)	(4,657)	(3,978)	85,4%
26	Current financial liabilities	(49,116)	(10,627)	(38,489)	n.m.
	Total current liabilities	**(107,370)**	**(70,984)**	**(36,386)**	**51,3%**
	TOTAL LIABILITIES	**(121,471)**	**(88,993)**	**(32,478)**	**36,5%**
	TOTAL NET EQUITY AND LIABILITIES	***(265,189)***	***(226,311)***	***(38,878)***	***17,2%***

Total non-current assets increased by Euro 32,101 thousand. Intangible assets increased by Euro 48,934 thousand, net of the depreciation for the period. This is attributed to the investment plan performed by the Group in order to achieve its medium-long term growth objectives.

Deferred tax assets and non-current receivables and other assets increased following the consolidation of 505 Go Inc..

Total current assets increased by Euro 6,777 thousand compared to June 30th, 2022, mainly because of the change in the categorization of credits to Starbreeze AB from Non-current liabilities and Non-current financial assets into Other current assets and Other financial assets. This is partially offset by lower trade receivables for Euro 13,677 thousand.

Non-current liabilities decreased by Euro 3,908 thousand compared to June 30th, 2022. On the other hand, total current liabilities increased by Euro 36,386 thousand due to higher current financial liabilities for Euro 38,489 thousand.

The following table details the Group's net financial position as of June 30th, 2023 together with comparative figures as of June 30th, 2022:

Euro thousand		**June 30th, 2023**	**June 30th, 2022**	**Change**
12	Cash and cash equivalents	9,407	10,961	(1,554)
13	Other current financial assets	11,344	329	11,015
26	Current financial liabilities	(49,116)	(10,627)	(38,489)
	Current net financial position	**(28,363)**	**663**	**(29,026)**
7	Non-current financial assets	0	18,257	(18,257)
21	Non-current financial liabilities	(11,285)	(15,213)	3,928
	Non-current financial liabilities	**(11,285)**	**3,044**	**(14,329)**
	Total net financial position	***(39,648)***	***3,707***	***(43,355)***

The net financial position decreased by Euro 43,355 thousand from positive Euro 3,707 thousand as of June 30th, 2022, totaling a negative Euro 39,648 thousand at the end of the fiscal year and in line with the expected investment plan performed by the Group.

The total net financial position, net of financial debts recorded due to the application of IFRS 16, was negative at 34,266 thousand euros.

9. FINANCIAL RATIOS

The table below details some performance indicators, in order to facilitate the reading of consolidated economic and financial data:

Profitability ratios	**June 30th, 2023**	**June 30th,2022**
ROE (Net profit / Net equity)	6.8%	21.0%
ROI (Operating margin / Total assets)	7.3%	15.9%
ROS (Operating margin / Gross profit)	16.4%	27.2%

Structure ratios	**June 30th, 2023**	**June 30th, 2022**
Net working capital ratio (Current assets / Total assets)	24.9%	26.2%
Current ratio (Current assets / Current liabilities)	61.4%	83.4%
Quick ratio (Cash and cash equivalents and Other current assets / Current liabilities)	58.3%	77.5%

10. SEGMENT REPORTING

Premium Games

Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Premium Games					
		June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	92,319	100.0%	120,308	100.0%	(27,989)	-23.3%
2	Revenue adjustments	0	0.0%	0	0.0%	0	n.m.
3	**Net revenue**	**92,319**	**100.0%**	**120,308**	**100.0%**	**(27,988)**	**-23.3%**
4	Purchase of products for resale	(1,194)	-1.3%	(2,722)	-2.3%	1,528	-56.1%
5	Purchase of services for resale	(5,365)	-5.8%	(5,983)	-5.0%	618	-10.3%
6	Royalties	(16,658)	-18.0%	(32,410)	-26.9%	15,752	-48.6%
7	Changes in inventories of finished products	(354)	-0.4%	(653)	-0.5%	299	-45.7%
8	**Total cost of sales**	**(23,571)**	**-25.5%**	**(41,768)**	**-34.7%**	**18,197**	**-43.6%**
9	**Gross profit (3+8)**	**68,748**	**74.5%**	**78,540**	**65.3%**	**(9,792)**	**-12.5%**
10	Other income	13,850	15.0%	7,998	6.6%	5,852	73.2%
11	Costs for services	(9,066)	-9.8%	(5,115)	-4.3%	(3,951)	77.3%
12	Rent and leasing	(168)	-0.2%	(221)	-0.2%	53	-23.8%
13	Payroll costs	(24,203)	-26.2%	(19,258)	-16.0%	(4,945)	25.7%
14	Other operating costs	(978)	-1.1%	(564)	-0.5%	(414)	73.4%
15	**Total operating costs**	**(34,415)**	**-37.3%**	**(25,158)**	**-20.9%**	**(9,256)**	**36.8%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**48,183**	**52.2%**	**61,380**	**51.0%**	**(13,197)**	**-21.5%**
17	Depreciation and amortization	(14,869)	-16.1%	(15,842)	-13.2%	973	-6.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(5,448)	-5.9%	(1,629)	-1.4%	(3,819)	n.m.
20	Impairment reversal	19	0.0%	50	0.0%	(31)	0.0%
21	**Total depreciation, amortization and impairment adjustments**	**(20,298)**	**-22.0%**	**(17,421)**	**-14.5%**	**(2,877)**	**16.5%**
22	**Operating margin (EBIT) (16+21)**	**27,885**	**30.2%**	**43,959**	**36.5%**	**(16,073)**	**-36.6%**

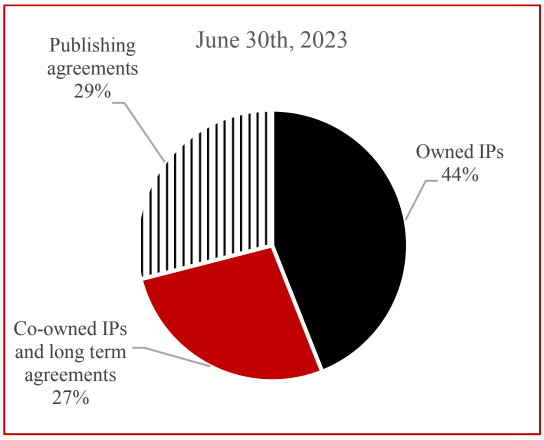
Current market conditions are making the release of new games into the market somewhat challenging. This is evident for videogames with limited marketing budget to support the launch and the creation of a consumer base. With a tightening economy, consumers are playing the same games for longer, rather than spending on new and different experiences. This trend makes it more challenging to attract gamers to new games intellectual properties, requiring strong efforts in terms of marketing investments.

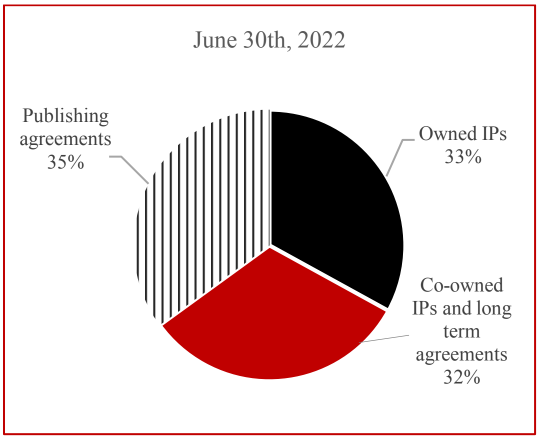
The Group is cautiously optimistic with respect to the medium to long-term outlook, despite the factors mentioned above. The current investment portfolio consists of new versions of successful games (Ghostrunner, Assetto Corsa, Control and Bloodstained) as well as new products with large production and marketing budgets and looks aligned with the current market headwinds, even if they will persist. In the next fiscal year, the Group will launch sequels of previously successful games, as well as introducing new games coming from crowdfunding campaigns and backed by robust investments in marketing from marketplaces.

The revenue of Premium Games as of June 30th, 2023, amounts to Euro 92,319 thousand (78.3% of the consolidated total revenues) and is distributed across a large number of intellectual properties, with remarkable Euro 24.6 million sales coming from the different versions of the video game Assetto Corsa, created by the in-house studio Kunos Simulazioni.

Video games developed by the internal studios and fully owned intellectual properties (IPs) accounted for 44% of the total revenues for the operating segment from 35% as of June 30th, 2022.

A breakdown of Premium Games revenue by the type of rights held by the Group as of June 30th, 2023 is provided below with comparative figures as of June 30th, 2022:





A breakdown by type is provided below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change	
Retail distribution revenue	3,317	7,077	(3,760)	-53.1%
Digital distribution revenue	85,931	109,379	(23,448)	-21.4%
Sublicensing revenue	3,071	3,852	(781)	-20.3%
Total Premium Games revenue	**92,319**	**120,308**	**(27,989)**	**-23.3%**

Digital distribution revenue amounted approximately to 92% of the operating segment gross revenue.

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

Digital distribution revenue for the period ended June 30th, 2023 may be broken down by console type as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change	
Console	31,861	61,803	(29,942)	-48.4%
Personal Computer	50,587	41,447	9,140	22.1%
Mobile	3,483	6,129	(2,646)	-43.2%
Total digital distribution revenue	**85,931**	**109,379**	**(23,448)**	**-21.4%**

Net revenues are in line with the gross revenue trend for this operating sector.

The total cost of sales decreased by Euro 18,197 thousand (-43.6%) due to lower royalties for Euro 15,752 thousand and lower purchase of products for resale for Euro 1,528 thousand.

Gross profit amounted to Euro 68,748 thousand, increasing by Euro 9,792 thousand compared to June 30th, 2022.

Other income amounted to Euro 13,850 thousand, increased by Euro 5,852 thousand because of the increased number of video games developed by fully owned studios. During the reporting period, the capitalization of such production included:

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l., expected to launch during the next fiscal year;
- the development of a video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of Crime Boss: Rockay City by the subsidiary Ingame Studios a.s..

Total operating costs amounted to Euro 34,415 thousand increasing by 36,8% compared to the previous fiscal year. Payroll costs grew by Euro 4,945 thousand following the larger number of people coming from the acquisitions and the establishment of internal development studios. Costs for services increased by Euro 3,951 thousand due to higher advertising investments related to expenses for 505 Go Inc. and support for the launches of the video games Crime Boss: Rockay City and Miasma.

Gross operating margin (EBITDA) amounted to Euro 48,183 thousand, decreasing by Euro 12,993 thousand compared to Euro 61,380 thousand realized in the previous period.

Depreciation and amortization decreased by Euro 973 thousand. Asset impairment charge amounted to Euro 5,448 thousand and reflected the write offs for Euro 5,327 thousand related to the launch of certain videogames in the second half of FY 2022-2023. The impairment tests of such products, based on lower expectations after launch, created the need for specific write-offs.

Operating margin (EBIT) amounted to Euro 27,885 thousand, compared to Euro 43,959 thousand as of June 30th, 2022.

Assets and liabilities assignable to the Premium Games operating sector are as follows:

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	4,027	3.848	179	4.7%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	133,713	83,950	49,763	59.3%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	5,531	4,639	892	19.2%
6	Deferred tax assets	13,308	10,891	2,417	22.2%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	**156,580**	**103,328**	**53,252**	**51.5%**
	Current assets				
8	Inventories	926	1,280	(354)	-27.7%
9	Trade receivables	11,249	26,365	(15,116)	-57.3%
10	Tax receivables	1,132	659	474	71.9%
11	Other current assets	9,240	12,164	(2,924)	-24.0%
12	Cash and cash equivalents	7,019	8,705	(1,686)	-19.4%
13	Other current financial assets	0	0	0	n.m.
	Total current assets	**29,566**	**49,173**	**(19,607)**	**-39.9%**
	TOTAL ASSETS	**186,145**	**152,501**	**33,644**	**22.1%**
	Non-current liabilities				
18	Employee benefits	(532)	(392)	(140)	35.6%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	0	0	0	n.m
21	Non-current financial liabilities	(6,518)	(10,074)	3,556	-35.3%
	Total non-current liabilities	**(7,050)**	**(10,466)**	**3,416**	n.m
	Current liabilities				
				4,948	-10.2%
22	Trade payables	(43,364)	(48,312)	1,252	-44.3%
23	Tax payables	(1,577)	(2,829)	0	0.0%
24	Short term provisions	0	0	(3,499)	n.m
25	Other current liabilities	(6,164)	(2,665)	(29,102)	n.m
26	Current financial liabilities	(36,709)	(7,607)	**(26,402)**	**43.0%**
	Total current liabilities	**(87,814)**	**(61,413)**	**(22,986)**	**32.0%**
	TOTAL LIABILITIES	**(94,864)**	**(71,879)**	179	4.7%

During the reporting period, the Group continued its investment strategy, reinvesting the largest part of the cash flow generated in new assets. Investments linearly follow the videogame development process, from inception to fruition. As a result of this strategy, intangible assets increased by Euro 49,763 thousand.

The decrease in trade receivables by 15,116 thousand Euros is consistent with the revenue performance.

The financial requirements related to the investment policy were funded through dedicated credit lines and loans, resulting in increased current financial liabilities for Euro 29,102 thousand.

Free to Play

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Free to Play					
		June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	22,046	100.0%	7,132	100.0%	14,914	n.m.
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	**Net revenue**	**22,046**	**100.0%**	**7,132**	**100.0%**	**14,914**	**n.m.**
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(3,677)	-16.7%	(750)	-10.5%	(2,927)	n.m.
6	Royalties	(6,234)	-28.3%	(176)	-2.5%	(6,058)	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	**Total cost of sales**	**(9,911)**	**-45.0%**	**(926)**	**-13.0%**	**(8,985)**	**969.8%**
9	**Gross profit (3+8)**	**12,135**	**55.0%**	**6,206**	**87.0%**	**5,929**	**95.5%**
10	Other income	3,675	16.7%	3,569	50.0%	106	3.0%
11	Costs for services	(3,142)	-14.3%	(967)	-13.6%	(2,175)	n.m.
12	Rent and leasing	(174)	-0.8%	(96)	-1.3%	(78)	82.3%
13	Payroll costs	(9,009)	-40.9%	(7,654)	-107.3%	(1,355)	17.7%
14	Other operating costs	(187)	-0.9%	(181)	-2.5%	(6)	3.4%
15	**Total operating costs**	**(12,512)**	**-56.8%**	**(8,898)**	**-124.8%**	**(3,614)**	**40.6%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**3,298**	**15.0%**	**877**	**12.3%**	**2,421**	**n.m.**
17	Depreciation and amortization	(2,399)	-10.9%	(1,951)	-27.4%	(448)	22.9%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(2,228)	-10.1%	0	0.0%	(2,228)	0.0%
20	Impairment reversal	2,247	10.2%	2,367	33.2%	(120)	0.0%
21	**Total depreciation, amortization and impairment adjustments**	**(2,380)**	**-10.8%**	**416**	**5.8%**	**(2,796)**	**n.m.**
22	**Operating margin (EBIT) (16+21)**	**918**	**4.2%**	**1,293**	**18.1%**	**(375)**	**-29.0%**

A breakdown of Free to Play gross revenue by video game is provided below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change	
505 Go Inc.	16,332	0	16,332	n.m.
Gems of War	4,609	5,668	(1,059)	-18.7%
Puzzle Quest 3	376	300	76	25.3%
Other products	729	1,164	(435)	-37.4%
Total Free to Play revenue	**22,046**	**7,132**	**14,914**	**n.m.**

The Free to Play operating segment revenue more than tripled, increasing by Euro 14,914 thousand, from Euro 7,132 thousand as of June 30th, 2022 to the current Euro 22,046 thousand. This result was boosted by the performance of videogames published by the newly consolidated 505 Go Inc, which amounted to Euro 16,332 thousand revenues.

Gems of War realized Euro 4,609 thousand revenue. The 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 2022, while the consoles versions came to market during the last quarter of that fiscal year.

The overall trend in the Free to Play segment costs is affected by the acquisition of 505 Go Inc. The total cost of sales increased for Euro 9,167 thousand, where a Euro 8,895 thousand increase comes from 505 Go Inc costs of sales. At the same time, operating costs for the overall sector resulted in an increase for Euro 3,614 thousand, where 505 Go Inc. operating costs are at Euro 3,768 thousand.

Purchases of services for resale increased by Euro 2,927 thousand, driven by the Euro 2,286 thousand 505 Go Inc. live support costs. Details are provided below:

Euro thousand	**June 30th, 2023**	**June 30th, 2022**	**Change**
Live support	2,286	0	2,286
Quality assurance	475	67	408
Hosting	675	478	197
Other	241	205	36
Total purchase of products for resale	**3,677**	**750**	**2,927**

Royalties amounted to Euro 6,234 thousand from Euro 176 thousand as of June 30th, 2022, mainly related to the videogames published by 505 Go Inc..

Other income amounted to Euro 3,675 thousand increasing by Euro 106 thousand compared to June 30th, 2022. This results from an increased number of videogames developed by the Group's fully owned studios, notably the development of the Free to Play version of Hawken by the subsidiary DR Studios Ltd. and the console version of Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd..

Total operating costs amounted to Euro 12,512 thousand, increasing by Euro 3,614 thousand compared to the previous fiscal year. Payroll costs grew by Euro 1,355 thousand and cost for services increased by Euro 2,175 thousand following the consolidation of 505 Go Inc, mainly related to advertising activities.

Gross operating margin (EBITDA) amounted to Euro 3,298 thousand (15% of the net revenue) increasing by Euro 2,421 thousand compared to Euro 877 thousand as of June 30th, 2022.

Depreciation and amortization as of June 30th, 2023 amounted to Euro 2,399 thousand and included Euro 1,760 thousand pertaining goodwill between the purchase price of the Australian companies and their net equity. The remainder relates to the IFRS 16 application to the rental contracts for DR Studios Ltd. and for the Australian companies, as well as the amortization of the Group's intellectual properties for the reporting period.

Asset impairment charges amounted to Euro 2,228 thousand and consisted of the specific write-offs related to the launch of Hawken, based on lower expectations after launch.

Impairment reversal consisted of the difference between the price paid for the acquisition of 505 Go Inc. and the net equity at the moment of the first consolidation, as well as the adjustment of the debt for the earn-out to be paid in connection with the acquisition of the Australian companies.

Operating margin (EBIT) amounted to positive Euro 918 thousand compared to Euro 1,293 thousand as of June 30th, 2022.

Assets and liabilities assignable to the Free to Play operating sector are as follows:

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	356	491	(135)	-27.6%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	18,354	18,885	(531)	-2.8%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	1,870	30	1,840	n.m.
6	Deferred tax assets	2,745	875	1,870	n.m.
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	**23,325**	**20,281**	**3,044**	**15.0%**
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	2,115	833	1,282	n.m.
10	Tax receivables	592	1,470	(878)	-59.7%
11	Other current assets	1,270	203	1,067	n.m.
12	Cash and cash equivalents	1,924	1,693	231	13.6%
13	Other current financial assets	0	0	0	0.0%
	Total current assets	**5,901**	**4,199**	**1,702**	**40.5%**
	TOTAL ASSETS	**29,225**	**24,480**	**4,746**	**19.4%**
	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	(1,824)	(1,954)	130	-6.7%
21	Non-current financial liabilities	(2,303)	(323)	(1,980)	n.m.
	Total non-current liabilities	**(4,127)**	**(2,277)**	**(1,850)**	**81.3%**
	Current liabilities				
22	Trade payables	(2,028)	(1,597)	(431)	27.0%
23	Tax payables	(901)	(434)	(466)	n.m.
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(1,337)	(534)	(803)	n.m.
26	Current financial liabilities	(1,779)	(134)	(1,645)	n.m.
	Total current liabilities	**(6,045)**	**(2,699)**	**(3,345)**	**n.m.**
	TOTAL LIABILITIES	**(10,172)**	**(4,976)**	**(5,196)**	**n.m.**

The increase in non-current assets amounted to 3,044 thousand Euros primarily due to higher deferred taxes and credits along with other non-current assets related to the consolidation of 505 Go. The increase in current and non-current financial liabilities in this operating sector derive from the loan arranged for the acquisition of 505 Go.

Italian Distribution

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Italian Distribution					
		June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	2,667	102.6%	4,043	100.0%	(1,376)	-34.0%
2	Revenue adjustments	(68)	-2.6%	0	0.0%	(68)	n.m.
3	**Net revenue**	**2,599**	**100.0%**	**4,043**	**100.0%**	**(1,444)**	**-35.7%**
4	Purchase of products for resale	(1,760)	-67.7%	(1,885)	-46.6%	125	-6.6%
5	Purchase 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	(464)	-17.8%	(882)	-21.8%	418	-47.4%
8	**Total cost of sales**	**(2,224)**	**-85.6%**	**(2,767)**	**-68.4%**	**543**	**-19.6%**
9	**Gross profit (3+8)**	**375**	**14.4%**	**1,276**	**31.6%**	**(901)**	**-70.6%**
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(273)	-10.5%	(608)	-15.0%	335	-55.0%
12	Rent and leasing	(16)	-0.6%	(18)	-0.4%	2	-11.6%
13	Payroll costs	(872)	-33.5%	(1,056)	-26.1%	184	-17.5%
14	Other operating costs	(45)	-1.7%	(92)	-2.3%	47	-51.1%
15	**Total operating costs**	**(1,206)**	**-46.4%**	**(1,774)**	**-43.9%**	**568**	**-32.0%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(831)**	**-32.0%**	**(498)**	**-12.3%**	**(333)**	**66.8%**
17	Depreciation and amortization	(145)	-5.6%	(143)	-3.5%	(2)	1.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(24)	-0.9%	(65)	-1.6%	41	0.0%
20	Impairment reversal	0	0.0%	122	3.0%	(122)	0.0%
21	**Total depreciation, amortization and impairment adjustments**	**(169)**	**-6.5%**	**(86)**	**-2.1%**	**(83)**	**97.1%**
22	**Operating margin (EBIT) (16+21)**	**(1,000)**	**-38.5%**	**(584)**	**-14.4%**	**(416)**	**71.3%**

The Italian Distribution operating sector revenue decreased by Euro 1,376 thousand from Euro 4,043 thousand to Euro 2,667 thousand as of June 30th, 2023.

Gross revenue is analyzed by type as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change	
Distribution of console video games	700	1,338	(638)	-47.7%
Distribution of trading cards	1,966	2,543	(577)	-22.7%
Distribution of other products and services	1	162	(161)	-99.4%
Total Italian Distribution revenue	**2,667**	**4,043**	**(1,376)**	**-34.0%**

The distribution of console video games decreased by Euro 638 thousand while the distribution of trading cards decreased for Euro 577 thousand compared to the previous fiscal year. The distribution of trading cards appears not to be particularly affected by digitalization, being a physical product by nature, rather it is mainly impacted by changes in consumer taste.

Total cost of sales amounted to Euro 2,224 thousand, decreasing by Euro 543 thousand compared to of June 30th, 2022 due to the decrease in purchase of products for resale. Inventories decreased by Euro 464 thousand.

Total operating costs amounted to Euro 1,206 thousand, a Euro 568 thousand decrease compared to Euro 1,774 thousand registered as of June 30th, 2022. As a result, the gross operating margin (EBITDA) was negative for Euro 831 thousand compared to negative Euro 498 thousand as of June 30th, 2022. The operating margin (EBIT) is negative for Euro 1,000 thousand compared to negative Euro 584 thousand as of June 30th, 2022.

Assets and liabilities assignable to the Italian Distribution operating sector are as follows:

Euro thousand		June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	2,069	2,177	(108)	-5.0%
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	184	214	(31)	-14.4%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	**2,258**	**2,397**	**(139)**	**-5.8%**
	Current assets				
8	Inventories	2,429	2,893	(464)	-16.0%
9	Trade receivables	724	577	147	25.5%
10	Tax receivables	526	338	188	55.7%
11	Other current assets	232	212	20	9.4%
12	Cash and cash equivalents	166	388	(222)	-57.3%
13	Other current financial assets	0	0	0	0.0%
	Total current assets	**4,077**	**4,408**	**(331)**	**-7.5%**
	TOTAL ASSETS	**6,336**	**6,805**	**(469)**	**-6.9%**
	Non-current liabilities				
18	Employee benefits	(353)	(346)	(7)	2.1%
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	**(434)**	**(427)**	**(7)**	**1,7%**
	Current liabilities				
22	Trade payables	(210)	(271)	61	-22.5%
23	Tax payables	(163)	(139)	(24)	17.3%
24	Short term provisions	0	0	0	0,0%
25	Other current liabilities	(230)	(741)	511	-69.0%
26	Current financial liabilities	(11)	(12)	1	-9.9%
	Total current liabilities	**(614)**	**(1,163)**	**549**	**-47.2%**
	TOTAL LIABILITIES	**(1,049)**	**(1,590)**	**542**	**-34.1%**

The decrease in inventories is consistent, from Euro 2,893 thousand to Euro 2,429 thousand. During the current fiscal year, it is also registered a remarkable decrease in trade receivables of 25.5%, which appears to be in line with the trend in turnover.

Other Activities

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Other Activities					
		June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	968	100.0%	755	100.0%	213	28.2%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	**Net revenue**	**968**	**100.0%**	**755**	**100.0%**	**213**	**28.2%**
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase 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)**	**968**	**100.0%**	**755**	**100.0%**	**213**	**28.2%**
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(492)	-50.8%	(358)	-47.4%	(134)	37.4%
12	Rent and leasing	(3)	-0.3%	(3)	-0.4%	0	0.0%
13	Payroll costs	(607)	-62.7%	(591)	-78.2%	(16)	2.8%
14	Other operating costs	(36)	-3.7%	(38)	-5.1%	2	-6.8%
15	**Total operating costs**	**(1,138)**	**-117.6%**	**(990)**	**-131.1%**	**(148)**	**15.0%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(170)**	**-17.6%**	**(235)**	**-31.1%**	**65**	**-27.5%**
17	Depreciation and amortization	(351)	-36.3%	(206)	-27.3%	(145)	70.1%
18	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**	**(351)**	**-36.3%**	**(206)**	**-27.3%**	**(145)**	**n.m.**
22	**Operating margin (EBIT) (16+21)**	**(521)**	**-53.9%**	**(441)**	**-58.4%**	**(80)**	**18.2%**

Revenues of the Other Activities operating sector increased by Euro 213 thousand, following the introduction of new courses 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 134 thousand and payroll costs for Euro 16 thousand. Total depreciation, amortization and impairment adjustments increased by Euro 145 thousand due to the amortization of the software developed by the subsidiary Seekhana Ltd. to support the new courses. The operating loss of Euro 521 thousand as of June 30th, 2023 increased compared to negative Euro 441 thousand registered in the last fiscal year.

Assets and liabilities assignable to the Other Activity operating sector are as follows:

Euro thousand		June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	45	57	(12)	-20.4%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	810	1.088	(278)	-25.6%
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	0	0	0.0%
7	Non-current financial activities	0	0	0	0.0%
	Total non-current assets	**855**	**1.145**	**(290)**	**-25.3%**
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	16	6	10	n.m.
10	Tax receivables	2	5	(3)	-66.7%
11	Other current assets	44	22	22	n.m.
12	Cash and cash equivalents	211	97	114	n.m.
13	Other current financial assets	0	0	0	0.0%
	Total current assets	**273**	**130**	**143**	**n.m.**
	TOTAL ASSETS	**1,128**	**1,275**	**(147)**	**-11.5%**
	Non-current liabilities				
18	Employee benefits	(26)	(23)	(3)	13.2%
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	**(26)**	**(23)**	**(3)**	**13.2%**
	Current liabilities				
22	Trade payables	(210)	(206)	(4)	2.1%
23	Tax payables	(13)	(12)	(1)	10.7%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(354)	(128)	(226)	n.m.
26	Current financial liabilities	0	0	0	0.0%
	Total current liabilities	**(577)**	**(346)**	**(231)**	**66.9%**
	TOTAL LIABILITIES	**(603)**	**(369)**	**(234)**	**63.6%**

Holding

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Holding					
		June 30th, 2023		June 30th, 2022		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	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase 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	0	0.0%	17	0.0%	(17)	n.m.
11	Costs for services	(2,002)	0.0%	(1,514)	0.0%	(488)	32.3%
12	Rent and leasing	(260)	0.0%	(159)	0.0%	(101)	64.1%
13	Payroll costs	(4,224)	0.0%	(5,308)	0.0%	1.084	-20.4%
14	Other operating costs	(541)	0.0%	(432)	0.0%	(109)	25.1%
15	**Total operating costs**	**(7,027)**	**0.0%**	**(7,413)**	**0.0%**	**386**	**-5.2%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(7,027)**	**0.0%**	**(7,396)**	**0.0%**	**369**	**-5.0%**
17	Depreciation and amortization	(923)	0.0%	(888)	0.0%	(35)	3.9%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(14)	0.0%	14	0.0%
20	Impairment reversal	0	0.0%	31	0.0%	(31)	0.0%
21	**Total depreciation. amortization and impairment adjustments**	**(923)**	**0.0%**	**(871)**	**0.0%**	**(52)**	**6.0%**
22	**Operating margin (EBIT) (16+21)**	**(7,950)**	**0.0%**	**(8,267)**	**0.0%**	**317**	**-3.8%**

Total operating costs amounted to Euro 7,027 thousand, decreasing by Euro 386 thousand compared to June 30th, 2022. This reduction was driven by the fact that variable compensation components were not disbursed, leading to a decrease in payroll costs for Euro 1,084 thousand.

The increase in service costs amounts to Euro 488 thousand and is related to the following: DPO and GDPR compliance, an higher number of brokers, expenses related to the implementation of ESG measures, costs related to the formulation of two inquiries to the Revenue Agency, expenses incurred for activities linked to the capital increase of Starbreeze AB, and expenditures for the drafting of the financial statements in ESEF format.

On the other hand, the increase in operating costs by Euro 109 thousand Euros, reflects higher banking expenses incurred during the current fiscal period.

The operating margin (EBIT) was negative for Euro 7,950 thousand compared to a negative Euro 8,267 thousand as of June 30th, 2022.

Assets and liabilities assignable to the Other Activity operating sector are as follows:

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	3,116	3,780	(664)	-17.6%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	146	166	(20)	-12.1%
4	Equity investments	11,400	7,511	3,889	51.8%
5	Non-current receivables and other assets	682	9,397	(8,715)	-92.7%
6	Deferred tax assets	850	849	1	0.0%
7	Non-current financial activities	0	18,257	(18,257)	n.m.
	Total non-current assets	**16,194**	**39,960**	**(23,766)**	**-59.5%**
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	0	0	0	0.0%
10	Tax receivables	1,725	454	1,270	n.m.
11	Other current assets	13,004	429	12,575	n.m.
12	Cash and cash equivalents	87	78	9	11.2%
13	Other current financial assets	11,344	329	11,015	0.0%
	Total current assets	**26,160**	**1,290**	**24,870**	**n.m.**
	TOTAL ASSETS	**42,354**	**40,949**	**1,405**	**3.4%**
	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	0	0	0.0%
21	Non-current financial liabilities	(2,465)	(4,816)	2,352	-48.8%
	Total non-current liabilities	**(2,465)**	**(4,816)**	**2,352**	**-48.8%**
	Current liabilities				
22	Trade payables	(1,025)	(1,739)	714	-41.1%
23	Tax payables	(128)	(161)	33	-20.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(550)	(589)	39	-6.7%
26	Current financial liabilities	(10,617)	(2,874)	(7,743)	n.m.
	Total current liabilities	**(12,320)**	**(5,363)**	**(6,956)**	**n.m.**
	TOTAL LIABILITIES	**(14,783)**	**(10,179)**	**(4,604)**	**45.2%**

Equity investments increased by Euro 3,889 thousand due to the adjustment to the market value of the Starbreeze AB shares held at the end of the fiscal year. The Group underwrote a capital increase in June 2023, which resulted in an increase of Starbreeze A shares by 51,465,520 and Starbreeze B shares by 20,741,940.

As of June 30th, 2023, the company holds 113,2 million Starbreeze A multiple-voting shares and 48,6 million Starbreeze B single-voting shares.

The decrease in non-current receivables and other assets, as well as the contraction in non-current financial assets, is a result of the reclassification under other current assets of the credit towards Starbreeze AB, following the restructuring procedure. Instead, the convertible bond that was previously classified as a non-current financial asset has been reclassified among other financial assets. Further details regarding this process are outlined in a dedicated paragraph.

The rise in tax receivables results from the transfer of tax credits and debts to Digital Bros S.p.A. within the framework of the national tax consolidation adopted by all Italian companies of the Group.

11. 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.

Rasplata B.V. charges 505 Games S.p.A. royalties for the publication of the video game Crime Boss: Rockay City under a dedicated publishing contract.

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

Before the acquisition, 505 Go Inc. had an existing contract for the use of the Puzzle Quest trademark with Infinity Interactive Pty, which has remained unchanged.

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, 20223

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.

12. 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.

13. RESEARCH AND DEVELOPMENT

During the reporting period, the Group incurred development costs of Euro 16,939 thousand compared to Euro 11,412 thousand as of June 30th, 2022. 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..

14. 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 organizational 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.

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 (brand manager and producer) has also been adopted.

Assessment of the future demand for video games

Similarly to the overall entertainment industry, 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, 2023 are as follows:

Euro thousands	Facility	Disposed	Available
Bank overdrafts	2,200	1,862	338
Import financing	8,250	7,182	1,068
Advances on invoices and cash orders subject to collection	17,317	16,219	1,098
Factoring	5,000	11	4,989
Medium-term product development financing	28,702	28,702	0
Total	**61,469**	**53,976**	**7,493**

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. 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. On June 30th, 2023, the fair value of the instruments was negative for Euro 949 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 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 92.3% of trade receivables while the top 50 customers accounted for 99.8%. 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).

15. CONTINGENT ASSETS AND LIABILITIES

The sale of rights to PAYDAY2 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.

16. SUBSEQUENT EVENTS

As of July 1st, 2023, Digital Bros S.p.A. acquired the remaining 40% of the share capital of the Czech company Ingame Studios a.s. for an amount of Euro 350 thousand. At the time of consolidation, the company had a net equity, of 44,828 thousand Czech crowns, resulting in a badwill of Euro 405 thousand.

17. BUSINESS OUTLOOK

The strategy of the Group for the next fiscal year includes the launch of Ghostrunner 2 in the second quarter and the release of the PC version of the sequel of Assetto Corsa, along with console and PC versions of the new game Eiyuden Chronicles in the fourth quarter. These publishing decisions are expected to be less affected by the market headwinds that negatively impacted the gaming sector, due to the release of successful game sequels and new games with significant crowdfunding and marketplace marketing support.

In addition, Digital Bros remains cautiously optimistic about the long-term publishing plans involving the release of console versions of Assetto Corsa and the launch of Control 2, sequel to the over greatly successful videogame Control. Instead, there are no prominent launches expected to occur in the Free to Play operating sector, which arrived to an acceptable level of revenues and margins following the acquisition of 505 Go Inc.

Forecasted revenues and operating margins for the next fiscal year are positive, with the increase concentrated in the second half of the fiscal year.

The Group's investment plan will continue in the upcoming fiscal year, with investments expected to exceed Euro 50 million. As a result of this strategy, the net financial debt will further increase along FY 2023-2024 but it is expected to return to current levels at the end of the next fiscal year.

The Group has an earn-out agreement for 33% of PAYDAY3's net revenues, capped at 40 million US dollars. The game was developed by Starbreeze and released on September 21st, 2023. As of today, Digital Bros is unable to assess the timing and the amount it will receive. If the game overperforms to trigger the earn-out in part or in full, it would result in a significant improvement in the Group's financial performance.

18. OTHER INFORMATION

EMPLOYEES

The following table details the number of employees as of June 30th, 2023 with comparative figures as at June 30th,2022:

Category	June 30th, 2023	June 30th, 2022	Change
Managers	14	13	1
Office workers	416	362	54
Blue-collar workers and apprentices	5	4	1
Total employees	**435**	**379**	**56**

The increase in the number of office workers reflected the overall increase in Chrysalide Jeux et Divertissement Inc.'s and 505 Games Ltd. and DR Studios Ltd.'s workforce.

The following table reports the number of employees of non-Italian companies as of June 30th, 2023, with comparative figures as of June 30th,2022:

Category	June 30th, 2023	June 30th, 2022	Change
Managers	8	8	0
Office workers	313	267	46
Total employees outside Italy	**321**	**275**	**46**

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

Category	Average no. in 2023	Average no. in 2022	Change
Managers	14	13	1
Office workers	392	334	58
Blue-collar workers and apprentices	5	4	1
Total employees	**411**	**351**	**60**

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

Category	Average no. in 2023	Average no. in 2022	Change
Managers	9	8	1
Office workers	292	244	48
Total employees	**301**	**252**	**49**

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 exceptionally 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.

19. 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.

20. 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.

21. 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.

.

(this page intentionally left blank)

Interim Report as of June 30th, 2023

FINANCIAL STATEMENTS

Consolidated balance sheet as of June 30th, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022
	Non-current assets		
1	Property, plant and equipment	9,613	10,353
2	Investment properties	0	0
3	Intangible assets	153,023	104,089
4	Equity investments	11,400	7,511
5	Non-current receivables and other assets	8,089	14,072
6	Deferred tax assets	17,087	12,829
7	Non-current financial activities	0	18,257
	Total non-current assets	**199,212**	**167,111**
	Current assets		
8	Inventories	3,355	4,173
9	Trade receivables	14,104	27,781
10	Tax receivables	3,977	2,926
11	Other current assets	23,790	13,030
12	Cash and cash equivalents	9,407	10,961
13	Other current financial assets	11,344	329
	Total current assets	**65,977**	**59,200**
	TOTAL ASSETS	***265,189***	***226,311***
	Shareholders' equity		
14	Share capital	(5,706)	(5,705)
15	Reserves	(21,367)	(22,030)
16	Treasury shares	0	0
17	Retained earnings	(115,270)	(108,160)
	Equity attributable to the shareholders of the Parent Company	**(142,343)**	**(135,895)**
	Equity attributable to non-controlling interests	**(1,375)**	**(1,423)**
	Total net equity	**(143,718)**	**(137,318)**
	Non-current liabilities		
18	Employee benefits	(911)	(761)
19	Non-current provisions	(81)	(81)
20	Other non-current payables and liabilities	(1,824)	(1,954)
21	Non-current financial liabilities	(11,285)	(15,213)
	Total non-current liabilities	**(14,101)**	**(18,009)**
	Current liabilities		
22	Trade payables	(46,837)	(52,125)
23	Tax payables	(2,782)	(3,575)
24	Short term provisions	0	0
25	Other current liabilities	(8,635)	(4,657)
26	Current financial liabilities	(49,116)	(10,627)
	Total current liabilities	**(107,370)**	**(70,984)**
	TOTAL LIABILITIES	**(121,471)**	**(88,993)**
	TOTAL NET EQUITY AND LIABILITIES	***(265,189)***	***(226,311)***

Consolidated profit and loss statement for the period ended June 30th, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022
1	Gross revenue	118,000	132,238
2	Revenue adjustments	(68)	0
3	**Net revenue**	**117,932**	**132,238**
4	Purchase of products for resale	(2,954)	(4,607)
5	Purchase of services for resale	(9,042)	(6,733)
6	Royalties	(22,892)	(32,586)
7	Changes in inventories of finished products	(818)	(1,535)
8	**Total cost of sales**	**(35,706)**	**(45,461)**
9	**Gross profit (3+8)**	**82,226**	**86,777**
10	Other income	17,525	11,584
11	Costs for services	(14,975)	(8,562)
12	Rent and leasing	(621)	(497)
13	Payroll costs	(38,915)	(33,867)
14	Other operating costs	(1,787)	(1,307)
15	**Total operating costs**	**(56,298)**	**(44,233)**
16	**Gross operating margin (EBITDA) (9+10+15)**	**43,453**	**54,128**
17	Depreciation and amortization	(18,687)	(19,030)
18	Provisions	0	0
19	Asset impairment charge	(7,700)	(1,708)
20	Impairment reversal	2,266	2,570
21	**Total depreciation, amortization and impairment adjustments**	**(24,121)**	**(18,168)**
22	**Operating margin (EBIT) (16+21)**	**19,332**	**35,960**
23	Interest and financial income	7,428	8,349
24	Interest and financial expenses	(13,036)	(4,148)
25	**Net interest income/(expenses)**	**(5,608)**	**4,201**
26	**Profit/ (loss) before tax (22+25)**	**13,724**	**40,161**
27	Current tax	(4,332)	(10,929)
28	Deferred tax	243	(576)
29	**Total taxes**	**(4,089)**	**(11,505)**
30	**Net profit/loss**	**9,635**	**28,656**
	attributable to the shareholders of the Parent Company	**9,683**	**28,546**
	attributable to non-controlling interests	**(48)**	**110**
	Earnings per share:		
33	**Basic earnings per share (in Euro)**	**0.68**	**2.00**
34	**Diluted earnings per share (in Euro)**	**0.66**	**1.97**

Consolidated comprehensive income statement as of June 30th, 2023

Euro thousand	June 30th, 2023	June 30th, 2022
Profit (loss) for the period (A)	**9,635**	**28,656**
Actuarial gain (loss)	(11)	39
Income tax relating to actuarial gain (loss)	3	(9)
Changes in the fair value	(699)	(3,390)
Tax effect regarding fair value measurement of financial assets	168	813
Items that will not be subsequently reclassified to profit or loss (B)	**(539)**	**(2,547)**
Exchange differences on translation of foreign operations	(302)	728
Items that will subsequently be reclassified to profit or loss (C)	**(302)**	**728**
Total other comprehensive income D= (B)+(C)	**(841)**	**(1,819)**
Total comprehensive income (loss) (A)+(D)	**8,794**	**26,924**
Attributable to:		
Shareholders of the Parent Company	**8,842**	**26,727**
Non-controlling interests	**(48)**	**110**

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

Consolidated cash flow statement as of June 30th, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022
A.	**Opening net cash/debt**	**10,961**	**35,509**
B.	**Cash flows from operating activities**		
	Profit (loss) for the period	9,635	28,656
	Depreciation, amortization and non-monetary costs:		
	Provisions and impairment losses	7,700	1,694
	Amortization of intangible assets	15,990	16,872
	Depreciation of property, plant and equipment	2,697	2,158
	Net change in tax advance	(4,258)	(1,185)
	Net change in employee benefit provisions	150	42
	Net change in other non-current liabilities	(668)	(564)
	SUBTOTAL B.	**31,246**	**47,673**
C.	**Change in net working capital**		
	Inventories	818	1,535
	Trade receivables	13,532	(9,562)
	Current tax assets	(1,051)	(1,426)
	Other current assets	(10,760)	5,719
	Trade payables	(5,288)	4,932
	Current tax liabilities	(793)	(7,207)
	Current provisions	0	(0)
	Other current liabilities	3,978	(5,275)
	Other non-current liabilities	(130)	(3,461)
	Non-current receivables and other assets	5,983	(8,983)
	SUBTOTAL C.	**6,289**	**(23,728)**
D.	**Cash flows from investing activities**		
	Net payments for intangible assets	(72,479)	(55,284)
	Net payments for property, plant and equipment	(1,957)	(4,313)
	Net payments for non-current financial assets	(3,889)	3,679
	SUBTOTAL D.	**(78,325)**	**(55,918)**
E.	**Cash flows from financing activities**		
	Capital increases	1	1
	Changes in financial liabilities	34,561	9,737
	Changes in financial assets	7,242	254
	SUBTOTAL E.	**41,804**	**9,992**
F.	**Changes in consolidated equity**		
	Dividends paid	(2,568)	(2,567)
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	0	0
	SUBTOTAL F.	**(2,568)**	**(2,567)**
G.	**Cash flow for the period (B+C+D+E+F)**	**(1,554)**	**(24,548)**
H.	**Closing net cash/debt (A+G)**	**9,407**	**10,961**

Consolidated statement of changes in equity as of June 30th, 2023

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	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, 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 increase	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**
Total on July 1st, 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**
Capital increases	1	21					**21**				**0**	**22**		**22**
Allocation of previous year result							**0**		28,546	(28,546)	**0**	**0**	**0**	**0**
Dividend paid									(2,568)		**(2,568)**	**(2,568)**		**(2,568)**
Other changes						157	**157**		(5)		**(5)**	**152**		**152**
Comprehensive income (loss)					(302)	(539)	**(841)**			9,683	**9,683**	**8,842**	**(48)**	**8,794**
Total on June 30th, 2023	**5,706**	18,528	1,141	1,367	(913)	1,244	**21,367**	**0**	105,587	9,683	**115,270**	**142,343**	**1,375**	**143,718**

Financial statements as of June 30th, 2023

EXPLANATORY NOTES

nsolic

1. INTRODUCTORY NOTE

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

The consolidated financial statements as of June 30th, 2023 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 consolidated financial statements are presented in Euro, and all values are rounded to the nearest thousand euros, unless otherwise stated.

The consolidated financial statements also include comparative information with respect to the previous fiscal period.

Accounting standards

The consolidated financial statements as of June 30th, 2023 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 consolidated financial statements are drafted on the historical cost basis, except for certain office buildings (classified under Property, Plant, and Equipment), derivative financial instruments, financial assets represented by equity securities or bonds in the portfolio, and their related potential values, which are recorded at fair value. The book value of assets and liabilities subject to fair value hedging operations is adjusted to account for changes in fair value attributable to the hedged risks.

The financial statements comprise the:

- consolidated balance sheet as of June 30th, 2023 with comparative figures as of June 30th, 2022 (the annual reporting date for the previous consolidated financial statements);
- consolidated profit and loss statement for the period ended June 30th, 2023 with comparative figures as of June 30th, 2022;
- consolidated comprehensive income statement as of 30th, 2023 with comparative figures as of June 30th, 2022;
- consolidated cash flow statement as of 30th, 2023 with comparative figures as of J June 30th, 2022;
- consolidated statement of changes in equity as of 30th, 2023 with comparative figures as of June 30th, 2022.

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, 2021 and June 30th, 2023; non-controlling interests are disclosed separately.

2. ACCOUNTING POLICIES

The assessment criteria used for drafting the consolidated financial statements as of June 30th, 2023, are consistent with those used for the draft of the consolidated financial statements as of June 30th, 2022, except for the new principles applied since July 1st, 2022.

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 recognized 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 recognized in the profit and loss statement.

Any contingent consideration is recognized at its acquisition-date fair value. A change in the fair value of contingent consideration classified as an asset or a liability is recognized 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 recognized in profit and loss, if the consideration paid is less than the fair value of the net assets acquired.

The business combination is recognized 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.

Assets impairment

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

Initial assessment and Subsequent evaluation

The Group utilizes derivative financial instruments, including interest rate swaps, to hedge its interest rate risks. These derivative financial instruments are initially recognized at fair value on the date of derivative contract subscription and are subsequently revalued at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

- Fair value hedge – against fluctuations in the fair value of a recognized asset or liability or an unrecorded irrevocable commitment.
- Cash flow hedge – 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, or the foreign exchange risk on an unrecorded irrevocable commitment.
- hedge of the Group's net investment in a foreign operation

Transactions that meet all the qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedge

The change in fair value of hedging derivatives is recognised in profit/(loss) in Other costs. The change in fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying amount of the hedged item and is also recognised in profit/(loss) in Other expenses.

Regarding the fair value hedges referring to items under the amortised cost method, each adjustment to the book value amount is amortised in the statement of profit/(loss) over the remaining period of the hedge using the effective interest rate method (EIR). Amortisation determined as may begin as soon as an adjustment exists but may not extend beyond the date on which the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the profit or loss statement.

When an unrecognised commitment is designated as a hedged item, subsequent cumulative changes in its fair value attributable to the hedged risk are recognised as assets or liabilities and corresponding gains or losses recognised in the profit or loss statement.

Cash flow hedge

The portion of the gain or loss on the hedged instrument is recognised in the 'cash flow hedge reserve', while the ineffective portion is recognised directly in profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower value of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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 the profit and loss account.

Amounts accumulated within other items of the consolidated profit and loss statement are recognised based on the nature of the underlying hedged transaction. If the hedged transaction results in the recognition of a non-financial component, the amount accumulated in equity is removed from the separate component of equity and included in the book value of the hedged asset or liability. This is not considered a reclassification of items recognized in OCI for the period. The same applies in the case of a planned transaction involving a non-financial asset or liability that subsequently becomes an irrevocable commitment subject to fair value hedging.

For any other cash flow hedge, the amount accumulated in OCI is recognised as a reclassification adjustment in the period when the hedged cash flows affect the profit and loss account.

If cash flow hedge accounting is discontinued, the amount accumulated in OCI should remain there if it is expected that future covered cash flows will occur. Otherwise, the amount should be immediately reclassified to income (profit/loss) for the period as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any remaining amount accumulated in OCI must be accounted for based on the nature of the underlying transaction, as described above.

Hedge of a net investment in a foreign operation

Hedging a net investment in a foreign operation is accounted for in a manner similar to cash flow hedges, including when hedging a monetary item as part of a net investment. Gains or losses from the hedging instrument are recognized in Other comprehensive income for the effective portion of the hedge, while for the ineffective portion, they are recorded in the income statement. Upon the disposal of the foreign operation, the cumulative amount of total gains or losses is transferred to the income statement.

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 e 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 principles, amendments, and interpretations of IFRS applicable from July 1st, 2022

Below are the accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union to be mandatorily adopted in the consolidated financial statements from July 1st. 2022:

- IFRS 17 Insurance Contracts

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.

The amendments had no impact on the Group's consolidated financial statements.

- Definition of Accounting Estimates – Amendments to IAS 8

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.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgments provide 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.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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. These amendments had no impact on the Group's consolidated financial statements.

- Onerous contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

Amendments to IAS 37 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.

- Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard. The amendment 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. A new paragraph to IFRS 3 clarifies that contingent assets do not qualify as identifiable assets at the acquisition date.

In accordance with the transition rules, the Group applies the amendment prospectively, i.e., to business combinations occurring after the beginning of the fiscal year in which the amendment was first applied (date of initial application). These changes had no impact on the Group's consolidated financial statements as contingent assets, liabilities, and potential liabilities were not object to these amendments.

- Property, plant and equipment: Proceeds before intended Use - Amendment to IAS 16

The amendment 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.

According to the guidelines, the Group applies the amendment 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. Such amendments had no impact on the Group's financial statements, as no sales related to these items of property, plant, and equipment were made either before they became operational or after the start of the previous comparative period.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

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;

This amendment has had no impact on the Group's consolidated financial statements because the Group is not a first-time adopter.

- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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. There was no proposal for the adoption of a similar amendment for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the guidelines, the Group 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. Such amendment had no impact on the Group's financial statements as there have been no changes in the financial liabilities of the Group within the semester.

- IAS 41 Agriculture – Taxation in fair value measurements

Amendment to IAS 41 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 Group had no impact from these changes; since it does not hold any assets within the scope of IAS 41 at the reporting date.

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, 2023

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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;

3. DISCRETIONARY ITEMS AND SIGNIFICANT ESTIMATES

Discretionary judgment

The preparation of the consolidated financial statements as of June 30th, 2023 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 new 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 the beneficiaries will not receive the incentive for effect of the bad leaver conditions, was considered as not significant. Therefore, the estimate of the resulting liability was made by the directors weren't assisted by an independent actuary.

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, 2023, 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	Currency	Capita	% held directly or indirectly
Avantgarden S.r.l.	Milano	Italy	Euro	100,000	100%
Chrysalide Jeux et Divertissement Inc.	Québec	Canada	Canadian Dollar	100	75%
Digital Bros S.p.A.	Milano	Italy	Euro	5,706,01.80	Parent Company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	Euro	100,000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	Euro	100,000	100%
Digital Bros Game Academy S.r.l.	Milano	Italy	Euro	300,000	100%
Digital Bros Holdings Ltd.	Milton Keynes	UK	Pounds	100,000	100%
DR Studios Ltd.	Milton Keynes	UK	Pounds	60,826	100%
Game Entertainment S.r.l.	Milano	Italy	Euro	100,000	100%
505 Games S.p.A.	Milano	Italy	Euro	10,000,000	100%
505 Games Australia Pty Ltd.	Melbourne	Australia	Australian Dollar	100,000	100%
505 Games France S.a.s.	Francheville	France	Euro	100,000	100%
505 Games GmbH	Burglengenfeld	Germany	Euro	50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	US Dollar	100,000	100%
505 Games Japan K.K.	Tokyo	Japan	YEN	6,000,000	100%
505 Games Ltd.	Milton Keynes	UK	Pounds	100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	US Dollar	100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	Euro	100,000	100%
505 Go Inc.	Calabasas (CA)	USA	US Dollar	975,000	100%
Game Network S.r.l. (in liquidation)	Milano	Italy	Euro	10,000	100%
Hawken Entertainment Inc.	Calabasas (CA)	USA	US Dollar	100,000	100%
Hook S.r.l.	Milano	Italy	Euro	100,000	100%
Kunos Simulazioni S.r.l.	Roma	Italy	Euro	10,000	100%
Infinity Plus Two Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Infinite Interactive Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Ingame Studios a.s.	Brno	Czech Rep.	Czech Crowns	2,000,000	60%
505 Mobile S.r.l.	Milano	Italy	Euro	100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	US Dollar	100,000	100%
Rasplata B.V.	Amsterdam	Netherlands	Euro	1,750	60%
Seekhana Ltd.	Milton Keynes	UK	Pounds	18,500	60%
Supernova Games Studio S.r.l.	Milano	Italy	Euro	100,000	100%

Equity consolidation method:

Company name	Operational headquarters	Country	Currency	Capita	% held directly or indirectly
MSE & DB Sl	Tudela	Spain	Euro	10,000	50%
Artactive S.A.	Kraków	Poland	Złoty	100,000	40%

5. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As of June 30th, 2023 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 Artactive s.a. at a book value of Euro 9 thousand.

6. 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 2022, 505 Mobile S.r.l. completed the acquisition of 100% of the shares of the U.S.-company D3 Publisher Inc., subsequently renamed 505 Go Inc

The assessment of the fair value of the identifiable assets acquired, and the identifiable liabilities assumed by the Australian companies was completed during the period, as required.

The financial position balance at July 1st, 2022 of the assets and liabilities acquired by the Group adjusted as described are shown below:

	Euro thousand	Financial position balance at July 1st, 2022	Purchase price allocation	Fair value
	Non-current assets			
1	Property, plant and equipment	35	0	35
3	Intangible assets	7	0	7
6	Deferred tax assets	4,340	0	4,340
	Total non-current assets (A)	**4,382**	**0**	**4,382**
9	Trade receivables	1,189	0	1,189
10	Tax receivables	0	0	0
11	Other current assets	176	0	176
12	Cash and cash equivalent	1,947	0	1,947
	Total current assets (B)	**3,312**	**0**	**3,312**
22	Trade payables	(1,927)	0	(1,927)
23	Tax payables	(88)	0	(88)
25	Other current liabilities	(159)	0	(159)
	Total current liabilities (D)	**(2,174)**	0	**(2,174)**
	Net equity (A+B+C+D)	**5,520**	**0**	**5,520**
	Consideration for the acquisition			**4,101**
	Difference			**1,419**

The difference between the net equity and the consideration paid for the acquisition generated a balance of Euro 1,419 thousand.

During initial consolidation, the positive balance amounted to Euro 813 thousand. The balance increased to Euro 1,419 thousand, following a subsequent revision of the variable portion of the consideration paid for the acquisition.

7. RELATIONSHIPS WITH STARBREEZE

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

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze 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 March 31st, 2023, the earn-out was not accounted for and has been considered a contingent asset;
- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze STAR 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, enforcing the company and five subsidiaries to petition 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 successfully completed the restructuring process and presented a payment plan to its creditors.

In January and February 2020, the Group conducted the following transactions:

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze STAR A shares held by Swedish company Varvtre AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition;
- on February 26th, 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze 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 approximately SEK 215 million issued by Starbreeze 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 STAR B shares, at the current conversion ratio. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share following the share capital increase conducted by Starbreeze 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 SEK 165 million for a consideration of Euro 100 thousand. This credit falls under the Starbreeze 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 STAR A shares and 6,018,948 Starbreeze STAR B shares for a total amount of Euro 2.2 million.

On June 23rd, 2020, the Group signed a binding agreement for the pro-quota subscription of the share issue finalized in September 2020.

On April 28th, 2023, Starbreeze announced a rights issue of approximately Swedish Kronor ("SEK") 450 million, Digital Bros Group has committed to:

1. underwrite the pro-rata share of the rights issue, corresponding to approximately SEK 54 million;
2. underwrite an incremental commitment for a maximum of SEK 100 million of unsubscribed rights, following the capital increase process;
3. convert the total outstanding convertible loan of approximately SEK 215 million held by Digital Bros in Starbreeze B shares. This process would be carried out within 30 days from the closing of the capital increase process and after receiving the recalculation of the revised conversion price

As part of the overall agreement, Starbreeze has committed to using the proceeds from the capital increase primarily for the payment of the credit of SEK 150 million to Digital Bros, originally amounting to SEK 165 million, and net of the effective use of the commitment described at point 2).

As of June 30th, 2023, the company holds 113.2 million Starbreeze A shares and 48.6 million Starbreeze B shares as a result of the pro quota subscription outlined in point 1) and a negligible use of the commitment mentioned in point 2) above. This number of shares represents 11.96% of the capital and 29.16% of the voting rights.

The Group believes that it does not have significant influence over Starbreeze, considering its governance structure, and despite the ongoing contractual relationships and the stake held in the Swedish company. Consequently, it has chosen to retain its classification as other investments, as it has in previous periods. Adjustments to this classification would be assessed following any substantial changes in the relationship between the two groups.

After the end of the fiscal year, on July 3rd, 2023, the Group successfully received its credit of 150 million SEK. On the same date, 3.3 million multiple-vote Starbreeze A shares were subscribed (equivalent to approximately 2.5 million Swedish Kronor) as a result of the guarantee provided for any unsubscribed options.

On July 10th, 2023, the Company requested the conversion of approximately 29.5 million multiple-vote Starbreeze A shares into single-vote Starbreeze B shares. This process was carried out to reduce its voting stake, in order to comply with EU regulations on mandatory takeover bids and in response to conversion requests from other Starbreeze shareholders and to comply with EU regulations, while also weighing in the effects of subsequent conversion of convertible bonds.

On July 19th, 2023, the Company requested the full conversion of the convertible bond, into 148.3 million Starbreeze B shares.

As of September 27th, 2023, after additional conversions of multiple-vote shares into single-vote shares by different shareholders, the Group now holds 87 million Starbreeze A shares and 223.4 million Starbreeze B shares. This accounts for 21% of the total capital and 38.8% of voting rights.

.

8. 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 30th, 2023	**June 30th, 2022**	**June 30th, 2023**	**June 30th, 2022**
Consolidated profit (loss) for the year and net equity	**4,933**	**7,325**	**60,199**	**58,204**
Profit for the year and equity of subsidiaries	9,926	31,887	135,063	129,702
Carrying amount of equity investments	0	0	(39,089)	(35,164)
Consolidation adjustments				
Impairment of investments in subsidiaries	275	679	682	822
Elimination of intercompany profits	1,353	(3,692)	(4,210)	(5,563)
Dividends	(10,000)	(7,500)	0	0
Other adjustments	3,148	(43)	(8,927)	(10,683)
Total consolidation adjustments	**(5,224)**	**(10,556)**	**(12,455)**	**(15,424)**
Profit for the year and net equity of the Parent Company	**9,635**	**28,656**	**143,718**	**137,318**

Details for consolidation adjustments as of June 30th, 2023 and as of June 30th , 2022 are provided below:

Euro thousand	Profit (loss) at		Equity	
	June 30th, 2023	June 30th, 2022	June 30th, 2023	June 30th, 2022
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	0	0	51	51
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	247	323	247	416
Impairment of Digital Bros S.p.A.'s investment in Seekhana Ltd.	28	214	242	214
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	0	142	142	142
Total impairment of investments in subsidiaries	**275**	**679**	**682**	**822**
Elimination of unrealized profit in inventory	62	89	(25)	(87)
Elimination of margin on internal development contracts	1,291	(3,782)	(4,185)	(5,476)
Total elimination of intercompany profits	**1,353**	**(3,692)**	**(4,210)**	**(5,563)**
Dividends from Kunos Simulazioni S.r.l.	(5,000)	(2,500)	(5,000)	(2,500)
Dividends from 505 Games S.p.A.	(5,000)	(5,000)	(5,000)	(5,000)
Total dividends	**(10,000)**	**(7,500)**	**(10,000)**	**(7,500)**
Amortization/Allocation of acquisition price of Kunos S.r.l., net of tax effect	(62)	(301)	123	185
Allocation of acquisition price of Rasplata B.V., net of tax effect	(97)	0	914	1,011
Allocation of acquisition of Australian companies, net of tax effect	(1,338)	(1,356)	3,346	4,684
Application of IFRS 9	14	38	(294)	(308)
Deferred tax effect of the revaluation of the Assetto Corsa brand	1,246	1,246	(15,299)	(16,545)
Other items	3,385	330	2,283	290
Total other adjustments	**3,148**	**(43)**	**(8,927)**	**(10,683)**
Total consolidation adjustments	**(5,224)**	**(10,556)**	**(22,455)**	**(22,424)**

9. 8. CONSOLIDATED BALANCE SHEET AS OF JUNE 30TH, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	9,613	10,353	(740)	-7.1%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	153,023	104,089	48,934	47.0%
4	Equity investments	11,400	7.511	3.889	51.8%
5	Non-current receivables and other assets	8.089	14.072	(5.983)	-42.5%
6	Deferred tax assets	17.087	12.829	4.258	33.2%
7	Non-current financial activities	0	18.257	(18.257)	n.m.
	Total non-current assets	**199.212**	**167.111**	**32.101**	**19.2%**
	Current assets				
8	Inventories	3.355	4.173	(818)	-19.6%
9	Trade receivables	14.104	27.781	(13.677)	-49.2%
10	Tax receivables	3.977	2.926	1.051	35.9%
11	Other current assets	23.790	13.030	10.760	82.6%
12	Cash and cash equivalents	9,407	10,961	(1,554)	-14.2%
13	Other current financial assets	11,344	329	11,015	n.m.
	Total current assets	**65,977**	**59,200**	**6,777**	**11.4%**
	TOTAL ASSETS	***265,189***	***226,311***	***38,878***	***17.2%***
	Shareholders' equity				
14	Share capital	(5,706)	(5,705)	(1)	0.0%
15	Reserves	(21,367)	(22,030)	663	-3.0%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(115,270)	(108,160)	(7,110)	6.6%
	Equity attributable to the shareholders of the Parent Company	**(142,343)**	**(135,895)**	**(6,448)**	**4.7%**
	Equity attributable to non-controlling interests	**(1,375)**	**(1,423)**	**48**	**-3.4%**
	Total net equity	**(143,718)**	**(137,318)**	**(6,400)**	**4.7%**
	Non-current liabilities				
18	Employee benefits	(911)	(761)	(150)	19.7%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(1,824)	(1,954)	130	-6.7%
21	Non-current financial liabilities	(11,285)	(15,213)	3,928	-25.8%
	Total non-current liabilities	**(14,101)**	**(18,009)**	**3,908**	**-21.7%**
	Current liabilities				
22	Trade payables	(46,837)	(52,125)	5,288	-10.1%
23	Tax payables	(2,782)	(3,575)	793	-22.2%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(8,635)	(4,657)	(3,978)	85.4%
26	Current financial liabilities	(49,116)	(10,627)	(38,489)	n.m.
	Total current liabilities	**(107,370)**	**(70,984)**	**(36,386)**	**51.3%**
	TOTAL LIABILITIES	**(121,471)**	**(88,993)**	**(32,478)**	**36.5%**
	TOTAL NET EQUITY AND LIABILITIES	***(265,189)***	***(226,311)***	***(38,878)***	***17.2%***

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment increased from Euro 10,353 thousand to Euro 9,613 thousand, due balance between Euro 2,022 thousand additions, offset by disposals for Euro 242 thousand and depreciation for Euro 2,697 thousand. The following tables details movements in the current and previous reporting periods:

Euro thousand	July 1st, 2022	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30th, 2023
Industrial buildings	7,680	1,147	0		(1,906)	0	**6,921**
Land	635	0	0		0	0	**635**
Indust. and comm. equipment	1,386	481	(108)	(25)	(502)	72	**1,304**
Other assets	652	394	(134)	0	(289)	130	**753**
Total	**10,353**	**2,022**	**(242)**	**(25)**	**(2,697)**	**202**	**9,613**

Euro thousand	July 1st, 2021	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30th, 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**

Industrial buildings increased by Euro 1,147 thousand as a result of the application of the IFRS 16 to the renewal of rental contracts to US companies.

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

The investments in Industrial and commercial equipment amounted to Euro 481 thousand, mainly related to office automation equipment.

The investments in Other assets are Euro 394 thousand and Euro 276 thousand to the improvements made to the English subsidiaries' offices.

Reporting period ended June 30th, 2023

Gross amount of property, plant and equipment

Euro thousand	July 1st, 2022	Investments	Disposals	Forex translation differences	June 30th, 2023
Industrial buildings	13,254	1,147	0	0	14,401
Land	635	0	0	0	635
Plant and machinery	24	0	0		24
Industrial & commercial equipment	5,980	481	(108)	(25)	6,328
Other assets	3,106	394	(134)	0	3,366
Total	**22,999**	**2,022**	**(242)**	**(25)**	**24,755**

Accumulated depreciation

Euro thousand	July 1st, 2022	Depreciation	Disposals	June 30th, 2023
Industrial buildings	(5,574)	(1,906)	0	(7,480)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(4,594)	(502)	72	(5,024)
Other assets	(2,454)	(289)	130	(2,613)
Total	**(12,646)**	**(2,697)**	**202**	**(15,142)**

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	(5,574)
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)**

2. Intangible assets

Intangible assets increased by Euro 48,934 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 104,09 thousand to Euro 153,023 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 1st, 2022	Investments	Recl.	Impair-ment Adj.	Forex trans-lation diff.	Amort'n	June 30th, 2023
Concessions and licenses	36,021	11,151	41,341	(4,317)	(8)	(15,886)	68,303
Trademarks and sim. rights	903	10	0	0	0	(92)	821
Other assets	29	40	0	0	0	(12)	57
Assets in development	67,136	62,700	(42,755)	(3,239)	0	0	83,842
Total	**104,089**	**73,901**	**(1,414)**	**(7,555)**	**(8)**	**(15,990)**	**153,023**

Euro thousand	July 1st, 2022	Investments	Recl.	Impair-ment Adj.	Forex trans-lation diff.	Amort'n	June 30th, 2023
Concessions and licenses	33,467	7,214	12,885	(1,099)	(18)	(16,428)	36,021
Trademarks and sim. rights	1,330	6	0	0	0	(433)	903
Other assets	34	6	0	0	0	(11)	29
Assets in development	31,945	45,410	(10,219)	0	0	0	67,136
Total	**66,776**	**52,636**	**2,666**	**(1,099)**	**(18)**	**(16,872)**	**104,089**

Impairment adjustments amounted to Euro 7,555 thousand and related to some videogames launched in the second half of this fiscal year, for which the impairment tests require specific write-offs, based on lower expectations after launch.

No decrease in value was recorded other than the write-downs mentioned above.

For the evaluation as of June 30, 2023 of concessions and licenses, the expected cash flows and revenues are based on the Business Plan 2024-2028, approved by the Board of Directors on July 3, 2023, and consistent with the expected development plans. The growth rate "g" is 1.0%. The discount rate has been calculated using the Weighted Average Cost of Capital (WACC), weighting the expected return on invested capital net of the costs of funding sources from a sample of companies within the same sector, considering both geographical areas and turnover. The rates used for the impairment test on Premium and Free to Play concessions and licenses are 12.03% and 11.52%, respectively.

Investments in intangible assets as of June 30th, 2023 compared to the previous fiscal year are detailed in the table below:

Euro thousand	June 30th, 2023	June 30th, 2022
Premium Games rights	10,909	6,563
Management systems	242	651
Total investments on concessions and licences (A)	**11,151**	**7,214**
Total investments on trademarks (B)	**50**	**12**
Dr Studios Ltd.	1,976	430
Ingame Studios a.s.	9,021	7,719
Chrysalide Jeux et Divertissement Inc.	5,809	3,295
Kunos Simulazioni S.r.l.	1,318	904
Supernova Games S.r.l.	1,906	1,067
Avantgarden S.r.l.	1,521	748
Total assets in development by internal studios	**21,551**	**14,163**
Total assets in development for third-parties IPs	**41,149**	**31,247**
Total investments to assets in development (C)	**62,700**	**45,410**
Total investments on intangible assets (A+B+C)	**73,901**	**52,636**

4. Equity investments

Total equity investments increased by Euro 3,889 thousand, primarily due to the adjustment to market value of equity investments held in companies listed on regulated markets, as of June 30th, 2023. Details below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
MSE&DB Sl	5	5	0
Artactive S.A.	9	9	0
Total investments in associated companies (A)	**14**	**14**	**0**
Starbreeze AB - A shares	7,845	5,180	2,665
Starbreeze AB - B shares	3,390	1,926	1,464
Noobz from Poland S.A.	151	391	(240)
Total other investments (B)	**11,386**	**7,497**	**3,889**
Total equity investments (A+B)	**11,400**	**7,511**	**3,889**

Changes in equity investments result from:

- Euro 2,665 thousand and Euro increase relating to the fair value of the 113,224,145 Starbreeze A 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, 2023 as they are financial instruments classified in OCI;
- Euro 1,164 thousand increase relating to the fair value of the 45,632,269 Starbreeze 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, 2023 as they are financial instruments classified in OCI;
- Euro 240 thousand decrease relating to the fair value of the 70,000 Noobz from Poland s.a. shares (listed on the Warsaw Stock Exchange New Comet 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.

Changes in equity investments related to Starbreeze AB are detailed in paragraph 7) of this Note.

5. Non-current receivables and other assets

Total non-current receivables and other assets amounted to Euro 8,089 thousand and decreased by Euro 5,983 thousand compared to June 30th, 2022:

Euro thousand	June 30th 2023	June 30th 2022	Changes
Receivable from Starbreeze AB	4,425	13,151	(8,726)
Royalties receivables	2,785	0	2,785
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	239	281	(42)
Guarantee deposits – other	5	5	0
Total non-current receivables and other assets	**8,089**	**14,072**	**(5,983)**

As of June 30th, 2023, the receivable from Starbreeze AB, solely relates to the costs paid for the development of the videogame The Walking Dead by 505 Games S.p.A., for which the Group requested reimbursement. As of June 30th, 2022 the receivable from Starbreeze item included the Euro 8,726 thousand receivable purchased by the Group from Smilegate Holdings. On July 1st 2023, this portion of the receivable was cashed by the Group and the remaining receivable from Starbreeze reclassified as Other current activities.

Royalty receivables consisted of the advance royalties payment made by 505 Games S.p.A. and 505 Go Inc. and which are expected to be used beyond twelve months.

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 , 2023, the balance was Euro 17,087 thousand, increased by Euro 4,258 thousand compared to June 30th, 2022 resulting from the accounting of Euro 2,721 thousand relating to the tax losses carried forward of the newly acquired subsidiary 505 Go Inc..

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, 2023	June 30th, 2022	Change
Italian companies	5,385	2,468	2,917
Non-Italian companies	5,809	3,566	2,243
Consolidation adjustments	5,893	6,795	(902)
Total deferred tax assets	**17,087**	**12,829**	**4,258**

The following table provides details of temporary differences of the Italian companies as of June 30th, 2023 and June 30th, 2022:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Provision for doubtful accounts	724	708	16
Other liabilities	13,757	4,154	9,603
Actuarial differences	91	21	70
Costs not deducted in prior years	1,909	2,119	(210)
Taxes loss carryforwards	396	396	0
Reserve for IFRS securities valuation	3,259	2,542	717
Taxable reserve for IFRS 9 application	5	5	0
Reserve for derivatives hedge accounting	(304)	(317)	13
Total differences	**19,837**	**9,628**	**10,209**
IRES tax rate	24%	24%	
Deferred tax assets for IRES	**4,761**	**2,310**	**2,451**
Deferred tax assets for IRAP	**624**	**158**	**466**
Total deferred tax assets of Italian companies	**5,385**	**2,468**	**2,917**

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

Euro thousand	June 30th, 2023	June 30th, 2022
Deferred tax assets for losses of 505 Go Inc.	2,721	0
Deferred tax assets for temporary differences of 505 Games (US) Inc.	1,495	1,842
Deferred tax assets for losses of the Australian subsidiaries	1,296	1,533
Deferred tax assets for losses of Rasplata BV.	217	134
Other deferred tax assets	80	57
Total deferred tax assets of non-Italian subsidiaries	**5,809**	**3.566**

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 from Euro 5,893 thousand to Euro 6,795 thousand, primarily as a result of the tax effect relating to the consolidation of internally developed products.

Previous losses of approximately Euro 7,000 thousand were not recognized as deferred tax assets, due to their non-recoverability under the current local Law.

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 30th, 2023	June 30th, 2022	Change
Italian Distribution inventories	2,428	2,892	(464)
Premium Games inventories	927	1,281	(354)
Total inventories	**3,355**	**4,173**	**(818)**

Total inventories decreased by Euro 818 thousand, from Euro 4,173thousand to Euro 3,355 thousand as of June 30th, 2022, in line with the decrease in retail revenues.

9. Trade receivables

Trade receivables were as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Receivables from customers - Italy	1,606	1,413	193
Receivables from customers - EU	2,452	2,964	(512)
Receivables from customers - Rest of the world	10,959	24,319	(13,360)
Total receivables from customers	**15,017**	**28,696**	**(13,679)**
Provision for doubtful accounts	(913)	(915)	2
Total trade receivables	**14,104**	**27,781**	**(13,677)**

Total trade receivables totalled Euro 14,104 thousand as of June 30th,2023, a Euro 13,677 thousand compared to Euro 27,781 thousand as of June 30th, 2022, following 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 provision for doubtful accounts remains quite stable compared to the previous fiscal year. The provision for doubtful accounts is estimated based on both a detailed analysis of each single debtor and the application of the IFRS 9.

The following table contains an analysis of receivables from customers as of June 30th, 2023 by due date, together with comparative figures as of June 30th, 2022:

Euro thousand	June 30th, 2023	% of total	June 30th, 2022	% of total
Current	13,558	96%	27,157	98%
0 > 30 days overdue	152	1%	281	1%
30 > 60 days overdue	70	1%	34	0%
60 > 90 days overdue	23	0%	30	0%
> 90 days overdue	301	2%	279	1%
Total receivables from customers	**14,104**	**100%**	**27,781**	**100%**

10. Tax receivables

Total tax receivables are analysed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Receivables under domestic tax group consolidation	1,714	248	1,466
VAT receivable	570	467	103
Tax credit for foreign tax withholdings	509	325	184
Other tax receivables	1,184	1,886	(702)
Total tax receivables	**3,977**	**2,926**	**1,051**

Total tax receivables increased by Euro 1,051 thousand, from Euro 2,926 thousand as of June 30th, 2022 to Euro 3,977 thousand at June 30th, 2023 mainly due to the receivables under domestic tax group consolidation applied to Italian subsidiaries. This result is partially offset by the decrease of other tax receivables coming from the reception of tax incentives recognized by the British government for the development of video games to the subsidiary DR Studios Ltd..

11. Other current assets

Total other current assets consisted of the receivable from Starbreeze AB as well as advances paid to suppliers. They increased from Euro 13,030 thousand as of June 30th, 2022 to Euro 23,790 thousand as of June 30th, 2023 . They are analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Receivable from Starbreeze AB	12,706	0	12,706
Receivables for video game user licensing rights	3,866	3,264	602
Advances for video game development operating costs	5,020	6,648	(1,628)
Advances to suppliers	2,054	2,963	(909)
Other receivables	144	155	(11)
Total other current assets	**23,790**	**13,030**	**10.760**

As of June 30, 2022, the receivable from Starbreeze AB was recognised as a non-current asset. This credit, originally amounting to approximately 165 million SEK, was acquired for a consideration of 100,000 Euros as part of the corporate restructuring process of the Swedish company. Its repayment was scheduled within the terms approved by the Swedish District Court, and in any case, no later than December 2024. The value of this asset, up to March 31st, 2023, was estimated using the amortized cost method, adjusted for the exchange rate at the end of the period. This amount was recognized among non-current receivables and other non-current assets.

As detailed in section 7) of this Note, Starbreeze later committed to repayment the receivable for SEK 150 million within the month of July 2023. This receivable has therefore been recognized under other current activities, after receiving the recalculation of the conversion price adjusted for the end-of-period exchange rate. The fair value assessment of this asset for the amount received on July 3rd, 2023, resulted in a value adjustment of Euro 3,979 thousand, recognized in the consolidated statement of profit and loss under Interest and financial income.

Receivables for video game user licenses rights were advances paid for licenses not yet exploited or completely exploited as at the reporting date. They increased by Euro 602 thousand over the period to stand at Euro 3,866 thousand, following the recognition of advances paid to 505 Go Inc..

Total advances for video game development operating costs amounted to Euro 5,020 thousand and included advances paid for video game programming services, quality assurance and other operating costs, such as rating and renting. They are detailed as follows:

Euro thousand	**June 30th, 2021**	**June 30th, 2020**	**Change**
Programming	3,061	3,550	(489)
Quality assurance	1,447	1,825	(378)
Other operating costs	512	1,273	(761)
Total advances for video game development operating costs	**5,020**	**6,648**	**(1.628)**

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 reserve	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, 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**
Capital increases	1	21					**21**				**0**	**22**		**22**
Allocation of previous year result							**0**		28,546	(28,546)	**0**	**0**	**0**	**0**
Dividend paid									(2,568)		**(2,568)**	**(2,568)**		**(2,568)**
Other changes						157	**157**		(5)		**(5)**	**152**		**152**
Comprehensive income (loss)					(302)	(539)	**(841)**			9,683	**9,683**	**8,842**	**(48)**	**8,794**
Total on June 30th, 2023	**5,706**	18,528	1,141	1,367	(913)	1,244	**21,367**	**0**	105,587	9,683	**115,270**	**142,343**	**1,375**	**143,718**

14. Share capital

The share capital as of June 30th, 2023 increased by Euro 1 thousand compared to June 30th, 2022 following the exercise of 2,100 shares of the stock option plan and is split into 14,265,037 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,706,014.80. 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 157 thousand increase to adjust the stock option reserve and the decrease amounting to Euro 539 thousand consisting of:

- Euro 545 thousand decrease to the reserve for fair value measurement of financial assets;
- Euro 114 thousand increase to adjust the cash flow hedge reserve;
- Euro 8 thousand decrease of the actuarial reserve

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, 2023, the options in place are 720,800 following the resignations of some beneficiaries in previous years and the exercise of 4,200 options before 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, 2023 are no. 638,164 for a stock option reserve of Euro 3,594 thousand. For further details regarding the current Stock Options plan in place, refer to the documentation available on the company's website under the "Governance/Remuneration" section.

Number of options	**Stock Option Plan 2016 - 2026**
Assigned (2017)	800,000
Expired	-
Resignation	(75,000)
Exercised	(4,200)
Number of options as of June 30th, 2022	720,800
Vesting conditions	(82,636)
Number of outstanding options assessed at June 30th,2023	**638,164**

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 150 thousand compared to the prior fiscal year.

The IAS 19 actuarial measurement as of June 30th, 2023 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 114 employees.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2023 were as follows:

- annual interest rate of 3.60%;
- annual increase in remuneration rate of 3.225%;
- annual inflation rate of 2.30%.

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

Euro thousand	June 30th, 2023	June 30th, 2022
Provision for employee termination indemnities at July 1st, 2022	**761**	**719**
Utilization of provision for leavers	(35)	(49)
Allocated during period	417	286
Restatement for supplementary pension schemes	(243)	(153)
Restatement for actuarial measurement	11	(42)
Provision for employee termination indemnities as of June 30th, 2023	**911**	**761**

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, 2023 is unchanged compared to June 30th, 2022.

20. Other non-current payables and liabilities

As of June 30th, 2023 other non-current payables and liabilities amounted to Euro 1,824 thousand and consisted of:

- the portion of the debt due after twelve months for the purchase of the Australian companies, amounting to Euro 640 thousand;
- The remaining portion of the debt with a vesting period exceeding twelve months for the acquisition of 505 Go Inc, amounting to Euro 1,184 thousand.

CURRENT LIABILITIES

22. Trade payables

Total trade payables amounted to Euro 46,837 thousand as of June 30th, 2023 and decreased by Euro 5,288 thousand compared to June 30th, 2022. They were mostly payables to developers for royalties. Details by geographical area are provided below:

Euro thousand	June 30th,2023	June 30th,2022	Change
Trade payables – Italy	(2,592)	(3,569)	977
Trade payables – EU	(16,603)	(16,091)	(512)
Trade payables – Rest of world	(27,642)	(32,465)	4,823
Total trade payables	**(46,837)**	**(52,125)**	**5,288**

23. Tax payables

Total tax payables decreased by Euro 793 thousand from Euro 3,575 thousand as of June 30th, 2022 to Euro 2,782 thousand as of June 30th, 2023. The balance is detailed as follows:

Euro thousand	June 30th,2023	June 30th,2022	Change
Income taxes payable	(1,240)	(865)	(375)
Other tax payables	(1,542)	(2,710)	1,168
Total tax payables	**(2,782)**	**(3,575)**	**793**

The decrease in tax payables results from the repayment by. 505 Games S.p.A of the amount indicated by the tax authorities related to the tax audit of previous fiscal years, while the increase in income tax payable is due to the higher accrual of the income tax liability for the current fiscal year of the subsidiary, Kunos Simulazioni S.r.l., related to the Regional Business Tax (IRAP).

24. Current provisions

As of June 30th, 2023, there were no current provisions as in previous periods.

25. Other current liabilities

Total other current liabilities amounted to Euro 8,635 thousand, increased by Euro 3,978 thousand compared to June 30th, 2022. Details are provided below:

Euro thousand	June 30th,2023	June 30th,2022	Change
Amounts due to social security institutions	(569)	(512)	(57)
Amounts due to employees	(2,607)	(2,796)	189
Amounts due to contractors	(40)	(44)	4
Other payables	(5,419)	(1,305)	(4,114)
Total other current liabilities	**(8,635)**	**(4,657)**	**(3,978)**

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. This item decreased by Euro 189 thousand, partially due to the increase in the number of people employed as well as because of t the non-disbursement of the variable component following the Group's performance falling below expectations.

Other payables mostly included advance payments received from several customers in relation to sub-licensing contracts of several intellectual properties owned by the Group. This amount increased as a result of a significant new contract related to a product set to be launched in the next fiscal year

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position as of June 30th, 2023 together with comparative figures as of June 30th, 2022:

	Euro thousand	June 30th, 2023	June 30th, 2022	Change
12	Cash and cash equivalents	9,407	10,961	(1,554)
13	Other current financial assets	11,344	329	11,015
26	Current financial liabilities	(49,116)	(10,627)	(38,489)
	Current net financial position	**(28,363)**	**663**	**(29,026)**
7	Non-current financial assets	0	18,257	(18,257)
21	Non-current financial liabilities	(11,285)	(15,213)	3,928
	Non-current net financial position	**(11,285)**	**3,044**	**(14,329)**
	Total net financial position	***(39,648)***	***3,707***	***(43,355)***

Information on 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 can be found later in this document.

As expected, the net financial position decreased by Euro 43,355 thousand from positive Euro 3,707 thousand as of June 30th, 2022 to negative Euro 39,648 thousand, due to the significant investment plan implemented by the Group. Net of IFRS 16 recognized financial payables, the net financial position amounted to negative Euro 34,266 thousand.

The breakdown of financial liabilities net of IFRS 16 is as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Current financial liabilities	(1.719)	(1.444)	(275)
Non-current financial liabilities	(3.663)	(3.880)	217
Total financial liabilities according to IFRS 16	**(5.382)**	**(5.324)**	**(58)**

Current net financial position

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 9,407 thousand as of June 30th, 2023, a decrease of Euro 1.554 thousand compared to June 30th, 2022. 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, 2023 amounted to Euro 11,344 thousand and consisted of:

- Euro 11,018 thousand for the fair value of the convertible bond loan from Starbreeze AB, with nominal value of SEK 215 million expiring in December 2024. The decrease of Euro 7,239 thousand compared to June 30th, 2022, is the result of an adjustment to the fair value estimate. As of June 30, 2022, the convertible bond loan was recognized as non-current financial assets but was reclassified following the conversion into shares in July 2023.
- Euro 326 thousand for 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 20,375 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 43,860 thousand. Details are as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Financial loans due within a year	(21,114)	(8,462)	(12,652)
Other current financial liabilities	(28,002)	(2,165)	(25,837)
Total current financial liabilities	**(49,116)**	**(10,627)**	**(38,489)**

The financial loans due within a year consist of 5,256 thousand Euros, including the long-term component originally recognised as non-current liabilities, later reclassified as current liabilities due to the application of accounting principles related to the breach of certain covenants, as detailed below.

The breakdown of outstanding loans as of June 30th, 2023, is provided in the following table:

	Lending institution	Recipient	Issue date	Total amount	Residual value	Short term	Long term	Loan term	Start date	End date	Euribor	Spread	Securing	Covenants
a.	Intesa SanPaolo S.p.A.	Digital Bros S.p.A.	29/01/2021	5,000	1,261	1,261	0	36 months	29/04/2021	29/01/2024	3 months	1.35%	No	No
b.	Unicredit S.p.A.	Digital Bros S.p.A.	28/01/2021	1,375	802	458	344	36 months	30/04/2022	31/01/2025	3 months	0.90%	Si	No
c.	Unicredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	2,333	1,333	1,000	36 months	30/04/2022	31/01/2025	3 months	0.90%	Si	No
d.	Unicredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	6,250	5,000	1,250	36 months	31/12/2021	30/09/2024	3 months	0.85%	Si	No
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/2022	5,000	3,750	1,667	2,083	36 months	31/12/2022	30/09/2025	6 months	2.00%	No	Yes
f.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	22/12/2022	5,000	4,306	4,306	0	24 months	22/06/2023	22/12/2024	3 months	1.80%	No	Yes
g.	Banco B.P.M.	505 Games S.p.A.	19/05/2023	5,000	5,000	2,089	2,911	26 months	30/06/2023	30/06/2025	3 months	1.70%	No	Yes
h.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	31/05/2023	5,000	5,000	5,000	0	30 months	29/02/2024	30/11/2025	3 months	1.50%	No	Yes
	Total			**45,375**	**28,702**	**21,114**	**7.588**							

The financial loans include a variable pre-amortization period ranging from 3 to 6 months, followed by quarterly payments that encompass interest based on the variable quarterly rate equal to the three- or six-month Euribor rate plus a spread.

The main purpose for these loans is the development and production of video games and the consolidation of credit facilities.

Some of the loans are subject to covenants. The two loans from Intesa SanPaolo S.p.A. granted to 505 Games S.p.a. are subject to a financial covenant, which requires that the ratio of net financial position to gross operating margin be less than 1. On the other hand, the loan granted by MPS S.p.A. to 505 Mobile S.r.l. is subject to compliance with a commercial covenant, which requires that the company commits to presenting the bank with commercial flows totaling at least Euro 2,200 thousand annually. The loan provided by Banco B.P.M. S.p.A. to 505 Games S.p.A. is subject to ESG (Environmental, Social, and Governance) covenants related to sustainability indices.

As of the closing date of the financial statements, all covenants were met except for those related to the loans from Banca Intesa SanPaolo, which were not satisfied. Therefore, in accordance with international accounting principles, the entire financial debt has been reclassified as current liabilities. However, it is not considered likely that the repayment of such debt will be required in the short term, based on ongoing discussions with the bank.

Other current financial liabilities are detailed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Liabilities for bank accounts	(1,862)	0	(1,862)
Liabilities for bank loans relating to import	(7,182)	0	(7,182)
Liabilities for bank loans relating to invoice advances	(16,219)	0	(16,219)
Fair value of derivatives	(949)	(579)	(370)
Lease contracts liabilities	(1,719)	(1,505)	(214)
Other current financial liabilites	0	(81)	10
Total current financial liabilities	**(28,002)**	**(2,165)**	**(25,837)**

The fair value of derivatives related to the valuation as of June 30th, 2023 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

As of June 30th, 2023, there are no non-current financial assets since the convertible bond loan issued by Starbreeze AB has been reclassified among other current financial assets, as previously described.

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 11,285 thousand. Details are provided below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Loans due after more than a year	(7,589)	(10,646)	3,057
Other non-current financial liabilities	(3,696)	(4,567)	871
Total non-current financial liabilities	**(11,285)**	**(15,213)**	**3,928**

As of June 30th, 2023, non-current financial liabilities to banks include Euro 7,589 thousand representing the portion of the loans due after more than one year described above.

	Lending institution	Recipient	Issue date	Total Amount	Amount due after over 1 year
a.	Intesa SanPaolo S.p.A.	Digital Bros	29/01/2021	5,000	0
b.	Unicredit S.p.A.	Digital Bros	28/01/2021	1,375	344
c.	Unicredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	1,000
d.	Unicredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	1,250
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/2022	5,000	2,083
f.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	22/12/2022	5,000	0
g.	Banco B.P.M.	505 Games S.p.A.	19/05/2023	5,000	2,911
h.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	31/05/2023	5,000	0
	Total loans due after more than a year				**7,588**

Other non-current financial liabilities amounted to Euro 3,696 thousand. They included Euro 33 thousand of lease repayments due after more than a year and Euro 3,663 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, 2023**	**June 30th, 2022**	**Change**
Within 1 year	1,779	1,574	205
1-5 years	3,687	4,567	(880)
More than 5 years	9	0	9
Total	**5,475**	**6,141**	**(666)**

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, 2023**	**June 30th, 2022**	**Change**	
A.	Cash	9,407	10,961	(1,554)	-14.2%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	**9,407**	**10,961**	**(1,554)**	**-14.2%**
E.	Current financial debt (included debt instrument, but	0	0	0	0,0%
F.	excluding current portion of non-current financial debt)	49,116	10,627	38,489	n.m.
G.		**49,116**	**10,627**	**38,489**	**n.m.**
H.	**Current portion of non-current financial debt**	**39,709**	**(334)**	**40,043**	**n.m.**
I.	Current financial indebtedness (E + F)	11,285	15,213	(3,928)	25.8%
J.	Net current financial indebtedness (G - D)	0	0	0	0.0%
K.	Non-current financial liabilities (excluding current portion and debt instruments)	0	0	0	0.0%
L.	**Debt instruments**	**11,285**	**15,213**	**(3,928)**	**-25.8%**
M.	**Non-current trade and other payables**	**50,994**	**14,879**	**36,115**	**n.m.**

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations increased from Euro 117,128 thousand as of June 30th, 2022 to Euro 68,375 thousand as of June 30th, 2023. Obligations are made by the future payments for development and sub-licensing contracts for video games that are not yet completed or for which production has not started as of the closing date of the period.

PROFIT AND LOSS STATEMENT

3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period ended June 30th, 2023. The Holding operating segment did not generate revenue:

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	22,046	92,319	2,667	968	118,000
2	Revenue adjustments	0	0	(68)	0	(68)
3	**Total net revenue**	**22,046**	**92,319**	**2,599**	**968**	**117,932**

At June 30th, 2022, the breakdown was as follows:

	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**

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, 2023	June 30th, 2022	Change	%
Purchase of products for resale	(2.954)	(4,607)	1,653	-35.9%
Purchase of services for resale	(9,042)	(6,733)	(2,309)	34.3%
Royalties	(22,892)	(32,586)	9,694	-29.7%
Changes in inventories of finished products	(818)	(1,535)	717	-46.7%
Total cost of sales	**(35,706)**	**(45,461)**	**9,755**	**-21.5%**

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 17,525 thousand, increased by Euro 9,941 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, 2023	June 30th, 2022	Change	%
Advertising, marketing, trade fairs and exhibitions	(9,100)	(4,153)	(4,947)	n.m.
Transport and freight	(171)	(272)	101	-37.0%
Other sales related costs	(134)	(202)	68	-33.9%
Subtotal: sales related services	**(9,405)**	**(4,627)**	**(4,778)**	**n.m.**
Sundry insurance	(412)	(358)	(54)	15.1%
Consulting fees	(3,124)	(2,491)	(633)	25.4%
Postage and telegraph	(350)	(198)	(152)	76.7%
Travel and subsistence costs	(1,155)	(411)	(744)	n.m.
Utilities	(274)	(261)	(13)	5.1%
Maintenance	(138)	(96)	(42)	43.7%
Statutory Auditors’ fees	(117)	(120)	3	0,0%
Subtotal: general services	**(5,570)**	**(3,935)**	**(1,635)**	**41.6%**
Total costs for services	**(14,975)**	**(8,562)**	**(6,414)**	**74.9%**

Total costs for services increased by Euro 6,413 thousand due to higher advertising related to the launch of Crime Boss: Rockay City and Miasma, as well as increased consultancy costs related to professional services for: DPO and GDPR compliance, increase in the number of brokers, expenses related to the introduction of ESG initiatives, costs incurred for drafting two inquiries to the local Tax Agency, professional fees associated with the capital increase of Starbreeze AB, expenses for drafting the financial statements in ESEF format.

12. Lease and rental costs

Lease and rental costs amounted to Euro 621 thousand as of June 30th , 2023. As of June 30th, 2023 the item included Euro 547 thousand of expenses relating to the rental of the offices of Group companies and Euro 74 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 38,915 thousand and increased by Euro 5,048 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, 2023	June 30th, 2022	Change	%
Wages and salaries	(27,826)	(24,156)	(3,670)	15.2%
Social contributions	(5,773)	(4,629)	(1,144)	24.7%
Employee termination indemnity	(431)	(366)	(65)	17.7%
Stock option plan	(157)	(812)	655	n.m.
Directors' fees	(1,002)	(1,493)	491	-32.9%
Temporary labour and contract staff	(3,651)	(2,329)	(1,322)	56.8%
Agents' commission	(3)	(16)	13	-82.3%
Other payroll costs	(71)	(65)	(6)	9.4%
Total payroll costs	**(38,915)**	**(33,867)**	**(5.048)**	**14.9%**

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 4,880 thousand compared with the previous fiscal year, while the average cost per employee remains quite stable.

Euro thousand	June 30th, 2023	June 30th, 2022	Change	%
Wages and salaries	(27,826)	(24,156)	(3,670)	15.2%
Social contributions	(5,773)	(4,629)	(1,144)	24.7%
Employee termination indemnity	(431)	(366)	(65)	17.7%
Total payroll costs	**(34,030)**	**(29,151)**	**(4,879)**	**16.7%**
Average number of employees	411	351	60	17.1%
Average cost per employee	**(82.8)**	**(83.1)**	**0.3**	**-0.3%**

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, 2023	June 30th, 2022	Change	%
Sundry materials costs	(25)	(27)	2	-7.2%
General & administrative costs	(1,366)	(1,037)	(329)	31.7%
Entertainment expenses	(15)	(12)	(3)	22.6%
Sundry bank charges	(381)	(231)	(150)	64.8%
Total other operating costs	**(1,787)**	**(1,307)**	**(480)**	**36.7%**

Total other operating costs amounted to Euro 1,787 thousand, increasing compared to the previous year due to higher administrative costs.

21. Depreciation, amortization and impairment adjustments

Total depreciation, amortization and impairment adjustments included:

Euro thousand	June 30th, 2023	June 30th, 2022	Change	%
Depreciation and amortization	(18,687)	(19,030)	343	-1.8%
Asset impairment change	(7,700)	(1,708)	(5,992)	n.m.
Impairment reversal	2,266	2,570	(304)	-11.8%
Total depreciation, amortization and impairment adjustments	**(24,121)**	**(18,168)**	**(5,953)**	**32.8%**

Total depreciation, amortization and impairment adjustments amounted to Euro 24,121 thousand. Amortization decreased by Euro 343 thousand.

The Euro 7,700 thousand asset impairment reflected the write offs related to the launches of certain videogames in the second half of FY2022-2023. The impairment tests of such products, based on lower expectations after launch, created the need for specific write-offs.

Impairment reversal consisted of the difference between the price paid for the acquisition of 505 Go Inc. and the net equity at the moment of the first consolidation, as well as the adjustment of the debt 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, 2023	June 30th, 2022	Change €	Change %
23	Interest and financial income	7,428	8,349	(921)	-11.0%
24	Interest and financial expense	(13,036)	(4,148)	(8,888)	n.m.
25	**Net financial income / (expenses)**	(5,608)	4,201	(9,809)	n.m.

The net financial income was negative for Euro 5,608 thousand compared to positive Euro 4,201thousand registered in the previous fiscal year, due to a Euro 921 thousand decrease in interest and financial income and a Euro 8,888 thousand increase in interest and financial expense.

Interest and financial income may be analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Currency exchange gains	3,407	4,649	(1,242)	-26.7%
Financial income	3,979	3,670	309	8.4%
Interest on derivative products	42	30	12	40.0%
Total interest and financial income	**7,428**	**8,349**	**(921)**	**-11.0%**

Total interest and financial income decrease by Euro 921 thousand due to a Euro 1,254 thousand decrease in current exchange gains, partially offset by higher financial income for Euro 309 thousand. Financial income included Euro the restatement of the around USD 20 million loan receivable from Starbreeze AB as acquired for consideration of Euro 100 thousand as detailed in paragraph 7) of this Note.

Interest and financial expenses amounted to Euro 13,036 thousand, increasing by Euro 8,888 thousand compared to the previous fiscal year due of the adjustment of Starbreeze's bond loan.

Interest and financial expenses are analyzed in detail as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Interest expenses on current accounts and trade finance	(915)	(50)	(865)	n.m.
Tax authorities interest expenses	(14)	(80)	66	-82.5%
Interest expenses on derivative products	(174)	(634)	460	-72.6%
Interest expenses on loans and leases	(700)	(185)	(515)	n.m.
Total interest expenses on sources of finance	**(1,803)**	**(949)**	**(854)**	**90.0%**
Currency exchange losses	(4,771)	(3,199)	(1,572)	49.1%
Starbreeze bond loan adjustment	(6,462)	0	(6,462)	n.m.
Total interest expenses	**(13,036)**	**(4,148)**	**(8,888)**	**n.m.**

29. Taxation

Total taxes at June 30th, 2023 are detailed below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Current taxes	(4,332)	(10,929)	6,596	-8.2%
Deferred taxes	243	(576)	819	n.m.
Total taxes	**(4,089)**	**(11,505)**	**7,416**	**n.m.**

Total taxes decreased as a result of a reduction in the tax base of Italian companies.

Current taxes are analyzed in more detail as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
IRES	(2,837)	(8,405)	5,568	-66.2%
IRAP	(654)	(2,246)	1,592	-70.9%
Foreign companies taxes	(841)	(278)	(563)	n.m.
Total current taxes	**(4,332)**	**(10,929)**	**6,597**	**-60.4%**

IRES for the year was determined as follows:

Euro thousand	June 30th, 2023	June 30th, 2022
Taxable income for IRES purposes (A)	12,921	34,429
IRES rate (B)	24,0%	24,0%
IRES for the period (A)*(B)	(3,101)	(8,263)
Taxes relating to prior period	264	(142)
IRES for the period	**(2,837)**	**(8,405)**

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

Euro thousand	June 30th, 2023		June 30th, 2022	
Risultato ante imposte della Capogruppo	**3,920**		**7,974**	
Parent Company profit before tax	**24,0%**		**24,0%**	
IRES rate	**(941)**	**-24,0%**	**(1,914)**	**-24,0%**
Theoretical taxation	2,160	55%	1,592	20%
Tax effect of non-deductible costs	0		0	
Tax effect of utilisation of tax losses not previously utilised	191		(168)	
IRES on capital gain classified under financial income	0		0	
Parent Company total IRES	1,410		(490)	
Tax effect of share of profits of subsidiaries	(4,511)		(7,773)	
Prior fiscal year taxation	264		0	
Taxes on income for the year and effective tax rate	**(2,837)**	**-72%**	**(8,263)**	**-104%**

IRAP for the period was determined as follows:

Euro thousand	June 30th, 2023	June 30th, 2022
Taxable income for IRAP purposes	33,068	40,545
IRAP rate	3.9%/5.57%	3.9%/5.57%
IRAP for the period	(1,192)	(1,349)
IRAP relating to prior fiscal year	538	0
IRAP for the period	**(654)**	**(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, 2023		June 30th, 2022	
Operating margin/EBIT of Parent Company	**5,185**		**5,365**	
IRAP rate	**5.57%**		**5.57%**	
Theoretical IRAP	**(289)**	**-**	**(299)**	**-5.76-**
Tax effect of non-deductible costs	79	1.5%	111	2.1%
Net tax effect of reversal of deferred tax assets not included in above items	0		0	
Parent Company total IRAP	(210)		(188)	
Tax effect of share of results of subsidiaries	(982)	-18.9%	(1,555)	-30.0%
Tax on income for the period and effective tax rate	**(1,192)**	**-**	**(1,743)**	**-33.6-**

32. Basic earnings per share

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

Euro thousand	June 30th, 2023	June 30th, 2022
Total net result	9,683	28,546
Total average number of shares issued	14,265,037	14,260,964
Earnings per share in Euro	**0.68**	**2.00**

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 1 July 2019 and 1 July 2022 of 213,900 and 216,300 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, 2023**	**June 30th, 2022**
Total net result	9,683	28,546
Total average number of shares issued	14,697,337	14,476,837
Earnings per share in Euro	**0.66**	**1.97**

10. FINANCIAL INSTRUMENTS AND FINACIAL 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, 2023 and 2022 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, 2023

Category of financial assets in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2023 (in Euro thousand)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30th, 2023	Notes
Shares	-	-	11,386	11,386	4
Non-current receivables and other assets	-	8,089	-	8,089	5
Non-current financial assets	-	-	-	-	7
Trade receivables	-	14,104	-	14,104	9
Other current assets	-	23,790	-	23,790	11
Cash and cash equivalents	-	9,407	-	9,407	12
Current financial assets	11,018	326	-	11,344	13
Total	**11,018**	**55,716**	**11,386**	**78,120**	

Category of financial liabilities in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2023 (in Euro thousand)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30th, 2023	Notes
Non-current financial liabilities	-	11,285	-	11,285	21
Trade payables	-	46,836	-	46,836	22
Other current liabilities	-	8,635	-	8,635	25
Current financial liabilities	-	49,116	-	49,116	26
Total	**-**	**115,872**	**-**	**115,872**	

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

<u>Category of financial assets in terms of IFRS 9</u>

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

<u>Category of financial liabilities in terms of IFRS 9</u>

Financial instruments – Assets as of June 30th, 2022 (in Euro thousand)	**FVTPL**	**Assets at amortized cost**	**FVTOCI**	**Carrying amount as of June 30th, 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**	

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 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, 2023 (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	11,285		8,563	1,568	824	321	9	11,285	21
Current financial liabilities	49,116	49,116						49,116	26
Total	**60,401**	**43,860**	**8,563**	**1,568**	**824**	**321**	**9**	**60,401**	

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**	

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 7,5 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.

As a result of the investment in Starbreeze shares, the Group is exposed to fluctuations in the Euro/Swedish Krones exchange rate.

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, 2023, the fair value of the instruments was negative for Euro 949 thousand.

Risk of dependence on key customers and collection risk

During the reporting period, the top ten global customers accounted for around 92.3% of trade receivables while the top 50 customers accounted for 99.8%. 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, 2023 and June 30th, 2022:

Euro thousand	June 30th,2023	% of total	June 30th, 2022	% of total
Not overdue	13,558	96%	27,157	98%
0 -30 days overdue	152	1%	281	1%
30 - 60 days overdue	70	1%	34	0%
60 - 90 days overdue	23	0%	30	0%
> 90 days overdue	301	2%	279	1%
Total receivables from customers	**14,104**	**100%**	**27.781**	**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 30th,2023**	***Mark to Market***	***Mark to Model***	**Total *Fair value***	**Notes**
		Fair value	*Fair value*		
Non-current financial assets	-	-	-	-	7
Cash and cash equivalents	9,407	9,407	-	9,407	12
Other current financial assets	11,344	326	11,018	11,344	13
Non-current financial liabilities	(11,285)	(11,285)	-	(11,285)	21
Current financial liabilities	(49,116)	(49,116)	-	(49,116)	26
Total	**(39,650)**	**(50,668)**	**11,018**	**(39.650)**	

Euro thousand	**Carrying amount as of June 30th,2022**	***Mark to Market***	***Mark to Model***	**Total *Fair value***	**Notes**
		Fair value	*Fair value*		
Non-current financial assets	18,257	-	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**	

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, 2023 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, 2023, 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	639	(1,952)
- 10% USD	(725)	2,026

As a result of the investment in Starbreeze shares, the Group is exposed to fluctuations in the Euro/Swedish Krone exchange rate. A 10% increase/decrease in the exchange rate would have an impact on profit before taxes of approximately 2 million Euros.

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, 2023 and June 30th, 2022:

Carrying amount as of June 30th, 20223	Instrument	Level 1	Level 2	Level 3	Total	Notes
Investments	Listed shares	11,386	-	-	11,386	4
Non-current financial assets	Bonds	-	11,018	-	11,018	13

Carrying amount as of June 30th 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

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.The consolidated profit and loss statement according to Consob Resolution 15519 of July 27th, 2006 is as follows:

	Euro thousand	June 30th,2023		June 30th,2022	
		Total	Of which non recurring	Total	Of which non recurring
1	Gross revenue	118,000	0	132,238	0
2	Revenue adjustments	(68)	0	0	0
3	**Net revenue**	**117,932**	**0**	**132,238**	**0**
4	Purchase of products for resale	(2,954)	0	(4,607)	0
5	Purchase of services for resale	(9,042)	0	(6,733)	0
6	Royalties	(22,892)	0	(32,586)	0
7	Changes in inventories of finished products	(818)	0	(1,535)	0
8	**Total cost of sales**	**(35,706)**	**0**	**(45,461)**	**0**
9	**Gross profit (3+8)**	**82,226**	**0**	**86,777**	**0**
10	Other income	17,525	0	11,584	0
11	Costs for services	(14,975)	0	(8,562)	0
12	Rent and leasing	(621)	0	(497)	0
13	Payroll costs	(38,915)	0	(33,867)	0
14	Other operating costs	(1,787)	0	(1,307)	0
15	**Total operating costs**	**(56,298)**	**0**	**(44,233)**	**0**
16	**Gross operating margin (EBITDA) (9+10+15)**	**43,453**	**0**	**54,128**	**0**
17	Depreciation and amortization	(18,687)	0	(19,030)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(7,700)	0	(1,708)	0
20	Impairment reversal	2,266	0	2,570	2,367
21	**Total depreciation, amortization and impairment adjustments**	**(24,121)**	**0**	**(18,168)**	**2,367**
22	**Operating margin (EBIT) (16+21)**	**19,332**	**0**	**35,960**	**2,367**
23	Interest and financial income	7,428	0	8,349	0
24	Interest and financial expenses	(13,036)	0	(4,148)	0
25	**Net interest income/(expenses)**	**(5,608)**	**0**	**4,201**	**0**
26	**Profit/ (loss) before tax (22+25)**	**13,724**	**0**	**40,161**	**2,367**
27	Current tax	(4,332)	0	(10,929)	0
28	Deferred tax	243	0	(576)	0
29	**Total taxes**	**(4,089)**	**0**	**(11,505)**	**0**
30	**Net profit/loss (26+29)**	**9,635**	**0**	**28,656**	**2,367**

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, 2023 and June 30th, 2022 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, 2023

Euro thousand		Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	22,046	92,319	2,667	968	0	118,000
2	Revenue adjustments	0	0	(68)	0	0	(68)
3	**Total revenue**	**22,046**	**92,319**	**2,599**	**968**	**0**	**117,932**
4	Purchase of products for resale	0	(1,194)	(1,760)	0	0	(2,954)
5	Purchase of services for resale	(3,677)	(5,365)	0	0	0	(9,042)
6	Royalties	(6,234)	(16,658)	0	0	0	(22,892)
7	Changes in inventories of finished products	0	(354)	(464)	0	0	(818)
8	**Total cost of sales**	**(9,911)**	**(23,571)**	**(2,224)**	**0**	**0**	**(35,706)**
9	**Gross profit (3+8)**	**12,135**	**68,748**	**375**	**968**	**0**	**82,226**
10	Other income	3,675	13,850	(0)	0	(0)	17,525
11	Costs for services	(3,142)	(9,066)	(273)	(492)	(2,002)	(14,975)
12	Lease and rental costs	(174)	(168)	(16)	(3)	(260)	(621)
13	Payroll costs	(9,009)	(24,203)	(872)	(607)	(4,224)	(38,915)
14	Other operating costs	(187)	(978)	(45)	(36)	(541)	(1,787)
15	**Total operating costs**	**(12,512)**	**(34,415)**	**(1,206)**	**(1,138)**	**(7,027)**	**(56,298)**
16	**Gross operating margin (EBITDA) (9+10+15)**	**3,298**	**48,183**	**(831)**	**(170)**	**(7,027)**	**43,453**
17	Depreciation and amortization	(2,399)	(14,869)	(145)	(351)	(923)	(18,687)
18	Allocations to provisions	0	0	0	0	0	0
19	Asset impairment change	(2,228)	(5,448)	(24)	0	0	(7,700)
20	Impairment reversal	2,247	19	0	0	0	2,266
21	**Total depreciation, amortization and impairment adjustments**	**(2,380)**	**(20,298)**	**(169)**	**(351)**	**(923)**	**(24,121)**
22	**Operating margin (EBIT) (16+21)**	**918**	**27,885**	**(1,000)**	**(521)**	**(7,950)**	**19,332**

Consolidated balance sheet as of June 30th, 2023

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	356	4,027	2,069	45	3,116	9,613
2	Investment properties	0	0	0	0	0	0
3	Intangible assets	18,354	133,713	0	810	146	153,023
4	Equity interests	0	0	0	0	11,400	11,400
5	Non-current receivables and other assets	1,870	5,531	6	0	682	8,089
6	Deferred tax assets	2,745	13,308	184	0	850	17,087
7	Non-current financial assets	0	0	0	0	0	0
	Total non-current assets	**23,325**	**156,580**	**2,258**	**855**	**16,194**	**199,213**
	Current assets						
8	Inventories	0	926	2,429	0	0	3,355
9	Trade receivables	2,115	11,249	724	16	0	14,104
10	Tax receivables	592	1,132	526	2	1,725	3,977
11	Other current assets	1,270	9,240	232	44	13,004	23,790
12	Cash and cash equivalents	1,924	7,019	166	211	87	9,407
13	Other current financial assets	0	0	0	0	11,344	11,344
	Total current assets	**5,901**	**29,566**	**4,077**	**273**	**26,160**	**65,977**
	TOTAL ASSETS	**29,225**	**186,145**	**6,336**	**1,128**	**42,354**	**265,190**
	Non-current liabilities						
18	Employee benefits	0	(532)	(353)	(26)	0	(911)
19	Non-current provisions	0	0	(81)	0	0	(81)
20	Other non-current payables and liabilities	(1,824)	0	0	0	0	(1,824)
21	Financial liabilities	(2,303)	(6,518)	0	0	(2,465)	(11,285)
	Total non-current liabilities	**(4,127)**	**(7,050)**	**(434)**	**(26)**	**(2,465)**	**(14,101)**
	Current liabilities						
22	Trade payables	(2,028)	(43,364)	(210)	(210)	(1,025)	(46,837)
23	Current tax liabilities	(901)	(1,577)	(163)	(13)	(128)	(2,782)
24	Current provisions	0	0	0	0	0	0
25	Other current liabilities	(1,337)	(6,164)	(230)	(354)	(550)	(8,635)
26	Financial liabilities	(1,779)	(36,709)	(11)	0	(10,617)	(49,116)
	Total current liabilities	**(6,045)**	**(87,814)**	**(614)**	**(577)**	**(12,320)**	**(107,370)**
	TOTAL LIABILITIES	**(10,172)**	**(94,864)**	**(1,049)**	**(603)**	**(14,783)**	**(121,471)**

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**	**103,327**	**2,397**	**1,145**	**39,960**	**167,110**
	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	0	0	0	329	329
	Total current assets	**4,199**	**49,173**	**4,408**	**130**	**1,290**	**59,200**
	TOTAL ASSETS	**24,480**	**152,501**	**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	1
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)**

Information by geographical area

Gross revenue broken down by geographical area is detailed below:

Euro thousand	**June 30th,2023**		**June 30th, 2022**		**Change**	
Europe	3,641	3%	5,595	15%	(1,954)	-34.9%
Americas	91,518	78%	100,406	70%	(8,888)	-8.9%
Rest of the world	18,905	16%	21,439	10%	(2,534)	-11.8%
Total foreign revenue	**114,064**	**97%**	**127,440**	**95%**	**(13,376)**	**-10.5%**
Italy	3,936	3%	4,798	5%	(862)	-18.0%
Total consolidated gross revenue	**118,000**	**100%**	**132,238**	**100%**	**(14,238)**	**-10.8%**

Total foreign revenue represented 97% of consolidated gross revenue in sync with the 96% in the previous fiscal year and decreased by Euro 13,376 thousand compared to June 30th, 2022.

Rest of the world revenue related to sales made by the 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 92,319 thousand, i.e. 81% of total foreign revenue.

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

Euro thousand	**June 30th,2023**		**June 30th, 2022**		**Change**	
Free to Play	22,046	19%	7,132	7%	14,914	n.m.
Premium Games	92,319	81%	120,308	93%	(27,989)	-23.3%
Total gross foreign revenue	**114,365**	**100%**	**127,440**	**100%**	**(13,075)**	**-10.3%**

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	(26)	0	0	(346)
Matov Imm. S.r.l.	0	635	0	(2.684)	0	(834)
Matov LCC	0	137	0	(730)	0	(546)
Total	**0**	**772**	**(26)**	**(3.414)**	**0**	**(1,726)**

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 LCC	0	143	0	(210)	0	(468)
Total	**0**	**778**	**(341)**	**(2.501)**	**6**	**(1,710)**

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 781 thousand for its Milan office premises.

During the period, 505 Games France S.a.s. paid Matov Imm S.r.l. rent totalling Euro 45 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.

The consolidated profit and loss and balance sheet statements according to Consob Resolution 15519 of July 27th, 2006 is as follows:

	Euro thousand	June 30th,2023		June 30th,2022	
		Total	Of which non correlated	Total	Of which non correlated
1	Gross revenue	118,000	0	132,238	0
2	Revenue adjustments	(68)	0	0	0
3	**Net revenue**	**117,932**	**0**	**132,238**	**0**
4	Purchase of products for resale	(2,954)	0	(4,607)	0
5	Purchase of services for resale	(9,042)	0	(6,733)	0
6	Royalties	(22,892)	0	(32,586)	0
7	Changes in inventories of finished products	(818)	0	(1,535)	0
8	**Total cost of sales**	**(35,706)**	**0**	**(45,461)**	**0**
9	**Gross profit (3+8)**	**82,226**	**0**	**86,777**	**0**
10	Other income	17,525	0	11,584	0
11	Costs for services	(14,975)	(346)	(8,562)	(339)
12	Rent and leasing	(621)	(258)	(497)	(136)
13	Payroll costs	(38,915)	0	(33,867)	(133)
14	Other operating costs	(1,787)	0	(1,307)	0
15	**Total operating costs**	**(56,298)**	**(604)**	**(44,233)**	**(608)**
16	**Gross operating margin (EBITDA) (9+10+15)**	**43,453**	**(604)**	**54,128**	**(608)**
17	Depreciation and amortization	(18,687)	(1,066)	(19,030)	(1,031)
18	Provisions	0	0	0	0
19	Asset impairment charge	(7,700)	0	(1,708)	0
20	Impairment reversal	2,266	0	2,570	0
21	**Total depreciation, amortization and impairment adjustments**	**(24,121)**	**(1,066)**	**(18,168)**	**(1,031)**
22	Operating margin (EBIT) **(16+21)**	**19,332**	**(1,670)**	**35,960**	**(1,639)**
23	Interest and financial income	7,428	0	8,349	0
24	Interest and financial expenses	(13,036)	(56)	(4,148)	(71)
25	**Net interest income/(expenses)**	**(5,608)**	**(56)**	**4,201**	**(71)**
26	**Profit/ (loss) before tax (22+25)**	**13,724**	**(1,726)**	**40,161**	**(1,710)**
27	Current tax	(4,332)	0	(10,929)	0
28	Deferred tax	243	0	(576)	0
29	**Total taxes**	**(4,089)**	**0**	**(11,505)**	**0**
30	**Net profit/loss (26+29)**	**9,635**	**(1,726)**	**28,656**	**(1,710)**

	Euro thousand	June 30th,2023		June 30th,2022	
		Total	Of which non correlated	totale	Total
	Non-current assets				
1	Property, plant and equipment	9,613	0	10,353	0
2	Investment properties	0	0	0	0
3	Intangible assets	153,023	0	104,089	0
4	Equity investments	11,400	0	7,511	0
5	Non-current receivables and other assets	8,089	772	14,072	778
6	Deferred tax assets	17,087	0	12,829	0
7	Non-current financial activities	0	0	18,257	0
	Total non-current assets	**199,212**	**772**	**167,111**	**778**
	Current assets				
8	Inventories	3,355	0	4,173	0
9	Trade receivables	14,104	0	27,781	0
10	Tax receivables	3,977	0	2,926	0
11	Other current assets	23,790	0	13,030	0
12	Cash and cash equivalents	9,407	0	10,961	0
13	Other current financial assets	11,344	0	329	0
	Total current assets	**65,977**	**0**	**59,200**	**0**
	TOTAL ASSETS	***265,189***	**772**	***226,311***	***778***
	Shareholders' equity				
14	Share capital	(5,706)	0	(5,705)	0
15	Reserves	(21,367)	0	(22,030)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(115,270)	0	(108,160)	0
	Equity attributable to the shareholders of the Parent Company	**(142,343)**	**0**	**(135,895)**	**0**
	Equity attributable to non-controlling interests	**(1,375)**	**0**	**(1,423)**	**0**
	Total net equity	**(143,718)**	**0**	**(137,318)**	**0**
	Non-current liabilities				
18	Employee benefits	(911)	0	(761)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	(1,824)	0	(1,954)	0
21	Non-current financial liabilities	(11,285)	(2,335)	(15,213)	(1,701)
	Total non-current liabilities	**(14,101)**	**(2,335)**	**(18,009)**	**(1,701)**
	Current liabilities				
22	Trade payables	(46,837)	(26)	(52,125)	(341)
23	Tax payables	(2,782)	0	(3,575)	0
24	Short term provisions	0	0	0	0
25	Other current liabilities	(8,635)	0	(4,657)	0
26	Current financial liabilities	(49,116)	(1,079)	(10,627)	(800)
	Total current liabilities	**(107.370)**	**(1.105)**	**(70.984)**	**(1.141)**
	TOTAL LIABILITIES	**(121.471)**	**(3.440)**	**(88.993)**	**(2.842)**
	TOTAL NET EQUITY AND LIABILITIES	***(265.189)***	**(3.440)**	***(226,311)***	***(2,842)***

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 2022/2023**					**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	112,112	119,708	231,820	0	45,781	**277,601**
Total	**112,112**	**119,708**	**231,820**	**0**	**45,781**	**277,601**

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, 2022 – June 30th, 2023. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group as of June 30th, 2023:
    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, 2023 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 27th, 2023

Signed

Chairman of the Board of Directors	Chief Financial Officer
Abramo Galante	Stefano Salbe