Digital Bros S.p.A. financial statements as of June 30th, 2023

Digital Bros S.p.A.
Via Tortona, 37 – 20144 Milan, Italy
VAT number IT095
Share capital: Euro 6,024,334.80 of which Euro 5,706,014.80 subscribed
Milan Companies House No. 290680-Vol. 7394
Chamber of Commerce number 1302132

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

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

(blank page)

Index

DIRECTORS' REPORT

The Company performs management and coordination activities in its capacity as Parent Company of the Digital Bros Group.

Digital Bros S.p.A. also distributes in Italy, video games acquired from international publishers under the Halifax brand. The games are marketed through a direct sales network of key accounts and through an indirect sales network of sales agents. The Company also distributes Yu-Gi-Oh! trading cards in Italy.

Revenues are generated mostly in Italya as highlighted in the Notes to Digital Bros S.p.A. Financial Statements.

1. THE VIDEOGAMES MARKET

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

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

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

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

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

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

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

The Group that Digital Bros controls is operating both on digital marketplaces and in the free to play, or Free to Play, games sector. Therefore, the parent company that was operating directly in the traditional physical retail distribution sector has seen its core revenues decline over time, while the subsidiaries' revenues have gradually grown.

The growth in revenues from digital distribution, but also the upstream integration that the Group has decided with the acquisition and establishment of development studios, has led to a growth in importance of the coordination activities that the Company carries out.

2. PERFORMANCE RATIOS

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

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

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

The balance sheet ratio net financial position is detailed in section 4 of the Notes.

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

3. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Relations with Starbreeze AB and Starbreeze AB shareholders

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

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze AB against a payment of USD 30 million and an earn-out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3. The earn-out at the end of the period was not accounted, not having met the requirements for recognition under international accounting standards, the amount and timing of accrual being currently undetermined;

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

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

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB A shares held by Swedish company 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 AB for a price of Euro 19.2 million. The assets acquired have a nominal value of Euro 35.3 million, as detailed below:

  (a) a convertible bond of SEK 215 million (around Euro 20 million as of June 30th, 2022) issued by Starbreeze AB for a total of Euro 16.9 million. The full conversion of the bond would lead to the issue of 131,933,742 new Starbreeze AB B shares. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze AB in September 2020. Should it not be fully or even partially converted, the bond will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;

  (b) a receivable of around USD 20 million for a consideration of Euro 100 thousand. This credit falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;

  (c) 3,601,083 Starbreeze AB A shares and 6,018,948 Starbreeze AB B shares for a total amount of Euro 2.2 million.

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.

4. PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30TH, 2023

The following table sets out the Company's results as of June 30th, 2023 together with comparative figures as of June 30th, 2022:

	Euro thousand	June 30th, 2023		June 30th, 2022		Change	
1	Gross revenue	7,877	100.9%	9,235	100.0%	(1,358)	-14.7%
2	Revenue adjustments	(68)	-0.9%	0	0.0%	(68)	n.s.
3	**Net revenue**	**7,809**	**100.0%**	**9,235**	**100.0%**	**(1,436)**	**-15.4%**
4	Purchase of products for resale	(1,760)	-22.5%	(4,340)	-47.0%	2,580	-59.4%
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)	-5.9%	1,399	15.1%	(1,861)	n.s.
8	**Total cost of sales**	**(2,224)**	**-28.5%**	**(2,941)**	**-31.8%**	**717**	**-24.4%**
9	**Gross profit (3+8)**	**5,585**	**71.5%**	**6,294**	**68.2%**	**(709)**	**-11.3%**
10	Other income	178	2.3%	168	1.8%	10	6.0%
11	Costs for services	(2,286)	-29.3%	(2,170)	-23.5%	(116)	5.4%
12	Rent and leasing	(228)	-2.9%	(155)	-1.7%	(73)	47.3%
13	Payroll costs	(4,287)	-54.9%	(5,763)	-62.4%	1,476	-25.6%
14	Other operating costs	(553)	-7.1%	(500)	-5.4%	(53)	10.6%
15	**Total operating costs**	**(7,354)**	**-94.2%**	**(8,588)**	**-93.0%**	**1,234**	**-14.4%**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(1,591)**	**-20.4%**	**(2,126)**	**-23.0%**	**535**	**-25.2%**
17	Depreciation and amortization	(927)	-11.9%	(908)	-9.8%	(19)	2.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(299)	-3.8%	(615)	-6.7%	316	n.s.
20	Impairment reversal	0	0.0%	87	0.9%	(87)	n.s.
21	**Total depreciation, amortization and impairment adjustments**	**(1,226)**	**-15.7%**	**(1,436)**	**-15.6%**	**210**	**-14.7%**
22	**Operating margin (EBIT) (16+21)**	**(2,817)**	**-36.1%**	**(3,562)**	**-38.6%**	**745**	**-20.9%**
23	Interest and financial income	15,665	200.6%	13,520	146.4%	2,145	15.9%
24	Interest and financial expanses	(8,928)	-114.3%	(1,984)	-21.5%	(6,944)	n.s.
25	**Net interest income/(expenses)**	**6,737**	**86.3%**	**11,536**	**124.9%**	**(4,799)**	**-41.6%**
26	**Profit/ (loss) before tax (22+25)**	**3,920**	**50.2%**	**7,974**	**86.4%**	**(4,054)**	**-50.8%**
27	Current tax	1,216	15.6%	(818)	-8.9%	2,034	n.s.
28	Deferred tax	(203)	-2.6%	169	1.8%	(372)	n.s.
29	**Total taxes**	**1,013**	**13.0%**	**(649)**	**-7.0%**	**1,662**	**n.s.**
30	**Net profit/loss (26+29)**	**4,933**	**63.2%**	**7,325**	**79.3%**	**(2,392)**	**-32.7%**

Total gross revenue decreased by 14.7% at Euro 7,877 thousand compared to Euro 9,235 thousand as of June 30th, 2022 confirming the contraction already shown in recent years.

Gross revenue is analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Revenue from video games for consoles	711	1,338	(627)	-46.9%
Revenue from trading cards	1,998	2,543	(545)	-21.4%
Revenue from other products and services	5,168	5,354	(186)	-3.5%
Total gross revenue	**7,877**	**9,235**	**(1.358)**	**-14.7%**

Revenue from other products and services are generated under the Company's contract with other Group companies for the provision of administration, management control, human resources management and business development services.

The costs for the purchase of products destinated for resale have decreased by 59.4%, to Euro 2,580 thousand. Inventories decreased by Euro 464 thousand, in line with the decline in product sales revenues.

Operating costs amounted to Euro 7,354 thousand, decreasing by Euro 1,476 thousand due to lower payroll costs, partially offset by higher costs for services for Euro 116 thousand. Payroll costs reduction was driven by the fact that variable compensation components were not disbursed and because the overall wages were not increased based on the 2021-2027 Medium-Long Term Monetary Incentives Plan, since the consolidated net operating profitability was lower than expected.

The increase in service costs amounts to Euro 116 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.

The operating margin (EBIT) was negative for Euro 1,591 thousand compared to a negative Euro 2,126 thousand as of June 30th, 2022, but improving by Euro 535 thousand.

Net financial result was positive for Euro 6,737 thousand compared to Euro 11,536 thousand in the prior fiscal year. This balance includes:

- Financial liabilities from the adjustment to fair value of the bond loan amounting to Euro 6,462 thousand,. held by the Company from Starbreeze and converted in July 2023.
- Financial income resulting from dividends received from 505 Games S.p.a. and Kunos Simulazioni S.r.l.
- The adjustment to the present value of the financial credit purchased from Starbreeze and subsequently cashed on July 3, 2023, totaling Euro 3,979 thousand.

Profit before tax decreased to Euro 3,920 thousand against Euro 7,974 thousand as of June 30th, 2022. Net profit amounted to Euro 4,933 thousand against a Euro 7,325 thousand net profit in the prior fiscal year

5. BALANCE SHEET AS OF JUNE 30TH, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	5,081	5,802	(721)	-12.4%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	146	166	(20)	-12.1%
4	Equity investments	29,855	25,825	4,030	15.6%
5	Non-current receivables and other assets	641	9,367	(8,726)	-93.2%
6	Deferred tax assets	1,032	1,061	(29)	-2.7%
7	Non-current financial activities	18,337	33,660	(15,323)	-45.5%
	Total non-current assets	**55,092**	**75,881**	**(20,789)**	**-27.4%**
	Current assets				
8	Inventories	2,429	2,893	(464)	-16.0%
9	Trade receivables	721	547	174	31.8%
10	Receivables from subsidiaries	21,364	16,803	4,561	27.1%
11	Tax receivables	2,233	776	1,457	n.s.
12	Other current assets	13,211	506	12,705	n.s.
13	Cash and cash equivalent	163	384	(221)	-57.5%
14	Other current financial assets	18,491	28	18,463	n.s.
	Total current assets	**58,612**	**21,937**	**36,675**	**n.s.**
	TOTAL ASSETS	***113,704***	***97,818***	***15,886***	***16.2%***
	Capital and reserves				
15	Share capital	(5,706)	(5,705)	(1)	0.0%
16	Reserves	(20,598)	(20,968)	370	-1.8%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(33,895)	(31,530)	(2,365)	7.5%
	Total net equity	**(60,199)**	**(58,203)**	**(1,996)**	**3.4%**
	Non-current liabilities				
19	Employee benefits	(353)	(346)	(7)	1.9%
20	Non-current provisions	(81)	(81)	(0)	0.0%
21	Other non-current payables and liabilities	0	0	0	n.s.
22	Non-current financial liabilities	(2,465)	(4,795)	2,330	-48.6%
	Total non-current liabilities	**(2,899)**	**(5,222)**	**2,323**	**-44.5%**
	Current liabilities				
23	Trade payables	(1,206)	(1,955)	749	-38.3%
24	Payables to subsidiaries	(37,815)	(28,105)	(9,710)	34.5%
25	Taxes payables	(283)	(295)	12	-4.1%
26	Short term provisions	0	0	0	n.s.
27	Other current liabilities	(770)	(1,280)	510	-39.8%
28	Current financial liabilities	(10,532)	(2,758)	(7,774)	n.s.
	Total current liabilities	**(50,606)**	**(34,393)**	**(16,213)**	**47.1%**
	TOTAL LIABILITIES	**(53,505)**	**(39,615)**	**(13,890)**	**35.1%**
	TOTAL NET EQUITY AND LIABILITIES	***(113.704)***	***(97.818)***	***(15.886)***	***16,2%***

Total non-current assets decreased by Euro 20,789 thousand, due to lower receivables and other non-current assets as well as lower non-current financial assets. This results from the reclassification under other current assets of the credit towards Starbreeze AB, following the agreement related to its restructuring procedure. Further details regarding this process are outlined in the dedicated paragraph "Relationship with Starbreeze". The total current assets increased by Euro 36,675 thousand compared to June 30th, 2022, due to the procedure mentioned above as well as the increase in receivables from subsidiary companies.

Total current liabilities increase by Euro 16,213 thousand compared to June 30th, 2022, due to higher payables to subsidiary and increased financial liabilities. The analysis of the net financial position compared to the respective data as of June 30th, 2022, is presented in the following table:

	Euro thousand	**June 30th, 2023**	**June 30th, 2022**	**Change**
13	Cash and cash equivalents	163	384	(221)
14	Other current financial assets	18,491	28	18,463
28	Current financial liabilities	(10,532)	(2,758)	(7,774)
	Current net financial position	**8,122**	**(2,346)**	**10,468**
7	Non-current financial assets	18,337	33,660	(15,323)
22	Non-current financial liabilities	(2,465)	(4,795)	2,330
	Non-current financial liabilities	**15,872**	**28,865**	**(12,993)**
	Total net financial position	***23,994***	***26,519***	***(2,525)***

Additional information on the net financial position, drafted according to the Guidelines on disclosure obligations under the Prospectus Regulation issued by ESMA (European Securities and Markets Authority) on March 4, 2021. Can be found in the explanatory notes to this financial statement.

The net financial position was positive for Euro 23,994 thousand compared to the positive Euro 26,519 thousand as of June 30th, 2022.The total net financial position, net of financial debts recorded due to the application of IFRS 16, was positive at 26,657 thousand euros.

6. 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)	8.2%	12.6%
ROI (Operating margin / Total assets)	-2.5%	-3.6%
ROS (Operating margin / Gross profit)	-35.8%	-38.2%

Structure ratios	**June 30th, 2023**	**June 30th, 2022**
Net working capital ratio (Current assets / Total assets)	51.5%	22.4%
Current ratio (Current assets / Current liabilities)	115.8%	63.8%
Quick ratio (Cash and cash equivalents and Other current assets / Current liabilities)	111.0%	55.4%

7. INTERCOMPANY AND RELATED PARTY TRANSACTIONS AND ATYPICAL/UNUSUAL TRANSACTIONS

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

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

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

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

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

Transactions with other related parties

Related party transactions referred to:

- legal advisory services provided by Executive Director Dario Treves;
- property leased by Matov Imm. S.r.l. to Digital Bros S.p.A.., owned by Abramo and Raffaele Galante.

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**.**

8. TREASURY SHARES

As of June 30th , 2023, 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.

9. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not engage in any research and development activity during the fiscal year.

10. OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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

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

Operational risks

Dependence on key personnel represents Digital Bros S.p.A. most significant operational risk. The Company'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 Company 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 Company'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 Company and by the fact that a long-term incentive plan has been implemented for the CFO.

Management of financial risks and financial instruments

The main financial instruments used by the Company 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.

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

Credit facilities granted to the Company and utilized as of June 30th, 2023 are as follows:

Euro thousands	Facility	Disposed	Available
Bank overdrafts	1,200	984	216
Import financing	7,250	7,182	68
Advances on invoices and cash orders subject to collection	4,250	0	4,250
Factoring	1,000	11	989
Medium-term product development financing	1,720	1,720	0
Total	**15,420**	**9,897**	**5,523**

Digital Bros S.p.A. manages 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 Company seeks to maintain a balance between short-term and medium/long-term financial instruments in line with its forecast. The Company's core business, the sale and marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines of credit 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 Company's financial instruments are:

- interest rate risk;
- liquidity risk.
- Interest rate risk

The Company's exposure to the risk of interest rate fluctuation is limited with regard to its medium and long-term financial instruments which were originally arranged as fixed-rate instruments or have been converted into fixed rate using appropriate derivative agreements.

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

The level of debt is low or next to zero and the interest rate risk is further mitigated by the implementation of a short-term cash flow procedure. The Company has subscribed one option for a notional value of Euro 1,375 thousand to cover changes in interest rates on the Euro 1,375 thousand loan granted by UniCredit S.p.A. on January 28th, 2021.

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 Company 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 Company's funding requirements in good time.

Exchange rate risk

The Company holds a significant stake in the Swedish listed company Starbreeze. The share prices of Starbreeze have historically exhibited extreme volatility and are denominated in SEK (Swedish Krones).

Therefore, the Company is exposed to the potential risk of the EUR/SEK exchange rate as well as the risk related to the stock prices of Starbreeze's shares.

11. CONTINGENT AQSSETS AND LIABILITIES

As of June 30th, 2023 – similarly to previous fiscal year – there were no contingent assets or liabilities.

12. 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.

Subsequent events related to the relationship with Starbreeze are detailed in paragraph 4).

13. BUSINESS OUTLOOK

The gradual digitalization of the market has characterized recent years and triggered a gradual reduction in physical sales of video games in Italy that has been further heightened by the COVID-19 pandemic and is likely to continue in the near future.

The Company will enhance its Group coordination activities which will result to an increase in other revenues. At the same time, the positive performance of the subsidiaries Kunos Simulazioni S.r.l. and 505 Games S.p.A. will enable to keep dividends in line with the previous fiscal year.

As a result of the above, a positive net profit is forecast for the forthcoming reporting period.

14. 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	6	5	1
Office workers	29	31	(2)
Blue-collar workers and apprentices	4	4	0
Total employees	**39**	**40**	**(1)**

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	5	5	0
Office workers	30	33	(3)
Blue-collar workers and apprentices	4	4	0
Total employees	**39**	**42**	**(3)**

The Company's employees are contracted under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector.

ENVIRONMENTAL ISSUE

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

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

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

Digital Bros S.p.A.

Financial statements as of June 30th,2023

(this page intentionally left blank)

Balance sheet as of June 30th, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022
	Non-current assets		
1	Property, plant and equipment	5,081	5,802
2	Investment properties	0	0
3	Intangible assets	146	166
4	Equity investments	29,855	25,825
5	Non-current receivables and other assets	641	9,367
6	Deferred tax assets	1.032	1.061
7	Non-current financial activities	18.337	33.660
	Total non-current assets	**55.092**	**75.881**
	Current assets		
8	Inventories	2.429	2.893
9	Trade receivables	721	547
10	Receivables from subsidiaries	21.364	16.803
11	Tax receivables	2.233	776
12	Other current assets	13.211	506
13	Cash and cash equivalent	163	384
14	Other current financial assets	18,491	28
	Total current assets	**58,612**	**21,937**
	TOTAL ASSETS	***113,704***	***97,818***
	Capital and reserves		
15	Share capital	(5,706)	(5,705)
16	Reserves	(20,598)	(20,968)
17	Treasury shares	0	0
18	Retained earnings	(33,895)	(31,530)
	Total net equity	**(60,199)**	**(58,203)**
	Non-current liabilities		
19	Employee benefits	(353)	(346)
20	Non-current provisions	(81)	(81)
21	Other non-current payables and liabilities	0	0
22	Non-current financial liabilities	(2,465)	(4,795)
	Total non-current liabilities	**(2,899)**	**(5,222)**
	Current liabilities		
23	Trade payables	(1,206)	(1,955)
24	Payables to subsidiaries	(37,815)	(28,105)
25	Taxes payables	(283)	(295)
26	Short term provisions	0	0
27	Other current liabilities	(770)	(1,280)
28	Current financial liabilities	(10,532)	(2,758)
	Total current liabilities	**(50,606)**	**(34,393)**
	TOTAL LIABILITIES	**(53,505)**	**(39,615)**
	TOTAL NET EQUITY AND LIABILITIES	***(113,704)***	***(97,818)***

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

	Euro thousand	June 30th, 2023	June 30th, 2022
1	Gross revenue	7,877	9,235
2	Revenue adjustments	(68)	0
3	**Net revenue**	**7,809**	**9,235**
4	Purchase of products for resale	(1,760)	(4,340)
5	Purchase of services for resale	0	0
6	Royalties	0	0
7	Changes in inventories of finished products	(464)	1,399
8	**Total cost of sales**	**(2,224)**	**(2,941)**
9	**Gross profit (3+8)**	**5,585**	**6,294**
10	Other income	178	168
11	Costs for services	(2,286)	(2,170)
12	Rent and leasing	(228)	(155)
13	Payroll costs	(4,287)	(5,763)
14	Other operating costs	(553)	(500)
15	**Total operating costs**	**(7,354)**	**(8,588)**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(1,591)**	**(2,126)**
17	Depreciation and amortization	(927)	(908)
18	Provisions	0	0
19	Asset impairment charge	(299)	(615)
20	Impairment reversal	0	87
21	**Total depreciation, amortization and impairment adjustments**	**(1,226)**	**(1,436)**
22	**Operating margin (EBIT) (16+21)**	**(2,817)**	**(3,562)**
23	Interest and financial income	15,665	13,520
24	Interest and financial expanses	(8,928)	(1,984)
25	**Net interest income/(expenses)**	**6,737**	**11,536**
26	**Profit/ (loss) before tax (22+25)**	**3,920**	**7,974**
27	Current tax	1,216	(818)
28	Deferred tax	(203)	169
29	**Total taxes**	**1,013**	**(649)**
30	**Net profit/loss (26+29)**	**4,933**	**7,325**

Comprehensive income statement as of June 30th, 2022

Euro thousand	June 30th, 2023	June 30th, 2022	Euro thousand
Profit (loss) for the period (A)	**4,933**	**7,325**	**(2,392)**
Actuarial gain (loss)	(11)	39	(50)
Income tax relating to actuarial gain (loss)	3	(9)	12
Changes in the fair value	(710)	(3,632)	2,922
Tax effect regarding fair value measurement of financial assets	170	872	(702)
Items that will not be subsequently reclassified to profit or loss (B)	**(548)**	**(2,730)**	**2,182**
Total comprehensive income (loss) (A)+(B)	**4,385**	**4,595**	**(210)**

Cash flow statement as of June 30th, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022
A.	**Opening net cash/debt**	**384**	**1.038**
B.	**Cash flows from operating activities**		
	Profit (loss) for the period	4.933	7.325
	Depreciation, amortization and non-monetary costs:		
	Provisions and impairment losses	299	602
	Amortization of intangible assets	117	100
	Depreciation of property, plant and equipment	810	808
	Net change in deferred tax assets	29	(1.030)
	Net change in other provisions	0	0
	Net change in employee benefit provisions	7	(45)
	Net change in other non-current liabilities	(370)	(1.897)
	SUBTOTAL B.	**5.825**	**5.863**
C.	**Change in net working capital**		
	Inventories	464	(1.399)
	Trade receivables	(198)	281
	Receivables due from subsidiaries	(4.561)	(5.112)
	Tax receivables	(1.457)	(186)
	Other current assets	(12.705)	18
	Trade payables	(749)	511
	Payables to subsidiaries	9.710	11.668
	Current tax liabilities	(12)	(5.126)
	Current provisions	(0)	116
	Other current liabilities	(510)	323
	Other non-current liabilities	0	(505)
	Non-current receivables and other assets	8.726	(4.499)
	SUBTOTAL C.	**(1.292)**	**(3.910)**
D.	**Cash flows from investing activities**		
	Net investment in intangible assets	(97)	(103)
	Net investment in property, plant and equipment	(89)	(34)
	Net investment in non-current financial assets	(4.305)	2.938
	SUBTOTAL D.	**(4.491)**	**2.801**
E.	**Cash flows from financing activities**		
	Proceeds from capital increases	1	1
	Change in financial liabilities	5.444	(3.397)
	Change in financial assets	(3.140)	555
	SUBTOTAL E.	**2.305**	**(2.841)**
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)**	**(221)**	**(654)**
H.	**Closing net cash/debt (A+G)**	**163**	**384**

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)
Total on July 1st, 2021	**5,704**	18,486	1,141	(142)	(90)	3,470	**22,865**	**0**	18,339	8,433	**26,772**	**55,341**
	1	21					**21**				**0**	**22**
Capital increase							**0**		8,433	(8,433)	**0**	**0**
Allocation of previous year result							**0**		(2,567)		**(2,567)**	**(2,567)**
Dividend paid						812	**812**				**0**	**812**
Other changes					30	(2,760)	**(2,730)**			7,325	**7,325**	**4,595**
Comprehensive income (loss)												
	5,705	18,507	1,141	(142)	(60)	1,522	**20,968**	**0**	24,205	7,325	**31,530**	**58,203**
Total on June 30th, 2022												
Total on July 1st, 2022	1	21					**21**				**0**	**22**
							0		7,325	(7,325)	**0**	**0**
Capital increases							**0**		(2,568)		**(2,568)**	**(2,568)**
Allocation of previous year result						157	**157**				**0**	**157**
Dividend paid					(8)	(540)	**(548)**			4,933	**4,933**	**4,385**
Other changes												
Comprehensive income (loss)	**5,706**	18,528	1,141	(142)	(68)	1,139	**20,598**	**0**	28,962	4,933	**33,895**	**60.199**

A) not available;

B) available - can be used to cover losses. Only the share premium reserve is distributable if the legal reserve has reached the limit established by Art. 2430 (one fifth of the share capital);

D) available - can be used to cover losses, for capital increases and for the distribution of dividends;

(this page intentionally left blank)

Digital Bros S.p.A.

Financial statements
as of June 30th 2023

Explanatory Notes

1. CONTENT AND OTHER GENERAL INFORMATION

The main activities carried out by Digital Bros S.p.A. are described in the Directors' Report.

Digital Bros S.p.A. financial statements as of June 30th, 2023 have been prepared on a going concern basis. The Company has concluded that the risks and uncertainties to which it is exposed, as described in the Directors' Report, do not create any uncertainty as to its ability to operate as a going concern.

The financial statements are presented in Euro, and all values are rounded to the nearest thousand euros, unless otherwise stated.

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

Drafting principles

Digital Bros S.p.A. financial statement as of on June 30th, 2023 were drafted according to Article 154-ter of Legislative Decree No. 58 of February 24, 1998, and subsequent amendments and additions. They also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on the publication in the Official Journal of the European Communities (OJEC). The term "IFRS" also includes the International Accounting Standards (IAS) currently in force, as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC).

Digital Bros S.p.A. 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 financial statements comprise the:

- 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);
- profit and loss statement for the period ended June 30th, 2023 with comparative figures as of June 30th, 2022;
- comprehensive income statement as of 30th, 2023 with comparative figures as of June 30th, 2022;
- cash flow statement as of 30th, 2023 with comparative figures as of J June 30th, 2022;
- 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 period, equity investments in subsidiaries and associated companies and receivables that fall due in subsequent periods. They also include deferred tax assets regardless of when they might be realized.

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).

Non-current liabilities comprise provisions not expected to be used within twelve months as well as post-employment benefits, especially the provision for employee termination indemnities, and, in general, payables that fall due after June 30th, 2022.

Current liabilities include liabilities falling due by June 30th, 2022, mainly trade payables, tax liabilities and current financial liabilities.

The net financial position has been split between the current net financial position and the non-current net financial position and represents total net financial assets.

The left-hand column of the statement of profit and loss indicates the number of the relevant note.

The statement of profit and loss has been presented in a multi-step format, with expenses analyzed 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).

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

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

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

The statement of changes in equity has been prepared in accordance with IAS/IFRS and shows changes between July 1st, 2020 and June 30th, 2023; non-controlling interests are disclosed separately.

2. ACCOUNTING POLICIES

I criteri di valutazione adottati per la redazione del bilancio d'esercizio al 30 giugno 2023 sono coerenti a quelli utilizzati per la preparazione del bilancio d'esercizio al 30 giugno 2022, salvo quanto di seguito indicato per i nuovi principi applicati dal 1° luglio 2022.

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	3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%

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, the leasing contracts signed by the Company 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 capitalized 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 recognized at purchase or production cost and those with a finite useful life are amortized on a straight-line basis over their estimated useful life**.**

The amortization rates applied are as follows:

- Brands/Trademarks - 10%
- Microsoft Dynamics Navision licenses - 20%.
- Long-term licenses / User rights - 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 same criterion is used for long-term licenses for user rights, the amortization method of which must reasonably and reliably reflect the correlation between costs and income. the Company applies amortization on a straight-line basis over the contract term and, in any event, over a period not exceeding five years if the correlation cannot be objectively determined.

The related amortization is included in depreciation and amortization in the statement of profit and loss.

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 included in the profit and loss statement.

Equity investments

Equity investments in subsidiaries are recognized at cost and adjusted for impairment.

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

Equity investments in subsidiaries are tested for impairment in accordance with IAS 36 once a year, or more frequently if necessary. If there is evidence that these investments have been impaired, the related adjustment is duly recognized in profit and loss. If the Company's share of an investee's losses exceeds the carrying amount of the equity investment and if the Company is obliged to cover this loss, the carrying amount of the investment is reduced to zero and the Company's share of the additional losses is recognized as a provision in the statement of financial position. If there is any subsequent indication that an impairment loss may no longer exist or may have decreased, it is reversed in profit and loss up to the cost of the asset.

The profits and losses and assets and liabilities of associated companies are recorded in the 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 recognized at cost. The financial statements include the Company share of the profits or losses of the associated companies as recognized using the equity method until the date on which significant influence ends. 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.

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 and according to the irrevocable faculty exercised by the company, and without reclassification of the profits or losses realized.

Impairment of assets

IAS 36 requires intangible assets, property, plant and equipment and investments in associated companies and other entities to be tested for impairment based on discounted future cash flows.

Accordingly, at least once a year, the Company 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 Company 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 risks specific to the asset.

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 recognized at the lower of purchase cost including ancillary expenses and realizable value, as estimated based on market trends. Cost is determined based on specific cost.

When the realizable 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 realizable value. The nominal amount of receivables is brought into line with estimated realizable 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 Company factors trade receivables on a non-recourse basis with various factoring companies. In accordance with IAS 39, factored assets may be derecognized 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 separate financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognized in the separate 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 the Company's 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, an entity shall recognize the net total of the retirement cost in profit or loss.

Current and non-current provisions

The Company 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 Company 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 recognized in the statement of profit and loss for the period in which the change occurs.

Financial assets and liabilities

Current financial assets, 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 recognised based on their trading date and, upon initial recognition.

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 Company uses to manage them. With the exception of trade receivables which do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially values a financial asset at its fair value plus, in the case of a financial asset that is not at fair value. value recognized in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are valued at the transaction price.

Subsequent evaluation

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

- Financial assets at amortized cost (debt instruments);
- Financial assets 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. Gains 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, it 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 “Instruments Financials: Presentation” and are not held for trading. The classification is determined for every single 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 activity financial, 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 instruments measured at fair value through profit and loss are recognized in the prospectus of the balance sheet at fair value and the net changes in fair value recognized in the profit and loss statement 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 measurement

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 to which they are added when they are to be valued at amortized cost, the transaction costs directly attributable to them.

Subsequent evaluation

For the purposes of subsequent valuation, 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 is the most relevant category for the Group. After the initial recognition, the loans they are valued with the amortized cost criterion using the effective interest rate method. The profits and losses are recognized in the income 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 financial charges in the profit and loss statement.

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 substantially modified, such exchange or modification is treated as a cancellation accounting of the original liability, accompanied by the recognition of a new liability, with registration in the profit 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. In case the fair value cannot be reliably determined, the financial asset is valued at cost, with indication in the explanatory notes of its type and related reasons.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;

- Hedges of a net investment in a foreign operation.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Le operazioni che soddisfano tutti i criteri qualificanti per l'hedge accounting sono contabilizzate come segue:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Treasury shares

Treasury shares held by Digital Bros S.p.A. and other consolidated companies are deducted from equity. Their original cost and any positive/negative differences from their subsequent sale are recorded as equity movements under other reserves.

Leased assets liabilities

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

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

Revenue

The IFRS 15 – Revenue from Contracts with Customers standard 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 sales 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 recognized 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 recognized as a revenue recognition at the same time as the sale is recognized.

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 recognized 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.

When the Company acts as agent rather than as principal in a sales transaction, the revenuer recognized is equal to the Company's net commission.

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 recognized 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 upon receipt of the service.

Cost of sales

Cost of sales is 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 amount of period end inventories, net of the change in provisions for inventory obsolescence.

Dividends received

Dividends received from investee companies (different from subsidiary companies) are recognized when the right to receive payment is established, provided they derive from the allocation of profits earned subsequent to the acquisition of the investee. 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 and expenses

Interest income and expenses are recognized on an accrual basis and shown separately in the statement of profit and loss without being offset against each other.

Current tax

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

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

Deferred tax

Deferred tax is calculated in accordance with the balance sheet 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 statement of profit and loss and, therefore, in the shareholders' equity or in the comprehensive income statement, consistent with the element to which they refer.

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

Earnings per share

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

Foreign currency transactions

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

Share-based payments - Payment transactions settled with equity instruments

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

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

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

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

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

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

New accounting standards

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

Equity investments are adjusted for impairment whenever events or a change in circumstances indicate that their carrying amount is no longer recoverable. Events that may trigger an impairment adjustment to an equity investment include changes in the strategic plan and changes in market prices that lead to a poorer expected operational performance and reduce the subsidiaries' capacity to generate dividends. Measurement of the recoverable amount of equity investments is performed using estimates of expected cash flows and appropriate discount rates to calculate present value. Therefore, it is based on a set of hypothetical assumptions relating to future events and actions by the Directors of subsidiaries that may not necessarily occur in the manner and within the timescale forecasted.

Inventories

The Company 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. In order to make these estimates, the Company uses revenue forecasts, as periodically produced by the sales department. Some differences are identified on a cumulative basis and are recognized in 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.

Deferred tax

The calculation of deferred and anticipated taxes presents two distinct areas of uncertainty. The first pertains to the recoverability of anticipated taxes, and to mitigate this, the Company assesses anticipated taxes recorded against forecasted plans and the rules governing their utilization in future periods. The second area of uncertainty is the determination of the applicable tax rate, which has been assumed to remain constant over time and equal to the current tax rates in use, unless there is confidence that such changes will come into effect.

4. 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.

5. BALANCE SHEET AS OF JUNE 30TH, 2023

	Euro thousand	June 30th, 2023	June 30th, 2022	Change	
	Non-current assets				
1	Property, plant and equipment	5,081	5,802	(721)	-12.4%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	146	166	(20)	-12.1%
4	Equity investments	29,855	25,825	4,030	15.6%
5	Non-current receivables and other assets	641	9,367	(8,726)	-93.2%
6	Deferred tax assets	1,032	1,061	(29)	-2.7%
7	Non-current financial assets	18,337	33,660	(15,323)	-45.5%
	Total non-current assets	**55,092**	**75,881**	**(20,789)**	**-27.4%**
	Current assets				
8	Inventories	2,429	2,893	(464)	-16.0%
9	Trade receivables	721	547	174	31.8%
10	Receivables from subsidiaries	21,364	16,803	4,561	27.1%
11	Tax receivables	2,233	776	1,457	n.s.
12	Other current assets	13,211	506	12,705	n.s.
13	Cash and cash equivalent	163	384	(221)	-57.5%
14	Other current financial assets	18,491	28	18,463	n.s.
	Total current assets	**58,612**	**21,937**	**36,675**	**n.s.**
	TOTAL ASSETS	***113,704***	***97,818***	***15,886***	***16.2%***
	Capital and reserves				
15	Share capital	(5,706)	(5,705)	(1)	0.0%
16	Reserves	(20,598)	(20,968)	370	-1.8%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(33,895)	(31,530)	(2,365)	7.5%
	Total net equity	**(60,199)**	**(58,203)**	**(1,996)**	**3.4%**
	Non-current liabilities				
19	Employee benefits	(353)	(346)	(7)	1.9%
20	Non-current provisions	(81)	(81)	(0)	0.0%
21	Other non-current payables and liabilities	0	0	0	n.s.
22	Non-current financial liabilities	(2,465)	(4,795)	2,330	-48.6%
	Total non-current liabilities	**(2,899)**	**(5,222)**	**2,323**	**-44.5%**
	Current liabilities				
23	Trade payables	(1,206)	(1,955)	749	-38.3%
24	Payables to subsidiaries	(37,815)	(28,105)	(9,710)	34.5%
25	Taxes payables	(283)	(295)	12	-4.1%
26	Short term provisions	0	0	0	n.s.
27	Other current liabilities	(770)	(1,280)	510	-39.8%
28	Financial liabilities	(10,532)	(2,758)	(7,774)	n.s.
	Total current liabilities	**(50,606)**	**(34,393)**	**(16,213)**	**47.1%**
	TOTAL LIABILITIES	**(53,505)**	**(39,615)**	**(13,890)**	**35.1%**
	TOTAL NET EQUITY AND LIABILITIES	***(113,704)***	***(97,818)***	***(15,886)***	***16.2%***

NON CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment slightly decreased from Euro 5,802 thousand to Euro 5,081 thousand.

Euro thousand	July 1st, 2022	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n
Industrial buildings	4,896	0	0	(679)	0	**4,217**
Land	635	0	0	0	0	**635**
Indust. and comm. equipment	131	37	0	(41)	0	**127**
Other assets	140	52	0	(90)	0	**102**
Total	**5,802**	**89**	**0**	**(810)**	**0**	**5,081**

Euro thousand	July 1st, 2021	Investments	Disposals	Translation differences	Deprec'n	Use of accum. dep'n
Industrial buildings	5,575	0	0	(679)	0	**4,896**
Land	635	0	0	0	0	**635**
Indust. and comm. equipment	142	34	0	(45)	0	**131**
Other assets	224	0	0	(84)	0	**140**
Total	**6,576**	**34**	**0**	**(808)**	**0**	**5,802**

Property, plant and equipment – except for land - is depreciated over the useful life of each individual asset.

Industrial building as of June 30th, 2023 included:

Euro thousand	
Trezzano sul Naviglio warehouse	1,277
Via Labus (Milan) offices	351
Application of IFRS 16 to Via Tortona (Milan) offices	2,589
Total	**4,217**

Investments for the period to industrial and commercial equipment amounted to Euro 37 thousand and mainly related to office furniture and office automation equipment, while the increase in other assets is related to the purchase of two cars.

Changes to the gross carrying amount of property, plant and equipment and accumulated depreciation, in the current fiscal year and in the previous fiscal year, were as follows:

Current reporting period

Gross amount of property, plant and equipment

Euro thousand	July 1st, 2022	Investments	Disposals	June 30th, 2023
Industrial buildings	8,160	0	0	**8,160**
Land	635	0	0	**635**
Plant and equipment	2,396	37	0	**2,434**
Other assets	1,522	52	0	**1,574**
Total	**13,030**	**89**	**0**	**13,119**

Accumulated depreciation

Euro thousand	July 1st, 2022	Investments	Disposals	June 30th, 2023
Industrial buildings	(3,264)	(679)	0	**(3,943)**
Land	0	0	0	**0**
Plant and equipment	(2,265)	(41)	0	**(2,306)**
Other assets	(1,382)	(90)	0	**(1,472)**
Total	**(7,228)**	**(810)**	**0**	**(8,038)**

Previous reporting period

Gross amount of property, plant and equipment

Euro thousand	July 1st, 2021	Investments	Disposals	June 30th, 2022
Industrial buildings	8,160	0	0	**8,160**
Land	635	0	0	**635**
Plant and equipment	2,362	34	0	**2,396**
Other assets	1,522	0	0	**1,522**
Total	**12,996**	**34**	**0**	**13,030**

Accumulated depreciation

Euro thousand	July 1st, 2021	Investments	Disposals	June 30th, 2022
Industrial buildings	(2,585)	(679)	0	**(3,264)**
Land	0	0	0	**0**
Plant and equipment	(2,220)	(45)	0	**(2,265)**
Other assets	(1,298)	(84)	0	**(1,382)**
Total	**(6,420)**	**(808)**	**0**	**(7,228)**

The Company’s property, plant and equipment are unburdened by liens, mortgages or other securities.

3. Intangible assets

All of the intangible assets recognized by the Company have finite useful lives. No intangible assets have been recorded in connection with internal development costs and business combinations

Intangible assets decreased by Euro 3 thousand, net of Euro 117 thousand amortization. The following table shows movements for the current reporting period and the previous reporting period by asset

Euro thousands	July 1st, 2022	Investments	Disposals	Amort'n	June 30th, 2023
Concessions and licenses	148	97	0	(110)	135
Trademarks and similar rights	4	0	0	(1)	3
Other intangible assets	14	0	0	(6)	8
Total	**166**	**97**	**0**	**(117)**	**146**

Euro thousands	July 1st, 2021	Investments	Disposals	Amort'n	June 30th, 2022
Concessions and licenses	138	103	0	(93)	148
Trademarks and similar rights	5	0	0	(1)	4
Other intangible assets	20	0	0	(6)	14
Total	**163**	**103**	**0**	**(100)**	**166**

Concessions and licenses increased by Euro 103 thousand over the reporting period mainly because of expenditure on ERP systems.

Movements on intangible assets and accumulated amortization in the current and previous reporting periods were as follows:

Current reporting period

Gross amount of intangible assets

Euro thousands	July 1st, 2022	Investments	Disposals	June 30th, 2023
Concessions and licenses	3,234	97	0	3,331
Trademarks and similar rights	1,518	0	0	1,518
Other intangible assets	106	0	0	107
Total	**4,858**	**97**	**0**	**4,955**

Accumulated amortization

Euro thousands	July 1st, 2022	Investments	Disposals	June 30th, 2023
Concessions and licenses	(3,086)	(110)	0	(3,196)
Trademarks and similar rights	(1,514)	(1)	0	(1,515)
Other intangible assets	(92)	(6)	0	(98)
Total	**(4,692)**	**(117)**	**0**	**(4,810)**

Previous reporting period

Gross amount of intangible assets

Euro thousands	July 1st, 2021	Investments	Disposals	June 30th, 2022
Concessions and licenses	3.131	103	0	3.234
Trademarks and similar rights	1.518	0	0	1.518
Other intangible assets	106	0	0	106
Total	**4.755**	**103**	**0**	**4.858**

Accumulated amortization

Euro thousands	July 1st, 2021	Investments	Disposals	June 30th, 2022
Concessions and licenses	(2.993)	(93)	0	(3.086)
Trademarks and similar rights	(1.513)	(1)	0	(1.514)
Other intangible assets	(86)	(6)	0	(92)
Total	**(4.592)**	**(100)**	**0**	**(4.692)**

3. Equity investments

Equity investments amounted to Euro 25,855 thousand, increased by Euro 4,030 thousand compared to the prior fiscal year.

The following table contains details of equity investments as of June 30th, 2023, together with comparatives as of June 30th, 2022

Name	June 30th, 2023	June 30th, 2022	Change
505 Games S.p.A.	10,100	10,100	0
Digital Bros Game Academy S.r.l.	53	(116)	169
Game Network S.r.l.	(40)	(40)	0
Digital Bros Game China	100	100	0
Digital Bros Holdings Ltd.	125	125	0
Kunos Simulazioni S.r.l.	4,676	4,676	0
Digital Bros Asia Pacific Ltd.	100	100	0
Rasplata BV	2,008	2,008	0
AvantGarden S.r.l.	495	495	0
Seekhana Ltd.	263	291	(28)
Supernova Games S.r.l.	100	100	0
Chrysalide Jeux et Divertissement Inc.	0	0	0
Ingame Studios a.s.	480	480	0
Total subsidiaries	**18,460**	**18,319**	**141**
Starbreeze AB – A Shares	7,845	5,180	2,665
Starbreeze AB – B Shares	3,390	1,926	1,464
Investment in Noobz PL Sp.	151	391	(240)
Investment in Artactive S.A.	9	9	0
Total other equity investments	**11,395**	**7,506**	**3,889**
Total equity investments	**29,855**	**25,825**	**4,030**

Changes in Starbreeze AB shares is detailed in paragraph 4) Relationships with Starbreeze in this Note.

At the reporting date, the carrying amount of equity investments compared with the Group's share of the equity was as follows:

Name	Location	Carrying amount (a)	Capital (b)	Pro-rata share of equity (c)	Result for the year	Change d=c-a
505 Games S.p.A.	Milan	10,100	10,000	51,385	(3,411)	41,385
Digital Bros Game Academy S.r.l.	Milan	53	300	53	(247)	0
Game Network S.r.l.	Milan	(40)	10	(35)	(10)	5
Digital Bros China (Shenzhen) Ltd.	Shenzhen	100	100	140	14	40
Digital Bros Holdings Ltd.	Milton Keynes	125	125	106	0	(19)
Kunos Simulazioni S.r.l.	Rome	4,676	10	43,884	10,509	39,208
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	100	100	201	34	101
AvantGarden S.r.l.	Milan	495	100	219	(86)	(276)
Supernova Games S.r.l.	Milan	100	100	137	110	37
Rasplata BV	Amsterdam	2,008	2	442	(287)	(1,566)
Seekhana Ltd.	Milton Keynes	263	840	263	(284)	0
Chrysalide Jeux et Divertissement Inc.	Québec City	0	0	605	(7)	605
Ingame Studios a.s.	Brno	480	410	1.133	455	653
Total subsidiaries		**18,460**				

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

The carrying amounts of Digital Bros Game Academy, Game Network S.r.l., and Seekhana Ltd. are displayed net of the impairment provision which amounts to Euro 247 thousand, Euro 50 thousand, and Euro 242 thousand, respectively, in order to reflect their recoverable value.

At the end of the fiscal year, the Company conducted an impairment test on significant investments and on all investments that had a net asset value lower than the carrying amount, as of June 30th, 2023. For these investments, the carrying value was compared to the recoverable value.

As of June 30th, 2023, for the valuation of the investments, the expected cash flows and revenues are based on the Business Plan 2024-2028, approved by the Board of Directors on July 3rd, 2023. The growth rate "g" is set at 1.0%. The discount rate has been calculated using the Weighted Average Cost of Capital (WACC), which consists of weighting the expected rate of return on invested capital net of the costs of funding from a sample of companies within the same sector. The discount rates used for the impairment test on the investments, segmented by geographical area, are as follows.

	Italy	Netherlands	UK	Czech Republic	Sweden
Wacc post tax	11.91%	10.51%	11.46%	12.41%	10.15%

Any reasonably possible changes to the relevant assumptions used for the determination of recoverable value mentioned above (variations in the growth rate of +/-0.5% and variations in the discount rate of +/-0.5%) would not lead to significantly different results.

Such impairments tests required the Company to perform partial impairment on the investment in Digital Bros Game Academy S.r.l. for Euro 247 thousand and in Seekhana Ltd for Euro 28 thousand.

Changes to other 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;
- Euro 1,464 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 , since they are financial instruments classified in the comprehensive profit and loss statement;
- 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) – corresponding to the 4.5% of the share capital - with allocation to an equity reserve of the difference between the carrying amount and the fair value as of June 30th, 2023.

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

5 Non-current receivables and other assets

Non-current receivables and other assets amounted to Euro 641 thousand, decreasing by Euro 8,726 thousand compared to June 30th, 2022:

Migliaia di Euro	June 30th 2023	June 30th 2022	Changes
Receivable from Starbreeze AB	0	8,726	(8,726)
Guarantee deposit – rental of offices in Via Tortona, Milan	635	635	0
Other guarantee deposits	6	6	0
Total non-current receivables and other assets	**641**	**9,367**	**(8,726)**

As of June 30th, 2023, they only included guarantee deposits related to contractual obligations. The largest deposit is the amount of Euro 635 thousand paid to Matov Imm. S.r.l. as a deposit for the rental of the Company's headquarters in Via Tortona 37, Milan.

As of June 30th, 2022 this item included the receivable from Starbreeze AB purchased from Smilegate Holdings, which was reclassified as other current assets after being collected in July 2023.

6. Deferred tax assets

As of June 30th , 2023, deferred tax assets amounted to Euro 1,032 thousand, decreasing by Euro 29 thousand compared to June 30th, 2022. The balance included IRES deferred tax for Euro 1,027 thousand and IRAP deferred tax for Euro 5 thousand.

The most significant change related to the adjustment to fair value with recognition in equity reserve of the difference between the book value and the market value at June 30th , 2023 of the Starbreeze AB shares held by the Company.

Deferred tax assets are calculated on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax basis and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The rate applied for IRES purposes was 24%. The following table provides details of temporary differences as of June 30th, 2023 and June 30th, 2022:

Description	Temporary differences as of June 30th, 2022	Changes in temporary differences in the year	Temporary differences as of June 30th, 2023
Taxed provision for bad debts	709	15	724
Directors' emoluments not relating to period	957	(859)	98
TFR/Employee termination indemnity	60	71	131
Inventory obsolescence provision	94	0	94
Reserve for write-down of securities	2,542	717	3,259
Reserve for application of IFRS 9	5	0	5
Other	35	(68)	(33)
Total	**4,402**	**(124)**	**4,278**

The following table shows the calculation of deferred tax assets for IRES purposes as of June 30th, 2023:

Description	Temporary differences as of June 30th, 2023	Defered tax assets for IRES as of June 30th, 2023
Taxed provision for bad debts	724	174
Directors' emoluments not relating to period	98	24
TFR/Employee termination indemnity	131	31
Inventory obsolescence provision	94	23
Reserve for write-down of securities	3,259	782
Reserve for application of IFRS 9	5	1
Other	(33)	(8)
Total	**4,278**	**1.027**

(a) Calculated as 24% of temporary differences

CURRENT ASSETS

At June 30th, 2023, the Company had no receivables or payables with a residual duration of more than five years and no payables were secured on the Company's assets. Exchange rate fluctuation since the reporting date has not had any significant effect. Moreover, there were no receivables or payables linked to repurchase agreements.

The following table contains a geographical breakdown of the items included in total current assets as of June 30th, 20223

		Italy	EU	Non-EU	Total
8	Inventories	2,429	0	0	2,429
9	Trade receivables	707	9	5	721
10	Receivables from subsidiaries	15,719	632	5,013	21,364
11	Tax receivables	2,233	0	0	2,233
12	Other current assets	505	12,706	0	13,211
13	Cash and cash equivalents	163	0	0	163
14	Other financial assets	33	18,458	0	18,491
	Total current assets	**21,789**	**31,805**	**5,018**	**58,612**

8. Inventories

Inventories was made by finished products for resale. Inventories decreased by Euro 1,399 thousand, from Euro 2,893 thousand to Euro 2,429 thousand as of June 30th, 2023, in line with the decrease in retail gross profits. Details below:

	June 30th, 2023	June 30th, 2022	Change
Video games	1,168	1,303	(135)
Trading cards	1,261	1,590	(329)
Total inventories	**2,429**	**2,893**	**(464)**

9. Trade receivables

Changes in trade receivables compared to the prior fiscal year are as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Trade receivables - Italy	1,586	1,392	194
Trade receivables - EU	9	9	0
Trade receivables - Rest of the world	5	0	5
Provision for doubtful accounts	(879)	(854)	(25)
Total trade receivables	**721**	**547**	**174**

As of June 30th, 2023, total trade receivables amounted to Euro 721 thousand, an increase of Euro 174 thousand compared to Euro 547 thousand as of June 30th, 2022. The Company's trade receivables are primarily due from Italian customers. The balance is stated net of the provision for doubtful accounts.

The provision for doubtful accounts amounted to Euro 879 thousand, increasing by Euro 25 thousand as of June 30th, 2022. The provision is assessed based on a detailed analysis of each trade receivable balance in order to assess its recoverability and on the application of IFRS 9.

The following table contains a breakdown of trade receivables as of June 30th, 2023 by due date, together with comparative figures as of June 30th, 2022. All figures are stated net of the provision for doubtful accounts:

Euro thousand	June 30th, 2023	% on total	June 30th, 2022	% on total
Current	311	43%	349	64%
0 - 30 days overdue	104	14%	69	13%
30 - 60 days overdue	6	1%	4	1%
60 - 90 days overdue	7	1%	7	1%
> 90 days overdue	293	41%	118	21%
Total trade receivables	**721**	**100%**	**547**	**100%**

10. **Receivables from subsidiaries**

Receivables from subsidiaries amounted to Euro 21,364 thousand, increasing by Euro 4,561 thousand compared to June 30th, 2022.

Receivables from subsidiaries as of June 30th, 2023 and as of June 30th, 2022 are analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
505 Games S.p.A.	15,463	12,366	3,097
505 Games Australia Pty Ltd.	3,753	3,909	(156)
505 Go Inc.	857	0	857
Ingame Studios a.s.	490	0	490
Chrysalide Jeux et Divertissement Inc.	336	0	336
Game Network S.r.l.	256	259	(3)
505 Games France S.a.s.	142	144	(2)
505 Games Japan KK	67	45	22
Digital Bros Game Academy S.r.l.	0	58	(58)
Avantgarden S.r.l.	0	16	(16)
505 Mobile S.r.l.	0	6	(6)
Total receivables from subsidiaries	**21,364**	**16,803**	**4,561**

The most significant increases related for Euro 3,097 thousand to 505 Games S.p.A. to support the significant investment of the subsidiary.

Based on medium/long-term business plans, the Company believes that all receivables from subsidiaries are recoverable.

11. Tax receivables

As of June 30th, 2023, tax receivables amounted to Euro 2,233 thousand, increasing by Euro 1,457 thousand compared to Euro 776 thousand as of June 30th, 2022.

Tax receivables as of June 30th, 2023 and as of June 30th, 2022 are analyzed as follows:

Euro thousand	**June 30th, 2023**	**June 30th, 2022**	**Change**
Receivable under domestic tax group consolidation	1,714	248	1,466
VAT receivable	352	347	5
Other receivables	167	181	(14)
Total tax receivables	**2,233**	**776**	**1,457**

The increase in the receivable under the domestic tax group arrangement is due to higher advances paid compared to actually calculated debt for the period.

12. Other current assets

Other current assets decreased from Euro 506 thousand as of June 30th, 2022 to Euro 13,211 thousand as of June 30th, 2023. The balance may be analyzed as follows:

Euro thousand	**June 30th, 2023**	**June 30th, 2022**	**Change**
Insurance refunds receivable	12,706	0	12,706
Receivables from suppliers	370	359	11
Advances to employees	111	124	(13)
Other receivables	24	23	1
Total other current assets	**13,211**	**506**	**12,705**

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 Euro 100 thousand as part of Starbreeze restructuring process. 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 4) 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.

NET EQUITY

The shareholders' equity as of June 30th, 20223 was analyzed as follows

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Share capital	5,706	5,705	1
Legal reserve	1,141	1,141	0
Share premium reserve	18,528	18,507	21
IFRS adoption reserve	(142)	(142)	0
Reserve for actuarial gains and losses	(68)	(60)	(8)
Reserve for measurement of securities	(2,455)	(1,915)	(540)
Stock option reserve	3,594	3,437	157
Retained earnings	29,657	24,900	4,757
Application of IFRS 9	(695)	(695)	0
Profit /(loss) for the year	4,933	7,325	(2,392)
Total shareholders' equity	**60,199**	**58,203**	**1,996**

Detailed movements on equity are shown in the statement of changes in equity. The following table contains a summary of these movements:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Opening equity	58,203	55,341	2,862
Share capital increase	1	1	0
Share premium reserve increase	21	21	0
Distribution of dividends	(2,568)	(2,567)	(1)
Change in treasury shares	0	0	0
Actuarial gains (losses)	(8)	30	(38)
Change in reserve for measurement of securities	(545)	(2,776)	2,231
Change in reserve for financial instruments	5	16	(11)
Stock option reserve	157	812	(655)
Other changes	4,933	7,325	(2,392)
Profit/(loss) for the year	**60,199**	**58,203**	**1,996**

Share capital as of June 30th, 2023 increased by Euro 1 thousand compared to June 30th, 2022 and is divided into 14,265,037 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,706 thousand.

There are no rights, liens or restrictions associated with the ordinary shares.

The Euro 157 thousand increase in the Stock option plan reserve regarded the amount relating to the period for the "Stock option plan 2016-2026". The plan rules are available on the Company website.

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 during the reporting period.

Digital Bros S.p.A. applies the vesting conditions by adjusting the total number of outstanding options based on the estimate of those that will actually vest. The options assessed at June 30th, 2023 are no. 638,214 for a stock option reserve of Euro 3,593 thousand.

Number of options	**Stock Option Plan 2016 - 2026**
January 1st, 2017	
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**

No specific uses or objectives have been designated for individual equity reserves, other than those laid down by law.

At the date of approval of the financial statements, no dividends had already been approved but not yet paid.

The Company has not issued any shares with dividend rights, convertible bonds, or securities of a similar nature.

NON-CURRENT LIABILITIES

19. 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 7 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 Digital Bros S.p.A.'s reporting date headcount of 39 employees.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2022 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 movements 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 as of July 1st, 2022	**346**	**391**
Utilization of provision for payments to leavers	(18)	(9)
Provision of the period	154	78
Measurement of supplementary pension schemes	(140)	(74)
Actuarial measurement	11	(40)
Provisions for employee termination indemnities as of June 30th, 2023	**353**	**346**

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

20. 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.

21. Other non-current payables and liabilities

As of June 2023, similarly to June 30th, 2022, there are no other non-current payables and liabilities.

CURRENT LIABILITIES

The following table contains a geographical breakdown of the items included in total current liabilities as of June 30th, 2023:

	Euro thousands	Italy	Other EU	NON-EU	Total
23	Trade payables	(917)	(275)	(14)	(1,206)
24	Payables to subsidiaries	(16,525)	(4,706)	(16,584)	(37,815)
25	Tax payables	(283)	0	0	(283)
26	Current provisions	0	0	0	0
27	Other current liabilities	(770)	0	0	(770)
28	Current financial liabilities	(10,532)	0	0	(10,532)
	Total current liabilities	**(29,027)**	**(4,981)**	**(16,598)**	**(50,606)**

23. Trade payables

Trade payables due within a year increased by Euro 749 thousand and mainly consist of payables for the purchase of video games, trading cards and received services. The balance is analyzed below::

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Trade payables – Italy	(917)	(1,765)	848
Trade payables – EU	(275)	(179)	(96)
Trade payables – Rest of world	(14)	(11)	(3)
Total trade payables	**(1,206)**	**(1,955)**	**749**

24. Payables to subsidiaries

Payables to subsidiaries amounted to Euro 37,815 thousand, increasing by Euro 9,710 thousand compared to the prior fiscal year. They are analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Kunos Simulazioni S.r.l.	(13,486)	(8,153)	(5,333)
505 Games Ltd.	(7,841)	(7,560)	(281)
DR Studios Ltd.	(5,115)	(2,911)	(2,204)
505 Games GmbH	(2,521)	(2,422)	(99)
505 Games Iberia Slu	(2,185)	(2,133)	(52)
505 Mobile S.r.l.	(1,992)	0	(1,992)
505 Games (US) Inc.	(1,946)	(2,477)	531
505 Games Mobile (US)	(759)	(1,131)	372
505 Games Interactive	(481)	(617)	136
Supernova Games Studios S.r.l.	(372)	(2)	(370)
Avantgarden S.r.l.	(269)	0	(269)
Digital Bros Game Academy S.r.l.	(189)	0	(189)
Hawkwen Entertainment Inc.	(180)	(188)	8
Game Entertainment S.r.l.	(168)	(166)	(2)
Digital Bros Asia Pacific (HK) Ltd.	(147)	(105)	(42)
Digital Bros Holdings Ltd.	(106)	(106)	0
Hook S.r.l.	(49)	(57)	8
Digital Bros China (Shenzen) Ltd.	(9)	(44)	35
Chrysalide Jeux et Divertissement Inc.	0	(33)	33
Total	**(37,815)**	**(28,105)**	**(9.710)**

The most significant increase was towards Kunos Simulations S.r.l. as a result of the invoices issued to 505 Games S.p.A. and settled through the correspondent current accounts used by Digital Bros S.p.A. for the centralized management of the Group's financial resources.

25. Tax payables

Trade payables slightly decreased, from Euro 295 thousand Euro as of June 30th, 2022 to Euro 283 thousand as of June 30th, 2023

26. Current provisions

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

27. Other current liabilities

Other current liabilities decreased by Euro 510 thousand to Euro 770 thousand as of June 30th, 2023 from Euro 1,280 thousand as of June 30th, 2022. Details are provided below:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Amounts due to social security institutions	(197)	(202)	5
Amounts due to employees	(518)	(1.021)	503
Amounts due to contract staff	(38)	(40)	2
Other payables	(17)	(17)	0
Total other current liabilities	**(770)**	**(1.280)**	**510**

Amounts due to employees decreased for Euro 503 thousand, amounting to Euro 518 thousand.

As of June 30, 2023, these items include only accruals related to unused vacation and leave days at the end of the fiscal year, as well as accruals for future payment of the thirteenth-month salary. In contrast, as of June 30, 2022, these items also included accruals for variable portions of salaries, including the portion related to the debt for the medium to long-term incentive plan for the last two fiscal years.

NET FINANCIAL POSITION

The Company's net financial position as of June 30th, 2023 is analyzed in detail below. Comparative figures as of June 30th, 2022 are also provided:

	Euro thousands	June 30th, 2023	June 30th, 2022	Change	
13	Cash and cash equivalents	163	384	(221)	-57,5%
14	Other current financial assets	18,491	28	18,463	n.s.
28	Current financial liabilities	(10,532)	(2,758)	(7,774)	n.s.
	Current net financial position	**8,122**	**(2,346)**	**10,468**	**n.s.**
7	Non-current financial assets	18,337	33,660	(15,323)	-45,5%
22	Non-current financial liabilities	(2,465)	(4,795)	2,330	-48,6%
	Non-current net financial position	**15,872**	**28,865**	**(12,993)**	**-44,5%**
	Total net financial position	***23,994***	***26,519***	***(2,525)***	***-9,5%***

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

The net financial position amounted to Euro 23,994 thousand, significantly improved compared to Euro 26,159 thousand as of June 30th, 2022. Net of the IFRS 16 effect, the net financial position amounted to positive Euro 26,657 thousand as of June 30th, 2023 .

Current net financial position

The current net financial position is analyzed as follows:

	Euro thousands	June 30th, 2023	June 30th, 2022	Change
13	Cash and cash equivalents	163	384	(221)
14	Other current financial assets	18,491	28	18,463
28	Current financial liabilities	(10,532)	(2,758)	(7,774)
	Current net financial position	**8,122**	**(2,346)**	**10,468**

13. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 163 thousand as of June 30th, 2023, a decrease of Euro 221 thousand compared to June 30th, 2022. They have no encumbrances and consist entirely of current account deposits available on demand.

14. Other 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 7,440 thousand of the portion due within 12 months to Rasplata B.V. for a loan to the subsidiary for the development of Crime Boss: Rockay City;
- Euro 33 thousand for the market value at the end of the fiscal year, in accordance with the provisions of hedge accounting, of the three option contracts subscribed by the Group for a notional value of Euro 1,375 thousand to hedge interest rates changes on the loans granted by UniCredit S.p.A..

28. Current financial liabilities

Total current financial liabilities were made by loans due within a year and other current financial liabilities for a total amount of Euro 10,53thousand. Details are as follows:

Euro thousands	**June 30th, 2023**	**June 30th, 2022**	**Change**
Instalment loans due within a year	(1,720)	(2,128)	408
Other current financial liabilities	(8,812)	(630)	(8,182)
Total current financial liabilities	**(10,532)**	**(2,758)**	**(7,774)**

Instalment loans amounting to Euro 1,720 thousand comprised the portion with a maturity within 12 months of:

- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the thirty-six months loan agreement provides for principal repayments in twelve quarterly instalments in arrears between 29/04/2021 and 29/01/2024; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.35 basis points;
- a Euro 1,375 thousand financial loan granted by UniCredit S.p.A. to Digital Bros S.p.A. on 28/01/2021 to consolidate existing credit lines for a total of Euro 200 thousand and to develop and implement new investments for the remaining Euro 1,175 thousand. The loan provides for a pre-amortization period starting from the initial date and until 31/01/2022 during which Digital Bros will pay quarterly installments of interest only, and a quarterly capital repayment period between 30/04/2022 and 31/01/2025; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 basis points. Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to hedge the interest rates changes for the duration of the loan by paying Euro 14 thousand. As of June 30th, 2023 the fair value was positive for Euro 28 thousand.

Total other current financial liabilities are detailed as follows:

Euro thousands	June 30th, 2023	June 30th, 2022	Change
Liabilities for bank accounts	(984)	0	(984)
Liabilities for bank loans relating to import	(7,182)	0	(7,182)
Lease contracts liabilities	(575)	(549)	(26)
Other current financial liabilites	(71)	(81)	10
Total current financial liabilities	**(8,812)**	**(630)**	**(8,182)**

7. Non current financial assets

As of June 30th,2023 the item amounts to Euro 18,337 thousand and consisted entirely of the receivable due beyond 12 months to Rasplata B.V. mentioned above.

As of June 30th, 2022 non-current financial assets consisted also of the fair value measurement of the convertible bond issued by Starbreeze AB with a nominal value of SEK 215 million and maturing in December 2024, as described in the Significant Events during the Period section of the Directors' Report. It decreased by Euro 583 thousand compared to June 30th, 2021. Modifications of comparative data in the balance sheet has no impact on the income statement.

22. Non-current financial liabilitiesi

Non-current financial liabilities included loans due after more than a year and other non-current financial liabilities for a total of Euro 2,465 thousand. Details are provided below

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Loans due after more than a year	(344)	(2,063)	1,719
Other non-current financial liabilities	(2,121)	(2,732)	611
Total non-current financial liabilities	**(2,465)**	**(4,795)**	**2,330**

As of June 30th, 2023, loans due after more than a year amounted to Euro 344 thousand representing the non-current portion of the Unicredit S.p.A. loans granted to Digital Bros S.p.A. described above.

Other non-current financial liabilities amounted to Euro 2,121 thousand. They included Euro 33 thousand of lease repayments due after more than a year and Euro 2,088 thousand related 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	635	618	17
1-5 years	2,121	2,410	(289)
More than 5 years	0	322	(322)
Total	**2,756**	**3,350**	**(594)**

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	163	384	-221	-57,5%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	**Liquidity (A + B + C)**	**163**	**384**	**(221)**	**n.s.**
E.	Current financial debt (included debt instrument, but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	10,532	2,758	7,774	281.9%
G.	**Current financial indebtedness (E + F)**	**10,532**	**2,758**	**7,774**	**281.9%**
H.	**Net current financial indebtedness (G - D)**	**10,369**	**2,374**	**7,995**	**336.8%**
I.	Non-current financial liabilities (excluding current portion and debt instruments)	2,465	4,795	-2,330	-48.6%
J.	Debt instruments	0	0	0	0.0%
K.	Non-current trade and other payables	0	0	0	0.0%
L.	**Non-current financial indebtedness (I + J + K)**	**2,465**	**4,795**	**(2,331)**	**-48.6%**
M.	**Total financial indebtedness (H + L)**	**12,833**	**7,169**	**5,664**	**79.0%**

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations relating to credit mandates increased from Euro 21,385 thousand as of June 30th, 2022 to Euro 38,915 thousand as of June 30th, 2023. The increase is due to higher guarantees in favor of subsidiaries to access new fundings.

The following table reports Digital Bros S.p.A.'s contractual obligations:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
UniCredit credit mandate to 505 Games S.p.A.	12,385	12,385	0
Intesa SanPaolo credit mandate to 505 Games S.p.A.	14,000	6,500	(7,500)
Intesa SanPaolo credit mandate to other Group's companies	1,530	1,500	(30)
BPM credit mandate to 505 Games S.p.A.	5,000	0	(5,000)
Monte dei Paschi credit mandate to 505 Mobile S.r.l.	1,000	1,000	0
Monte dei Paschi credit mandate to 505 Games S.p.A.	5,000	0	(5,000)
Total	**38,915**	**21,385**	**(17,530)**

7. PROFIT AND LOSS STATEMENT

3. Net revenue

Total net revenue amounted to Euro 7,809 thousand, compared to 9,235 thousand as of June 30th,2022.

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Gross sales – Italy	7,854	9,210	(1,356)	-14.7%
Gross sales – Other countries	23	25	(2)	-8.0%
Total gross revenue	**7,877**	**9,235**	**(1,358)**	**-14.7%**
Total revenue adjustments	**(68)**	**0**	**(68)**	**n.m.**
Total net revenue	**7,809**	**9,235**	**(1,426)**	**-15.4%**

Gross revenue may be analyzed by geographical area as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Gross revenue – Italy	7,854	9,210	(1,356)	-14.7%
Gross revenue – EU	23	25	(2)	-8.0%
Total gross revenue	**7,877**	**9,235**	**(1,358)**	**-14.7%**

8. Cost of sales

Cost of sales is analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Purchases of products for resale	(1,760)	(4,340)	2,580	-59.4%
Change in inventories of finished products	(464)	1,399	(1,862)	n.s.
Total cost of sales	**(2,224)**	**(2,941)**	**717**	**-24.4%**

More detailed analysis of the individual revenue and cost of sales items is provided in the Directors' Report.

10. Other income

Other income mainly comprises revenue for activities on behalf of the subsidiaries..

11. Costs of services

Costs for services are detailed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Advertising, marketing, trade fairs and exhibitions	(38)	(176)	138	-78.5%
Transport and freight	(49)	(55)	6	-11.8%
Sub-total: sales related services	**(87)**	**(231)**	**144**	**-62,4%**
Sundry insurance	(45)	(49)	4	-7.8%
Legal and notary consultancy fees	(1,317)	(1,126)	(191)	16.9%
Postage and telegraph	(148)	(83)	(65)	78.8%
Travel and subsistence costs	(181)	(115)	(66)	57.7%
Utilities	(146)	(160)	14	-8.5%
Maintenance	(77)	(70)	(7)	9.7%
Statutory Auditors' fees	(74)	(74)	0	0.0%
Sub-total: general services	**(1,988)**	**(1,677)**	**(311)**	**18.6%**
Intercompany services	(211)	(262)	51	-1.4%
Total costs for services	**(2,286)**	**(2,170)**	**(116)**	**5.4%**

Total costs for services increased by Euro 116 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 228 thousand compared to Euro 155 thousand as of June 30th, 2022. As of June 30th, 2023 the item included Euro 171 thousand of expenses relating to the rental of the Company's offices and Euro 57 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 4,287 thousand and decreased by Euro 1,476 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 €	Change %
Wages and salaries	(1,995)	(2,377)	382	-16.1%
Social contributions	(903)	(866)	(37)	4.2%
Employee termination indemnity	(158)	(147)	(11)	7.8%
Stock option plan	(157)	(812)	655	-80.7%
Directors' fees	(1,002)	(1,493)	491	-32.9%
Agents' commission	(1)	(4)	3	-76.7%
Other payroll costs	(71)	(64)	(7)	10.9%
Total payroll costs	**(4,287)**	**(5,763)**	**1,476**	**-25.6%**

Payroll costs include wages and salaries, social contributions and the employee termination indemnity. They decreased by Euro 480 thousand compared to the previous fiscal year:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Wages and salaries	(1,995)	(2,377)	382	-16.1%
Social contributions	(903)	(866)	(37)	4.2%
Employee termination indemnity	(158)	(147)	(11)	7.8%
Total payroll costs	**(3,056)**	**(3,390)**	**334**	**-9.9%**
Average number of employees	39	42	(3)	-7.1%
Average cost per employee	**(78)**	**(81)**	**3**	**-2.9%**

The average cost per employee decreased by 2,9% due to the non-disbursement of the variable portion of salaries.

A breakdown of the Group's workforce by employee category as of June 30th, 2023 is provided in the Directors' Report

14. Other operating costs

Total other operating costs amounted to Euro 533 thousand, a 10.6% decrease due to higher bank charges for Euro 42 thousand.

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

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Purchases of sundry materials	(24)	(27)	3	-11.6%
General & administrative costs	(411)	(414)	3	-0.8%
Entertainment expenses	(15)	(12)	(3)	22.7%
Sundry bank charges	(103)	(47)	(56)	n.s.
Total other operating costs	**(553)**	**(500)**	**(52)**	**10.5%**

21. Depreciation, amortization and impairment adjustments

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Depreciation and amortisation	(927)	(908)	(19)	2.1%
Asset impairment change	(299)	(615)	316	-51.4%
Impairment reversal	0	87	(87)	n.s.
Total depreciation, amortization and impairment adjustments	**(1,226)**	**(1,436)**	**210**	**-14.6%**

Total depreciation, amortization and impairment adjustments amounted to Euro 1,226 thousand, decreasing by Euro 210 thousand due to lower asset impairment change for Euro 316 thousand. Asset impairment change as of 30th, 2023 and June 30th, 2022 are analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Impairment adjustment to investment in Digital Bros Game Academy S.r.l.	(247)	(323)	76
Impairment adjustment to investment in Seekhana Ltd.	(28)	(214)	186
Impairment adjustment to investment in 133 W Broadway Inc.	0	(14)	14
Impairment adjustment to trade receivables	(24)	(64)	40
Total asset impairment change	**(299)**	**(615)**	**316**

25. Net financial income/ (expenses)

Net financial income totaled Euro 6,737 thousand compared to Euro 11,536 thousand in the prior fiscal year. The caption may be analyzed as follows:

	Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
23	Interest and financial income	15,665	13,520	2,145	15.9%
24	Interest and financial expenses	(8,928)	(1,984)	(6,944)	n.s.
25	Net interest and financial income	**6,737**	**11,536**	**(4,799)**	**-41.6%**

Interest and financial income may be analyzed as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Dividends from subsidiaries	10,000	7,500	2,500	33.3%
Interests income on bank accounts	0	2	(2)	n.s.
Other interest and financial income	4,812	4,083	729	17.9%
Currency exchange gains	853	1,935	(1,082)	-55.9%
Total interest and financial income	**15,665**	**13,520**	**2,145**	**15.9%**

As of June 30th, 2023, dividends were received from 505 Games S.p.A. and Kunos Simulazioni S.r.l..

Financial income included Euro 3,979 thousand due to 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 9) of this Note, and the Euro 817 thousand related to interests on receivables to Rasplata B.V.

Interest and financial expenses are analyzed in detail as follows:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Interest expenses on bank accounts	(283)	(11)	(272)	n.s.
Interest expenses to tax authorities	(13)	(76)	63	-82,5%
Interest expenses on loans and leases	(108)	(106)	(2)	2,3%
Factoring interest expenses	(0)	(0)	(0)	26,6%
Interest expenses on derative products	0	(7)	7	n.s.
Total interest expenses on sources of finance	**(404)**	**(200)**	**(204)**	**n.s.**
Currency exchange losses	(2.062)	(1.784)	(278)	15,6%
Reclassification of Starbreeze bond loan	(6.462)	0	(6.462)	n.s.
Total interest and financial expenses	**(8.928)**	**(1.984)**	**(6.944)**	**n.s.**

The methods of adjusting the bond loan issued by Starbreeze AB have already been described in paragraph 4) above.

29. Total taxes

Current and deferred taxes as of June 30th, 2023 are detailed as follow:

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
Current taxes	1,216	(818)	2,034	n.s.
Deferred taxes	(203)	169	(372)	n.s.
Total taxes	**1,013**	**(649)**	**1,663**	**n.s.**

IRES for the year was determined as follows

Euro thousand	June 30th, 2023	June 30th, 2022	Change €	Change %
IRES	(1,426)	(630)	(796)	n.s.
IRAP	210	(188)	398	n.s.
Total current taxes	**(1,216)**	**(818)**	**(398)**	**48.7%**

La determinazione dell’IRES di periodo è stata:

Euro thousand	June 30th, 2023	June 30th, 2022	Change
Taxable income for IRES	5,358	2,042	3,317
IRES rate	24,0%	24,0%	
IRES for the period	(1,286)	(490)	(796)
Prior fiscal year taxes	(140)	(140)	0
IRES for the period	**(1,426)**	**(630)**	**(796)**

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

Euro thousand	June 30th, 2023		June 30th, 2022	
Company profit before taxation	**3,920**		**7,974**	
IRES rate	**24.0%**		**24.0%**	
Theoretical taxation	(941)	-24.0%	(1,914)	-24.0%
Tax effect of non-deductible costs	2,160	55%	1,592	20%

Tax effect of utilization of tax loss carryforwards	0	0%	0	0%
Net tax effect of reversal of deferred tax assets not included in items above	190		(168)	
Prior fiscal year taxation	17		(140)	
Taxes on income for the year and effective tax rate	**1,426**	**36.4%**	**(630)**	**-7.9%**

IRAP for the year was determined as follows:

Euro thousand	**June 30th, 2023**	**June 30th, 2022**	**Change**
Taxable income for IRAP purposes	3,770	3,375	395
IRAP rate	5.57%	5.57%	0
IRAP for the period	(210)	(188)	(22)
IRAP relating to prior fiscal year	0	0	0
IRAP for the period	**(210)**	**(188)**	**(22)**

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

Euro thousand	**June 30th, 2023**		**June 30th, 2022**	
Operating margin/EBIT of the Company	**5,185**		**5,365**	
IRAP rate	**5.57%**		**5.57%**	
Theoretical IRAP	(289)	-5.6%	(299)	-5.6%
Tax effect of non-deductible costs	79	1.5%	111	2.1%
Net tax effect of reversal of deferred tax assets not included in items above	(0)		(0)	
Tax on income for the period and effective tax rate	**(210)**	**-4.0%**	**(188)**	**-3.5%**

Since July 1st, 2020, Digital Bros S.p.A falls within the scope of application of the 5.57% IRAP rate for industrial holding companies.

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

The main financial instruments used by the Company are:

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

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

The credit facilities available to the Company, together with utilization as of June 30th, 2023, are detailed below:

Euro thousands	Facility	Utilized	Headroom
Bank current account overdrafts	1,200	984	216
Import finance	7,250	7,182	68
Advances on invoices and notes	4,250	0	4,250
Factoring	1,000	11	989
Medium-term financing	1,720	1,720	0
Total	**15,420**	**9,897**	**5.523**

The Company seeks to maintain a balance between short-term and medium/long-term financial instruments. The Company's core business i.e. the marketing of video games, mainly involves investment in net working capital which is funded through short-term lines of credit. Long-term investments are normally financed through medium/long-term lines of credit, 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.

Financial instruments: Digital Bros S.p.A. 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 thousands)	**FVTPL**	**Assets at amortized cost**	**FVTOCI**	**Carrying amount as of June 30th, 2022**	**Notes**
Non-current receivables and other assets	-	641	-	641	5
Non-current financial assets	-	18,337	-	18,337	7
Trade receivables	-	721	-	721	9
Receivables from subsidiaries	-	21,364	-	21,364	10
Other current assets	-	13,211	-	13,211	12
Cash and cash equivalents	-	163	-	163	13
Other current financial assets	11,018	7,473	-	18,491	26
Total	**11,018**	**61,910**	**-**	**72.928**	

Category of financial liabilities in terms of IFRS 9

Financial instruments – Liabilities as of June 30th, 2023 (in Euro thousands)	**FVTPL**	**Liabilities at amortized cost**	**FVTOCI**	**Carrying amount as of June 30th, 2022**	**Notes**
Other non-current liabilities	-	-	-	-	21
Non-current financial liabilities	-	2,465	-	2,465	22
Trade payables	-	1,206	-	1,206	23
Payables to subsidiaries	-	37,815	-	37,815	24
Other current liabilities	-	770	-	770	27
Current financial liabilities	-	10,532	-	10,532	28
Total	-	**52,788**	-	**52,788**	

Financial instruments: Digital Bros S.p.A. balance sheet as of June 30th, 2022

Category of financial assets in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2022 (in Euro thousands)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30th, 2022	Notes
	-				
Non-current receivables and other assets	-	9,367	-	9,367	5
Non-current financial assets	18,257	15,403	-	33,660	7
Trade receivables	-	547	-	547	9
Receivables from subsidiaries	-	16,803	-	16,803	10
Other current assets	-	506	-	506	12
Cash and cash equivalents	-	384	-	384	13
Other current financial assets	-	28	-	28	26
Total	**18,257**	**43,048**	**-**	**61,295**	

Categoria di passività finanziarie secondo il principio IFRS 9

Financial instruments – Liabilities as of June 30th, 2022 (in Euro thousands)	**FVTPL**	**Attività al costo ammortizzato**	**FVTOCI**	**Valore di Bilancio al 30 giugno 2022**	**Note**
Other non-current liabilities	-	-	-	-	21
Non-current financial liabilities	-	4,795	-	4,795	22
Trade payables	-	1,955	-	1,955	23
Payables to subsidiaries	-	28,105	-	28,105	24
Other current liabilities	-	1,280	-	1,280	27
Current financial liabilities	-	2,758	-	2,758	28
Total	-	**38,893**	**-**	**38,893**	

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

- interest rate risk;
- liquidity 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 Company 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 Company 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.

Exchange rate risk

The company holds a significant stake in the publicly traded Swedish company, Starbreeze. The stock prices have historically been extremely volatile and are denominated in SEK (Swedish Krones).As a result of the investment in Starbreeze shares, the Company is exposed to fluctuations in the Euro/Swedish Krones exchange rate.

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	2,465	942	614	603	306			2,465	22
Current financial liabilities	10,532	10,532						10,532	28
Total	**12,997**	**11,474**	**614**	**603**	**306**			**12,997**	

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	4,795		2,346	929	595	603	322	4,795	22
Current financial liabilities	2,758	2,758						2,758	28
Total	**7,553**	**2,758**	**2,346**	**929**	**595**	**603**	**322**	**7.553**	

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 5,5 million at the reporting date and cash flows from operating activities.

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 reasonably 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.

For finance lease payables and payables to other lenders, we believe there is no significant difference between fair value and carrying amount.

Euro thousand	**Carrying amount as of June 30th,2023**	***Mark to Market***	***Mark to Model***	**Totale *Fair value***	**Notes**
		Fair Value	*Fair Value*		
Non-current financial assets	18,337	18,337	-	18,337	7
Cash and cash equivalents	163	163	-	163	13
Other current financial assets	18,491	7,473	11,018	18,491	14
Non-current financial liabilities	2,465	2,465	-	2,465	22
Current financial liabilities	10,532	10,532	-	10,532	28

Euro thousand	**Carrying amount as of June 30th,2022**	***Mark to Market***	***Mark to Model***	**Totale *Fair value***	**Notes**
		Fair Value	*Fair Value*		
Non-current financial assets	33,660	15,403	18,257	33,660	7
Cash and cash equivalents	384	384	-	384	13
Other current financial assets	28	28	-	28	14
Non-current financial liabilities	4,795	4,795	-	4,795	22
Current financial liabilities	2,758	2,758	-	2,758	28

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.

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 Company 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

9. NON-RECURRING ITEMS

During the fiscal year, the Company did not account for any non-recurring income and expenses in accordance with Consob Resolution 15519 of July 27th, 2006.

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	7,877	0	9,235	0
2	Revenue adjustments	(68)	0	0	0
3	**Net revenue**	**7,809**	**0**	**9,235**	**0**
4	Purchase of products for resale	(1,760)	0	(4,340)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	(464)	0	1,399	0
8	**Total cost of sales**	**(2,224)**	**0**	**(2,941)**	**0**
9	**Gross profit (3+8)**	**5,585**	**0**	**6,294**	**0**
10	Other income	178	0	168	0
11	Costs for services	(2,286)	0	(2,170)	0
12	Rent and leasing	(228)	0	(155)	0
13	Payroll costs	(4,287)	0	(5,763)	0
14	Other operating costs	(553)	0	(500)	0
15	**Total operating costs**	**(7,354)**	**0**	**(8,588)**	**0**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(1,591)**	**0**	**(2,126)**	**0**
17	Depreciation and amortization	(927)	0	(908)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(299)	0	(615)	0
20	Impairment reversal	0	0	87	0
21	**Total depreciation, amortization and impairment adjustments**	**(1,226)**	**0**	**(1,436)**	**0**
22	**Operating margin (EBIT) (16+21)**	**(2,817)**	**0**	**(3,562)**	**0**
23	Interest and financial income	15,665	0	13,520	0
24	Interest and financial expenses	(8,928)	0	(1,984)	0
25	**Net interest income/(expenses)**	**6,737**	**0**	**11,536**	**0**
26	**Profit/ (loss) before tax (22+25)**	**3,920**	**0**	**7,974**	**0**
27	Current tax	1,216	0	(818)	0
28	Deferred tax	(203)	0	169	0
29	**Total taxes**	**1,013**	**0**	**(649)**	**0**
30	**Net profit/loss (26+29)**	**4,933**	**0**	**7,325**	**0**

10. CONTINGENT ASSETS AND LIABILITIES

At June 30th, 2023 – as of June 30th, 2022 – there were no contingent assets and liabilities.

11. RELATED PARTY TRANSACTIONS

It is hereby disclosed that all commercial and financial transactions between Digital Bros S.p.A. and its direct subsidiaries and associates have been conducted at arm's length and cannot be classed as atypical or unusual transactions, in accordance with Consob Resolution 17221 of March 12th, 2010..

Transactions between Digital Bros and subsidiaries

Commercial and financial transactions between Digital Bros S.p.A. and other Group companies as of June 30th, 2023 took place on an arm's length basis. The following table provides a summary of year end balances and transactions in the year, together with the prior year comparatives:

Euro thousands	Receivables		Payables		Revenue	Costs
	Trade	Financial	Trade	Financial		
Rasplata B.V.	0	25,777	0	0	817	0
505 Games S.p.A.	0	15,463	0	0	5,186	57
505 Games Australia Pty Ltd.	0	3,753	0	0	0	0
505 GO Inc.	0	857	0	0	0	0
Ingame Studios a.s.	0	490	0	0	0	0
Chrysalide Jeux et Divertissement Inc.	0	336	0	0	0	0
Game Network S.r.l.	0	256	0	0	0	0
505 Games France S.a.s.	0	142	0	0	0	0
505 Games Japan KK	0	67	0	0	0	0
Kunos Simulazioni S.r.l.	0	0	0	(13,486)	0	0
505 Games Ltd.	0	0	0	(7,841)	0	0
DR Studios Ltd.	0	0	0	(5,115)	0	0
505 Games GmbH	0	0	0	(2,521)	0	0
505 Games Iberia Slu	0	0	0	(2,185)	0	0
505 Mobile S.r.l.	0	0	0	(1,992)	0	0
505 Games (US) Inc.	0	0	0	(1,946)	0	0
505 Games Mobile (US)	0	0	0	(759)	0	0
505 Games Interactive	0	0	0	(481)	0	0
Supernova Games Studios S.r.l.	0	0	0	(372)	0	0
Avantgarden S.r.l.	0	0	0	(269)	53	0
Digital Bros Game Academy S.r.l.	0	0	0	(189)	102	0
Hawkwen Entertainment Inc.	0	0	0	(180)	0	0
Game Entertainment S.r.l.	0	0	0	(168)	0	0
Digital Bros Holdings Ltd.	0	0	0	(106)	0	0
Digital Bros Asia Pacific (HK) Ltd.	0	0	0	(147)	0	0
Hook S.r.l.	0	0	0	(49)	0	0
Digital Bros China (Shenzen) Ltd.	0	0	0	(9)	0	0
Total	**0**	**47,141**	**0**	**(37,815)**	**6,158**	**57**

The Company also provides a centralized cash management service, using intercompany current accounts to which positive and negative balances between Group companies are transferred. These accounts do not bear interest.

Other related parties

Other related party transactions refer to:

- legal advisory services provided by Executive Director Dario Treves;
- property leased by Matov Imm. S.r.l. to Digital Bros S.p.A.. Matov Imm. S.r.l. is owned by Abramo and Raffaele Galante.

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

Euro thousands	**Receivables**		**Payables**		**Revenues**	**Costs**
	Trade	Financial	Trade	Financial		Trade
Dario Treves	0	0	(26)	0	0	(346)
Matov Imm. S.r.l.	0	635	0	(2.663)	0	(795)
Total as of June 30th, 2023	**0**	**635**	**(26)**	**(2.663)**	**0**	**(1,141)**

Other related party transactions as of June 30th, 2022 were as follows:

Euro thousands	**Receivables**		**Payables**		**Revenues**	**Costs**
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(327)	0	6	(472)
Matov Imm. S.r.l.	0	635	0	(2.229)	0	(733)
Total as of June 30th, 2022	**0**	**635**	**(327)**	**(2.229)**	**0**	**(1,205)**

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.

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 profit and loss statement and the balance sheet statement drafted in accordance with CONSOB Resolution No. 15519 of July 27, 2006, are as follows:

	Euro thousand	**June 30th,2023**		**June 30th,2022**	
		Total	**Of which non recurring**		**Total**
1	Gross revenue	7,877	0	9,235	0
2	Revenue adjustments	(68)	0	0	0
3	**Net revenue**	**7,809**	**0**	**9,235**	**0**
4	Purchase of products for resale	(1,760)	0	(4,340)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	(464)	0	1,399	0
8	**Total cost of sales**	**(2,224)**	**0**	**(2,941)**	**0**
9	**Gross profit (3+8)**	**5,585**	**0**	**6,294**	**0**
10	Other income	178	0	168	0
11	Costs for services	(2,286)	(346)	(2,170)	(472)
12	Rent and leasing	(228)	(171)	(155)	(100)
13	Payroll costs	(4,287)	0	(5,763)	0
14	Other operating costs	(553)	0	(500)	0
15	**Total operating costs**	**(7,354)**	**(517)**	**(8,588)**	**(572)**
16	**Gross operating margin (EBITDA) (9+10+15)**	**(1,591)**	**(517)**	**(2,126)**	**(572)**
17	Depreciation and amortization	(927)	(576)	(908)	(576)
18	Provisions	0	0	0	0
19	Asset impairment charge	(299)	0	(615)	0
20	Impairment reversal	0	0	87	0
21	**Total depreciation, amortization and impairment adjustments**	**(1,226)**	**(576)**	**(1,436)**	**(576)**
22	**Operating margin (EBIT) (16+21)**	**(2,817)**	**(1,093)**	**(3,562)**	**(1,148)**
23	Interest and financial income	15,665	0	13,520	0
24	Interest and financial expenses	(8,928)	(48)	(1,984)	(57)
25	**Net interest income/(expenses)**	**6,737**	**(48)**	**11,536**	**(57)**
26	**Profit/ (loss) before tax (22+25)**	**3,920**	**(1,141)**	**7,974**	**(1,205)**
27	Current tax	1,216	0	(818)	0
28	Deferred tax	(203)	0	169	0
29	**Total taxes**	**1,013**	**0**	**(649)**	**0**
30	**Net profit/loss (26+29)**	**4,933**	**(1,141)**	**7,325**	**(1,205)**

Balance sheet statement according to Consob Resolution n. 15519 of July 27th,2006

	Euro thousand	June 30th,2023		June 30th,2022	
		Total	Of which non correlated	Totale	Of which non correlated
	Non-current assets				
1	Property, plant and equipment	5,081	0	5,802	0
2	Investment properties	0	0	0	0
3	Intangible assets	146	0	166	0
4	Equity investments	29,855	0	25,825	0
5	Non-current receivables and other assets	641	635	9,367	635
6	Deferred tax assets	1,032	0	1,061	0
7	Non-current financial activities	18,337	0	33,660	0
	Total non-current assets	**55,092**	**635**	**75,881**	**635**
	Current assets				
8	Inventories	2,429	0	2,893	0
9	Trade receivables	721	0	547	0
10	Trade receivables to subsidiaries	21,364	0	16,803	0
11	Tax receivables	2,233	0	776	0
12	Other current assets	13,211	0	506	0
13	Cash and cash equivalents	163	0	384	0
14	Other current financial assets	18,491	0	28	0
	Total current assets	**58,612**	**0**	**21,937**	**0**
	TOTAL ASSETS	***113,704***	***635***	***97,818***	***635***
	Shareholders' equity				
15	Share capital	(5,706)	0	(5,705)	0
16	Reserves	(20,598)	0	(20,968)	0
17	Treasury shares	0	0	0	0
18	Retained earnings	(33,895)	0	(31,530)	0
	Total net equity	**(60,199)**	**0**	***(58,203)***	**0**
	Non-current liabilities				
19	Employee benefits	(353)	0	(346)	0
20	Non-current provisions	(81)	0	(81)	0
21	Other non-current payables and liabilities	0	0	0	0
22	Non-current financial liabilities	(2,465)	(2,088)	(4,795)	(1,680)
	Total non-current liabilities	**(2,899)**	**(2,088)**	**(5,222)**	**(1,680)**
	Current liabilities				
23	Trade payables	(1,206)	(26)	(1,955)	(327)
24	Payables to subsidiaries	(37,815)	0	(28,105)	0
25	Tax payables	(283)	0	(295)	0
26	Short term provisions	0	0	0	0
27	Other current liabilities	(770)	0	(1,280)	0
28	Current financial liabilities	(10,532)	(575)	(2,758)	(549)
	Total current liabilities	**(50,606)**	**(601)**	**(34,393)**	**(876)**
	TOTAL LIABILITIES	**(53,505)**	**(2,689)**	**(39,615)**	**(2,556)**
	TOTAL NET EQUITY AND LIABILITIES	***(113,704)***	***(2,689)***	***(97,818)***	***(2,556)***

12. 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..

13. OTHER INFORMATION

INCOME FROM EQUITY INVESTMENTS OTHER THAN DIVIDENDS

It is hereby disclosed that the Company did not receive any income from equity investments other than dividends, pursuant to Art. 2425 (15) of the Italian Civil Code.

DIRECTOR'S FEES

The fees paid to members of the Board of Directors amounted to Euro 960 thousand

STATUTORY AUDITORS' FEES

The fees paid to members of the Board of Statutory Auditors amounted to Euro 71 thousand

FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has issued options linked to the previously described 2016-2026 Stock Option Plan.

SHAREHOLDER LOANS WITH SUBORDINATION CLAUSES

The Company is not party to any shareholder loans with subordination clauses.

CAPITAL EARMARKED FOR A SPECIFIC USE

The Company has not earmarked any capital for a specific use.

LOANS EARMARKED FOR A SPECIFIC USE

The Company has not earmarked any loans for a specific use.

OFF-BALANCE SHEET AGREEMENTS

There are no off-balance sheet agreements

14. SHARE OWNERSHIP STRUCTURE (pursuant to Art. 123 bis T.U.F.)

SHARE CAPITAL STRUCTURE

As of June 30th, 2023, share capital consisted of 14,265,037 issued and wholly paid ordinary shares with a par value of Euro 0.4 each. The Company has not issued different classes of shares or other financial instruments entitling the holder to subscribe to newly issued shares. On January 11th, 2017, Digital Bros Group Shareholders' Meeting approved the 2016-2026 Stock Option Plan. As of June 30th, 2023, 434,400 options had already vested, 4,100 of which have been converted

RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no statutory restrictions on the transfer of securities, such as limits on the possession of shares or the need to obtain permission from the issuer or from other shareholders.

SECURITIES CARRYING SPECIAL RIGHTS

No securities granting special rights of control have been issued.

EMPLOYEE SHARE OWNERSHIP: EXERCISE OF VOTING RIGHTS

There are no employee share ownership schemes.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

SHAREHOLDERS AGREEMENTS

There are no shareholders agreements in place.

APPOINTMENT AND REPLACEMENT OF DIRECTORS AND BY-LAW AMENDMENTS

Please see the Corporate Governance Report available in the Governance / Corporate Governance Report section at www.digitalbros.com.

AUTHORIZATION TO INCREASE SHARE CAPITAL AND/OR PURCHASE TREASURY SHARES

No powers to authorize share capital increases have been granted to the Board of Directors.

CHANGE OF CONTROL CLAUSES

There are no change of control clauses.

15. ASSETS REVALUATION

No revaluations have been carried out on the Company's assets pursuant to Art 110 D.L. 104/2020.

16. OANS 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

It is hereby disclosed that external auditors, EY S.p.A., received fees of Euro 149 thousand as of June 30th, 2023, pursuant to Art. 149- duodecies of the Issuers Regulation. See the attachment in the Notes to the Consolidated Financial Statements for further information

18. ALLOCATION OF NET PROFIT FOR THE YEAR

A net profit of Euro 4,933 thousand is reported as of June 30th, 2022. The Board of Directors proposes to the Shareholders' Meeting to allocate Euro 294 to the Legal Reserve and to allocate the remaining difference of Euro 4,933 thousand to Retained Earnings

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 S.p.A, 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 financial statements for the period July 1st, 2022 – June 30th, 2023. No significant issues have arisen.

We also confirm that:

1. the financial statements of Digital Bros S.p.A.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;
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. is exposed.

Milan, September 27th, 2023

Signed

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