

PRESS RELEASE

The Board of Directors of Digital Bros Group approved the half year condensed financial statements as of December 31st, 2023 (first half of the fiscal year 2023-2024)

APPROVAL OF THE FY2023- 2024 HALF YEAR RESULTS:

- NET REVENUE AT EURO 47.1 MILLION (-21.2%)
- EBITDA AT EURO 9.7 MILLION, 20.5% OF NET REVENUE
- NEGATIVE EBIT AT EURO 4.7 MILLION
- NET LOSS AT EURO 6.4 MILLION
- NET FINANCIAL DEBT AT EURO 50.5 MILLION
- EXPECTED REVENUE INCREASE AT FISCAL YEAR-END AND EBIT MARGIN IN LINE WITH THE LEVELS ACHIEVED AT THE END OF FY23

- *Consolidated net revenue of Euro 47.1 million, decreasing by 21.2%, compared to Euro 59.8 million as of December 31st, 2022;*
- *EBITDA at Euro 9.7 million (Euro 10.5 million net of non-recurring items) compared to Euro 18.6 million as of December 31st, 2022;*
- *EBIT was negative at Euro 4.6 million, compared to positive Euro 18.6 million as of December 31st, 2022;*
- *Loss before tax of Euro 5.8 million, compared to the profit before tax for Euro 5.8 million as of December 31st, 2022;*
- *Net loss at Euro 6.4 million, compared to the net profit of Euro 11 million as of December 31st, 2022;*
- *Net financial debt at Euro 50.5 million (Euro 45.8 million net of IFRS 16 adjustment), in line with the previous quarter and better than forecasted;*
- *Positive business outlook for the second half of FY24, forecasting increased revenue at fiscal year-end and EBIT margin in line with FY23, benefitting from the new releases and lower payroll costs;*
- *The lower investments, together with the expected increase in sales, should lead to an improvement of the net financial position, to be at the same levels as of June 30th, 2023.*

Milan, March 13th, 2024 - The Board of Directors of Digital Bros Group (DIB:MI), listed on Euronext STAR Milan (ISIN: IT0001469995) and part of the FTSE Italia Small Cap index and Euronext Tech Leaders, **approved today the half year condensed financial statements as of December 31st, 2023** (first half of the fiscal year from July 1st, 2023 to June 30th, 2024).

Digital Bros Group's key consolidated first half year results for the fiscal year 2023-2024, together with prior year comparatives, are as follows:

FY2023 - 2024 first half year results (from 01.07.2023 to 31.12.2023)

Euro thousand	December 31st, 2023	December 31st, 2022	Change €	Change %
Net revenue	47,100	59,791	(12,691)	-21.2%
Gross operating margin (EBITDA)	9,677	18,577	(8,900)	-47.9%
Operating margin (EBIT)	(4,649)	11,347	(15,996)	n.m.
Profit / (loss) before tax	(5,828)	15,154	(20,982)	n.m.
Net profit / (net loss)	(6,420)	10,981	(17,401)	n.m.

- **Consolidated net revenue** at Euro 47,1 million, decreasing by 21.2%, compared to Euro 59.8 million as of December 31st, 2022;
- **EBITDA** of Euro 9.7 million (Euro 10.5 million net of non-recurring items) compared to Euro 18.6 million as of December 31st, 2022, representing 20.5% of the consolidated net revenue;
- **EBIT** was negative for Euro 4.7 million, compared to positive Euro 11.3 million on December 31st, 2022;
- **Loss before tax** of Euro 5.8 million compared to the profit before tax at Euro 15.1 million as of December 31st, 2022;
- **Net loss** for Euro 6.4 million, compared to the net profit of Euro 11 million as of December 31st, 2022.

RESULTS BY OPERATING SEGMENT

During the first half of the current fiscal year, Digital Bros implemented a strategic review of its operations in accordance with the latest market conditions, reviewing its pipeline and organizational structure accordingly. Releasing new games in the current market is more challenging than ever before, consumers are tending to play the same games for longer, rather than spending time on new and different gaming experiences, further attracting gamers to new releases requires greater investments in marketing than in the past.

Following the optimism resulting from the growth achieved across the whole video game industry during the pandemic, the Group implemented a significant investment plan, in line with most of its competitors. In 2023, a record number of new video games were launched within a very competitive marketplace, making it harder to meet the expected volume and revenue targets, requiring the Group to review its publishing strategy.

The review of the Group's pipeline was based upon the expected return on investment of each title, prioritizing high margin titles with greater revenue predictability, as well as owned Intellectual Properties to leverage on their long-term value creation for the Group. As a result, the Group reduced a number of lower budgets projects but also some larger budget titles with lower expected margins for the Group and with longer development periods, such as the new releases within the Control franchise.

Due to the reduction of the overall number of titles, the Group reduced its workforce accordingly. This reduction also reflects the lower number of staff required by the internal studios after the launch of Crime Boss Rockay City and Puzzle Quest 3, which have both transitioned to their live support phase.

The reorganization plan started in the second quarter of FY24, with some additional impact expected in Q3. The restructure will deliver improved profit margin for the Group within the fourth quarter of the current fiscal year and will ensure the long-term sustainability of the Group's structure.

The Group's total workforce went from 435 people as of June 30th, 2023, to 376 as of December 31st, 2023. The total cost of the restructuring plan as of December 31st, 2023, amounted to Euro 846 thousand, which is expected to be fully offset by the savings that the Group expects to achieve within the current fiscal year. At the end of February 2024, the total number of employees further decreased to 311.

The Group's revenue amounted to Euro 47.1 million, down by 21.2% compared to the same reporting period of FY23, when the total revenue amounted to Euro 59.8 million, with Ghostrunner 2 as the only new release in the reporting period.

The net revenue for the Premium Games operating sector as of December 31st, 2023 was at Euro 35.9 million, representing 76.1% of total revenue, in line with the first half of FY23. This was spread across different intellectual properties, with the outstanding performance of the different versions of Assetto Corsa. The franchise developed by the fully owned studio Kunos Simulazioni generated Euro 12.2 million revenue in the reporting period.

The revenue from international markets accounted for 96% of total net revenue, while digital sales amounted to 90% of the total net revenue, in line with the same reporting period in FY23.

The breakdown of net revenue by operating segment for the period ended December 31st, 2023 compared to the period ended December 31st, 2022 is provided below:

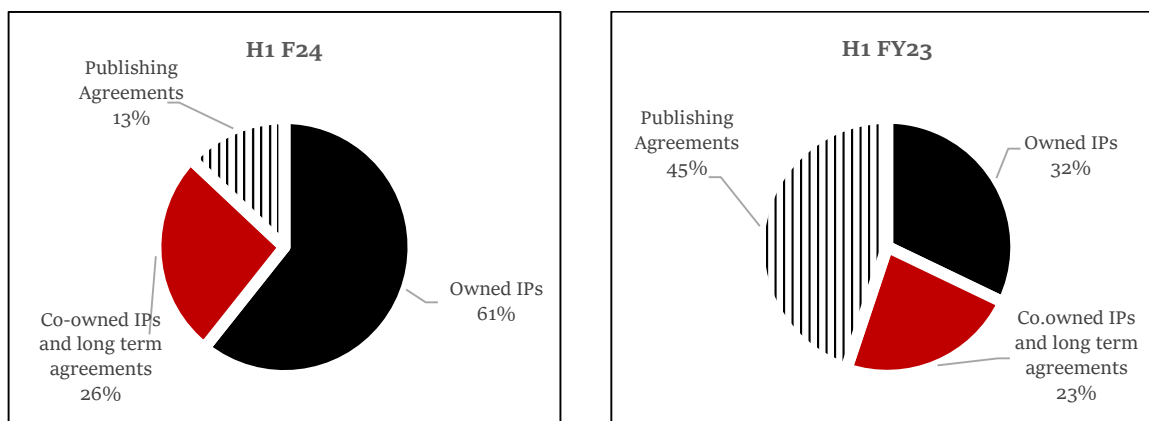
Net revenue

Euro thousand	December 31 st , 2023	December 31 st , 2022	Change €	Change %
Premium Games	35,851	45,396	(9,545)	-21.0%
Free to Play	9,633	12,456	(2,823)	-22.7%
Italian Distribution	1,204	1,461	(257)	-17.6%
Other Activities	412	478	(66)	-13.8%
Total net revenue	47,100	59,791	(12,691)	-21.2%

The Premium Games operating segment represented 76% of the consolidated net revenue, in line with the first six months of the last fiscal year.

Video games developed by the internal studios and based on fully owned intellectual properties (IPs) accounted for 61% of the total revenues for the operating segment from the 32% as of December 31st, 2022. This is in line with the ongoing transformation of the Group, which is focusing on its owned IPs within the portfolio.

A breakdown of Premium Games revenue by the type of rights held by the Group as of December 31st, 2023 is provided below, with comparative figures as of December 31st, 2022:



Net revenue for the Free to Play operating segment amounted to Euro 9,633 thousand, a 22.7% decrease from the Euro 12,456 thousand of September 31st, 2022.

The Italian Distribution net revenue decreased by Euro 257 thousand, from Euro 1,461 thousand to Euro 1,204 thousand.

Digital Bros Group's revenue and margins by operating segments for the first half of fiscal year 2023-2024 are as follows:

Euro thousand	Premium Games	Free to Play	Italian Distrib,	Other Activities	Holding	Total
Net revenue	35,851	9,633	1,204	412	0	47,100
Gross operating margin (EBITDA)	13,871	121	(452)	(84)	(3,779)	9,677
Operating margin (EBIT)	1,473	(1,113)	(516)	(267)	(4,226)	(4,649)

The other income amounted to Euro 6,225 thousand, decreasing by Euro 1,746 thousand, due to the launch of Crime Boss: Rockay City by Ingame Studios. This video game was classified as a capitalization of internally developed video games in H1 of the previous fiscal year, while it was still in development.

The total cost of sales amounted to Euro 15,855 thousand, a 21.5% decrease compared with the Euro 20,188 thousand of December 31st, 2022.

The total operating costs amounted to Euro 27,793 thousand, decreasing from the Euro 28,997 thousand recorded in the first six months of the previous fiscal year. This item includes Euro 846 thousand, reflecting the restructuring costs for the period.

The gross operating margin (EBITDA) for the period amounted to Euro 9,677 thousand (Euro 10,523 thousand net of the non-current item), compared with the Euro 18,577 thousand realized as of December 31st, 2023.

Depreciation and amortization amounted to Euro 14,443 thousand, increasing by Euro 6,980 thousand, due to the launch of video games during the second half of the previous fiscal year.

The operating margin (EBIT) amounted to negative 4,649 thousand Euro, compared with the positive Euro 11,347 thousand of the first half of FY23.

The Net interest expense amounted to Euro 1,179 thousand compared to the net interest income of Euro 3,807 thousand realized in the first six months of the previous fiscal year. As of December 31st, 2022, this item included the fair value adjustment of the financial receivable purchased from Starbreeze, which was then fully collected on July 3rd, 2023.

The loss before tax for the period ended December 31st, 2023 amounted to Euro 5,828 thousand, compared to the Euro 15,154 thousand profit before tax as of December 31st, 2022.

The net loss for the period amounted to Euro 6,420 thousand, compared with the net profit of Euro 10,981 thousand as of December 31st, 2022, which is expected to be fully covered by the fiscal year-end. The net loss attributable to the Shareholders of the Parent Company amounted Euro 3,697 thousand.

The basic earnings per share and diluted earnings per share were negative for Euro 0.26 and Euro 0.25 respectively, compared to the positive Euro 0.79 and Euro 0.77 earnings per share as of December 31st, 2022.

NET FINANCIAL POSITION

The net financial debt is at Euro 50,486 thousand, in line with the previous quarter and better than forecasted. This represents a Euro 10,836 thousand increase with respect to the Euro 39,650 thousand as of December 31st, 2022, driven by the significant investment of the reporting period. Digital Bros will be able to manage its current liabilities generating the projected cash flow, which will also benefit from the corrective actions implemented by the Group (decrease in investment and reorganization plan).

The total net financial position, net of the IFRS16 effect, is negative at Euro 45,778 thousand.

TREASURY SHARES

As of December 31st, 2023, Digital Bros S.p.A. did not hold any treasury shares and did not conduct any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2) (3) of the Italian Civil Code.

SIGNIFICANT EVENT DURING THE PERIOD

The significant events occurred during the reporting period are listed below:

- The Shareholders' Meeting held on October 27th, 2023 appointed the Board of Directors and the Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will expire on the Shareholders' Meeting which will approve the financial statements as of June 30th, 2026.
- On November 14th, 2023, having reconsidered the number of projects under development to adapt to the new competitive scenario, the Group announced an organizational review, which will result in the reduction of approximately 30% of its global workforce. Such reduction will predominantly be concentrated within its development studios and, to a lesser extent, across its publishing units, both Premium and Free to Play.

SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31ST, 2023

On February 28th, 2024, 505 Games S.p.A. entered into an agreement with Remedy Entertainment to revert all publishing, distribution, and marketing rights related to the Control franchise to the Finnish developer, for a total repayment of minimum Euro 15.7 million, with a potential minor premium. This amount corresponds to the investment made to date by 505 Games for the development of the video games Condor and Control 2. 505 Games will continue as the exclusive publisher of Control until December 31st, 2024, executing the existing sublicensing deals under their original terms.

BUSINESS OUTLOOK

The Group's release schedule for the second half of this fiscal year includes:

- the launch of the Season 2024 pack for Assetto Corsa Competizione on April 1st, 2024. The official video game for the Fanatec GT World Challenge championship will feature the iconic Nürburgring Nordscheifle circuit for the first time;
- the launch of the new video game Eiyuden Chronicle - Hundred Heroes on April 23rd, for consoles, PC and the Microsoft Game Pass subscription platform;
- the release of the Steam version of Crime Boss: Rockay City, in June 2024.

No significant launches are expected in the Free to Play operating segment, which achieved good levels of revenue and margin following the acquisition of 505 Go Inc.. The focus for this operating segment is on extending the lifecycle of existing games, by improving their features and functionality.

The positive business outlook for the second half of FY24 will allow Digital Bros to achieve increased revenue at fiscal year-end and EBIT margin in line with the levels achieved at the end of FY23, benefitting from the new releases and lower payroll costs, especially from the last quarter onwards. The new releases are expected to be launched well ahead of the fiscal year-end, allowing for better visibility of our full year revenue and margins, unlike last year.

The Group is decreasing its level of investment expected in the second half of the current fiscal year, especially after having reverted the rights related to the Control franchise in February. Such reduction, together with the expected increase in sales, should lead to a significant improvement of the net financial position. At the end of FY24, the net financial position is expected to be at the same level as of June 30th, 2023.

ART, 154-BIS OF THE T.U.F.

As required by paragraph 2, Art. 154-bis of the T.U.F., Digital Bros Group's Chief Financial Officer, Stefano Salbe, declares that the information contained in this press release corresponds to the Group's underlying documents, books and accounting records.

This press release is available on the corporate website www.digitalbros.com and www.iinfo.it.

DIGITAL BROS GROUP

Listed on the Euronext STAR Milan and part of Euronext Tech Leaders, Digital Bros Group is a global company that has been operating since 1989 as a developer, publisher and distributor of video games through its brand 505 Games, The Group markets its contents on both retail and digital channels, Digital Bros Group is active around the world through its own direct operations in Italy, United States, UK, Czech Republic, China, Japan, Australia and Canada with 311 employees.

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DIGITAL BROS GROUP - FINANCIAL STATEMENTS

 Consolidated balance sheet as of December 31st, 2023

Euro thousand		December 31 st , 2023	June 30 th , 2023
	Non-current assets		
1	Property, plant and equipment	8,641	9,613
2	Investment properties	0	0
3	Intangible assets	159,665	153,023
4	Equity investments	13,562	11,400
5	Non-current receivables and other assets	8,444	8,089
6	Deferred tax assets	18,212	17,087
7	Non-current financial activities	0	0
	Total non-current assets	208,524	199,212
	Current assets		
8	Inventories	3,435	3,355
9	Trade receivables	13,174	14,104
10	Tax receivables	5,338	3,977
11	Other current assets	9,783	23,790
12	Cash and cash equivalents	4,226	9,407
13	Other current financial assets	144	11,344
	Total current assets	36,100	65,977
	TOTAL ASSETS	244,624	265,189
	Shareholders' equity		
14	Share capital	(5,706)	(5,706)
15	Reserves	(13,902)	(21,367)
16	Treasury shares	0	0
17	Retained earnings	(111,943)	(115,270)
	Equity attributable to the shareholders of the Parent Company	(131,551)	(142,343)
	Equity attributable to non-controlling interests	2,062	(1,375)
	Total net equity	(129,489)	(143,718)
	Non-current liabilities		
18	Employee benefits	(978)	(911)
19	Non-current provisions	(187)	(81)
20	Other non-current payables and liabilities	(1,590)	(1,824)
21	Non-current financial liabilities	(6,191)	(11,285)
	Total non-current liabilities	(8,946)	(14,101)
	Current liabilities		
22	Trade payables	(47,776)	(46,837)
23	Tax payables	(2,110)	(2,782)
24	Short term provisions	0	0
25	Other current liabilities	(7,638)	(8,635)
26	Current financial liabilities	(48,665)	(49,116)
	Total current liabilities	(106,189)	(107,370)
	TOTAL LIABILITIES	(115,135)	(121,471)
	TOTAL NET EQUITY AND LIABILITIES	(244,624)	(265,189)

Consolidated profit and loss statement for the period ended December 31st, 2023

	Euro thousand	December 31st. 2023	December 31st. 2022
1	Gross revenue	47,134	59,837
2	Revenue adjustments	(34)	(46)
3	Net revenue	47,100	59,791
4	Purchase of products for resale	(1,522)	(1,538)
5	Purchase of services for resale	(5,092)	(4,364)
6	Royalties	(9,321)	(13,864)
7	Changes in inventories of finished products	80	(422)
8	Total cost of sales	(15,855)	(20,188)
9	Gross profit (3+8)	31,245	39,603
10	Other income	6,225	7,971
11	Costs for services	(5,973)	(7,343)
12	Rent and leasing	(250)	(309)
13	Payroll costs	(20,847)	(20,567)
14	Other operating costs	(723)	(778)
15	Total operating costs	(27,793)	(28,997)
16	Gross operating margin (EBITDA) (9+10+15)	9,677	18,577
17	Depreciation and amortization	(14,443)	(7,463)
18	Provisions	0	0
19	Asset impairment charge	(779)	(580)
20	Impairment reversal	896	813
21	Total depreciation. amortization and impairment adjustments	(14,326)	(7,230)
22	Operating margin (EBIT) (16+21)	(4,649)	11,347
23	Interest and financial income	1,389	7,535
24	Interest and financial expenses	(2,568)	(3,728)
25	Net interest income/(expenses)	(1,179)	3,807
26	Profit/ (loss) before tax (22+25)	(5,828)	15,154
27	Current tax	425	(4,247)
28	Deferred tax	(1,017)	74
29	Total taxes	(592)	(4,173)
30	Net profit/loss	(6,420)	10,981
	attributable to the shareholders of the Parent Company	(3,697)	11,291
	attributable to non-controlling interests	(2,723)	(310)
	Earnings per share:		
33	Basic earnings per share (in Euro)	(0,26)	0,79
34	Diluted earnings per share (in Euro)	(0,25)	0,77

Consolidated comprehensive income statement as of December 31st, 2023

Euro thousand	December 31st 2023	December 31st 2022
Profit (Loss) for the period (A)	(6,420)	10,981
Actuarial gain (loss)	(5)	(3)
Income tax relating to actuarial gain (loss)	1	1
Changes in the fair value	(9,234)	5,192
Tax effect regarding fair value measurement of financial assets	2,216	(1,246)
Items that will not be subsequently reclassified to profit or loss (B)	(7,022)	3,944
Exchange differences on translation of foreign operations	(521)	(649)
Items that will subsequently be reclassified to profit or loss (C)	(521)	(649)
Total other comprehensive income D= (B)+(C)	(7,543)	3,295
Total comprehensive income (loss) (A)+(D)	(13,963)	14,276
Attributable to:		
Shareholders of the Parent Company	(11,240)	14,586
Non-controlling interests	(2,723)	(310)

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

Consolidated cash flow statement as of December 31st, 2023

Euro thousand	December 31 st . 2023	December 31 st . 2022
A. Opening net cash/debt	9,407	10,961
B. Cash flows from operating activities		
Profit (loss) for the period	(6,420)	10,981
<i>Depreciation. amortization and non-monetary costs:</i>		
Provisions and impairment losses	779	580
Amortization of intangible assets	13,097	6,118
Depreciation of property. plant and equipment	1,346	1,345
Net change in tax advance	(1,125)	(3,146)
Net change in other provisions	106	0
Net change in employee's severance pay	67	96
Other non-monetary changes to the net equity	(7,809)	3,390
SUBTOTAL B.	41	19,364
C. Change in net working capital		
Inventories	(80)	422
Trade receivables	930	6,473
Current tax assets	(1,361)	816
Other current assets	14,007	(10)
Trade payables	939	(3,859)
Current tax liabilities	(672)	4,214
Current provisions	0	0
Other current liabilities	(997)	(402)
Other non-current liabilities	(234)	2,668
Non-current receivables and other assets	(355)	(3,435)
SUBTOTAL C.	12,177	6,887
D. Cash flows from investing activities		
Net payments for intangible assets	(20,518)	(40,364)
Net payments for property. plant and equipment	(374)	(1,515)
Net payments for non-current financial assets	(2,162)	(5,043)
Changes in financial assets	11,200	0
SUBTOTAL D.	(11,854)	(46,922)
E. Cash flows from financing activities		
Capital increases	0	1
Changes in financial liabilities	(5,545)	27,254
Changes in financial assets	0	(3,956)
SUBTOTAL E.	(5,545)	23,299
F. Changes in consolidated equity		
Dividends paid	0	(2,568)
Changes in treasury shares held	0	0
Increases (decreases) in other equity components	0	0
SUBTOTAL F.	0	(2,568)
G. Cash flow for the period (B+C+D+E+F)	(5,181)	60
H. Closing net cash/debt (A+G)	4,226	11,021

Consolidated statement of changes in equity as of December 31st, 2023

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		28,546	(28,546)	0	0	0	0
Dividend paid									(2,568)		(2,568)	(2,568)		(2,568)
Other changes						79	79		(5)		(5)	74		74
Comprehensive income (loss)					(649)	3,944	3,295			11,291	11,291	14,586	(310)	14,276
Total on December 31, 2022	5,706	18,528	1,141	1,367	(1,260)	5,649	25,425	0	105,587	11,291	116,878	148,009	1,113	149,122
Total on July 1st. 2023	5,706	18,528	1,141	1,367	(913)	1,244	21,367	0	105,587	9,683	115,270	142,343	1,375	143,718
Allocation of previous year result							0		9,683	(9,683)	0	0	0	0
Other changes						78	78		370		370	448	(714)	(266)
Comprehensive income (loss)					(521)	(7,022)	(7,543)			(3,697)	(3,697)	(11,240)	(2,723)	(13,963)
Total on December 31st. 2023	5,706	18,528	1,141	1,367	(1,434)	(5,700)	13,902	0	115,640	(3,697)	111,943	131,551	(2,062)	129,489

Consolidated profit and loss statement per operating segment as of December 31st, 2023

	Consolidated amounts in Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	9,633	35,863	1,226	412	0	47,134
2	Revenue adjustments	0	(12)	(22)	0	0	(34)
3	Net revenue	9,633	35,851	1,204	412	0	47,100
4	Purchase of products for resale	0	(565)	(957)	0	0	(1,522)
5	Purchase of services for resale	(2,027)	(3,065)	0	0	0	(5,092)
6	Royalties	(2,494)	(6,827)	0	0	0	(9,321)
7	Changes in inventories of finished products	0	57	23	0	0	80
8	Total cost of sales	(4,521)	(10,400)	(934)	0	0	(15,855)
9	Gross profit (3+8)	5,112	25,451	270	412	0	31,245
10	Other income	1,426	4,799	0	0	0	6,225
11	Costs for services	(1,432)	(3,205)	(116)	(146)	(1,074)	(5,973)
12	Rent and leasing	(70)	(57)	(7)	(0)	(116)	(250)
13	Payroll costs	(4,860)	(12,714)	(574)	(332)	(2,367)	(20,847)
14	Other operating costs	(55)	(403)	(25)	(18)	(222)	(723)
15	Total operating costs	(6,417)	(16,379)	(722)	(496)	(3,779)	(27,793)
16	Gross operating margin (EBITDA) (9+10+15)	121	13,871	(452)	(84)	(3,779)	9,677
17	Depreciation and amortization	(1,234)	(12,508)	(71)	(183)	(447)	(14,443)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	(779)	0	0	(0)	(779)
20	Impairment reversal	0	889	7	0	0	896
21	Total depreciation. amortization and impairment adjustments	(1,234)	(12,398)	(64)	(183)	(447)	(14,326)
22	Operating margin (EBIT) (16+21)	(1,113)	1,473	(516)	(267)	(4,226)	(4,649)