



# **Digital Bros S.p.A.**

**consolidated financial statements as at 30 June 2024**

**Independent auditor's report pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014**

# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

To the Shareholders of  
Digital Bros S.p.A.

## Report on the Audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Digital Bros S.p.A. group (the Group), which comprise the consolidated statement of financial position as at 30<sup>th</sup> June 2024, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30<sup>th</sup> June 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of Digital Bros S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matters	Audit response
<p><b>Recoverability of concessions, licences and assets under development</b></p> <p>Intangible assets include costs for the purchase and development of intellectual property, user licenses and multi-year video game licenses, recorded as of June 30, 2024 under concessions and licenses for Euro 51,284 thousand and under intangible assets under construction for Euro 73,323 thousand. These intangible assets are systematically depreciated from the moment the video games are available for marketing.</p> <p>The processes and methods for evaluating and determining the recoverable value of intangible assets are based on assumptions that are sometimes complex and by their nature involve the judgment of Management, in particular with reference to the forecast of their future cash flows and the determination of discount rates.</p> <p>In view of the judgment required and the complexity of the assumptions used in estimating the recoverable amount of the aforementioned intangible assets, we considered this issue to be a key audit matter.</p> <p>The financial statements relating to the recoverability of concessions, licences and assets under construction are provided in explanatory note 3 "Discretionary valuations and significant estimates" and in paragraph 3 "Intangible assets" of explanatory note 9 "Consolidated statement of financial position" of the consolidated financial statements.</p>	<p>Our review procedures in response to the key aspect included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▶ understanding the process put in place by the Group regarding the assessment of the recoverability of concessions, licences and assets under construction;</li> <li>▶ the analysis of the reasonableness of the future cash flow forecasts and the consistency of the future cash flow forecasts used for the impairment tests relating to the main concessions, licences and fixed assets under way with the Group's strategic plan for the period 2025-2029;</li> <li>▶ carrying out analytical and validity procedures in order to test the accuracy and completeness of the data used by the Group;</li> <li>▶ the verification on a sample basis of the increases in the period;</li> <li>▶ verification of the determination of discount rates.</li> </ul> <p>We also enlisted the help of our valuation experts to conduct our audits, who performed an independent recalculation and sensitivity analysis on key assumptions to determine changes in assumptions that could materially impact the valuation of the recoverable amount. Finally, we verified the adequacy of the information in the notes to the financial statements in relation to the recoverability of concessions, licences and assets under construction.</p>
<p><b>Valuation of the relationship with Starbreeze AB</b></p> <p>The Group holds the following assets with Starbreeze AB ("Starbreeze") as a counterparty:</p> <ul style="list-style-type: none"> <li>▶ 87,034,133 Starbreeze Class A shares and 223,443,993 Starbreeze Class B shares registered as equity investments as of June 30, 2024 for a total amount of Euro 9,486 thousand;</li> </ul>	<p>Our review procedures in response to the key aspect included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▶ the analysis of the process put in place by the Group regarding the valuation of activities related to Starbreeze;</li> <li>▶ the analysis of the accounting policies adopted by the Group and the valuation techniques;</li> <li>▶ the analysis of the documentation relating to</li> </ul>

► an amount of Euro 4,425 thousand booked to receivables and other non-current assets relating to advances for licences for the development and publication of the video game Overkill's The Walking Dead paid to Starbreeze, in relation to which the Group has requested the termination of the relevant development contract.

In addition, in consideration of some discrepancies in interpretation that have emerged between the Group and Starbreeze regarding some existing agreements, including the one relating to the advance for the video game Overkill's The Walking Dead, the Group has set aside a provision for expenses of Euro 1,241 thousand as of June 30, 2024 to cover the arbitration costs that the Group has undertaken to incur.

In view of our relationship with Starbreeze and the significance of the amount of related assets recorded in the consolidated financial statements, we have considered this issue to be a key audit matter.

The financial statements relating to the measurement of activities related to Starbreeze are included in paragraphs 4 "Equity investments", 5 "Receivables and other non-current assets" of explanatory note 9 "Consolidated statement of financial position" of the consolidated financial statements, and in the paragraph "Transactions with Starbreeze and shareholders of Starbreeze" included among "Significant events during the period" in the report on operations.

the registration of Starbreeze shares;  
► the analysis of the documentation relating to the existence and recoverability of the credit relating to the advance for the video game Overkill's The Walking Dead;  
► the analysis of the legal assessments relating to the recoverability of the assets claimed against Starbreeze.

Finally, we have verified the adequacy of the information provided in the notes to the financial statements in relation to the transactions with Starbreeze and the valuation of the activities related to it.

---

## Recognition of digital distribution revenues

As of June 30, 2024, revenues recorded in the consolidated financial statements amounted to 117,934 thousand euros, of which 87,834 thousand euros deriving from the sale of premium video games on the digital distribution market.

Agreements for the sale of video games on the digital distribution market are concluded on the basis of contractual terms which, in some cases,

Our review procedures in response to the key aspect included, but were not limited to:

► understanding the process adopted by the Group for the recognition of revenues;  
► the analysis of the contractual conditions of sale with the main customers and the verification of the fulfilment of the relevant obligations;  
► the performance of analytical procedures on

---

---

are complex as regards the definition of the existence and recognition of revenues. The recognition of revenues requires the evaluation of the contractual conditions of sale and the fulfillment of the obligations relevant to the recognition of revenues.

The verification of the terms and conditions of sales agreements and their application in the recognition of revenues was considered a key audit matter, considering the peculiarity of some of the contractual conditions applied in sales transactions.

The Group provided information on the criteria adopted in the recognition of revenues from digital distribution in explanatory note 2 "Accounting standards" of the consolidated financial statements.

the accounting of revenues, also taking into account the seasonality of the video game market;

- ▶ the critical analysis of the assumptions used by the Management;
- ▶ the execution of validity procedures with reference to revenues recognized close to the balance sheet date.

Finally, we have verified the adequacy of the information in the notes to the financial statements in relation to the revenue recognition.

---

## **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Digital Bros S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

## **Additional information pursuant to article 10 of EU Regulation n. 537/14**

The shareholders of Digital Bros S.p.A., in the general meeting held on 21<sup>st</sup> October 2021, engaged us to perform the audits of the consolidated financial statements for each of the years ending 30<sup>th</sup> June 2022 to 30<sup>th</sup> June 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## **Report on compliance with other legal and regulatory requirements**

### **Opinion on the compliance with Delegated Regulation (EU) 2019/815**

The Directors of Digital Bros S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 30<sup>th</sup> June 2024 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 30<sup>th</sup> June 2024 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

### **Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998**

The Directors of Digital Bros S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Digital Bros S.p.A. group as at 30<sup>th</sup> June 2024, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Digital Bros S.p.A. group as at 30<sup>th</sup> June 2024 and on their compliance with

the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Digital Bros S.p.A. group as at 30<sup>th</sup> June 2024 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, 27 September 2024

EY S.p.A.

Signed by: Cristina Pigni, Auditor