Digital Bros
digital entertainment

Consolidated and Separate Financial Statements at 30 June 2015

Digital Bros S.p.A.
Via Tortona, 37 – 20144 Milan, Italy
VAT and tax identification no. 09554160151
Share capital: 5,644,334.80 euros fully paid-in
Reg. of Co. Court of Milan 290680 - Vol. 7394 Chamber of Commerce 1302132

This report can be downloaded from the Company's website
at www.digitalbros.com in the Investors section

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OFFICERS AND CONTROL BODIES

Board of directors

Lidia Florean	Director (2)
Abramo Galante	Chairman and managing director (1)
Davide Galante	Director (2)
Raffaele Galante	Managing director (1)
Guido Guetta	Director (3)
Elena Morini	Director (3)
Stefano Salbe	Director (1) (4)
Bruno Soresina	Director (3)
Dario Treves	Director (2)

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

(4) Financial reporting officer per Art. 154-*bis* of Legislative Decree 58/98

Internal control and risk committee	**Compensation committee**
Guido Guetta (Chairman)	Guido Guetta (Chairman)
Elena Morini	Elena Morini
Bruno Soresina	Bruno Soresina

Board of statutory auditors

Sergio Amendola	Chairman
Laura Guazzoni	Standing auditor
Paolo Villa	Standing auditor
Emanuela Maria Conti	Alternate auditor
Simone Luigi Dalledonne	Alternate auditor

The Shareholders' Meeting of 28 October 2014 appointed the members of the Board of Directors and Board of Statutory Auditors. The terms of office of the directors and statutory auditors will end with the Shareholders' Meeting that approves the financial statements at 30 June 2017.

By resolution of 7 August 2007, the Board of Directors appointed board member Stefano Salbe to the position of financial reporting officer pursuant to Art. 154-*bis* of Legislative Decree 58/98, granting the appropriate powers.

External statutory auditors

Deloitte & Touche S.p.A.

At the meeting of 26 October 2012 the shareholders selected Deloitte & Touche S.p.A, with registered office at Via Tortona 25 in Milan, as external auditing firm until approval of the accounts at 30 June 2021.

Other information

Publication of the consolidated financial statements of the Digital Bros S.p.A. Group as at 30 June 2015 was authorised by resolution of the Board of Directors on 11 September 2015. Digital Bros S.p.A. is a joint stock company established and domiciled in Italy. It is listed on the STAR segment of the MTA market managed by Borsa Italiana S.p.A.

DIRECTORS' REPORT

1. GROUP STRUCTURE

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

In order to respond to the changed competitive context of the video games market, the Group has implemented an organisational change process that involved flanking the Mobile business segment for the publication of video games on smartphones and social networks, to the already existing structure. The reorganisation in the previous year also entailed the consolidation of the previous Digital unit into the Publishing business segment, considering that the products distributed on the traditional channels and digital marketplaces adopt the same development, communication and marketing policies, which are managed by the same organisational division. The increasing weight of the Mobile and Publishing business segments and the concurrent reduction of the Italian Distribution business segment resulted in an ever-greater need for a more extensive organisational structure to coordinate the Group's business, the Holding business segment, in particular for the finance, administration, information technology and general services functions.

The acquisition of the U.S. company Pipeworks Inc. on 12 September 2014 allowed the Group to extend the scope of its business to include video game development (the Development business segment).

Beginning in the year, it was deemed preferable to separate the business conducted by the subsidiary Game Network S.r.l., which manages paid gaming platforms under concession from the Italian State Monopoly Administration (AAMS), from the Mobile business segment. This business was merged into the new Other Activities business segment. The business segment also includes the business conducted during the period by the subsidiary Digital Bros Game Academy S.r.l., which consisted of the organisation of IT and gaming specialisation and training courses.

For the sake of comparison, income statement figures for the period ended 30 June 2014 have been restated according to the current arrangement by business segments.

The Group is therefore organised into five business segments:

***Development*:** the Development business segment, formed following the acquisition of the American company Pipeworks Inc., designs and develops video games. The business is conducted through an organisational structure consisting of qualified staff. The Company currently benefits from development agreements with clients external to the Group. The main reason behind the acquisition lies in the Group's interest to be able to have an in-house development team, which can supply the technological skills to improve the quality of video games and respect of development time.

Publishing: this activity consists of acquiring the rights to use video games from developers and their subsequent distribution both through a traditional-type international sales network and by distribution on the digital marketplaces such as, for example: Steam, Sony PlayStation Network, Microsoft Xbox Live.

The video games are normally acquired on an exclusive licence with international exploitations rights valid for several years.

505 Games is the trade name used by the Group worldwide in the Publishing segment.

Publishing operations were carried out during the period by the subsidiary 505 Games S.r.l. (which coordinates the activities), together with 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH, operating respectively in the French, U.K., U.S., Spanish and German markets. The company 505 Games Interactive (US) Inc. only provides consultancy on behalf of 505 Games S.r.l. The Swedish company 505 Games Nordic AB was dormant during the period.

Mobile: the business segment has its own dedicated organisational structure, which it uses to deal with the production and marketing of video games for the mobile (smartphone and tablet) platforms and for social networks. The Group company responsible for coordinating this segment is 505 Mobile S.r.l., parent of the U.S. company 505 Mobile (US) Inc., which provided consultancy solely on behalf of 505 Mobile S.r.l. With the acquisition of the English company DR Studios Ltd. on 12 September 2014, the business segment benefited from an expansion of the activities carried out, which now also include the development of applications together with the publishing and marketing activities already carried out previously. As of this year, the company Game Entertainment S.r.l. began to manage Mobile video games based solely on advertising income.

The distinctive nature of the video games of the Mobile business segment is: different distribution platforms, the possibility for players to download applications free from the marketplaces and consequently the spending opportunities as a game feature.

Italian Distribution: this activity refers to the distribution in Italy of video games acquired from international publishers. The games are marketed through a direct network of key accounts and through an indirect network of sales representatives.

These operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Service S.r.l. for alternative distribution channels.

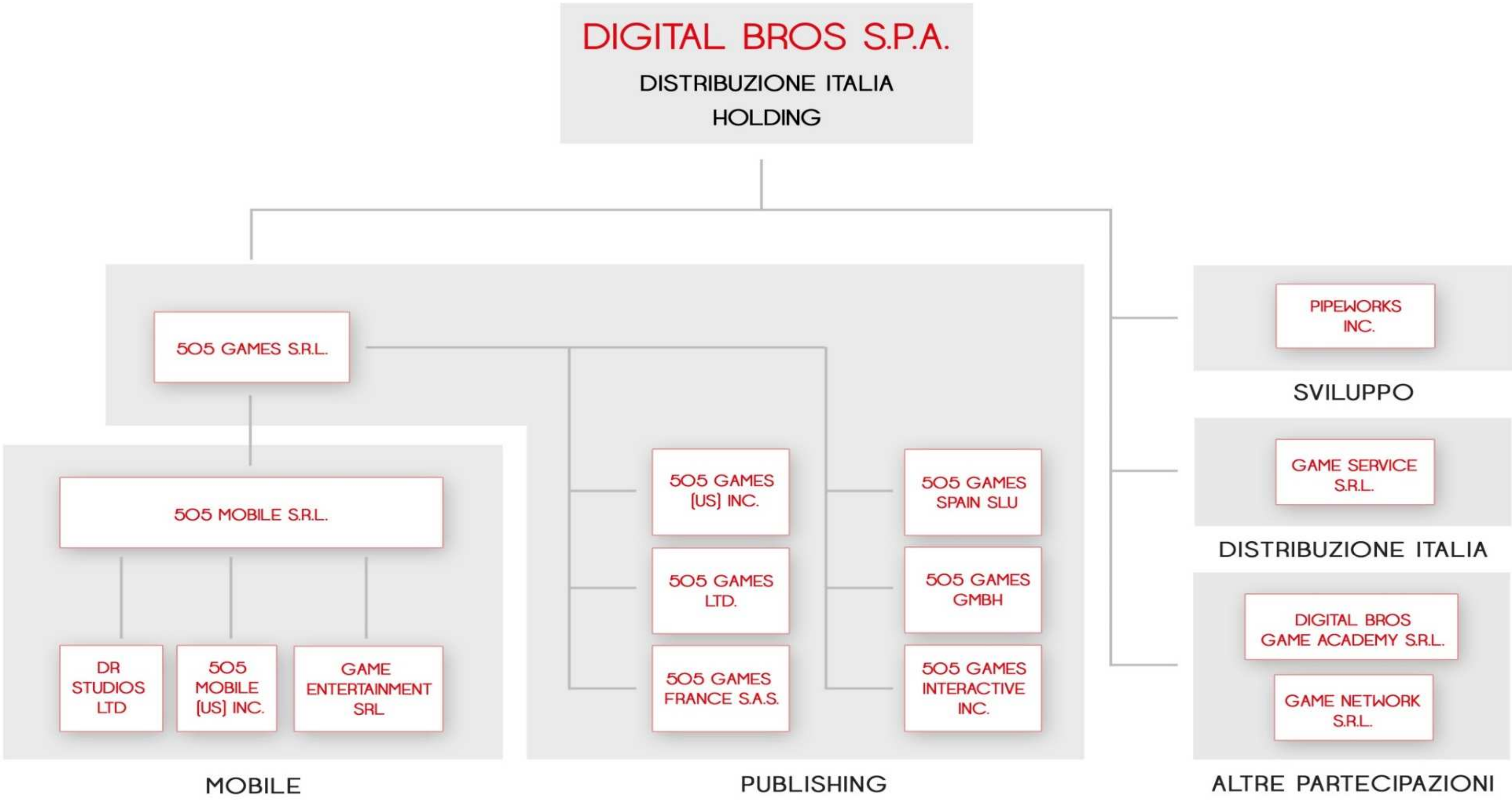
The Group also distributes the Yu-Gi-Oh! trading card game throughout the country.

Other Activities: this business segment includes all activities of limited scope, which are consolidated into a separate business segment, in the interest of logical presentation of results. The business segment includes the activities of the subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (the Italian State Monopology Administration) through the paid skill games platform www.gameplaza.it (until the end of the previous year www.scopa.it), and the activities of the newly formed Digital Bros Game Academy S.r.l. which organises IT and gaming specialisation courses, training courses and professional refresher courses, in multimedia and other formats.

Holding: it includes all coordinating functions carried out directly by Digital Bros S.p.A., in particular the implementation of sound financial policies to support the Group's operations, management of office buildings and brand management. As from last year, the administration, management control and development business have been included in the Holding business segment.

On 26 June 2015, to align the structure of the business segments with the company organization chart, the Board of Directors of Digital Bros S.p.A. approved the sale of 505 Games Mobile S.r.l. and subsidiaries to 505 Games S.r.l., as well as the sale of the subsidiaries 505 Games France S.a.s. and 505 Games Spain Sl to the same company.

Company organization chart at 30 June 2015



During the period, the Group operated from the following locations:

Company	Address	Function
Digital Bros S.p.A.	Via Tortona 37, Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
Digital Bros Game Academy S.r.l. (1)	Via Labus, 15 Milan	Offices
DR Studios Ltd. (2)	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l. (3)	Via Tortona 37, Milan	Offices
Game Network S.r.l. (4)	Via Tortona 37, Milan	Offices
Game Service S.r.l.	Via Tortona 37, Milan	Offices
Pipeworks Inc. (2)	133 W. Broadway, Suite 200 Eugene, Oregon, U.S.A.	Offices
505 Games S.r.l.	Via Tortona 37, Milan	Offices
505 Games France S.a.s. (5)	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Spain Slu (5)	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A. (6)	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A. (6)	Offices
505 Mobile S.r.l. (5)	Via Tortona 37, Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A. (6)	Offices

(1) this company became operational in the third quarter of the year
(2) companies acquired on 12 September 2014 and consolidated as from 01 September 2014
(3) company sold by Digital Bros S.p.A. to 505 Mobile S.r.l. on 26 June 2015
(4) on 26 June 2015, Digital Bros S.p.A. took steps to cover the overall loss as at 31 March 2015 instead of 505 Mobile S.r.l. thus acquiring the property of the Company
(5) companies sold by Digital Bros S.p.A. to 505 Games S.r.l. on 26 June 2015
(6) as of February 2015 and previously at 4373, Park Terrace Drive, Suite 140, Westlake Village, California, U.S.A.

505 Games Nordic AB was not operational during the period.

At 30 June 2015 the Group had equity investments in the associates listed below:

Company name	Registered Office	Holding	Book value
Games Analytics Ltd.	Edinburgh	1.76%	60
Ebooks&Kids S.r.l.	Milan	16%	200
Cityglance S.r.l.	Milan	37.5%	45
Total			**305**

More information is available in paragraph 5 of the Explanatory notes.

2. THE VIDEO GAMES MARKET

The video games market is part of the entertainment industry. Movies, publishing, and toys are businesses that build on the same characters and brands.

The market is in constant flux and is expanding quickly as a result of non-stop technological advances. Today, playing is no longer limited to traditional games consoles, Sony Playstation and Microsoft Xbox in the various versions, but also mobile telephones, tablets, etc. The dissemination of connectivity at increasingly lower costs and the availability of optic fibre networks and high speed mobile networks enable video games to diversify increasingly, becoming more and more sophisticated and interactive. The spread of smartphones among the entire population, of all ages and walks of life, has meant that the developers' creativity can be expressed in completely new ways, generating forms of entertainment dedicated to an adult public and the female public too. The growing use of social networks, Facebook in particular, lends itself to types of game that were practically unknown a few years back.

The video games market for the Sony Playstation and Microsoft Xbox instead performs in cycles, in parallel with the life cycle of the consoles themselves for which the video games are developed, as is standard in almost all technological markets. With the rollout of a given console, the price of the hardware and the video games designed for it is high, and relatively small quantities are sold. Console and game prices then gradually go down, as they progress from new releases to maturity, and the quantities sold increase along with the quality of the video games. The games market for a given console usually peaks in its fifth year on the market. The lifespan for consoles is currently around seven years. The new consoles Sony Playstation 4 and Microsoft Xbox One came out in November 2013.

High quality video games with high sales potential, in addition to being marketed on the digital marketplaces, are also produced physically and distributed through the sales networks. In this case, the value chain is as follows:

Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film or event sports simulators, etc. The developers retain the intellectual property rights, but they transfer the exploitation rights—for a limited amount of time agreed by contract—to international video game publishers, who are therefore crucial for completing the game and giving it a global reputation and clientèle.

Publishers are the links of the value chain that allow the game to reach the consumer, as most of them are equipped with direct and indirect sales networks in various countries. They also finance the phases of development and implement communication strategies to maximise international sales. The publisher decides on a game's release schedule, international pricing and sales policy, positioning, and package design, while taking on all of the risks and, jointly with the developer, enjoying all the opportunities that the video game may generate if it is a success.

The console manufacturer is the company that designs, engineers, produces and markets the hardware or platform on which consumers play the game. Sony is the console manufacturer for Sony Playstation 4 and Sony PSP Vita; Microsoft is the console manufacturer for Microsoft Xbox One; and Nintendo is the console manufacturer for Nintendo 3 DS and Nintendo Wii U.

The console manufacturer prints the game on behalf of publishers in specific plants dedicated to the reproduction of software on the various physical storage devices used. The video game must be approved in advance by the manufacturer, through a structured process known as submission. Only publishers selected in advance will be allowed to publish games by the console manufacturer, according to a licensing publishing agreement. The console manufacturer and the video game publisher are often one and the same.

The role of the distributor varies from country to country. The more a market is fragmented, like Italy's, the more the distributor's role is integrated with that of the publisher, with the implementation of specific communication policies for a local audience and public relations strategies. In some markets, like the U.K. and the U.S., retailers are highly concentrated so publishers usually have a direct commercial presence. The French and Spanish markets have an intermediate structure somewhere between the Italian and Anglo-Saxon markets.

The retailer is the outlet where the consumer purchases the game. Retailers can be international chains specialized in the sale of video games, mass retail stores, specialized independent shops, or online stores.

If video games are distributed in digital format on the marketplaces, but also as regards video games for smartphones and/or tablets, the value chain is less structured and is as follows:

As distribution goes increasingly digital, console manufacturers have developed "marketplaces" where video games can be sold directly to the consumer without the need for a distributor or retailer. The main marketplaces through which the video games for consoles are sold to the end consumer are: PlayStation Store by Sony, Xbox Live by Microsoft and eShop by Nintendo. The world leader in the digital distribution of games for personal computers is the marketplace Steam. Through its subsidiaries, the Digital Bros Group has entered into publishing contracts with all of the marketplaces mentioned.

Concerning games for mobile phones, on the other hand, Apple has its App Store marketplace, while the marketplace for Android technology is GooglePlayStore. The Group has appropriate distribution agreements with the latter as well.

3. SEASONAL TRENDS

The video game distribution market has some typical seasonal trends. Consumers are most likely to buy in the autumn, due to the approaching holidays and the imminent cold season when they spend more of their free time indoors. This is why video game publishers prefer to launch their best products in the fall.

Seasonal trends have an impact on the structure of the Group's income statement and financial position. As far as revenues and costs are concerned, fixed costs tend to be under- or over-absorbed. Their higher or lower impact on margins is quite apparent in the second quarter of the fiscal year (over-absorption of fixed costs, hence greater margins in both absolute and percentage terms), which is usually when the Group makes 40-50% of its annual sales, and during the first and last quarters (under-absorption of fixed costs and lower margins), when less than 15% of revenues are earned.

Seasonal trends are influenced by launching hit products at times other than the traditional Christmas period. Specifically, quarter-on-quarter results can be volatile depending on whether or not a popular new game is released during each three-month period. The launch of these products causes sales to build up just before the official release date, known as "day one."

The seasonal pattern is even more pronounced for the video game publisher, which usually releases a limited number of games over the 12-month period, whereas the distributor can count on a steady stream of new products as its business is to sell the games of different publishers in a given geographical market. The launch of a game in one quarter as opposed to another concentrates sales in a restricted period of time, thus magnifying the fluctuations in revenue between different quarters and/or different years.

The publication and distribution of video games in the digital marketplace reduces, but does not neutralize, the volatility of a publisher's results from one quarter to the next. In the event of digital distribution, revenues are achieved when end consumers download the video games from the marketplace, differently to traditional distribution that instead sees revenues at the time of delivery to the distributor/retailer regardless of the purchase by the end consumer. This process takes place more gradually over time and not mainly in the days immediately after launch. The digital distribution of a video game then considerably extends the life cycle of a product, enabling the video game to be constantly available on the digital catalogue of the marketplace, a factor that is difficult to imagine if the product were to be physically distributed, but also giving the publisher the chance to run effective promotions. The extension of the life cycle is also accentuated by the possibility for a publisher to effectively distribute additional episodes to a video game.

The financial structure is also closely related to the pattern in sales. The physical distribution of a product in a quarter entails the concentration of investments in net working capital, which are temporarily reflected in the net financial position at least until the revenues from sales become cash.

4. SIGNIFICANT EVENTS DURING THE PERIOD

The main events during the period were as follows:

- 04 September 2014 saw the establishment of Digital Bros Game Academy S.r.l., whose capital, of 50 thousand euros, has been fully subscribed by Digital Bros S.p.A. The Company organises specialisation courses in computing, training courses and professional update courses, including in multimedia form, and started operating in March 2015;

- on 12 September 2014, the Group acquired 100% of Pipeworks Inc., with registered office in Eugene, Oregon (USA). Although Pipeworks Inc. has existed for years as a division of Backbone Entertainment, the American company of the Foundation 9 Group, it was only established as an autonomous company on 01 August 2014. The company numbers approximately 50 people and in the past has developed products like Devil May Cry, Godzilla and Zumba Fitness. Pipeworks Inc. was acquired by the parent company Digital Bros S.p.A. for 1,250 thousand US dollars, increased by the equivalent value of the shareholders' equity as at 01 August 2014, equal to approximately 62 thousand dollars;

- on 12 September 2014, the Group purchased 100% of DR Studios Ltd. with registered office in Milton Keynes, United Kingdom. The Company develops mobile applications with a team of around 25 people. DR Studios Ltd. was acquired by the subsidiary 505 Mobile S.r.l. for 1,500 thousand euros, of which 750 thousand euros at signature and 750 thousand euros within six months of the date of signing. The purchase price was then increased by the equivalent value of the net working capital as at 31 August 2014, equal to 426 thousand pounds. The acquisition agreement then foresaw two further payments depending on the revenues achieved by the Group on products developed by DR Studios in the period September 2014 - August 2015 and in the following twelve months;

- on 28 October 2014, the Shareholders' Meeting of Digital Bros S.p.A. approved the Group's consolidated financial statements as at 30 June 2014 and the separate financial statements of Digital Bros S.p.A. as at 30 June 2014, also approving the Report on Remuneration in accordance with Art. 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998. The Shareholders' Meeting has also appointed the new members of the Board of Directors and the board of auditors, appointing respective chairmen in the persons of Abramo Galante and Sergio Amendola. The Shareholders' Meeting also approved the distribution of a dividend of 7 eurocents per share with record date 9 December 2014, dividend warrant date 8 December 2014 and payable as of 10 December 2014;

- on 13 November 2014, the Board of Directors:

  1) appointed Messrs Abramo Galante and Raffaele Galante as managing directors, assigning them suitable powers;

2) appointed Guido Guetta, Elena Morini and Bruno Soresina as members of the Remunerations Committee and members of the Control and Risks Committee;

3) appointed Stefano Salbe as director in charge of the in-company control and risk management system;

- on 12 February 2015, the shareholders of Ebooks&Kids S.r.l., an associated company in which the parent company holds 20% of the share capital, signed an agreement with Giunti Editori S.p.A. for a capital increase of nominal 5 thousand euros plus premium of 195 thousand reserved for Giunti Editori S.p.A. Upon completion of the transaction, the shareholding of the parent company in Ebooks&Kids S.r.l. became equal to 16% of the share capital;

- on 23 March 2015, the Digital Bros Group, through its subsidiary 505 Games S.r.l., extended the collaboration agreement with the Swedish developer Starbreeze AB for the video game PAYDAY 2 until 2032, for an additional ten years with respect to the original contract. Starbreeze AB and 505 Games S.r.l. also decided to extend their original cooperation agreement for the additional contents of PAYDAY 2 for an additional 24 months, with effect from 1 April 2015. The agreement includes development of all expansions of the video game PAYDAY 2 on PC and next-generation consoles. The Group's total investment will be 13.4 million US dollars over a period of 24 months;

- on 23 March 2015, as part of efforts to strengthen the long-term ties between the two companies, Digital Bros S.p.A. decided to purchase 3,872,722 shares of Starbreeze (listed on NASDAQ Stockholm First North Premier) for a total of 5 million US dollars. The transaction envisages three instalments (1 April 2015, 1 July 2015 and 1 October 2015);

- on 29 April 2015, the Digital Bros Group signed an agreement with Starbreeze AB to publish the console versions of the video game OVERKILL's The Walking Dead. The contract has a value of 10 million US dollars and will guarantee the Group the rights for the product's entire life cycle. OVERKILL's The Walking Dead, based on the highly popular TV series The Walking Dead, created by Robert Kirkman, is currently being developed by the developer Overkill AB, a Swedish company owned by Starbreeze AB. The title will provide an entirely new cooperative gaming experience in the world of The Walking Dead, featuring new characters and new episodes;

- on 21 May 2015, Digital Bros S.p.A. signed an agreement for the purchase of a second instalment of 1,167,272 shares of Starbreeze (listed on Nasdaq Stockholm First North Premier) for a total of 3.2 million US dollars. The transaction will be completed in two instalments (1 January 2016 and 1 April 2016). This agreement, combined with the one concluded 23 March 2015, will lead the Group to hold 5,000,000 shares with a total investment of 8.2 million US dollars;

- on 26 June 2015, as part of the reorganization and rationalization of the Group's business segments, the following corporate actions were carried out:

a) Digital Bros S.p.A. sold to 505 Games S.r.l. the companies 505 Games France S.a.s. and 505 Sl Spain for a 100 thousand euros and 511 thousand euros, respectively. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;

b) Digital Bros S.p.A. sold to 505 Games S.r.l. the company 505 Mobile S.r.l., for 940 thousand euros; subsequently, on the same date, Digital Bros S.p.A. sold to 505 Mobile S.r.l. the company Game Entertainment S.r.l. for 330 thousand euros. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;

- on 26 June 2015, Digital Bros S.p.A. also subscribed the share capital increase following the coverage of the losses of Game Network S.r.l. thus becoming new sole shareholder (the ownership of the Company was until then owned 100% by 505 Mobile S.r.l.).

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5. ANALYSIS OF ECONOMIC PERFORMANCE AS AT 30 JUNE 2015

The Group's results for the period ended on 30 June 2015, with comparative figures for the same period ended 30 June 2014, are presented below in the reclassified consolidated income statement:

	EUR/000	**30 June 2015**		**30 June 2014**		**Change**	
1	Gross revenues	121,244	104.5%	141,574	106.3%	(20,330)	-14.4%
2	Revenue adjustments	(5,254)	-4.5%	(8,429)	-6.3%	3,175	-37.7%
3	**Total net revenues**	**115,990**	**100.0%**	**133,145**	**100.0%**	**(17,155)**	**-12.9%**
4	Purchase of goods for resale	(34,104)	-29.4%	(46,394)	-34.8%	12,290	-26.5%
5	Purchase of services for resale	(5,374)	-4.6%	(6,570)	-4.9%	1,196	-18.2%
6	Royalties	(28,328)	-24.4%	(36,909)	-27.7%	8,581	-23.2%
7	Changes in finished product inventories	(1,898)	-1.6%	(5,904)	-4.4%	4,006	-67.9%
8	**Total cost of sold products**	**(69,704)**	**-60.1%**	**(95,777)**	**-71.9%**	**26,073**	**-27.2%**
9	**Gross profit (3+8)**	**46,286**	**39.9%**	**37,368**	**28.1%**	**8,918**	**23.9%**
10	Other revenues	2,295	2.0%	264	0.2%	2,031	n.s.
11	Cost of services	(11,733)	-10.1%	(14,357)	-10.8%	2,625	-18.3%
12	Rent and leasing	(1,548)	-1.3%	(1,338)	-1.0%	(210)	15.6%
13	Personnel costs	(17,853)	-15.4%	(12,569)	-9.4%	(5,284)	42.0%
14	Other operating costs	(1,371)	-1.2%	(1,190)	-0.9%	(181)	15.3%
15	**Total operating costs**	**(32,505)**	**-28.0%**	**(29,454)**	**-22.1%**	**(3,051)**	**10.4%**
16	**EBITDA (9+10+15)**	**16,076**	**13.9%**	**8,178**	**6.1%**	**7,898**	**96.6%**
17	Amortisation and depreciation	(2,920)	-2.5%	(1,211)	-0.9%	(1,709)	n.s.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(1,455)	-1.3%	(32)	0.0%	(1,423)	n.s.
20	Write-backs and non-monetary income	641	0.6%	0	0.0%	641	0.0%
21	**Total non-monetary income and operating costs**	**(3,734)**	**-3.2%**	**(1,243)**	**-0.9%**	**(2,491)**	**n.s.**
22	**EBIT (16+21)**	**12,342**	**10.6%**	**6,935**	**5.2%**	**5,407**	**78.0%**
23	Interest and financial income	3,939	3.4%	348	0.3%	3,591	n.s.
24	Interest and financial expenses	(2,027)	-1.7%	(2,723)	-2.0%	696	-25.6%
25	**Financial income and charges**	**1,912**	**1.6%**	**(2,375)**	**-1.8%**	**4,287**	**n.s.**
26	**Pre-tax income (22+25)**	**14,254**	**12.3%**	**4,560**	**3.4%**	**9,694**	**n.s.**
27	Current taxes	(3,897)	-3.4%	(435)	-0.3%	(3,463)	n.s.
28	Deferred taxes	(1,252)	-1.1%	(2,200)	-1.7%	948	-43.1%
29	**Total income taxes**	**(5,149)**	**-4.4%**	**(2,635)**	**-2.0%**	**(2,515)**	**n.s.**
30	**Net profit (26+29)**	**9,105**	**7.8%**	**1,925**	**1.4%**	**7,180**	**n.s.**
	Net income per share:						
33	**Basic earnings per share (in euros)**	**0.67**		**0.14**		**0.53**	**n.s.**
34	**Diluted earnings per share (in euros)**	**0.67**		**0.14**		**0.53**	**n.s.**

Gross revenues of the year are down 14.4% on last year, going from 141,574 thousand euros to 121,244 thousand euros. Net revenues are instead down by 12.9%, settling at 115,990 thousand euros as compared with the 133,145 thousand euros realised as at 30 June 2014, due to the lesser influence of the revenue adjustments.

The decrease in gross revenues was due to the negative performance of sales in the Italian Distribution business segment, down 29,356 thousand euros. The revenues generated by the business segments Publishing and Mobile were instead up by 5% and 34%, respectively.

The Italian Distribution business segment recorded an expected significant reduction in sales of the trading card game Yu-Gi-Oh!, due to the delayed airing of the new season of the cartoon to May. In addition to this, there has been a further reduction to video games distribution in Italy.

Publishing revenues increased by 3,751 thousand euros or 4.9%. Sales were concentrated on both video games published in previous periods, above all PAYDAY2 and Sniper Elite V3, but also on the sales recorded by the new version of PAYDAY2 for next generation consoles and launched near the end of the year.

The Mobile business segment’s revenues reached 14.8 million euros, up by 33.9%, or 3,759 thousand euros. The most significant portion of such revenues was represented by the constant revenue stream generated by the sale of the video game Terraria, which recorded revenues higher than 12 million euros during the period, bearing witness to its constant success with gamers around the world. There was also a significant increase in the revenues generated by sales of the video game Battle Islands, an intellectual property fully owned by the Group following the acquisition of DR Studios Ltd., which during the period also benefited from the launch of the version of the game for the Sony PlayStation 4 console.

The Development segment’s revenues amounted to 1,565 thousand euros and related to sales that the U.S. developer Pipeworks Inc. completed on development orders for third clients. Revenues on business with Group companies were eliminated during the consolidation process. In the future, it is expected that the process of integrating the developer with the Group’s other business will render such revenues increasingly predominant.

The particular success of the recent release of the video game PAYDAY2: Crimewave Edition allowed the significant decrease in revenue adjustments. In fact, they decreased by 3,300 thousand euros and amounted to 4.5% of revenues compared with 6.3% recorded in the previous year.

Below is the breakdown of gross and net revenues by business segment as at 30 June 2015 compared with last year:

EUR/000	Gross revenues				Net revenues			
	2015	2014	Change		2015	2014	Change	
Development	1,565	0	1,565	n.s.	1,565	0	1,565	n.s.
Mobile	14,847	11,088	3,759	33.9%	14,847	11,088	3,759	33.9%
Publishing	80,014	76,263	3,751	4.9%	76,385	71,930	4,455	6.2%
Italian Distribution	24,529	53,885	(29,356)	-54.5%	23,044	50,035	(26,991)	-53.9%
Other Activities	289	338	(49)	-14.4%	149	92	57	61.7%
Total gross revenues	**121,244**	**141,574**	**(20,330)**	**-14.4%**	**115,990**	**133,145**	**(17,155)**	**-12.9%**

The decrease in the cost of goods sold, -27.2%, to an extent higher than the decrease in net revenues and the simultaneous reduction in operating costs, -10.4%, almost in line with the decrease in net revenues allowed the achievement of EBITDA of 16,076 thousand euros, almost doubled compared to 8,178 thousand euros recorded in the previous year.

Non-monetary operating income and costs are up by negative 2,491 thousand euros. Growth was mainly due to the increased amortisation/depreciation of 1,709 thousand euros to reflect the investments made by the Group with the acquisitions of 100% of Pipeworks Inc. and DR Studios Ltd. and the intellectual property acquired during the period. Write-downs increased by 1,423 thousand euros, from 32 thousand euros to 1,455 thousand euros. The latter include:

- provisions to incorporate the economic effects of the transaction concluded with Dada S.p.A. during the period, in relation to the dispute that arose following the sale of the equity investment in Fueps S.p.A. for 379 thousand euros;
- provisions to cover some specific credit positions on which there is a probability of failure to collect for 435 thousand euros;
- the write-down of the investment in Dr Studios Ltd. for 641 thousand euros. The write-down is due to non-fulfilment of the condition that included the payment of an initial earn-out instalment in September 2015; this item is indeed offset by an item of the same amount recorded under non-monetary income, which is the reversal of the debt to the seller.

EBITDA therefore increased by 5,407 thousand euros, from 6,935 thousand euros in the previous year to 12,342 thousand euros in the current year.

Financial income and charges was positive for 1,912 thousand euros, against a loss of 2,375 thousand euros achieved in the previous year. The significant improvement is given by higher interest income and financial income of 3,591 thousand euros. They consist mainly of foreign exchange gains for 3,193 thousand euros and financial income of 737 thousand euros relating to the valuation of the Starbreeze B shares measured at fair value. Interest expense also improved by 696 thousand euros, which decreased by 1,097 thousand euros, in line with the lower average debt offset by a worsening of the foreign exchange losses of 401 thousand euros.

Pre-tax income as at 30 June 2015 was 14,254 thousand euros, more than tripled the 4,560 thousand euros recorded in the previous year. Net profit instead came to 9,105 thousand euros, equal to 7.8% of revenues, with respect to the profit of 1,925 thousand euros in the previous year.

Basic net earnings per share and diluted net earnings per share came to 0.67 eurocents, versus earnings per share of 0.14 eurocents the previous year.

Please refer to the specific sections in the report for more information regarding the Group's performance in its various business segments, including through subsidiaries.

6. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

The Group's reclassified statement of financial position at 30 June 2015 is shown below, with comparative figures at 30 June 2014:

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	4,841	3,232	1,609	49.8%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	7,946	2,141	5,805	n.s.
4	Equity investments	1,274	310	964	0.0%
5	Non-current receivables and other assets	1,058	1,041	17	1.7%
6	Deferred tax assets	2,240	4,217	(1,977)	-46.9%
	Total non-current assets	**17,359**	**11,396**	**5,963**	**52.3%**
	Non-current liabilities				
7	Employee benefits	(486)	(540)	54	-10.0%
8	Non-current provisions	(170)	(205)	35	-16.8%
9	Other non-current payables and liabilities	(589)	0	(589)	0.0%
	Total non-current liabilities	**(1,245)**	**(745)**	**(500)**	**67.1%**
	Net working capital				
10	Inventories	12,881	14,779	(1,898)	-12.8%
11	Trade receivables	36,350	42,318	(5,968)	-14.1%
12	Tax credits	2,466	3,818	(1,352)	-35.4%
13	Other current assets	6,148	3,366	2,782	82.6%
14	Trade payables	(26,929)	(22,034)	(4,895)	22.2%
15	Tax payables	(3,029)	(4,028)	999	-24.8%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,859)	(1,580)	(279)	17.7%
	Total net working capital	**26,028**	**36,639**	**(10,611)**	**-29.0%**
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,417)	(19,509)	92	-0.5%
20	Treasury shares	1,199	1,574	(375)	-23.8%
21	Retained earnings (losses)	(9,947)	(1,802)	(8,144)	n.s.
	Total shareholders' equity	**(33,809)**	**(25,381)**	**(8,428)**	**33.2%**
	Total net assets	***8,333***	***21,909***	***(13,576)***	***-62.0%***
22	Cash and cash equivalents	4,339	3,690	649	17.6%
23	Current payables to banks	(12,738)	(22,355)	9,617	-43.0%
24	Other current financial assets and liabilities	1,685	(3,225)	4,910	n.s.
	Current net financial position	**(6,714)**	**(21,890)**	**15,176**	**-69.3%**
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
27	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**	**n.s.**
	Total net financial position	***(8,333)***	***(21,909)***	***13,576***	***-62.0%***

The investments made by the Group during the year resulted in a significant increase in non-current assets, which increased by 5.963 million euros. The increases were mainly due to the recognition of the intangible assets held by the two companies acquired during the period, DR Studios Ltd. and Pipeworks Inc., of the internal orders developed by the two newly-acquired companies and Game Network S.r.l., the improvements to the property that in February became the new office of the U.S. subsidiary in the Publishing business segment and the purchase of Starbreeze A ordinary shares held as equity investment. The increase was offset by the use of deferred tax assets of 1,977 thousand euros mainly due to higher taxable income of the Italian companies that allowed the deductibility of interest expense not previously deducted and taxable income of 505 Games US that allowed using the losses of the past years. For a detailed analysis of changes in current assets, please refer to the Notes.

Non-current liabilities increased by 500 thousand euros, mainly due to the recognition of the estimated long-term debt of 589 thousand euros deriving from the contract for the acquisition of DR Studios Ltd., which provides for a possible payment connected with the revenue performance of products developed by the company acquired in the period September 2015-August 2016. The debt is the estimate based on the latest forecast plan approved.

Net working capital is down 10,611 thousand euros on 30 June 2014 due to the reduction of trade receivables for 5,968 thousand euros and inventories for 1,898 thousand euros and the increased trade payables for 4,895 thousand euros.

An analysis of net working capital in comparison with figures at 30 June 2014 is provided below:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**
Inventories	12,881	14,779	(1,898)
Trade receivables	36,350	42,318	(5,968)
Tax credits	2,466	3,818	(1,352)
Other current assets	6,148	3,366	2,782
Trade payables	(26,929)	(22,034)	(4,895)
Tax payables	(3,029)	(4,028)	999
Current provisions	0	0	0
Other current liabilities	(1,859)	(1,580)	(279)
Total net working capital	**26,028**	**36,639**	**(10,611)**

Total net debt decreased significantly to 8,333 thousand euros from 21,909 thousand euros with respect to 30 June 2014, mainly due to a reduction in current payables to banks for 9,617 thousand euros and the increase in current financial assets and liabilities for 4,910 thousand euros. The improvement was despite the investments for the acquisitions of DR Studios Ltd. and Pipeworks Inc. made during the period for 3,055 thousand euros.

In the table below, the net financial position is compared with the situation at 30 June 2014:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**
Cash and cash equivalents	4,339	3,690	649
Current payables to banks	(12,738)	(22,355)	9,617
Other current financial assets and liabilities	1,685	(3,225)	4,910
Current net financial position	**(6,714)**	**(21,890)**	**15,176**
Non-current financial assets	0	0	0
Non-current payables to banks	(1,619)	0	(1,619)
Other non-current financial liabilities	0	(19)	19
Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**
Total net financial position	***(8,333)***	***(21,909)***	***13,576***

For a more in-depth analysis of cash flow, see the consolidated statement of cash flows (attached).

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7. PERFORMANCE OF BUSINESS SEGMENTS

Development

Key results (reclassified)

	Consolidated data in thousands of Euro	Development	
		30 June 2015	
1	Revenues	1,565	100.0%
2	Revenue adjustments	0	0.0%
3	**Total revenues**	**1,565**	**100.0%**
4	Purchase of goods for resale	0	0.0%
5	Purchase of services for resale	(189)	-12.1%
6	Royalties	0	0.0%
7	Changes in finished product inventories	0	0.0%
8	**Total cost of sold products**	**(189)**	**-12.1%**
9	**Gross profit (3+8)**	**1,376**	**87.9%**
10	Other revenues	1,558	99.6%
11	Cost of services	(259)	-16.6%
12	Rent and leasing	(91)	-5.8%
13	Personnel costs	(3,604)	-230.3%
14	Other operating costs	(85)	-5.5%
15	**Total operating costs**	**(4,039)**	**-258.1%**
16	**EBITDA (9+10+15)**	**(1,105)**	**-70.6%**
17	Amortisation and depreciation	(441)	-28.2%
18	Provisions	0	0.0%
19	Write-down of assets	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%
21	**Total non-monetary income and operating costs**	**(441)**	**-28.2%**
22	**EBIT (16+21)**	**(1,546)**	**-98.8%**

The Development business segment was established during the period, following the acquisition of the American company Pipeworks Inc. with effect from 1 September 2014. Accordingly, the income statement refers to ten months and no comparison with previous periods is provided.

The Development segment’s revenues amounted to 1,565 thousand euros and related to sales on development orders completed for third clients. Revenues on business with Group companies were eliminated during the consolidation process. In the future, it is expected that the process of integrating the developer with the Group’s companies will render such revenues increasingly predominant.

Other revenues include direct costs on development projects that Pipeworks Inc. incurred for orders with Group companies and in the period total 1,558 thousand euros. The item can be broken down by order as follows:

EUR/000	Personnel costs	Other costs	Total
Poker	800	44	844
Galapagos	175	1	176
Superfight	120	30	150
Gems of Warfare	143	0	143
Quality Assurance	114	3	117
Other	117	11	128
Total	**1,469**	**89**	**1,558**

The main item of the income statement of a video game developer is personnel costs which, during the ten months, have accounted for 230% of revenues, making it impossible to achieve economic balance. The period in question was negatively affected by the termination by the publisher of the contract that Pipeworks Inc. had to develop the video game Roller Coaster Tycoon, interrupted in November 2014.

Amortisation/depreciation is for 76 thousand euros relative to the intangible assets brought by Pipeworks Inc. to the Group, and for 365 thousand euros relative to the allocation of the difference between the price paid for the acquisition and the shareholders' equity adjusted to fit with the Group's accounting standards.

The breakdown of the balance sheet is as follows:

	EUR/000	30 June 2015	%
	Total non-current assets	**3,003**	**20.2%**
	Total non-current liabilities	**0**	**0.0%**
	Net working capital		
10	Inventories	0	
11	Trade receivables	254	
12	Tax credits	0	
13	Other current assets	182	
14	Trade payables	(131)	
15	Tax payables	0	
17	Other current liabilities	(210)	
	Total net working capital	**95**	**0.6%**
	Gross revenues - Development	**1,565**	

Non-current assets are mainly composed of the internal orders developed by Pipeworks Inc. on behalf of Group companies, net of utilizations.

Internal processing orders by order can be broken down as follows:

EUR/000	Total
Poker	820
Galapagos	176
Superfight	150
Gems of Warfare	143
Quality Assurance	117
Other	128
Total internal processing orders	**1,534**

In addition to internal orders, the Group recorded under intangible assets the difference between the acquisition value of the investment and net equity at the acquisition date, classified as value of the contracts with third clients and amortized over three years.

Assets can be broken down as follows:

EUR/000	Total
Internal processing orders	1,534
Contracts outstanding	945
Software	34
Tangible assets	284
Deferred tax assets	206
Total non-current assets	**3,003**

Publishing

Key results (reclassified)

	Consolidated data in thousands of Euro	Publishing					
		30 June 2015		30 June 2014		Change	
1	Revenues	80,014	104.8%	76,263	106.0%	3,751	4.9%
2	Revenue adjustments	(3,629)	-4.8%	(4,333)	-6.0%	704	-16.2%
3	**Total revenues**	**76,385**	**100.0%**	**71,930**	**100.0%**	**4,455**	**6.2%**
4	Purchase of goods for resale	(16,373)	-21.4%	(15,702)	-21.8%	(671)	4.3%
5	Purchase of services for resale	(3,366)	-4.4%	(4,134)	-5.7%	768	-18.6%
6	Royalties	(21,774)	-28.5%	(28,985)	-40.3%	7,211	-24.9%
7	Changes in finished product inventories	(1,332)	-1.7%	(628)	-0.9%	(704)	n.s.
8	**Total cost of sold products**	**(42,845)**	**-56.1%**	**(49,449)**	**-68.7%**	**6,604**	**-13.4%**
9	**Gross profit (3+8)**	**33,540**	**43.9%**	**22,481**	**31.3%**	**11,059**	**49.2%**
10	Other revenues	58	0.1%	170	0.2%	(112)	-66.1%
11	Cost of services	(6,947)	-9.1%	(8,726)	-12.1%	1,779	-20.4%
12	Rent and leasing	(552)	-0.7%	(460)	-0.6%	(92)	20.2%
13	Personnel costs	(6,296)	-8.2%	(5,249)	-7.3%	(1,047)	19.9%
14	Other operating costs	(538)	-0.7%	(391)	-0.5%	(147)	37.6%
15	**Total operating costs**	**(14,333)**	**-18.8%**	**(14,826)**	**-20.6%**	**493**	**-3.3%**
16	**EBITDA (9+10+15)**	**19,265**	**25.2%**	**7,825**	**10.9%**	**11,440**	**n.s.**
17	Amortisation and depreciation	(898)	-1.2%	(515)	-0.7%	(383)	74.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(28)	0.0%	(32)	0.0%	4	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	(0)	0.0%
21	**Total non-monetary income and operating costs**	**(926)**	**-1.2%**	**(547)**	**-0.8%**	**(379)**	**69.2%**
22	**EBIT (16+21)**	**18,339**	**24.0%**	**7,278**	**10.1%**	**11,061**	**n.s.**

Publishing revenues increased by 3,751 thousand euros or 4.9%. Revenues benefited from the sales of the video game PAYDAY2: Crimewave Edition launched in the fourth quarter and the continuing success of video games published in prior periods, such as PAYDAY2 and Sniper Elite V3.

A breakdown of revenues as at 30 June 2015, divided up according to type of distribution channel and compared with the same data of the previous period, yields the following:

Revenues in thousands of Euro	30 June 2015	30 June 2014	Change	
Revenues from retail distribution	48,872	48,334	538	1.1%
Revenues from digital distribution	30,951	27,682	3,269	11.8%
Revenues from sub-licensing	191	247	(57)	-23.1%
Total revenues - Publishing	**80,014**	**76,263**	**3,751**	**4.9%**

Details of revenues divided up according to the main products published by the Group during the period are as follows:

Data in thousands of Euro	30 June 2015	30 June 2014
Sniper Elite V3	30,144	19,380
PAYDAY2: Crimewave Edition	16,108	0
PAYDAY 2	17,321	38,086
Terraria	8,796	2,473
How to Survive	2,320	2,046
Zumba	700	6,161
Sniper Elite V2	1,760	0
Brothers	1,010	2,405
Defence Grid	705	0
Pro Rugby Manager	261	0
Other	889	5,712
Total revenues - Publishing	**80,014**	**76,263**

Revenues from retail distribution increased by 538 million euros, as shown in the table below:

EUR/000	30 June 2015	30 June 2014	Change	
Publishing of video games for consoles	48,368	47,528	840	1.8%
Publishing of video games for PC-CDRom	504	806	(302)	-37.5%
Total gross revenues from retail distribution	**48,872**	**48,334**	**538**	**1.1%**

The table below analyses gross revenues of products, divided up according to console of the Publishing business segment:

EUR/000	30 June 2015		30 June 2014		Change	
	Units	Turnover	Units	Turnover	Units	Turnover
Sony Playstation 3	457,198	6,416	630,734	12,088	-27.5%	-46.9%
Sony Playstation 4	721,173	17,497	261,273	7,639	n.s.	n.s.
Nintendo Wii	61,178	594	237,742	4,749	-74.3%	-87.5%
Microsoft Xbox 360	849,197	11,253	976,419	17,374	-13.0%	-35.2%
Microsoft Xbox One	489,081	12,319	183,319	5,467	n.s.	n.s.
Other consoles	35,061	289	103,513	211	-66.1%	37.0%
Total console revenues	**2,612,888**	**48,368**	**2,393,000**	**47,528**	**9.2%**	**1.8%**

Digital distribution revenues as at 30 June 2015 are broken down below by digital marketplace, as follows:

Revenues in thousands of Euro	30 June 2015	30 June 2014	Change
Steam	12,827	15,405	(2,578)
Microsoft Xbox Live	10,320	6,947	3,373
Sony Playstation Network	7,278	3,859	3,419
Other marketplaces	526	1,471	(945)
Total revenues from digital distribution	**30,951**	**27,682**	**3,269**

The decline in revenues from the Steam marketplace, the market leader in the digital distribution of video games for personal computers, was consistent with the significant sales recorded in the previous year following the launch of the video game PAYDAY 2, sales of which remained significant, while slowing, in the current year. Sales on the Sony Playstation Network and Microsoft Xbox platforms, up by 3,419 thousand euros and 3,373 thousand euros, respectively, benefited from the sales to the public of the video game Sniper Elite V3, following its launch in June 2014.

Revenue adjustments decreased by 704 thousand euros, with a percentage decline of 16.2%, allowing for an increase in net revenues of 6.2%. The item includes the estimated credit notes for unsold products that the Group forecasts having to issue to customers in the near future. The positive trend of sales during the period to the end consumer of the video games Sniper Elite V3 and Terraria enabled this significant reduction.

The 13.4% reduction in the cost of goods sold, equal to 6,604 thousand euros (from 49,449 thousand euros to 42,845 thousand euros) and 3.3% in operating costs (from 14,826 thousand euros to 14,333 thousand euros), has enabled growth in the gross operating margin, which settled at 19,265 thousand euros, up 11,440 thousand euros on the previous year.

Non-monetary operating costs are up by 379 thousand euros. Growth is mainly due to the increase in amortisation/depreciation for 383 thousand euros.

The breakdown of amortisation/depreciation by type of asset is as follows:

Data in thousands of Euro	
Amortisation/Depreciation How to Survive	386
Amortisation/Depreciation Brothers	111
Depreciation of other tangible assets	253
Depreciation of tangible assets	148
Total amortisation/depreciation - Publishing	**898**

The assets and liabilities pertaining to the Publishing segment are as follows:

	EUR/000	30 June 2015	%	30 June 2014	%	Change	
	Total non-current assets	**4,641**	**5.8%**	**4,676**	**6.1%**	**(35)**	**-0.8%**
	Total non-current liabilities	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**
	Net working capital						
10	Inventories	7,850		9,182		(1,332)	-14.5%
11	Trade receivables	22,565		28,017		(5,452)	-19.5%
12	Tax credits	1,243		939		304	n.s.
13	Other current assets	4,534		2,513		2,021	80.4%
14	Trade payables	(19,841)		(15,071)		(4,770)	n.s.
15	Tax payables	(2,641)		(3,067)		426	-13.9%
16	Current provisions	0		0		0	n.s.
17	Other current liabilities	(385)		(250)		(135)	54.1%
	Total net working capital	**13,325**	**16.7%**	**22,263**	**29.2%**	**(8,939)**	**-40.1%**
	Gross revenues - Publishing	**80,014**		**76,293**		**3,721**	**4.9%**

The increase in revenues and the reduction of net working capital compared with the previous year caused a significant reduction in the ratio of working capital to total revenues for this segment.

Trade receivables refer both to sales concluded with clients and receivables for video game user licenses. The latter represent down payments to video game developers for licenses not yet exploited in full or in part and that are expected to be used as of the following year.

Trade receivables are divided as follows:

Type	30 June 2015	30 June 2014	Change
Receivables due from customers	14,030	21,418	(7,388)
Receivables for licences to use video games	8,535	6,599	1,936
Total trade receivables	**22,565**	**28,017**	**(5,452)**

The decrease in receivables due from customers is due to the particular concentration of revenues from retail distribution in the last month of the previous year with the launch of Sniper Elite V3.

The increase in trade payables is related to higher royalties due to developers of video games as a result of sales in the last quarter.

Other current assets consist mainly of advances paid to suppliers of localization, programming, rating and quality assurance services, which are reflected in the income statement when the video game is released. They increased mainly due to higher programming advances paid by 505 Games S.r.l.

Other current liabilities include the provision for company bonuses and social security contributions of employees.

Mobile

Key results (reclassified)

	Consolidated data in thousands of Euro	Mobile					
		30 June 2015		30 June 2014		Change	
1	Revenues	14,847	100.0%	11,088	100.0%	3,759	33.9%
2	Revenue adjustments	0	0.0%	0	0.0%	(0)	-100.0%
3	**Total revenues**	**14,847**	**100.0%**	**11,088**	**100.0%**	**3,759**	**33.9%**
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(1,802)	-12.1%	(2,397)	-21.6%	595	-24.8%
6	Royalties	(6,541)	-44.1%	(7,919)	-71.4%	1,378	-17.4%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	**Total cost of sold products**	**(8,343)**	**-56.2%**	**(10,316)**	**-93.0%**	**1,973**	**-19.1%**
9	**Gross profit (3+8)**	**6,504**	**43.8%**	**772**	**7.0%**	**5,732**	**n.s.**
10	Other revenues	445	3.0%	0	0.0%	445	n.s.
11	Cost of services	(755)	-5.1%	(1,054)	-9.5%	299	-28.3%
12	Rent and leasing	(66)	-0.4%	(9)	-0.1%	(57)	n.s.
13	Personnel costs	(2,598)	-17.5%	(1,256)	-11.3%	(1,342)	n.s.
14	Other operating costs	(38)	-0.3%	(4)	0.0%	(34)	n.s.
15	**Total operating costs**	**(3,457)**	**-23.3%**	**(2,323)**	**-20.9%**	**(1,134)**	**48.9%**
16	**EBITDA (9+10+15)**	**3,492**	**23.5%**	**(1,551)**	**-14.0%**	**5,043**	**n.s.**
17	Amortisation and depreciation	(1,118)	-7.5%	(186)	-1.7%	(932)	n.s.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(641)	-4.3%	0	0.0%	(641)	0.0%
20	Write-backs of assets and non-monetary income	641	4.3%	0	0.0%	641	0.0%
21	**Total non-monetary income and operating costs**	**(1,118)**	**-7.5%**	**(186)**	**-1.7%**	**(932)**	**n.s.**
22	**EBIT (16+21)**	**2,374**	**16.0%**	**(1,737)**	**-15.7%**	**4,111**	**n.s.**

As from September 2014, the Mobile business segment also includes the revenues and costs of the newly-acquired DR Studios Ltd.

Revenues of the Mobile business segment reached 14,847 thousand euros, up by 3,759 thousand euros or 33.9%. The most significant portion of such revenues was represented by the constant revenue stream generated by the sale of the video game Terraria, with revenues of higher than approximately 12 million euros during the period, bearing witness to its constant success with gamers around the world. There was also a significant increase in the revenues generated by sales of the video game Battle Islands, an intellectual property fully owned by the Group following the acquisition of DR Studios, which during the period also benefited from the launch of the version of the game for the Sony PlayStation 4 console.

Revenue trends of the business segment generated during the period are shown according to product group herewith:

Revenues in thousands of Euro	30 June 2015	30 June 2014	Change
Terraria	12,140	9,437	2,703
Battle Islands	1,925	1,010	915
Other products	782	641	141
Total mobile revenues	**14,847**	**11,088**	**3,759**

The video game Battle Islands, developed by the subsidiary DR Studios Ltd. and launched in December 2013, made a 1,925 thousand euros contribution towards period revenues. Differently to Terraria, which is distributed in exchange for payment on the main digital marketplaces, Battle Islands can instead be downloaded free of charge and has purchase functions available to the player within the application.

The cost of goods sold comprises only purchases of services and royalties. The first, which come to 1,802 thousand euros in the year, consist of localisation costs, ratings and quality assurance, as well as the costs incurred for live support services. This is a development activity that is carried out after the game is launched and which helps maintain and improve the game to encourage the player to pay out and continue playing. Details of costs for services according to type of service are as follows:

Data in thousands of Euro	30 June 2015	30 June 2014	Change
Live support	415	992	(577)
Programming	540	758	(218)
Quality assurance	657	549	108
Localisation	59	58	1
Hosting	122	0	122
Other	9	40	(31)
Total	**1,802**	**2,397**	**(595)**

Royalty costs increased by 1,378 thousand euros, less than the increase in revenues, due in part to the royalties earned on the products developed by DR Studios Ltd. and that are therefore classified in the income statement by nature, primarily among personnel costs.

Operating costs include services (mostly advertising to promote products on the various platforms) and personnel costs. The increased personnel costs are a result of the new employees hired to develop the international operations of the business segment with the establishment of the organisational unit in the United States during the second half of last year and the costs relating to the acquiree, DR Studios Ltd.

Amortisation/depreciation increased by 932 thousand euros, in line with the intangible assets contributed through the acquisition of DR Studios Ltd. and consists of:

Data in thousands of Euro	
Amortisation/Depreciation Battle Islands	862
Amortisation of intangible assets	224
Depreciation of tangible assets	32
Total	**1,118**

Period EBIT came to 2,374 thousand euros, as compared with negative EBIT of 1,737 thousand euros recorded as at 30 June 2014.

Non-current assets are mainly formed by the concessions for the games acquired from 505 Mobile S.r.l. and the orders developed internally by DR Studios Ltd., while trade receivables mainly from receivables for video game user licenses and from receivables from the main marketplaces that distribute the Group's products and trade payables from liabilities to video game developers.

	EUR/000	30 June 2015	%	30 June 2014	%	Change	
	Total non-current assets	**2,913**	**19.6%**	**554**	**5.0%**	**2,359**	**n.s.**
	Total non-current liabilities	**(589)**	**4.0%**	**0**	**0.0%**	**(589)**	**15.7%**
	Net working capital						
10	Inventories	0		0		0	n.s.
11	Trade receivables	8,085		5,254		2,831	53.9%
12	Tax credits	740		669		71	n.s.
13	Other current assets	760		231		528	n.s.
14	Trade payables	(4,618)		(4,653)		34	-0.7%
15	Tax payables	(89)		(9)		(80)	n.s.
16	Current provisions	0		0		0	n.s.
17	Other current liabilities	(39)		(2)		(38)	n.s.
	Total net working capital	**4,839**	**32.6%**	**1,490**	**13.4%**	**3,348**	**n.s.**
	Gross revenues - Mobile	**14,847**		**11,088**		**3,759**	**33.9%**

Trade receivables are a significant component of total net working capital and are made up as follows:

Type	**30 June 2015**	**30 June 2014**	**Change**
Receivables due from customers	5,095	1,972	3,123
Receivables for licences to use video games	2,990	3,282	(292)
Total trade receivables	**8,085**	**5,254**	**2,831**

Italian Distribution

Key results (reclassified)

	Consolidated data in thousands of Euro	Italian Distribution					
		30 June 2015		30 June 2014		Change	
1	Revenues	24,529	106.4%	53,885	107.7%	(29,356)	-54.5%
2	Revenue adjustments	(1,485)	-6.4%	(3,850)	-7.7%	2,365	-61.4%
3	**Total revenues**	**23,044**	**100.0%**	**50,035**	**100.0%**	**(26,991)**	**-53.9%**
4	Purchase of goods for resale	(17,731)	-76.9%	(30,692)	-61.3%	12,962	-42.2%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	(5)	0.0%	5	n.s.
7	Changes in finished product inventories	(566)	-2.5%	(5,276)	-10.5%	4,710	-89.3%
8	**Total cost of sold products**	**(18,297)**	**-79.4%**	**(35,973)**	**-71.9%**	**17,676**	**-49.1%**
9	**Gross profit (3+8)**	**4,747**	**20.6%**	**14,062**	**28.1%**	**(9,315)**	**-66.2%**
10	Other revenues	81	0.4%	94	0.2%	(13)	-13.5%
11	Cost of services	(2,230)	-9.7%	(3,337)	-6.7%	1,107	-33.2%
12	Rent and leasing	(58)	-0.2%	(78)	-0.2%	20	-26.0%
13	Personnel costs	(2,419)	-10.5%	(3,837)	-7.7%	1,418	-36.9%
14	Other operating costs	(248)	-1.1%	(342)	-0.7%	94	-27.6%
15	**Total operating costs**	**(4,955)**	**-21.5%**	**(7,594)**	**-15.2%**	**2,639**	**-34.7%**
16	**EBITDA (9+10+15)**	**(127)**	**-0.5%**	**6,562**	**13.1%**	**(6,689)**	**n.s.**
17	Amortisation and depreciation	(227)	-1.0%	(308)	-0.6%	81	-26.3%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(407)	-1.8%	0	0.0%	(407)	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	**Total non-monetary income and operating costs**	**(634)**	**-2.8%**	**(308)**	**-0.6%**	**(326)**	**n.s.**
22	**EBIT (16+21)**	**(761)**	**-3.3%**	**6,254**	**12.5%**	**(7,015)**	**n.s.**

The decrease in gross revenues is mainly due to the expected significant reduction in sales of the trading card game Yu-Gi-Oh!, due to the delayed airing of the new season of the cartoon to May. In addition to this, there has been a further reduction to video games distribution in Italy.

The breakdown of gross revenues by type of game distributed is as follows:

EUR/000	30 June 2015	30 June 2014	Change	
Distribution of video games for consoles	11,421	18,223	(6,802)	-37.3%
Distribution of video games for PC-CDRom	1,515	2,074	(559)	-27.0%
Distribution of trading cards	11,383	33,192	(21,809)	-65.7%
Distribution of other products and services	348	679	(331)	-48.8%
Financial discounts	(138)	(283)	145	-51.3%
Total gross revenues - Italian Distribution	**24,529**	**53,885**	**(29,356)**	**-54.5%**

For a better analysis of the trend of gross revenues for the period, generated by the distribution of video games for consoles, below is a comparison of revenues divided up according to the different consoles:

EUR/000	**30 June 2015**		**30 June 2014**		**Change**	
	Units	**Turnover**	**Units**	**Turnover**	**Units**	**Turnover**
Sony Playstation 4	116,888	4,396	49,710	1,910	n.s.	n.s.
Sony Playstation 3	165,357	3,662	326,713	9,458	-49.4%	-61.3%
Nintendo Wii	22,112	233	43,548	1,036	-49.2%	-77.5%
Microsoft Xbox One	30,916	1,160	18,842	759	64.1%	52.8%
Microsoft Xbox 360	76,600	1,569	146,227	3,678	-47.6%	-57.3%
Nintendo portable consoles	14,729	305	62,601	625	-76.5%	-51.2%
Sony portable consoles	4,630	84	31,605	431	-85.4%	-80.5%
Other consoles	6,038	11	31,022	326	-80.5%	-96.6%
Total console revenues	**437,270**	**11,421**	**710,268**	**18,223**	**-38.4%**	**-37.3%**

Revenues generated by video games for consoles are tightly correlated with the life cycle of the console on which the video game is to be played, as shown in the table above. Older generation consoles, like the Sony Playstation 3 and the Microsoft Xbox 360, which will be replaced by the new Playstation 4 and the Microsoft Xbox One, show significant reduction rates, equal to 61.3% for the first and 57.3% for the second.

The following table shows average unit game prices per type of console:

Amounts in euros	**30 June 2015**	**30 June 2014**	**Change**
Sony Playstation 4	37.6	38.4	-2.1%
Sony Playstation 3	22.1	28.9	-23.5%
Nintendo Wii	10.5	23.8	-55.8%
Microsoft Xbox One	37.5	40.3	-6.9%
Microsoft Xbox 360	20.5	25.2	-18.5%
Nintendo portable consoles	20.7	10.0	n.s.
Sony portable consoles	18.2	13.6	n.s.
Other consoles	1.8	10.5	-82.4%
Average console price	**26.1**	**25.7**	**1.8%**

One typical aspect of the console life cycle is the performance of the average price of video games. Average prices are, in fact, fairly high during the launch of the new machine and then decline throughout the life cycle, until complete maturity. In line with this factor, the average prices of video games for the Sony Playstation 4 console and the Microsoft Xbox One console respectively came to 37.6 euros and 37.5 euros per game, as compared with an average price of 26.1 euros. The drop in the prices of previous-generation consoles came to 23.5% for the prices of video games intended for the Sony Playstation 3 and 18.5% for video games for the Microsoft Xbox 360.

Sales of Yu-Gi-Oh! trading cards instead recorded a reduction of 21,807 thousand euros caused both by the fact that the new series of the cartoon was only aired in Italy as from May 2015 and that the product line “Cacciatori di numeri”, which last year had made a contribution of more than 4 million euros to revenues, was not released.

Net revenues came to 23,044 thousand euros, down 53.9 % on the previous year, in line with the gross revenue trend.

The cost of goods sold is down by 17,676 thousand euros (49.1%), a slightly lower percentage than the reduction of revenues. Gross profits are consequently down by 9,315 thousand euros, making for a percentage reduction of 66.2%.

Operating costs fell by 34.7% with respect to the previous year to 2,639 thousand euros. This reduction is due primarily to a decrease in the cost of services by 1,107 thousand euros following lesser investments in advertising and a significant reduction in personnel costs (1,418 thousand euros).

EBIT decreased by 7,015 thousand euros as a result of write-downs of receivables not adequately covered by the insurance policy in place for 407 thousand.

EBITDA decreased by 6,689 thousand euros, while EBIT dropped by 7,015 thousand euros, going from 6,254 thousand euros as at 30 June 2014 to negative 761 thousand euros at the end of the current year.

The balance sheet structure is typical of commercial businesses, with fairly negligible non-current assets and liabilities and significant investment in net working capital to support the distribution business. The following chart, which presents assets and liabilities allocable to the Italian Distribution segment and their weight as a percentage of sales, shows that non-current assets and non-current liabilities amount respectively to 14.2% and 2.5% of the segment’s gross revenues, up compared to the same figures of the previous year due to the significant decrease in gross revenues.

	EUR/000	**30 June 2015**	**%**	**30 June 2014**	**%**	**Change**	
	Total non-current assets	**3,391**	**13.8%**	**4,074**	**8.1%**	**(683)**	**-16.8%**
	Total non-current liabilities	**(612)**	**2.5%**	**(706)**	**1.3%**	**94**	**-13.4%**
	Net working capital						
10	Inventories	5,031		5,597		(565)	-10.1%
11	Trade receivables	5,446		9,047		(3,601)	-39.8%
12	Tax credits	471		2,205		(1,734)	-78.7%
13	Other current assets	252		400		(148)	-37.0%
14	Trade payables	(1,598)		(1,562)		(36)	2.3%
15	Tax payables	(285)		(939)		655	-69.7%
17	Other current liabilities	(941)		(1,180)		239	-20.3%
	Total net working capital	**8,376**	**34.1%**	**13,568**	**25.2%**	**(5,192)**	**-38.3%**
	Gross revenues - Italian Distribution	**24,529**		**53,885**		**(29,356)**	**-54.5%**

The particularities of the video game distribution market are reflected in an analysis of net working capital, whose weight (34.1% of gross sales for the segment) represents the investment the Company has to make especially at times of revenue growth. Another typical feature is the insignificance of trade payables (about 6% of revenues), which reflects the terms of payment required by video game publishers.

Other Activities

Key results (reclassified)

	Consolidated data in thousands of Euro	Other Activities					
		30 June 2015		30 June 2014		Change	
1	Revenues	289	194.6%	338	367.4%	(49)	-14.4%
2	Revenue adjustments	(140)	-93.9%	(246)	-267.4%	106	-43.2%
3	**Total revenues**	**149**	**100.0%**	**92**	**100.0%**	**57**	**61.7%**
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(17)	-11.3%	(39)	-42.4%	22	0.0%
6	Royalties	(13)	-9.0%	0	0.0%	(13)	n.s.
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	**Total cost of sold products**	**(30)**	**-20.3%**	**(39)**	**-42.4%**	**9**	**-22.6%**
9	**Gross profit (3+8)**	**119**	**79.7%**	**53**	**57.6%**	**66**	**n.s.**
10	Other revenues	153	102.6%	0	0.0%	153	0.0%
11	Cost of services	(270)	-181.5%	(234)	-254.3%	(36)	15.4%
12	Rent and leasing	(22)	-14.9%	(45)	-48.9%	23	-50.8%
13	Personnel costs	(379)	-255.0%	(261)	-283.7%	(118)	45.3%
14	Other operating costs	(41)	-27.3%	(19)	-20.7%	(22)	n.s.
15	**Total operating costs**	**(712)**	**-478.8%**	**(559)**	**-607.6%**	**(153)**	**27.4%**
16	**EBITDA (9+10+15)**	**(440)**	**-295.7%**	**(506)**	**-550.0%**	**66**	**-13.1%**
17	Amortisation and depreciation	(117)	-78.9%	(89)	-96.7%	(28)	31.9%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	0	0.0%	0	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	**Total non-monetary income and operating costs**	**(117)**	**-78.9%**	**(89)**	**-96.7%**	**(28)**	**31.9%**
22	**EBIT (16+21)**	**(557)**	**-374.7%**	**(595)**	**-646.7%**	**38**	**-6.3%**

As of the current year, the business conducted by the subsidiary Game Network S.r.l., which manages paid gaming platforms under concession from the Italian State Monopoly Administration (AAMS), were classified in the Other Activities business segment. The business segment also includes the business conducted during the period by the subsidiary Digital Bros Game Academy S.r.l., which consisted of the organisation of IT and gaming specialisation and training courses.

Game Network S.r.l. operates through the portal www.gameplaza.it (until the end of the previous year www.scopa.it).

Digital Bros Game Academy S.r.l., which organises IT specialisation courses, training courses and professional refresher courses, in multimedia and other formats, became operational during the current year. Consequently, the figures for the business segment in the previous year refer solely to Game Network S.r.l.

The revenues for the period ended 30 June 2015 are attributable to Game Network S.r.l. (223 thousand euros) and Digital Bros Game Academy S.r.l. (only 66 thousand euros, since training courses only began in March 2015).

Other revenues represent the increase in internal orders relating to the direct costs incurred for the product Fantasfida.it, which will be launched in September 2015.

The revenues generated by the portal www.gameplaza.it decreased by 115 thousand euros. Revenue adjustments consist entirely of taxes paid on the revenues earned by the portal www.gameplaza.it and their reduction is a result of the corresponding revenue trend.

Operating costs include services (mostly advertising to promote products on the various platforms), the partnership costs typical of the business in which Game Network S.r.l. operates, the costs of teachers for Digital Bros Game Academy S.r.l., and personnel costs.

The breakdown of the balance sheet is as follows:

	EUR/000	**30 June 2015**	**%**	**30 June 2014**	**%**	**Change**	
	Total non-current assets	**1,163**	**7.8%**	**458**	**4.1%**	**705**	**n.s.**
	Total non-current liabilities	**(44)**	**0.3%**	**(39)**	**0.4%**	**(5)**	**12.5%**
	Net working capital						
10	Inventories	0		0		0	n.s.
11	Trade receivables	0		0		0	n.s.
12	Tax credits	12		5		7	n.s.
13	Other current assets	174		10		164	n.s.
14	Trade payables	(135)		(118)		(17)	14.0%
15	Tax payables	(14)		(13)		(1)	5.9%
17	Other current liabilities	(284)		(148)		(136)	91.7%
	Total net working capital	**(247)**	**-1.7%**	**(264)**	**-2.4%**	**17**	**-6.6%**
	Gross revenues - Other Activities	**289**		**338**		**(49)**	**-14.5%**

Non-current assets consist primarily of 455 thousand euros for the building owned in Milan that as of the third quarter of the year has become the operative headquarters of Digital Bros Game Academy, the investments made by Game Network S.r.l. for the product Fantasfida.it, which will be available as of the following year and the security deposits paid to AAMS.

Other current liabilities include payables to employees for accruals of additional monthly salaries and holidays and leaves of Game Network S.r.l. and the portion of registration fees for training courses already received by Digital Bros Game Academy S.r.l., however not pertinent to this year.

Holding

Key results (reclassified)

	Consolidated data in thousands of Euro	Holding					
		30 June 2015		**30 June 2014**		**Change**	
1	Revenues	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	**Total revenues**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	**Total cost of sold products**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**
9	**Gross profit (3+8)**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**
10	Other revenues	0	0.0%	0	0.0%	0	0.0%
11	Cost of services	(1,272)	0.0%	(1,006)	0.0%	(266)	26.4%
12	Rent and leasing	(759)	0.0%	(746)	0.0%	(13)	0.0%
13	Personnel costs	(2,557)	0.0%	(1,966)	0.0%	(591)	30.1%
14	Other operating costs	(421)	0.0%	(434)	0.0%	13	-2.9%
15	**Total operating costs**	**(5,009)**	**0.0%**	**(4,152)**	**0.0%**	**(857)**	**20.6%**
16	**EBITDA (9+10+15)**	**(5,009)**	**0.0%**	**(4,152)**	**0.0%**	**(857)**	**-20.6%**
17	Amortisation and depreciation	(119)	0.0%	(113)	0.0%	(6)	0.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(379)	0.0%	0	0.0%	(379)	0.0%
20	Write-backs of assets and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	**Total non-monetary income and operating costs**	**(498)**	**0.0%**	**(113)**	**0.0%**	**(385)**	**0.0%**
22	**EBIT (16+21)**	**(5,507)**	**0.0%**	**(4,265)**	**0.0%**	**(1,242)**	**-29.1%**

The increasing importance of the Mobile and Publishing business segments and the corresponding reduction of the business segment of Italian Distribution has brought about the need for a more extensive holding structure than before, in particular for the finance, administration, information technology and general services functions. These are carried out directly by the parent, Digital Bros S.p.A., and among other activities include the coordination of the different business segments, implementation of sound financial policies to support the Group’s operations, management of office buildings and brand management.

The increase in operating costs amounted to 857 thousand euros, of which 676 on a recurring basis and 181 on a non-recurring basis. The latter refer to consultancy costs incurred for the acquisitions made during the year considered as non-recurring items for the purposes of Consob resolution no. 15519 of 27 July 2006. The increase in operating costs is due to both the increase in remuneration of the Board of

Directors approved by the Shareholders' Meeting for 100 thousand euros and the increase in personnel costs also as a result of staff downsizing policies, which entailed the payment of redundancy incentives.

Write-downs incorporate the economic effects of the transaction concluded with Dada S.p.A. during the period, in relation to the dispute that arose following the sale of the equity investment in Fueps S.p.A.

The total increase of segment costs, including non-recurring costs, came to 1,242 thousand euros.

The assets and liabilities pertaining to the business segment are as follows:

	EUR/000	**30 June 2015**	**30 June 2014**	**Change**	
	Non-current assets				
1	Property, plant and equipment	17	36	(19)	-52.0%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	322	198	125	62.7%
4	Equity investments	1,274	310	964	n.s.
5	Non-current receivables and other assets	635	635	0	0.0%
	Total non-current assets	**2,248**	**1,634**	**614**	**37.6%**
	Non-current liabilities	**0**	**0**	**0**	**0.0%**
	Net working capital	**(360)**	**(418)**	**58**	**-13.8%**

The decrease in investments property is due to the fact that the owned property in Milan has been reclassified to property, plant and equipment of the business segment Other Activities, as from the third quarter of the year it has become the operative headquarters of Digital Bros Game Academy.

The increase in investments is due to the purchase for 969 thousand euros of Starbreeze A shares, partly offset for 5 thousand euros by the sale of the 40% shareholding in the capital of Italian Gaming Entertainment S.r.l.

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

All intercompany and related party transactions within the Digital Bros Group are conducted at arm's length.

Intercompany transactions

The main intercompany transactions are the sale of video games by 505 Games S.r.l. to the local distributors.

The U.S. subsidiary 505 Games (US) Inc. is charged royalties by 505 Games S.r.l. for products distributed by the latter locally in the American market.

505 Games Ltd. bills 505 Games S.r.l. for personnel costs and overheads incurred for employees involved in production and international marketing of the Publishing business segment.

505 Games (US) Inc. bills 505 Games S.r.l. for personnel costs and overheads incurred for employees involved in international marketing of the Publishing business segment.

505 Games Interactive Inc. bills 505 Games S.r.l. for personnel costs and overheads incurred for employees involved in product management of the Publishing business segment.

505 Games (US) Inc. bills 505 Mobile S.r.l. for personnel costs and overheads incurred for employees involved in production and marketing of the Mobile business segment.

At the time of acquisition, DR Studios Ltd. already had development agreements and live support contracts for various video games with the subsidiaries 505 Games S.r.l. and 505 Mobile S.r.l., which have remained such even following the integration.

Pipeworks Inc. has a development agreement in place for some video games with 505 Games S.r.l. and 505 Mobile S.r.l.

Digital Bros S.p.A., 505 Games Ltd., 505 Games France, 505 Games Spain Slu and 505 Games GmbH charge 505 Games S.r.l. 15% of the revenues it earns from the international distribution, exclusively in digital format, of its own products in exchange for marketing and production services carried out in the local markets that are not directly attributable to individual products.

Digital Bros S.p.A. charges 505 Games S.r.l. for the costs incurred for the coordination of business in acquiring games, for administrative, finance, legal, logistics and information technology services incurred on its behalf.

Digital Bros S.p.A. charges Digital Bros Game Academy S.r.l. for administrative, finance, legal and information technology services incurred on its behalf and the lease of the property located in Via Labus in Milan, the Company's operative HQ.

505 Games S.r.l. charges the American company 505 Games (US) for the costs incurred for the coordination of business in acquiring games, for administrative, finance, legal and information technology services incurred on its behalf.

Other more minor transactions consist of administrative, financial, legal/advisory and general services that are usually performed by Digital Bros S.p.A. for other members of the Group.

The parent company also provides a centralized cash management service, using giro accounts to which the positive and negative balances between Group companies are transferred at least once per quarter, including through the transfer of receivables. These accounts do not bear interest.

Group companies in Italy also transfer tax receivables and payables to Digital Bros S.p.A. under the domestic tax consolidation scheme.

In the consolidated financial statements for the year ended 30 June 2015, the effects of intercompany transactions on the balance sheet and income statement have been eliminated.

Transactions with other related parties

Related party transactions regard:

- legal consultancy provided by the director Dario Treves;
- property rental carried out by Matov Imm. S.r.l. towards the parent company and subsidiary 505 Games France S.a.s.;
- property rental carried out by Matov LLC to the subsidiary 505 Games (US) Inc.

Both Matov Imm. S.r.l. and Matov LLC are owned by the Galante family.

The impact of the related party transactions is shown in Note 12 of the Explanatory Notes.

Group reorganization

On 26 June 2015, as part of the reorganization and rationalization of the Group’s business segments, the following corporate actions were carried out:

- Digital Bros S.p.A. sold to 505 Games S.r.l. the companies 505 Games France S.a.s. and 505 Spain Slu for a 100 thousand euros and 511 thousand euros, respectively. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;

- Digital Bros S.p.A. sold to 505 Games S.r.l. the company 505 Mobile S.r.l., for 940 thousand euros; subsequently, on the same date, Digital Bros S.p.A. sold to 505 Mobile S.r.l. the company Game Entertainment S.r.l. for 330 thousand euros. These transfers were made at market value as determined by specific appraisal prepared by an independent expert.

On 26 June 2015, Digital Bros S.p.A. also subscribed the share capital increase of Game Network S.r.l. following the coverage of the losses thus becoming new sole shareholder (the ownership of the Company was until then owned 100% by 505 Mobile S.r.l.).

Atypical transactions

There were no atypical or unusual transactions in this or the previous year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

9. TREASURY SHARES

Pursuant to Art. 2428, paragraph 2 no. 3 of the Italian Civil Code, at 30 June 2015 Digital Bros S.p.A. owned 400,247 treasury shares, against the 525,247 held as at 30 June 2014.

In accordance with no. 4 of said paragraph 2, please note, in fact, that during the year the Company sold off 125,000 of its treasury shares at the average price of 3.28 euros each, for a total value of 410 thousand euros.

10. RESEARCH AND DEVELOPMENT

During the year, the Group incurred research expenses of 717 thousand euros and development expenses of 3,666 thousand euros. No research and development cost had been recorded by the Group in previous years in the absence of internal structures that were instead acquired during the year.

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has developed a risk mapping process by which the directors and the front-line organisational units attend coordination meetings held throughout the year. Their work is summarized in a risk matrix that is prepared and regularly reviewed by the director in charge of control, who attends the coordination meetings. In individual charts, each separate risk is described, given a gross rating according to a probability/impact grid, and assigned a net rating on the basis of mitigating factors and/or steps taken to reduce and monitor the risk. The executive director is assisted in this task by the Control and Risks Committee.

The individual risk charts also show the impact that a failure to reach control objectives would have in terms of operations and financial reporting.

The thoroughness of the risk map and the ratings of net risk are assessed jointly by the two managing directors and by the director in charge of control, and updated by the Board of Directors at least once a year.

It is considered that at present, the recent acquisitions of two video game developers have not increased the number and level of risk, for those risks already highlighted.

The risks can be summarised as two types: operational risks and financial risks.

Operational risks

The most significant operational risks are:

- dependence on hardware and its success;
- dependence on key customers and bad debt risk;
- hardware lifecycles;
- ability to publish popular games;
- piracy;
- product obsolescence;
- dependence on key employees.

Dependence on hardware and its success

This is the risk of depending on the success of the hardware for which games are developed. Most of the Group's revenues come from the sale of video games for Sony, Microsoft and Nintendo consoles. When signing a development contract, the Group has to pay advances for a game's development and production on the basis of projected demand for these platforms, which takes account of their estimated life cycles. An error in judging the potential of each gaming platform can lead to a drop in revenues or, if underestimated, a loss of sales potential, with consequences for future performance.

The existence of market research, management's familiarity with the market, and the availability of historical data on hardware ownership are mitigating factors. The Group has also implemented a strategic planning procedure that analyses its current development contracts, in an attempt to lower costs, and a contract acquisition procedure that requires accurate economic projections to be made before signing, by testing future profitability on the basis of different market scenarios using sensitivity analyses and other tools.

Dependence on key customers and bad debt risk

At the end of last year, the revenue concentration of the top 10 customers worldwide was about 64%, in line with the previous year, and that of the top 50 customers was 93%. For the next few years the level of concentration is expected to rise, especially since the Group's revenues are projected to grow in markets like the United States and the United Kingdom, where sales depend on a relatively low number of retailers. The concentration of revenues on a small number of key customers makes the Group dependent on the decisions of a few, with the risk that a product not selected for purchase may fail to have the necessary visibility on store shelves and/or digital platforms and may therefore lose selling potential; conversely, there is the opportunity to gain such potential if the product is positioned favourably, especially in the digital marketplace.

Hardware lifecycles

The Group mainly distributes video games for Sony, Microsoft and Nintendo consoles, which have traditionally had a lifecycle of seven years. Although it currently appears that this lifecycle could be extended by online features and by new technologies for the consoles now on the market, it could also be drastically shortened once the consoles mature, especially in light of the international economic crisis. The lifespan of their predecessors could also be far shorter than thought. The potential volatility of the market makes it difficult to predict results. This risk is mitigated by the fact that the Group can significantly reduce operating costs on games scheduled for future release, depending on the forecast trend in demand.

Ability to publish popular games

The video games market, like the entire entertainment industry, is exposed to a number of risks outside the Group's control. These include the popularity of celebrities and sports, the platforms players favour, demographic changes in consumption, and the rise of other forms of entertainment. If the Group were unable to please consumers and keep up with the speed of change, its revenues and margins could be deeply affected and its targets could be difficult to meet. This risk is mitigated by the Group's experienced management and by its procedure for the acquisition of licensing and development contracts, which involves close examination of a product's economic potential using market analyses and other means.

Piracy

Piracy has always been a bane to the video games market and to the entertainment industry in general. The use of peer-to-peer networks and the growing availability and speed of broadband have made it even easier to copy a video game illegally. National laws and anti-piracy systems used by manufacturers reduce this risk substantially, although it varies sharply from one country to the next.

If piracy were to increase, due in part to a weakening of today's legislation, the Group's sales and margins could go down and its forecasts might no longer be reliable. This risk is mitigated by the fact that video game producers (Microsoft, Sony and Nintendo) earn substantial profits from their game production businesses and it is thus to their advantage to develop anti-piracy measures. The increasing use of online features, or even parts or episodes of games that are only available on the servers of Microsoft, Sony and Nintendo, allows better control over authenticity and deprives bootlegs of much of their interest. The growth of revenues deriving from digital distribution, for both the Publishing and Mobile business segments, helps ensure that the risk tends to reduce insofar as for this type of product, risk of piracy is virtually nil.

Product obsolescence

Video games can quickly become obsolete. A game that is sold at a certain price is then repositioned at gradually lower ones over time. The launch price of a game is usually high during the launch of the console, and then decreases throughout the lifecycle of the hardware.

The decision to invest in a certain game is often made years before its actual release. Management must therefore estimate the retail prices a game will sell for in subsequent periods. A sudden acceleration in the obsolescence of the game or its supporting hardware could push retail prices below those originally assumed, to the detriment of revenues and margins as compared with the plans presented.

In the Italian Distribution segment, purchasing decisions in terms of volumes are often made months in advance, while the contract is being negotiated with publishers, so it is possible that these games will remain unsold and will require appropriate write-downs for obsolescence.

The risk of obsolescence is mitigated by:

- the possibility to reduce the production, marketing and royalty costs paid to developers, thereby minimising the impact on margins;
- awareness of the life cycles of earlier consoles and advance information on new gaming platforms;
- the chance to ask publishers for discounts to offset inventory impairment losses, especially for games that do not sell well.

Dependence on key employees

The Group's success depends on the performance of some key individuals who have made a solid contribution to its development and acquired valuable experience in the industry.

The Group has an executive team (chairman, managing director and CFO) with many years' experience in the sector and a decisive role in the management of its business. Losing the services of these individuals without their being suitably replaced could have a negative impact on the Group's performance and financial position, and in particular could affect the process of understanding, appreciating and monitoring risks.

In any case, management feels that the Group has an operational and executive structure that can ensure continuity in the handling of business affairs.

Financial instruments and financial risk management

The main financial instruments used by the Group are as follows:

- Bank account overdrafts
- Sight- and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Derivative contracts
- Financial instruments held for trading

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

The credit facilities available to the Group with the related uses at 30 June 2015 are as follows:

EUR/000	Credit limits	Uses	Availability
Bank account overdrafts	2,700	2	2,698
Import financing	22,450	10,529	11,921
Advances on invoices and subject to collection	20,502	859	19,643
Factor	14,926	152	14,774
Unsecured loans	1,000	0	1,000
Total	**61,578**	**11,542**	**50,036**

The parent company Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries, with the exception of other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which the financial risk is the responsibility of the individual company.

Since the financial year ended at 30 June 2008, the subsidiary 505 Games S.r.l. has enjoyed its own independent credit facilities to finance international growth; since April 2011 the subsidiary 505 Games Ltd. has had access to two international factoring lines and in November 2012, the subsidiary 505 Games France S.a.s. was granted its own international factoring line.

The Group tries to maintain a balance between short-term and medium/long-term financial instruments. The Group's core business, the 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 often dedicated to the individual investment, including in the form of finance leases.

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

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

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk

Interest rate risk

The Group's exposure to interest rate fluctuations is marginal with respect to its medium- and long-term financial instruments, which were originally designated as fixed-rate instruments or have been converted into fixed rates using appropriate derivative agreements.
For short-term financial instruments, the possibility of rising interest rates is an effective risk, because the Group cannot immediately transfer the higher rates to its prices. These risks are reduced by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions;
- the degree of short-term borrowings, which varies substantially on the basis of seasonal trends in the video games market;
- the implementation of a short-term cash flow procedure that constantly monitors the trend in short-term debt and allows preventive action to be taken when interest rates are expected to rise.

Liquidity risk

Liquidity risk arises if it becomes difficult or impossible to obtain, under sustainable conditions, the financial resources needed to operate the business.

The factors that influence the Group's financial needs are the resources generated or absorbed by operating and investing activities, the maturity and renewal terms of debt and the liquidity of investments and current conditions and available funds in the credit market.

The Group has reduced this risk by:

- setting up the centralized management of treasury procedures and therefore of credit lines;
- obtaining credit that allows the creation of a sustainable liability structure, through the use of irrevocable credit lines;
- monitoring prospective liquidity conditions.

Given the results of short- and medium/long-term planning, currently available funds, along with those to be generated by operating activities, should allow the Group to satisfy its requirements as far as investment, working capital management, and debt repayment at natural maturity are concerned and in any case to determine financial requirements sufficiently ahead of time.

Exchange rate risk

The Group is affected by exchange rate fluctuations of the British pound and the US dollar. Purchases in currencies other than the euro are marginal, and are almost entirely in British pounds and US dollars due to the manufacturing and structural costs of the local subsidiaries.

The Group's exposure in US dollars due to the operations of the United States subsidiary is mitigated by the fact that it has many game development contracts in that currency, so any negative changes in the EUR/USD exchange rate would cause license costs to go up but would also produce exchange gains on payments received (the reverse also holds true).

To monitor the risk level of the EUR/USD and EUR/GBP exchange rate, the Group closely monitors exchange rate forecasts from independent analysts and other sources, and may use derivative instruments to hedge this risk as appropriate (no such instruments are used at present).

Credit risk

In Italy, the Group sells exclusively to known buyers. If necessary information on customers is not available, merchandise is sold with advance payment and/or cash on delivery to limit credit risk to negligible amounts.

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Group has taken out insurance covering a considerable percentage of its customers.

All foreign subsidiaries have taken out credit insurance with the same global insurance group. The credit policy is never to exceed the limits of coverage for each individual customer, thereby limiting the chance that any difficulties faced by customers will affect the Group's performance.

Derivative contracts

The policy for using derivative contracts is explained in the notes.

Financial instruments held for trading

The policy for using contracts of financial instruments held for trading is explained in the notes.

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12. RECONCILIATION BETWEEN NET PROFIT AND SHAREHOLDERS' EQUITY IN THE SEPARATE AND CONSOLIDATED ACCOUNTS

The following table reconciles the net profit and the shareholders' equity for the year of the parent company Digital Bros S.p.A. with those for the Group as a whole.

	Net profit for the period		Shareholders' equity	
	30 June 2015	**30 June 2014**	**30 June 2015**	**30 June 2014**
Period profit (loss) and shareholders' equity of Digital Bros S.p.A.	**6,946**	**(615)**	**29,831**	**23,174**
Period profit and shareholders' equity of subsidiaries	13,815	4,609	25,855	7,897
Book value of the equity investments	0	0	(25,863)	(14,946)
Consolidation adjustments				
Impairment of investments in subsidiaries	(3,037)	2,084	1,491	9,133
Elimination of infra-group profits	(309)	(53)	(415)	(108)
Other adjustments	(8,310)	(4,100)	2,910	231
Period profit (loss) and shareholders' equity of the Group	**9,105**	**1,925**	**33,809**	**25,381**

The following is a breakdown of other adjustments as of 30 June 2015 and as of 30 June 2014:

	Net profit for the period		Shareholders' equity	
	30 June 2015	**30 June 2014**	**30 June 2015**	**30 June 2014**
Impairment of Digital Bros S.p.A. in 505 Games S.r.l.	(5,460)	0	0	5,460
Impairment of Digital Bros S.p.A. in 505 Games Spain Sl	0	0	0	1,589
Impairment of Digital Bros S.p.A. in 505 Mobile S.r.l.	0	1,470	0	1,470
Impairment of Digital Bros S.p.A. in 505 Game Entertainment S.r.l.	670	0	0	0
Impairment of Digital Bros S.p.A. in Game Network S.r.l.	876	0	0	0
Impairment of Digital Bros S.p.A. in Pipeworks Inc.	1,491		1,491	
Impairment of 505 Mobile S.r.l. in Game Network S.r.l.	0	614	0	614
Reversal of impairment of 505 Mobile S.r.l. in Game Network S.r.l.	(614)	0	0	0
Total impairment of investments in subsidiaries	**(3,037)**	**2,084**	**1,491**	**9,133**
Profits in inventory	(20)	(53)	(128)	(108)
DR Studios Ltd. and Pipeworks Inc. margin on intercompany sales	(289)	0	(287)	0
Total elimination of infra-group profits	**(309)**	**(53)**	**(415)**	**(108)**
Dividends from Game Entertainment S.r.l.	(6,000)	(3,000)	0	0
Dividends from 505 Games France S.a.S.	(1,460)	(1,100)	0	0
Amortisation/depreciation/allocation of purchase price of DR Studios Ltd., net of the related tax effect	(586)	0	1,991	0
Amortisation/depreciation/allocation of purchase price of Pipeworks Inc., net of the related tax effect	(264)	0	688	0
Other	0	0	231	231
Total other adjustments	**(8,310)**	**(4,100)**	**2,910**	**231**

13. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2015, there were no contingent assets and liabilities, as in the previous year.

14. SUBSEQUENT EVENTS

In the period following the end of the year, Digital Bros S.p.A. purchased 1,149,816 Starbreeze B shares for a total of 902 thousand euros and disposed of 2,682,904 Starbreeze B ordinary shares for a total of 3,285 thousand euros; at the same time, the parent company purchased 708,264 Starbreeze A ordinary shares for a total of 621 thousand euros.

In August and September, Digital Bros S.p.A. sold on the open market 270,000 treasury shares for a total value of 3,045 thousand euros. At the date of approval of the reports, the number of treasury shares is equal to 130,247 ordinary shares.

On 11 September 2015, the Group acquired 49% of the Italian video game developer Ovosonico S.r.l. for 720 thousand euros. The company is based in Varese and employs about 25 people. Among the products already developed, Murasaki Baby, award-winning video game published by Sony Computer Entertainment, stands out.

15. OUTLOOK

For the Publishing business segment for the following year, management expects the continuation of the success of PAYDAY2 in the PC version released on Steam. A good level of turnover generated by the console versions is expected following the launch of PAYDAY2: Crimewave edition for next generation consoles in June 2015. New products will be launched in the second half of the year with particular emphasis on Assetto Corsa, produced by an Italian developer and already successful in the PC version.

For the Mobile business segment, it is expected that Terraria in the different versions will continue to generate revenues for the entire year along with Battle Islands, intellectual property of the Group, which will benefit from the launch of the version for Microsoft Xbox One in the second quarter of the year.

Italian Distribution volumes will be virtually stable compared to the previous year; however, the business segment may benefit from significant cost savings as a result of cost containment policies already implemented in the current year.

The Development business segment will continue to develop projects started in the previous year and is expected it may still benefit from orders with third clients. After the past year, the Development business segment was correctly adjusted according to the contracts in progress and may achieve economic balance.

For the business segment Other Activities, there are good expectations for the launch of the product Fantasfida, game of skill that will be launched on the Italian market by Game Network S.r.l. in September 2015 with a significant marketing campaign to support the launch.

At consolidated level, the expectations for the year ending 30 June 2016 are aligned with the year just ended both in terms of revenues and margins. The percentage of digital revenues on retail revenues will tend to grow again, resulting in expectations for reduction in net debt although at lower rates than those seen in recent years, due to the Group's investments for the launch of OVERKILL's The Walking Dead and the products developed by the subsidiary Pipeworks Inc.

16. OTHER INFORMATION

EMPLOYEES

Below are the details of the workforce at 30 June 2015 with comparative figures at 30 June 2014:

Type	30 June 2015	30 June 2014	Change
Executives	10	9	1
Office workers	204	118	86
Blue-collar workers and apprentices	4	6	(2)
Total employees	**218**	**133**	**85**

The same details for employees at the Group's foreign companies are as follows:

Type	30 June 2015	30 June 2014	Change
Executives	5	3	2
Office workers	149	58	91
Total foreign employees	**154**	**61**	**93**

The average headcount for the period, calculated as the average number of employees in service at the end of every month, is shown below:

Type	Average number for 2015	Average number for 2014	Change
Executives	9	9	0
Office workers	190	120	70
Blue-collar workers and apprentices	6	6	0
Total employees	**197**	**135**	**62**

The average headcount at foreign companies is as follows:

Type	Average number for 2015	Average number for 2014	Change
Executives	4	3	1
Office workers	131	59	72
Total foreign employees	**135**	**62**	**73**

The increase in the number of foreign employees is the result of the acquisitions made during the period and described previously.

The Group's Italian subsidiaries use the current Confcommercio national collective employment contract for the commercial, distribution and services sector.

ENVIRONMENT

At 30 June 2015 there were no issues of an environmental nature, and as the Group's environment-related activities consist chiefly of packing and shipping video games and affixing labels to packaging, there is no reason any such problems should arise in the future.

17. CORPORATE GOVERNANCE AND OWNERSHIP REPORT

The report on corporate governance and ownership structure, which describes how the Digital Bros Group complies with the Code of Conduct for Listed Companies endorsed by Borsa Italiana S.p.A. and provides the additional information required by Art. 123-*bis* of the Consolidated Finance Act, is published in Italian and English in the Investors section of www.digitalbros.com.

18. REMUNERATION REPORT

The remuneration report, containing the information required by Art. 123-*ter* of the Consolidated Finance Act, is published in Italian and English in the Investor Relations section of www.digitalbros.com.

Consolidated Financial Statements at 30 June 2015

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated statement of financial position at 30 June 2015

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	4,841	3,232	1,609	49.8%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	7,946	2,141	5,805	n.s.
4	Equity investments	1,274	310	964	0.0%
5	Non-current receivables and other assets	1,058	1,041	17	1.7%
6	Deferred tax assets	2,240	4,217	(1,977)	-46.9%
	Total non-current assets	**17,359**	**11,396**	**5,963**	**52.3%**
	Non-current liabilities				
7	Employee benefits	(486)	(540)	54	-10.0%
8	Non-current provisions	(170)	(205)	35	-16.8%
9	Other non-current payables and liabilities	(589)	0	(589)	0.0%
	Total non-current liabilities	**(1,245)**	**(745)**	**(500)**	**67.1%**
	Net working capital				
10	Inventories	12,881	14,779	(1,898)	-12.8%
11	Trade receivables	36,350	42,318	(5,968)	-14.1%
12	Tax credits	2,466	3,818	(1,352)	-35.4%
13	Other current assets	6,148	3,366	2,782	82.6%
14	Trade payables	(26,929)	(22,034)	(4,895)	22.2%
15	Tax payables	(3,029)	(4,028)	999	-24.8%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,859)	(1,580)	(279)	17.7%
	Total net working capital	**26,028**	**36,639**	**(10,611)**	**-29.0%**
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,417)	(19,509)	92	-0.5%
20	Treasury shares	1,199	1,574	(375)	-23.8%
21	Retained earnings (losses)	(9,947)	(1,802)	(8,144)	n.s.
	Total shareholders' equity	**(33,809)**	**(25,381)**	**(8,428)**	**33.2%**
	Total net assets	***8,333***	***21,909***	***(13,576)***	***-62.0%***
22	Cash and cash equivalents	4,339	3,690	649	17.6%
23	Current payables to banks	(12,738)	(22,355)	9,617	-43.0%
24	Other current financial assets and liabilities	1,685	(3,225)	4,910	n.s.
	Current net financial position	**(6,714)**	**(21,890)**	**15,176**	**-69.3%**
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
27	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**	**n.s.**
	Total net financial position	***(8,333)***	***(21,909)***	***13,576***	***-62.0%***

Digital Bros Group

Consolidated income statement at 30 June 2015

	EUR/000	30 June 2015		30 June 2014		Change	
1	Gross revenues	121,244	104.5%	141,574	106.3%	(20,330)	-14.4%
2	Revenue adjustments	(5,254)	-4.5%	(8,429)	-6.3%	3,175	-37.7%
3	**Total net revenues**	**115,990**	**100.0%**	**133,145**	**100.0%**	**(17,155)**	**-12.9%**
4	Purchase of goods for resale	(34,104)	-29.4%	(46,394)	-34.8%	12,290	-26.5%
5	Purchase of services for resale	(5,374)	-4.6%	(6,570)	-4.9%	1,196	-18.2%
6	Royalties	(28,328)	-24.4%	(36,909)	-27.7%	8,581	-23.2%
7	Changes in finished product inventories	(1,898)	-1.6%	(5,904)	-4.4%	4,006	-67.9%
8	**Total cost of sold products**	**(69,704)**	**-60.1%**	**(95,777)**	**-71.9%**	**26,073**	**-27.2%**
9	**Gross profit (3+8)**	**46,286**	**39.9%**	**37,368**	**28.1%**	**8,918**	**23.9%**
10	Other revenues	2,295	2.0%	264	0.2%	2,031	n.s.
11	Cost of services	(11,733)	-10.1%	(14,357)	-10.8%	2,625	-18.3%
12	Rent and leasing	(1,548)	-1.3%	(1,338)	-1.0%	(210)	15.6%
13	Personnel costs	(17,853)	-15.4%	(12,569)	-9.4%	(5,284)	42.0%
14	Other operating costs	(1,371)	-1.2%	(1,190)	-0.9%	(181)	15.3%
15	**Total operating costs**	**(32,505)**	**-28.0%**	**(29,454)**	**-22.1%**	**(3,051)**	**10.4%**
16	**EBITDA (9+10+15)**	**16,076**	**13.9%**	**8,178**	**6.1%**	**7,898**	**96.6%**
17	Amortisation and depreciation	(2,920)	-2.5%	(1,211)	-0.9%	(1,709)	n.s.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(1,455)	-1.3%	(32)	0.0%	(1,423)	n.s.
20	Write-backs of assets and non-monetary income	641	0.6%	0	0.0%	641	0.0%
21	**Total non-monetary income and operating costs**	**(3,734)**	**-3.2%**	**(1,243)**	**-0.9%**	**(2,491)**	**n.s.**
22	**EBIT (16+21)**	**12,342**	**10.6%**	**6,935**	**5.2%**	**5,407**	**78.0%**
23	Interest and financial income	3,939	3.4%	348	0.3%	3,591	n.s.
24	Interest and financial expenses	(2,027)	-1.7%	(2,723)	-2.0%	696	-25.6%
25	**Financial income and charges**	**1,912**	**1.6%**	**(2,375)**	**-1.8%**	**4,287**	**n.s.**
26	**Pre-tax income (22+25)**	**14,254**	**12.3%**	**4,560**	**3.4%**	**9,694**	**n.s.**
27	Current taxes	(3,897)	-3.4%	(435)	-0.3%	(3,463)	n.s.
28	Deferred taxes	(1,252)	-1.1%	(2,200)	-1.7%	948	-43.1%
29	**Total income taxes**	**(5,149)**	**-4.4%**	**(2,635)**	**-2.0%**	**(2,515)**	**n.s.**
30	**Net profit (26+29)**	**9,105**	**7.8%**	**1,925**	**1.4%**	**7,180**	**n.s.**
	Net income per share:						
33	**Basic earnings per share (in euros)**	**0.67**		**0.14**		**0.53**	**n.s.**
34	**Diluted earnings per share (in euros)**	**0.67**		**0.14**		**0.53**	**n.s.**

Digital Bros Group

Consolidated statement of comprehensive income at 30 June 2015

EUR/000	30 June 2015	30 June 2014	Change
Net profit (loss) for the period (A)	**9,105**	**1,925**	**7,180**
Items that will not subsequently be reclassified to the income statement (B)			
Actuarial profit (loss)	30	(50)	80
Tax effect relating to the actuarial profit (loss)	(8)	14	(22)
Differences from the conversion of foreign accounts	(389)	353	(742)
Tax effect relating to the conversion differences of foreign accounts	0	0	0
Fair value adjustment of shares “available for sale”	330	0	330
Tax effect related to the fair value adjustment of shares “available for sale”	(90)	0	(90)
Items that will subsequently be reclassified to the income statement (C)	**(127)**	**317**	**(444)**
Total other items of comprehensive profit D = (B)+(C)	**(127)**	**317**	**(444)**
Total comprehensive profit (loss) (A)+(D)	**8,978**	**2,242**	**6,736**
Attributable to:			
Shareholders of the parent company	**8,978**	**2,242**	**6,736**
Equity investments pertaining to third parties	0	0	0

Digital Bros Group

Consolidated statement of cash flows at 30 June 2015

	EUR/000	**30 June 2015**	**30 June 2014**
A.	**Net financial position at beginning of period**	**(21,909)**	**(34,319)**
B.	**Cash flow from operating activities**		
	Net profit (loss) pertaining to the group	9,105	1,925
	Provisions and non-monetary costs:		
	Provisions and impairment of assets	814	32
	Intangible fixed assets	2,417	836
	Tangible fixed assets	503	375
	Net change to other provisions	(35)	(125)
	Net change to employee benefits	(54)	10
	Net change of other non-current liabilities	589	0
	SUBTOTAL B.	**13,339**	**3,053**
C.	**Changes in net working capital**		
	Inventories	1,898	5,904
	Trade receivables	5,154	(4,426)
	Tax credits	1,352	(1,747)
	Other current assets	(2,782)	958
	Trade payables	4,895	9,250
	Tax payables	(999)	27
	Current provisions	0	0
	Other current liabilities	279	(867)
	SUBTOTAL C.	**9,797**	**9,098**
D.	**Cash flow from investing activities**		
	Net investments in intangible fixed assets	(8,222)	(1,709)
	Net investments in tangible fixed assets	(1,658)	(145)
	Net investments in financial fixed assets	997	1,796
	SUBTOTAL D.	**(8,883)**	**(58)**
E.	**Cash flow from financing activities**		
	Capital increases	0	0
	SUBTOTAL E.	**0**	**0**
F.	**Changes in consolidated shareholders' equity**		
	Dividends distributed	(960)	0
	Changes in treasury shares held	375	0
	Increases (decreases) in other items of shareholders' equity	(92)	317
	SUBTOTAL F.	**(677)**	**317**
G.	**Period cash flow (B+C+D+E+F)**	**13,576**	**12,410**
H.	**Closing net financial position (A+G)**	**(8,333)**	**(21,909)**

Notes to the statement of cash flows

Details of cash flow movements by maturity:

EUR/000	**30 June 2015**	**30 June 2014**
Increase (decrease) in securities and liquid funds	382	1,979
Decrease (increase) in current payables to banks	9,617	10,349
Decrease (increase) in other current financial assets and liabilities	4,910	(1,016)
Change in financial position due to acquisition of equity investments	267	0
Short-term period cash flow	15,176	11,312
Medium-term period cash flow	(1,600)	1,098
Period cash flow	**13,576**	**12,410**

Additional information on the consolidated statement of cash flows:

	30 June 2015	**30 June 2014**	**Change**
Income tax paid	(1,470)	(1,127)	(343)
Interest paid	(917)	(2,014)	1,097
Interest collected	2	13	(11)
Dividends	(960)	0	(960)
Total	**(3,345)**	**(3,128)**	**(217)**

Digital Bros Group

Consolidated statement of changes in equity

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (losses)	Period profit (loss)	Total retained earnings (D)	Group consolidated shareholders' equity (A+B+C+D)
Total as at 01 July 2013	**5,644**	16,954	1,129	1,367	(208)	0	**19,242**	**(1,574)**	1,403	(1,576)	**(173)**	**23,139**
Allocation of period profit							**0**		(1,576)	1,576	**0**	**0**
Other changes							**0**				**0**	**0**
Comprehensive profit (loss)					334		**334**			412	**412**	**746**
Total as at 30 June 2014	**5,644**	16,954	1,129	1,367	126	0	**19,576**	**(1,574)**	(173)	412	**239**	**23,885**
Total as at 01 July 2014	**5,644**	16,954	1,129	1,367	145	(86)	**19,509**	**(1,574)**	(122)	1,924	**1,802**	**25,381**
Allocation of period profit							**0**		(1,924)	1,924	**0**	**0**
Distribution of dividends							**0**		(960)		**(960)**	**(960)**
Other changes						35	**35**	**375**			**0**	**410**
Comprehensive profit (loss)					(389)	262	**(127)**			9,105	**9,105**	**8,978**
Total as at 30 June 2015	**5,644**	16,954	1,129	1,367	(244)	211	**19,417**	**(1,199)**	(3,006)	12,953	**9,947**	**33,809**

Digital Bros Group

Consolidated income statement compliant with Consob Resolution 15519 (related parties)

	EUR/000	30 June 2015		30 June 2014	
			of which: related parties		of which: related parties
1	Gross revenues	121,244	0	141,574	0
2	Revenue adjustments	(5,254)	0	(8,429)	0
3	**Total net revenues**	**115,990**	**0**	**133,145**	**0**
4	Purchase of goods for resale	(34,104)	0	(46,394)	0
5	Purchase of services for resale	(5,374)	0	(6,570)	0
6	Royalties	(28,328)	0	(36,909)	0
7	Changes in finished product inventories	(1,898)	0	(5,904)	0
8	**Total cost of sold products**	**(69,704)**	**0**	**(95,777)**	**0**
		0			
9	**Gross profit (3+8)**	**46,286**	**0**	**37,368**	**0**
		0			
10	Other revenues	2,295	0	264	0
		0			
11	Cost of services	(11,733)	(200)	(14,357)	(196)
12	Rent and leasing	(1,548)	(1,047)	(1,338)	(928)
13	Personnel costs	(17,853)	0	(12,569)	0
14	Other operating costs	(1,371)	0	(1,190)	0
15	**Total operating costs**	**(32,505)**	**(1,247)**	**(29,454)**	**(1,124)**
		0			
16	**EBITDA (9+10+15)**	**16,076**	**(1,247)**	**8,178**	**(1,124)**
		0			
17	Amortisation and depreciation	(2,920)	0	(1,211)	0
18	Provisions	0	0	0	0
19	Write-down of assets	(1,455)	0	(32)	0
20	Write-backs of assets and non-monetary income	641	0	0	0
21	**Total non-monetary income and operating costs**	**(3,734)**	**0**	**(1,243)**	**0**
		0			
22	**EBIT (16+21)**	**12,342**	**(1,247)**	**6,935**	**(1,124)**
		0			
23	Interest and financial income	3,939	0	348	0
24	Interest and financial expenses	(2,027)	0	(2,723)	0
25	**Financial income and charges**	**1,912**	**0**	**(2,375)**	**0**
		0			
26	**Pre-tax income (22+25)**	**14,254**	**(1,247)**	**4,560**	**(1,124)**
		0			
27	Current taxes	(3,897)	0	(435)	0
28	Deferred taxes	(1,252)	0	(2,200)	0
29	**Total income taxes**	**(5,149)**	**0**	**(2,635)**	**0**
		0			
30	**Net profit (26+29)**	**9,105**	**(1,247)**	**1,925**	**(1,124)**

Digital Bros Group

Statement of financial position compliant with Consob Resolution 15519 (related parties)

	EUR/000	30 June 2015		30 June 2014	
	Non-current assets		**of which: related parties**		**of which: related parties**
1	Property, plant and equipment	4,841	0	3,232	0
2	Investment property	0	0	455	0
3	Intangible assets	7,946	0	2,141	**0**
4	Equity investments	1,274	0	310	0
5	Non-current receivables and other assets	1,058	768	1,041	743
6	Deferred tax assets	2,240	0	4,217	0
	Total non-current assets	**17,359**	**768**	**11,396**	**743**
	Non-current liabilities				
7	Employee benefits	(486)	0	(540)	0
8	Non-current provisions	(170)	0	(205)	0
9	Other non-current payables and liabilities	(589)	0	0	0
	Total non-current liabilities	**(1,245)**	**0**	**(745)**	**0**
	Net working capital				
10	Inventories	12,881	0	14,779	0
11	Trade receivables	36,350	0	42,318	0
12	Tax credits	2,466	0	3,818	0
13	Other current assets	6,148	0	3,366	0
14	Trade payables	(26,929)	(18)	(22,034)	(18)
15	Tax payables	(3,029)	0	(4,028)	0
16	Current provisions	0	0	0	0
17	Other current liabilities	(1,859)	0	(1,580)	0
	Total net working capital	**26,028**	**(18)**	**36,639**	**(18)**
	Shareholders' equity				
18	Share capital	(5,644)	0	(5,644)	0
19	Reserves	(19,417)	0	(19,509)	0
20	Treasury shares	1,199	0	1,574	0
21	Retained earnings (losses)	(9,947)	0	(1,802)	0
	Total shareholders' equity	**(33,809)**	**0**	**(25,381)**	**0**
	Total net assets	***8,333***	***750***	***21,909***	***725***
22	Cash and cash equivalents	4,339	0	3,690	0
23	Current payables to banks	(12,738)	0	(22,355)	0
24	Other current financial assets and liabilities	1,685	0	(3,225)	0
	Current net financial position	**(6,714)**	**0**	**(21,890)**	**0**
25	Non-current financial assets	0	0	0	0
26	Non-current payables to banks	(1,619)	0	0	0
27	Other non-current financial liabilities	0	**0**	(19)	0
	Non-current net financial position	**(1,619)**	**0**	**(19)**	**0**
	Total net financial position	***(8,333)***	***0***	***(21,909)***	***0***

Digital Bros Group

Consolidated income statement compliant with Consob Resolution 15519 (non recuerring)

	EUR/000	30 June 2015		30 June 2014	
			of which: non-recurring		of which: non-recurring
1	Gross revenues	121,244	0	141,574	0
2	Revenue adjustments	(5,254)	0	(8,429)	0
3	**Total net revenues**	**115,990**	**0**	**133,145**	**0**
		0			
4	Purchase of goods for resale	(34,104)	0	(46,394)	0
5	Purchase of services for resale	(5,374)	0	(6,570)	0
6	Royalties	(28,328)	0	(36,909)	0
7	Changes in finished product inventories	(1,898)	0	(5,904)	0
8	**Total cost of sold products**	**(69,704)**	**0**	**(95,777)**	**0**
		0			
9	**Gross profit (3+8)**	**46,286**	**0**	**37,368**	**0**
		0			
10	Other revenues	2,295	0	264	0
		0			
11	Cost of services	(11,733)	(181)	(14,357)	0
12	Rent and leasing	(1,548)	0	(1,338)	0
13	Personnel costs	(17,853)	0	(12,569)	0
14	Other operating costs	(1,371)	0	(1,190)	0
15	**Total operating costs**	**(32,505)**	**(181)**	**(29,454)**	**0**
		0			
16	**EBITDA (9+10+15)**	**16,076**	**(181)**	**8,178**	**0**
		0			
17	Amortisation and depreciation	(2,920)	0	(1,211)	0
18	Provisions	0	0	0	0
19	Write-down of assets	(1,455)	0	(32)	0
20	Write-backs of assets and non-monetary income	641	0	0	0
21	**Total non-monetary income and operating costs**	**(3,734)**	**0**	**(1,243)**	**0**
		0			
22	**EBIT (16+21)**	**12,342**	**(181)**	**6,935**	**0**
		0			
23	Interest and financial income	3,939	0	348	0
24	Interest and financial expenses	(2,027)	0	(2,723)	0
25	**Financial income and charges**	**1,912**	**0**	**(2,375)**	**0**
		0			
26	**Pre-tax income (22+25)**	**14,254**	**(181)**	**4,560**	**0**
		0			
27	Current taxes	(3,897)	0	(435)	0
28	Deferred taxes	(1,252)	0	(2,200)	0
29	**Total income taxes**	**(5,149)**	**0**	**(2,635)**	**0**
		0			
30	**Net profit (26+29)**	**9,105**	**(181)**	**1,925**	**0**

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Notes to the Consolidated Financial Statements at 30 June 2015

1. FORM, CONTENT AND OTHER GENERAL INFORMATION

The main operations of Digital Bros S.p.A. and its subsidiaries are described in the directors' report.

The consolidated financial statements at 30 June 2015 have been prepared on a going concern basis. The Group has determined that the uncertainties and risks to which it is exposed, as described in the directors' report, do not cast doubt on its ability to operate as a going concern.

Accounting standards and compliance with IFRS

The consolidated financial statements of the Digital Bros Group for the year ended 30 June 2015 have been prepared in accordance with Art. 154-*ter* of Legislative Decree 58 of 24 February 1998, as amended. These consolidated financial statements at 30 June 2015 comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Union. The term "IFRS" encompasses the International Accounting Standards (IAS) still in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). All amounts contained in the consolidated financial statements at 30 June 2015 are expressed in thousands of euros (EUR/000), unless otherwise specified.

Reporting formats

The consolidated financial statements for the year ended 30 June 2015 comply with the IAS/IFRS and with the interpretations thereof (SIC/IFRIC) endorsed by the European Commission as of that date.

The statements and the notes also include the disclosures required by Consob Resolution 15519 of 27 July 2006 and Consob Announcement 6064293 of 28 July 2006.
No changes have been made to the reporting format with respect to previous years, and all schedules are consistent with those used for the consolidated financial statements at 30 June 2014.

The financial statements are comprised of:

- the consolidated statement of financial position at 30 June 2015 with comparative figures at 30 June 2014 (the previous year-end reporting date);
- the consolidated income statement for the period from 01 July 2014 to 30 June 2015, in comparison with the consolidated income statement from 01 July 2013 to 30 June 2014;
- the consolidated statement of comprehensive income for the period from 01 July 2014 to 30 June 2015, in comparison with the consolidated statement of comprehensive income from 01 July 2013 to 30 June 2014;
- consolidated statement of cash flows from 01 July 2014 to 30 June 2015, in comparison with the statement from 01 July 2013 to 30 June 2014;
- the consolidated statement of changes in equity from 01 July 2014 to 30 June 2015 and from 01 July 2013 to 30 June 2014.

The following have been presented to supplement the information in the financial statements:

- details of cash flows by maturity, compared with movements taking place the previous year;

- additional information on the consolidated statement of cash flows, with prior-year comparison.

The first column of the statement of financial position indicates the number of the relevant note.

The statement of financial position is divided into five categories:

- non-current assets;
- non-current liabilities;
- net working capital;
- shareholders' equity;
- net financial position.

Non-current assets are those whose duration is long-term by nature, such as fixed assets to be used over several years, equity investments, and receivables due in subsequent periods. They also include investment property, and deferred tax assets regardless of when they might be realized.

Non-current liabilities cover provisions not expected to be used during the next 12 months and for post-employment benefits, in particular the provision for employee termination indemnities at the parent company and its Italian subsidiaries, and in general payables due beyond 30 June 2016.

Net working capital expresses current assets and liabilities. Because of the commercial nature of the Group's operations, net working capital is especially significant, as it represents the amount the Group invests in operating activities to help increase its turnover. Its trend in relation to business volumes, and as a function of seasonal patterns in the market, is extremely important.

Shareholders' equity consists of share capital, reserves, unallocated earnings (the profit for the year plus the portion of previous years' profits not allocated to specific types of reserve by the shareholders), as adjusted by treasury shares.

Total net assets are the sum of non-current assets plus net working capital, less non-current liabilities and equity.

The net financial position is divided into current and non-current debt and corresponds to the total of net assets.

The first column of the official consolidated income statement and of the income statement provided for segment reporting purposes indicates the number of the relevant note.

The income statement has been prepared in vertical format, with individual entries grouped by type, and shows four intermediate levels of profit:

- gross profit, the difference between net revenues and the total cost of goods sold;
- EBITDA, the difference between the gross profit and total operating costs;
- EBIT, the difference between EBITDA and total depreciation, amortization and impairment;
- pre-tax income, the difference between EBIT and net interest income or expense.

The net profit, the difference between the pre-tax profit and total tax, is followed by earnings per share.

The 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 items:

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

The statement of changes in equity has been drawn up in accordance with IFRS, and shows movements between 01 July 2013 and 30 June 2015.

There are no minority interests, which are therefore not reported.

2. ACCOUNTING STANDARDS

Figures in the financial statements were determined according to the International Accounting Standards and their interpretations in effect as of 30 June 2015.

The consolidated financial statements were prepared on the basis of the accounts at 30 June 2015 submitted by the companies in the consolidation, which have been adjusted, where necessary, to bring them into line with Group accounting policies and IAS/IFRS. All comparative figures from prior periods have been modified as necessary in order to render them IAS/IFRS-compliant.

The measurement criteria used to prepare the consolidated financial statements as at 30 June 2015 are coherent with those used to prepare the consolidated financial statements as at 30 June 2014, except as indicated in paragraph 1 "Form, content and other general information" and paragraph 1.1 "Comparability of the financial statements". Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of the consolidated financial statements as at 30 June 2015.

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost and are shown net of depreciation and impairment. No revaluations have been conducted in previous years. Any financial charges are not capitalized.

Leasehold improvements and costs incurred after purchase are capitalized only if they increase the future economic benefits associated with the asset. All other costs are charged to the income statement when incurred.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life or in relation to the term of the contract, as follows:

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

Assets acquired under existing finance leases, in which all of the risks and benefits of ownership are transferred to the Group, are recognized at the lower of purchase cost and the present value of the minimum payments due for the entire duration of the lease. The corresponding debt to the lessor is listed under financial payables. Depreciation is charged on a straight-line basis over the estimated useful life of the asset.

Leases in which the lessor substantially retains all of the risks and rewards associated with ownership of the assets are classified as operating leases. The costs of operating leases are charged to "Rent and leasing" in the income statement in relation to the term of the contract.

Land is not depreciated, although impairment losses are charged if the fair value falls below cost.

Investment property

Buildings and property units held for appreciation of the invested capital are recognized at historical cost and are not depreciated. Impairment losses are charged if their market value falls below cost.

Intangible assets

Intangible assets purchased or produced internally are capitalized in accordance with IAS 38, 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, if they have a finite useful life, are amortized on a straight-line basis over that period.

Amortization rates are as follows:

- Brands and similar rights: 20% (including intellectual property, usage rights and long-term licenses)
- Microsoft Dynamics Navision licenses: 20%
- Long-term licenses / usage rights: 20%.

Intangible assets of finite useful life are amortized systematically over their estimated useful lives, starting from the date they are available for use. Their value is tested for recoverability in accordance with IAS 36, as explained under "impairment of assets" below.

The same principle is followed for long-term usage rights and intellectual property, whose amortization method must reasonably and reliably reflect the correlation between costs and income. If that correlation cannot be objectively determined, the Group uses the straight-line method over the duration of the contract, and in any event over a period not exceeding five years.

Rights available for multiple means of exploitation that are used in the distribution business are amortized according to international best practice, considering the relationship between the income earned for each type of exploitation and the total income generated by the exploitation of that right.

The amortization charge is shown in the income statement.

Goodwill

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

When the Group acquires a business, it classifies or designates the financial assets received and the liabilities assumed in accordance with the terms of the contract and the economic and other conditions in effect on the acquisition date.

If a business combination is achieved in stages, the Group has to remeasure the fair value of the interest previously held that was valued using the equity method, and recognize any resulting gain or loss to the income statement.

Any contingent consideration is recognized at the acquisition-date fair value. A change in the fair value of contingent consideration classified as an asset or liability will be recognized in accordance with IAS 39, in the income statement or in the statement of comprehensive income. If the contingent consideration is classified as equity, it need not be remeasured until settlement of the contingency is reflected within equity. The subsequent transaction will be accounted for in equity. If contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially stated at cost, measured as the excess between the consideration paid and the amount recognized for the non-controlling interest in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the consideration paid is less than the fair value of the net assets acquired, the difference is taken to the income statement.

If the fair value of assets, liabilities and contingent liabilities can only be determined on a provisional basis, the business combination is recognized using those provisional amounts. Any adjustments arising from completion of the measurement process are recognized within 12 months of the acquisition date, recalculating all comparative figures.
After its initial recognition, goodwill is valued at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

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

Equity investments

Equity investments in associates are recognized at cost less any impairment.

The positive difference between the purchase cost and the Group's share of net equity at present values, if apparent at the time of the acquisition from third parties, is included in the carrying value of the investment.

Once a year, or more frequently if necessary, equity investments in associates undergo impairment testing in accordance with IAS 36. If there is evidence that these investments have suffered an impairment loss, the loss is recognized in the income statement as an impairment loss. If the Group's share of the company's losses exceeds its carrying value, and if the Group is obliged to respond for this, the value of the investment is reduced to zero and the Group's share of the additional losses is charged to the provisions for risks and charges on the liabilities side of the statement of financial position. If the loss in value is subsequently reversed or reduced, the impairment loss is likewise reversed up to an amount not exceeding cost.

Other financial assets available for sale

In accordance with IAS 39, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are classified as financial assets available for sale and are measured at fair value, except in situations where the fair value may not be reliably determined: in such cases, the cost method is adopted.

Gains and losses resulting from fair value adjustments are recognized in a separate reserve of total gains (losses) until they are sold or impaired; when the asset is sold, the gains and losses previously recognized in total gains (losses) are recognized in the income statement for the period. When the asset is impaired, the accumulated losses are included in the income statement under “interest and financial expenses”.

For further information on the standards regarding financial assets, refer to the specific note (“Financial assets”).

Impairment of assets

IAS 36 requires that intangible assets, property, plant and equipment, and investment property be tested for impairment by discounting future cash flows.

At least once a year, therefore, the Group tests the recoverability of these assets' carrying value. If they are found to be impaired, the asset's recoverable amount is estimated in order to determine the extent of the writedown. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is its fair value net of costs to sell or its value in use, whichever is higher. An asset's value in use is estimated by discounting the present value of estimated future cash flows at a pre-tax rate that reflects the current time value of money and the specific risks inherent to the asset.

An impairment loss is charged if the recoverable amount is below carrying value. If impairment is subsequently reduced or reversed, the carrying value of the asset or cash generating unit is written back to the new estimate of recoverable amount, not to exceed the value that would have been recognized had no impairment losses been charged. The reversal of an impairment loss is immediately recognized in the income statement.

Inventories

Finished product inventories are recognized at the lower of cost including ancillary expenses and realizable value, as estimated from market trends. Specific cost is the measurement used to define cost.

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

Receivables and payables

Receivables are recognized at their estimated realizable value. The face value of receivables is adjusted to their estimated realizable value by means of a provision for doubtful accounts, which is formed in consideration of debtors' individual situations.

Receivables from customers undergoing insolvency procedures are written off in full, or written down to the extent that legal action in course indicates their partial collectibility.

Payables are shown at face value.

Factoring of trade receivables

The Group has factored its trade receivables without recourse to various companies. In accordance with IAS 39, factored assets can be eliminated from the financial statements only when the associated risks and benefits have been substantially transferred. Thus, receivables factored without recourse that include provisions limiting the transfer of these risks and benefits at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the consolidated financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognized in the consolidated financial statements under other current financial liabilities.

Employee benefits

Employee termination indemnities (trattamento di fine rapporto or TFR), which are mandatory for Italian companies pursuant to Art. 2120 of the Civil Code, qualify as deferred compensation and depend on the employee's duration of employment and amount of compensation received while in the Company's service.

Since 1 January 2007, Italy has made significant changes to the TFR system, including the employee's choice as to where his or her benefits are to be held (in complementary pension funds or in the "Treasury Fund" managed by the Social Security agency INPS). Thus, the obligation to INPS and the payments to complementary pension funds qualify as defined contribution plans, while the amounts remaining in TFR, in accordance with IAS 19, retain their status as defined benefit plans.

Actuarial gains and losses in accordance with the amendment to IAS 19 are recognized in equity under other reserves.

Current and non-current provisions

The Group makes provisions against legal or constructive obligations to third parties whose exact amount and/or timing are unknown, and/or it is likely that the Group's resources will have to be employed to fulfil the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any changes in the estimated amount of the liability.

Changes in estimates are recorded in the income statement for the period in which the changes are made.

Financial assets and liabilities

Current financial assets, non-current financial assets, and current and non-current financial liabilities are recognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

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

Current financial assets and securities are booked on the basis of their trading date; upon first-time recognition they are valued at purchase cost including transaction expenses. Following first-time recognition, financial instruments available for sale and trading securities are posted at fair value. If the market price is unavailable, the fair value of financial instruments available for sale is measured with the most appropriate valuation techniques, such as the discounted cash flow method, using the market information available at the close of the year.

Financial liabilities cover financial and other payables, including those arising from the recognition of derivative instruments at market value.

Financial liabilities hedged by derivatives are shown at fair value, according to the rules of hedge accounting: gains and losses from subsequent recognition at fair value, due to changes in interest rates and/or exchange rates, are posted to the income statement and offset by the effective portion of the loss or gain deriving from the subsequent fair-value recognition of the instrument hedged.

Financial assets measured at fair value directly in the income statement

In accordance with the provision of IAS 39, the category includes the following cases:

- financial assets held for the specific purpose of trading;
- financial assets to be considered at fair value from their purchase.

On initial recognition, financial assets held for trading are measured at fair value, without adding directly attributable transaction costs or income that are recorded in the income statement.

All assets within this category are classified as current if they are held for trading or if they are expected to be sold within 12 months from the closing date of the financial statements.

Designation of a financial instrument to this category is final (IAS 39 only envisages some exceptional circumstances in which said financial assets may be classified in another category) and can only be done on initial recognition.
Gains or losses on “Financial assets at fair value directly through the income statement” are immediately recognized in the income statement.

The fair value is the amount for which an asset could be exchanged, or to be paid to transfer the liability (“exit price”) in an arm’s length transaction between knowledgeable and independent parties. In the case of securities traded on regulated markets, the fair value is determined with reference to bid prices at the end of trading at the closing date of the period.

Purchases or sales regulated at “market prices” are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. In cases where the fair value cannot be reliably determined, the financial asset is valued at cost, with disclosure in the notes of its type and related reasons.

Investments in financial assets may be derecognised (derecognition process) only upon expiry of the contractual rights to receive cash flows from investments (ex. final redemption of bonds subscribed) or when the Company transfers the financial asset and all related risks and benefits.

Derivative financial instruments

Derivatives are normally used to hedge the risk of fluctuation in exchange rates, interest rates and market prices. In accordance with IAS 39, derivative financial instruments may be recognized on a hedge accounting basis only if, at the inception of the hedge, the relationship is formally designated and documented; the hedge is expected to be highly effective; its effectiveness can be reliably measured; and the hedge is assessed as being highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When the financial instruments qualify for hedge accounting, the following rules apply:

- *Fair value hedge* – If a derivative financial instrument is designated as a hedge against changes in the fair value of a recognized asset or liability attributable to a particular risk that may affect the income statement, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognized in the income statement.

- *Cash flow hedge* – If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable and could affect the income statement, the effective portion of the gain or loss on the financial instrument is recognized directly in equity. The cumulative gain or loss is transferred from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement. If a hedge or a hedging relationship is closed, but the hedged transaction has not yet taken place, the gains or losses accrued up to that time in equity are reclassified to the income statement as soon as the transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses still recognized in equity are immediately taken to the income statement.

If hedge accounting cannot be used, the gains or losses arising from the fair value accounting of the derivative financial instrument are recognized immediately to the income statement.

Treasury shares

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

Revenues

Revenues are recognized when the Group is expected to obtain economic benefits whose amount can be reliably determined. Specifically, revenues from the sale of goods are recognized when the risks and benefits of ownership are transferred to the buyer, and the price has been agreed or can be determined and is expected to be received.

Revenues from services are recognized when the services are rendered and accepted by the customer.

"Gross revenues" are shown net of discounts, rebates and returns. Revenue adjustments are comprised of variable costs depending on the revenues and estimated returns from customers, both contractual and non-contractual.

Costs

Costs and other operating expenses are recognized when incurred in accordance with the principles of accrual and matching, 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 goods sold

The cost of goods sold is the purchase or production cost of products, goods and/or services for resale. It includes all materials and workmanship costs.

The item “change in inventories” refers to the gross value of year-end inventories with respect to the previous year, net of the change in provisions for inventory obsolescence.

Royalties paid for the exploitation of international and national licenses are treated as a component of the cost of goods sold.

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

Dividends received

Dividends received from equity investments are recognized when the right to receive payment is established, provided they derive from the allocation of profits earned after the interest in the company was acquired. If they derive from the distribution of reserves generated prior to the acquisition, such dividends are deducted from the carrying value of the equity investment.

Interest income and expense

Interest income and expense are recognized on an accruals basis and are shown separately in the income statement without being offset against each other.

Current taxes

Income taxes include all charges calculated on Group companies’ taxable income. Income taxes are generally recognized to the income statement, except when they pertain to items directly charged from or credited to equity, in which case the tax effect is recognized directly to equity.

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

Deferred taxes

Deferred taxes are determined according to the balance sheet liability method. They are 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 business losses and unused tax credits eligible to be carried forward are recognized in proportion to the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are calculated at the tax rates expected to be in force under the systems of the countries where the Group operates when the temporary differences are likely to be realized or reversed.
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 net profit for the period by the number of shares outstanding, net of treasury shares. For Digital Bros, diluted earnings per share is the same as basic earnings per share, since there were no financial instruments convertible into shares in circulation during the period.

Foreign currency transactions

Transactions in foreign currencies are recognized 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 closure of monetary items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognized to the income statement.

New accounting standards

The following IFRS standards, amendments and interpretations were applied for the first time by the Group with effect from 1 July 2014:

- IFRS 10 – Consolidated Financial Statements which replaces IAS 27 – Consolidated and separate financial statements, for the part relating to the consolidated financial statements and SIC-12 Consolidation – Special Purpose Vehicles (SPV). The previous IAS 27 was renamed Separate Financial Statements and regulates the accounting of investments in the separate financial statements. The main changes set forth in the new principle for the consolidated financial statements are as follows:
    - IFRS 10 establishes a single basic principle to consolidate all types of entities, and this principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
    - a definition of stronger control with respect to the past was introduced, based on the contemporary presence of the following three elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such variable returns;
    - IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on activities that significantly affect the returns of the same (concept of relevant activities);
    - IFRS 10 requires that, in assessing the existence of control, only substantial rights be considered, that is those that can be exercised in practice when significant decisions must be taken on the company acquired;
    - IFRS 10 provides practical guidelines to assist in the assessment of the existence of control in complex situations, such as de facto control, the potential voting rights, structured entities,

situations for which it is necessary to establish whether the party that has the power of decision is acting as agent or principal, etc.

In general terms, the application of IFRS 10 requires a significant amount of judgement over a certain number of application aspects.

It must be applied retrospectively from 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group.

- IFRS 11 – Joint Arrangements, which replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-controlled entities – Non-monetary contributions by venturers. The standard is not applicable to the Group.

The new standard, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations deriving from these arrangements, rather than its legal form, distinguishing these arrangements between joint ventures and joint operations. According to IFRS 11, on the contrary of the previous IAS 31, the existence of a separate vehicle is not a sufficient condition for classifying a joint arrangement as a joint venture. For joint ventures, where the parties have rights only on shareholders' equity of the agreement, the standard establishes the equity method as the only method of accounting the consolidated financial statements. For joint operations, where the parties have rights to the assets and obligations for the liabilities of the agreement, the standard involves the direct inclusion in the consolidated financial statements (and in the separate financial statements) of the pro-quota of the assets, liabilities, costs and revenues from the joint operation.

In general terms, the application of IFRS 11 requires a significant degree of judgement in certain areas of the Company with regard to the distinction between joint venture and joint operation.

The new standard shall be applied retrospectively from 1 July 2014.

Following the adoption of the new standard IFRS 11, IAS 28 - Investments in associated companies has been amended to include within its scope of application, from the effective date of the standard, also the investments in jointly controlled entities. The adoption of this new standard had no significant impact on the consolidation area of the Group;

- IFRS 12 – Disclosure of interests in other entities, which is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. It must be applied retrospectively from 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group;
- Amendments to IAS 32 "Compensation of financial assets and financial liabilities", aimed at clarifying the application of the criteria required to offset financial assets and liabilities in the financial statements (i.e. the entity currently has the legal right to offset the recognized amounts and intends either to settle the net residual amount, or to realize the asset and at the same time

settle the liability). The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group;

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities", which, for investment companies, introduce an exception to the consolidation of subsidiaries, except in cases in which said subsidiaries provide ancillary services to the investment activities carried out by the investment company. The standard is not applicable to the Group.

  In accordance with these amendments, investment entities must measure their investments in subsidiaries at fair value. The following criteria were introduced for qualification as an investment company and therefore, have access to said exception:
  - obtain funds from one or more investors for the purpose of providing them with investment management services;
  - undertake with its investors to pursue the purpose of investing the funds exclusively to obtain returns from capital revaluation, from the income of the investment or both; and
  - measure and evaluate the performance of substantially all investments on a fair value basis.

  These amendments shall apply, with the principles of reference, as of 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group;

- Amendments to IAS 36 "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets". The amendments aim to clarify that the disclosure to be provided on the recoverable amount of assets (including goodwill) or cash flow generating units subject to impairment tests, if their recoverable amount is based on the fair value net of the disposal costs, regards only assets or cash-generating units for which an impairment loss has been recognised or reversed during the year. In this case, it will be necessary to provide adequate information on the hierarchy of the fair value level of the recoverable value and the valuation techniques and assumptions used (in the case of level 2 or 3). The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group;
- Amendments to IAS 39 – Financial instruments Recognition and Measurement - Novation of derivatives and continuation of hedge accounting. The amendments regard the introduction of certain exemptions from the hedge accounting requirements defined by IAS 39 in the circumstance in which an existing derivative shall be replaced with a new derivative in a specific case in which said substitution is against a Central Counterparty – CCP following the introduction of a new law or regulation. The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the consolidation area of the Group.

IFRS and IFRIC Accounting Principles, Amendments and Interpretations approved by the European Union, not yet obligatorily applicable and not adopted by the Group in advance at 30 June 2015.

- On 20 May 2013 the interpretation IFRIC 21 – Levies, was published, which provides clarification on when recognition of a liability related to taxes (other than income taxes) imposed by a government agency. The standard is not applicable to the Group.

The standard addresses both the liabilities for taxes that fall within the scope of IAS 37 – Provisions, contingent liabilities and assets, both for the taxes where the amount and timing are certain. The interpretation is applied retrospectively for annual periods commencing no later than 17 June 2014 or later. The directors anticipate that the adoption of this new interpretation will not affect the Group's consolidated financial statements;

- On 12 December 2013, the IASB published the "Annual Improvements to IFRSs: 2010-2012 Cycle", which implements the amendments to some standards in the context of the annual process of improving the same. The main changes are:
    - IFRS 2 Share Based Payments – Definition of vesting condition. Changes have been made to the definitions of "vesting condition" and "market condition" and additional definitions of "performance condition" and "service condition" given (previously included under the definition of "vesting condition"); the standard is not applicable to the Group;
    - IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a "contingent consideration" as part of business combinations classified as a financial asset or liability must be remeasured at fair value at each year-end date and the changes in fair value shall be noted on the income statement or amongst the items of the statement of comprehensive income according to the requirements of IAS 39 (or IFRS 9); the standard is not applicable to the Group;
    - IFRS 8 Operating segments – Aggregation of operating segments. The amendments require an entity to provide information on management's considerations in applying the aggregation criteria of operating segments, including a description of the operating segments that have been aggregated and the economic indicators considered in determining whether or not said operating segments have similar economic characteristics;
    - IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The amendments clarify that the reconciliation of total assets of operating segments and total overall assets of the entity must only be presented if the total assets of the operating segments are regularly revised by the higher operating decision-making level;
    - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of said principle have been amended to clarify that with the issue of IFRS 13 and the consequent amendments to IAS 39 and IFRS 9, the possibility of booking current receivables and payables without needing to book the effects of discounting remains valid, if said effects are immaterial;
    - IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments eliminated the inconsistencies in the recognition of depreciation/amortisation when a tangible or intangible asset is subject to revaluation. The requirements of the amendments clarify that the gross book value shall be adjusted consistently with the increase in value of the asset's book value and that the provision for amortization/depreciation shall be the difference between the gross book value and the book value net of impairment recorded;

- IAS 24 Related Parties Disclosures – Key management personnel. It is clarified that if the services of key managers are provided by an entity (i.e. not by a natural person), said entity shall however be considered as a related party.

The amendments shall apply at the latest beginning the years starting 1 July 2015. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 12 December 2013, the IASB published the "Annual Improvements to IFRSs: 2011-2013 Cycle", which implements the amendments to some standards in the context of the annual process of improving the same. The main changes are:
  - IFRS 3 Business Combinations – Scope exception for joint ventures. The amendment states that paragraph 2 (a) of IFRS 3 excludes from the scope of IFRS 3 the formation of all types of joint arrangements, as defined by IFRS 11; the standard is not applicable to the Group;
  - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52). The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets and liabilities provided by IAS 32;
  - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether or not the purchase of a property falls within the scope of application of IFRS 3 or IAS 40, reference shall be made respectively to the specific indications of IFRS 3 or IAS 40.

  The amendments shall apply beginning the years starting 1 July 2015 or subsequently. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 21 November 2013, the IASB issued the amendment to IAS 19 "Defined Benefit Plans: Employee Contributions", which aims to present the contributions (relating only to the service provided by the employee during the year) made by employees or third parties to defined benefit plans to reduce the service cost for the year in which the contribution is paid. The need for this proposal stems from the introduction of the new IAS 19 (2011), which states that such contributions are to be interpreted as part of a post-employment benefit, rather than a short-term benefit and, therefore, that this contribution shall be spread over the years of service of the employee. The amendments shall apply at the latest beginning the years starting 1 July 2015. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendment.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date of these consolidated financial statements, the EU authorities had not yet finished the endorsement process necessary for the adoption of the following amendments and standards:

- On 30 January 2014, the IASB published the standard IFRS 14 – Regulatory Deferral Accounts that allows only those that adopt IFRS for the first time to continue to recognize the amounts related to activities subject to regulated tariffs ("Rate Regulation Activities") under previous accounting principles adopted. As the Group is not a first-time adopter, said standard is not applicable;
- On 6 May 2014, the IASB issued amendments to IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations" relating to the accounting for the purchase of stakes in a joint operation whose activity constitutes a business in the meaning provided by IFRS 3. The standard is not applicable to the Group.

  The amendments require that for these cases the principles set out in IFRS 3 apply related to the effects of a business combination.

  The amendments are applicable starting from 1 January 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 12 May 2014, the IASB issued amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation". The amendments to IAS 16 require that the amortization criteria based on revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the use of the amortized asset generally reflect different factors only from the consumption of the economic benefits of the asset. The amendments to IAS 38 introduce a related presumption, according to which a depreciation method based on revenues is normally considered inappropriate for the same reasons laid down by the amendments made to IAS 16. In the case of intangible assets, this presumption can be exceeded, however only in limited and specific circumstances.

  The amendments are applicable starting from 1 July 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers, which is destined to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model of revenue recognition that shall apply to all contracts with clients except those that fall within the scope of application of other IAS/IFRS principals such as leasing, insurance contracts and financial instruments. The fundamental steps for the recognition of revenues according to the new model are:

- identification of the contract and with the client;
- identification of the performance obligations of the contract;
- determination of the price;
- allocation of the price to the performance obligations of the contract;
- criteria for recognition of revenues when the entity meets each performance obligation.

The standard is applicable starting from 1 July 2017. However, earlier application is permitted. The directors expect that the application of IFRS 15 will not have a significant impact on the amounts recorded as revenues and the related disclosure in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis of contracts with clients;

- On 30 June 2014, the IASB issued some amendments to the standards IAS 16 Property, plant and equipment and IAS 41 Agriculture – Bearer Plants. The standard is not applicable to the Group.

  The amendments require that the bearer plants, or fruit trees that shall produce annual crops (such as vines, plant nuts) shall be accounted for in accordance with the requirements of IAS 16 (rather than IAS 41). This means that such assets shall be valued at cost rather than at fair value less costs to sell (however, the use of the revaluation method proposed by IAS 16 is permitted). The proposed amendments are confined to the trees used to produce seasonal fruits and not to be sold as living plants or subject to crop such as agricultural products. Said trees fall into the scope of IAS 16 also during the phase of biological maturation, that is until they are able to generate agricultural products.

  The amendments are applicable starting from 1 January 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 24 July 2014, the IASB published the final version of IFRS 9 – Financial instruments. The document includes the results of the phases relating to classification and measurement, impairment and hedge accounting, of the IASB's project aimed at replacing IAS 39. The new standard, which replaces the previous version of IFRS 9, shall be applied for financial statements beginning on 1 July 2018.

  Following the financial crisis of 2008, at the request of the main financial and political institutions, the IASB started the project aimed at the replacement of IFRS 9 and proceeded in phases. In 2009, the IASB published the first version of IFRS 9 that only covered the Classification and measurement of financial assets; later, in 2010, the criteria were published for the classification and measurement of financial liabilities and derecognition (the latter topic was transposed unchanged by IAS 39). In 2013, IFRS 9 was amended to include the general model of hedge accounting. Following the current publication, which also includes impairment, IFRS 9 shall be considered completed with the exception of criteria regarding macro hedging, for which the IASB has undertaken an independent project.

The standard introduces new criteria for classifying and measuring financial assets and liabilities. In particular for financial assets, the new principle uses a single approach based on management procedures for financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the valuation criteria, replacing the many different regulations in IAS 39. In terms of financial liabilities, the main modification introduced concerns the recognition of variations in the fair value of financial liabilities measured at fair value in the income statement whenever these changes are due to a change in the issuer's creditworthiness of the liability. Under the new standard, these changes must be recognized in the statement "Other comprehensive income" and no longer in the income statement.

With reference to the impairment model, the new standard requires the estimate of losses on receivables to be made on the basis of the model of expected losses (and not on the model of incurred losses) using supportable information, available without unreasonable effort or expense that include current and prospective historical data. The standard requires that the impairment model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39 that sometimes were considered too stringent and unsuitable to reflect the risk management policies of the Company. The main developments are as follows:

- increase in the types of transactions eligible for hedge accounting, also including the risks eligible for hedge accounting of non-financial items;
- changes in the way forward contracts and options are accounted for when they are in a hedge accounting relationship, in order to reduce volatility of the income statement;
- overhaul of the effectiveness test through replacement of the current methods based on the 80-125% parameter with the principle that an "economic relationship" must exist between the hedged item and hedging instrument; in addition, retrospective assessment of hedge effectiveness is no longer required.

The greater flexibility of the new accounting requirements is counterbalanced by enhanced disclosure requirements about the entity's risk management activities. The directors do not expect that the application of IFRS 9 may have a significant impact on the amounts and the disclosure in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis;

- On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The standard is not applicable to the Group. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

  According to the provisions of IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the shareholding in the joint venture or associate by other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced require that for a sale/transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/transferor depends on whether the asset or subsidiary sold/transferred constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity shall be eliminated. The amendments are applicable starting from 1 January 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 25 September 2014, the IASB published the document: "Annual Improvements to IFRSs: 2012-2014 Cycle". The amendments introduced by the document shall be applied beginning the years starting 1 July 2016.
  The document introduces amendments to the following standards:
  - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment introduces specific guidelines to the standard in the case in which an entity reclassifies an asset (or disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa), or when the classification requirements no longer apply of an asset as held-for-distribution. The amendments define that (i) such reclassification shall not be considered as a change to a sales plan or a distribution plan and that the same criteria for the classification and evaluation shall remain valid; (ii) the assets that no longer meet the classification criteria for the held-for-distribution shall be treated the same way as an asset no longer classified as held-for-sale;
  - IFRS 7 – Financial Instruments: Disclosure. The amendments govern the introduction of additional guidelines to clarify whether a servicing contract constitutes residual involvement in a transferred asset for the purposes of the disclosure required in relation to the assets transferred. Moreover, it is clarified that the disclosure on the compensation of financial assets and liabilities is normally not explicitly required for interim financial statements. However, said disclosure may be necessary to fulfil the requirements of IAS 34, in the case of significant information;
  - IAS 19 – Employee Benefits. The document introduces amendments to IAS 19 to clarify that the high quality corporate bonds used to determine the discount rate of post-employment benefits shall be in the same currency used for the payment of the benefits. The amendments clarify that the scope of the market of high quality corporate bonds to be considered shall be the one in terms of currency;
  - IAS 34 – Interim Financial Reporting. The document introduces amendments in order to clarify the requirements to be met in the event that the disclosure required is presented in the interim financial report, however outside of the interim financial statements. The amendment specifies that said disclosure is included through a cross-reference from the

interim financial statements to other parts of the interim financial report and that said document is available to readers of the financial statements in the same manner and with the same timing of the interim financial statements.

The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 18 December 2014, the IASB published the amendment to IAS 1 - Disclosure Initiative. The objective of the amendments is to provide clarification to disclosure elements that may be perceived as impediments to a clear and intelligible drafting of financial statements. The main amendments are as follows:
  - Materiality and aggregation: it is clarified that a company shall not obscure information aggregating or disaggregating it and that the considerations of materiality shall apply to the financial statements, notes and specific disclosure requirements of the IFRS. The disclosures specifically required by IFRS shall be provided only if the information is significant;
  - Statement of financial position and statement of comprehensive income: it is clarified that the list of items specified by IAS 1 for these statements may be disaggregated and aggregated as appropriate. A guideline on the use of subtotals within the prospectuses is also provided;
  - Presentation of items of Other Comprehensive Income ("OCI"): it is clarified that the share of OCI of associates and joint ventures consolidated using the equity method shall be presented in aggregate form in a single item, in turn divided between components susceptible or not to future reclassifications to the income statement;
  - Notes: it is clarified that entities have flexibility in defining the structure of the notes and a guideline is provided on how to set up a systematic order of the notes themselves, for example:
    i. Giving prominence to those that are most relevant for the purposes of understanding the economic and financial position (ex. grouping information on particular activities);
    ii. Regrouping elements measured according to the same criteria (ex. assets measured at fair value);
    iii. Following the order of the elements presented in the statements.

  The amendments introduced by the document shall be applied beginning the years starting 1 July 2016. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 18 December 2014, the IASB published the document "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)", containing amendments relating to issues raised following the application of the consolidation exception granted to investment entities. The standard is not applicable to the Group.

  The amendments introduced by the document shall be applied beginning the years that start 1 January 2016 or after. However, early adoption is permitted. The directors do not expect a significant impact on the Group’s consolidated financial statements from the adoption of these amendments, as the Company does not fulfil the definition of investment company.

3. USE OF ESTIMATES

Discretionary valuations

The preparation of the consolidated financial statements for the year ended 30 June 2015 and related notes required Group companies to make certain discretionary valuations. These were used to prepare estimates and assumptions that affect the recognised value of assets and liabilities in the consolidated abridged financial statements and the information on contingent assets and liabilities as of the reporting date. They are formulated on the basis of short- and medium/long-term budgets that are constantly updated and approved by the Board of Directors prior to the approval of all financial reports.

Estimates are based on data reflecting current available knowledge; they are periodically reviewed and the effects are conveyed in the income statement. Actual results may differ even substantially from these estimates due to changes in the factors considered when formulating them. Estimates are used, in particular, to report provisions for doubtful accounts, the measurement of inventories, depreciation and amortization, asset impairment, employee benefits, deferred taxes, and other provisions and reserves.

The main sources of uncertainty in making estimates concerned doubtful accounts, inventory impairment, employee benefits, revenue adjustments, royalties, and deferred taxes.

Credit risk

For the Group's Italian companies, the risk of credit default is assessed periodically, on the basis of opinions provided by the external legal advisor in charge of customer disputes. According to the Group's credit collection procedure, receivables not paid within 45 days of falling due are passed on to the legal advisor for collection. Frequent meetings between the legal advisor and the credit manager, and frequent updates of the legal advisor's collectibility forecasts, make the estimate of doubtful accounts reliable over time.

As for the receivables of foreign subsidiaries, the policy is to stay within the insurance limits for individual customers, so there are no particular issues of risk assessment.

Valuation of inventories

The Group values inventories on a quarterly basis, in consideration of the rapid obsolescence of its products. Impairment losses may be charged to reflect individual products' lower market value with respect to their historical cost. To arrive at these estimates, the Group uses revenue forecasts for the six following quarters, produced by the sales department. Any differences found between the market valuation of a product held in inventory, taking account of its platform/price category, and its historical cost are recognized to the income statement in the period they are discovered.

Inventories in the Publishing segment are easier to value considering the smaller number of products distributed and the lower unit cost, which consists solely of the cost of physically producing the games; unit costs are therefore smaller and consequently reduce the possibility of having to resort to impairment.

Employee benefits

The Group offers no pension plans and/or other employee benefits, with the exception of the employee termination indemnities (trattamento di fine rapporto, or TFR) required by Italian law. Estimating those benefits requires an assessment of the future financial outlays that may arise as a result of employees' voluntary and involuntary departure from the Company, in relation to their seniority and the revaluation rates these benefits enjoy by law.

The TFR system underwent significant changes during the year ended 30 June 2006. Estimating the liability is still complex, due to a small portion of benefits that have remained with Group companies. To arrive at this estimate, the Group is assisted by a registered actuary to help define the necessary parameters.

Revenue adjustments

A significant cost element defined as "revenue adjustments" involves analytical computations for which the Group has adopted suitable procedures.

Revenue adjustments are made up of two kinds of cost. The first, discounts granted to customers at the end of the contractual period (known as year-end credits), are easier to determine. The second are difficult to estimate and consist of potential credit notes that the Group will have to issue to customers as a result of unsold products. To estimate this amount, management uses calculations based on an analysis by individual customer as well as an analysis by individual product, in which the risk is shown separately for price differences and potential returns. The forecast is made quarterly, on a product-by-product basis, comparing volumes sold to retailers with the volumes they have sold to end consumers. The availability of sales classifications on a single national basis makes the forecast reliable over time, often product inventory data can be used for certain clients that make forecasts even easier.

Royalties and advances to developers for licenses

The method of calculating royalties varies according to the type of contract the Group has in place. Over time, the number of contracts that involve fluctuating royalties with a guaranteed minimum and/or a fixed development portion has increased. Management has to estimate the future benefit these types of contract will produce in the following quarters in order to respect the principle of matching costs and income, which is based on sales forecasts for the subsequent periods after valuation. The sales forecasts are based on medium term (three-year) planning, which is revised twice a year. If determining royalties for products with digital and/or mobile distribution, the three-year planning revision of revenues takes place respectively once a week and once a month.

Deferred tax assets and liabilities

There are two areas of uncertainty in the calculation of deferred taxes. The first is their recoverability, an uncertainty the Group mitigates by comparing the deferred tax assets recognized by individual companies with their budgets. The second is the tax rate, which is assumed to be constant over time, and to equal the rates currently applicable in the various countries where the Group is active and/or modified if we can already be certain that the changes will come into force.

4. CONSOLIDATION METHODS

Subsidiaries

Subsidiaries are companies the Group controls. Control exists when the Group has the power, directly or indirectly, to influence their financial and managerial policies in such a way as to obtain benefits from their operations. The accounts of subsidiaries are included in the consolidated financial statements at 30 June 2015 from the date control is assumed until the date control ceases to exist.

The accounts used for the consolidation are prepared as of the same reporting date, and are converted from local accounting standards to those employed by the Group.

Associates are consolidated using the equity method.

Translation of foreign currency accounts

The Group's presentation currency is the euro, which is also the functional currency of the parent company. At the close of the period, the financial statements of foreign companies with a functional currency other than the euro were translated into the presentation currency as follows:

- assets and liabilities were translated using the exchange rate in force at the close of the financial period;
- income statement items were translated using the average exchange rate for the period;
- equity items were translated at historical exchange rates.

The exchange differences arising from this process are recognized directly to equity, in a separate translation reserve under the heading "reserves".

Transactions eliminated in the consolidation process

In preparing the consolidated financial statements at 30 June 2015, all assets, liabilities, and economic and financial transactions existing between Group companies have been eliminated, as have unrealized profits and losses on intercompany transactions.

Scope of consolidation

The tables below show the details of companies consolidated on a line-by-line basis and according to the equity method.

Companies consolidated on a line-by-line basis:

Company	Operative offices	Country	Share capital	Share held directly or indirectly
Digital Bros S.p.A.	Milan	Italy	€5,644,334.80	Parent company
Digital Bros Game Academy S.r.l.	Milan	Italy	€50,000	100%
DR Studios Ltd. (1)	Milton Keynes	United Kingdom	£60,826	100%
Game Entertainment S.r.l.	Milan	Italy	€100,000	100%
Game Network S.r.l.	Milan	Italy	€100,000	100%
Game Service S.r.l.	Milan	Italy	€50,000	100%
Pipeworks Inc. (1)	Eugene	USA	$61,929	100%
505 Games S.r.l.	Milan	Italy	€100,000	100%
505 Games France S.a.s.	Francheville	France	€100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	€100,000	100%
505 Games Ltd.	Milton Keynes	United Kingdom	£100,000	100%
505 Games (US) Inc.	Calabasas	USA	$100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€50,000	100%
505 Games Interactive Inc.	Calabasas	USA	$100,000	100%
505 Mobile S.r.l.	Milan	Italy	€100,000	100%
505 Mobile (US) Inc.	Calabasas	USA	$100,000	100%

(1) consolidated as from 01 September 2014

Digital Bros Game Academy S.r.l. became operational in the third quarter of the year.

505 Games Nordic AB was not operational during the period.

On 12 September 2014, the Group finalised the acquisition of the company DR Studios Ltd. and Pipeworks Inc., with economic and equity effect retroactive as at 01 September 2014, the date on which they were fully consolidated.

Companies carried at equity:

Company name	Operative offices	Share capital	Share held directly	Share held indirectly
Games Analytics Ltd.	Edinburgh	£2,847,000	1.76%	0%
Ebooks&Kids S.r.l.	Milan	€26,366	16%	0%
Cityglance S.r.l.	Milan	€10,000	37.5%	0%

5. EQUITY INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

Equity investments held by the Group companies as at 30 June 2015 are as follows:

- a 1.76% interest in Games Analytics Ltd., acquired on 3 July 2013 and recognized at cost in the amount of 60 thousand euros (50 thousand pounds);

- 16% of the capital of the company Ebooks&Kids S.r.l., registered at cost in the amount of 200 thousand euros. The equity investment was purchased in view of a first subscription on 7 July 2013 for 70 thousand euros of which 68.7 thousand euros by way of premium and, thereafter, on 13 February 2014, of a further subscription of a share capital increase for 130 thousand euros, of which 127.1 thousand euros by way of premium;

- 37.5% of the company Cityglance S.r.l., booked for 45 thousand euros. That amount includes 3,750.00 euros for the share capital subscribed and about 41 thousand euros in costs incurred by Digital Bros S.p.A. to develop the company's operations, which were therefore added to the value of the investment.

In the year, the Group sold the entire shareholding in Italian Gaming Entertainment S.r.l., of 40% of the share capital, which was recorded for 5 thousand euros.

6. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method envisaged by IFRS 3. At the date on which the acquisition takes effect, the assets and liabilities being transferred are recognized at their fair value, with the exception of those for deferred taxes and employee benefits, which are measured according to the relevant accounting standard. Transaction costs are booked on the income statement.

The identifiable assets acquired and liabilities assumed are noted at fair value as at the acquisition date; the following items are an exception to this, which are instead valued according to the reference standard:

- deferred tax assets and liabilities;
- assets and liabilities for employee benefits;
- liabilities or capital instruments relating to share-based payments of the business acquired or share-based payments relative to the Group, issued in lieu of contracts of the business acquired;
- assets held for sale and discontinued assets and liabilities.

As previously mentioned, September 2014 saw completion of the purchase of DR Studios Ltd. and Pipeworks Inc., respectively by the company 505 Mobile S.r.l. and the parent company Digital Bros S.p.A. The acquisition entered into effect from 31 August 2014. During the period, moreover, the process required to determine the fair value of the identifiable assets acquired and identifiable liabilities assumed by the companies DR Studios Ltd. and Pipeworks Inc., as required by the application of the purchase method, was completed.

The equity values as at 31 August 2014 of the assets and liabilities acquired by the Group, adjusted as described, are given below:

Dr Studios Ltd.

	EUR/000	Equity balances	Allocation of the purchase price	Fair value
	Non-current assets			
1	Property, plant and equipment	29	0	29
3	Intangible assets	0	3,554	3,554
6	Deferred tax assets	0	(977)	(977)
	Total non-current assets (A)	**29**	**2,577**	**2,606**
11	Trade receivables	401	0	401
13	Other current assets	46	0	46
14	Trade payables	(42)	0	(42)
15	Tax payables	(45)	0	(45)
17	Other current liabilities	(18)	0	(18)
	Total net working capital (B)	**342**	**0**	**342**
22	Cash and cash equivalents	319	0	319
	Current net financial position (C)	**319**	**0**	**319**
	Shareholders' equity (A+B+C)	**690**	**2,577**	**3,267**
	Purchase price			**3,267**

Pipeworks Inc.

	EUR/000	Equity balances	Allocation of the purchase price	Fair value
	Non-current assets			
1	Property, plant and equipment	88	0	88
3	Intangible assets	27	1,314	1,341
6	Deferred tax assets	0	(361)	(361)
	Total non-current assets (A)	**115**	**953**	**1,068**
11	Trade receivables	69	0	69
13	Other current assets	39	0	39
14	Trade payables	(52)	0	(52)
15	Tax payables	0	0	0
17	Other current liabilities	(119)	0	(119)
	Total net working capital (B)	**(63)**	**0**	**(63)**
22	Cash and cash equivalents	13	0	13
	Current net financial position (C)	**13**	**0**	**13**
	Shareholders' equity (A+B+C)	**65**	**953**	**1,018**
	Purchase price			**1,018**

At the acquisition date, the fair value evaluation of intangible assets enabled DR Studios Ltd. to record intellectual property for 3,554 thousand euros (amortised on the basis of a useful life of 3 years). Reference is made to paragraph 21 of the Notes for the changes at the closing date of the year.

At the acquisition date, the fair value evaluation of intangible assets enabled Pipeworks Inc. to record contracts for 1,314 thousand euros (amortised on the basis of a useful life of 3 years).

7. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position as at 30 June 2015 compared with the consolidated statement of financial position as at 30 June 2014 is given below:

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	4,841	3,232	1,609	49.8%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	7,946	2,141	5,805	n.s.
4	Equity investments	1,274	310	964	0.0%
5	Non-current receivables and other assets	1,058	1,041	17	1.7%
6	Deferred tax assets	2,240	4,217	(1,977)	-46.9%
	Total non-current assets	**17,359**	**11,396**	**5,963**	**52.3%**
	Non-current liabilities				
7	Employee benefits	(486)	(540)	54	-10.0%
8	Non-current provisions	(170)	(205)	35	-16.8%
9	Other non-current payables and liabilities	(589)	0	(589)	0.0%
	Total non-current liabilities	**(1,245)**	**(745)**	**(500)**	**67.1%**
	Net working capital				
10	Inventories	12,881	14,779	(1,898)	-12.8%
11	Trade receivables	36,350	42,318	(5,968)	-14.1%
12	Tax credits	2,466	3,818	(1,352)	-35.4%
13	Other current assets	6,148	3,366	2,782	82.6%
14	Trade payables	(26,929)	(22,034)	(4,895)	22.2%
15	Tax payables	(3,029)	(4,028)	999	-24.8%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(1,859)	(1,580)	(279)	17.7%
	Total net working capital	**26,028**	**36,639**	**(10,611)**	**-29.0%**
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,417)	(19,509)	92	-0.5%
20	Treasury shares	1,199	1,574	(375)	-23.8%
21	Retained earnings (losses)	(9,947)	(1,802)	(8,144)	n.s.
	Total shareholders' equity	**(33,809)**	**(25,381)**	**(8,428)**	**33.2%**
	Total net assets	***8,333***	***21,909***	***(13,576)***	***-62.0%***
22	Cash and cash equivalents	4,339	3,690	649	17.6%
23	Current payables to banks	(12,738)	(22,355)	9,617	-43.0%
24	Other current financial assets and liabilities	1,685	(3,225)	4,910	n.s.
	Current net financial position	**(6,714)**	**(21,890)**	**15,176**	**-69.3%**
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
27	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**	**n.s.**
	Total net financial position	***(8,333)***	***(21,909)***	***13,576***	***-62.0%***

1. Property, plant and equipment

This item went from 3,232 thousand euros to 4,841 thousand euros. Changes in the current year were as follows:

EUR/000	01 July 2014	Increases	Decreases	Amort./Dep.	Use of provision for amort./dep.	30 June 2015
Industrial buildings	2,011	455	0	(91)	0	2,375
Land	600	0	0	0	0	600
Industrial and commercial equipment	281	700	(46)	(233)	44	746
Other assets	340	959	(28)	(179)	28	1,120
Total	**3,232**	**2,114**	**(74)**	**(503)**	**72**	**4,841**

Changes in the previous year were as follows:

EUR/000	01 July 2013	Increases	Decreases	Amort./ Dep.	Use of provision for amort./dep.	30 June 2014
Industrial buildings	2,091	2	0	(82)	0	2,011
Land	600	0	0	0	0	600
Industrial and commercial equipment	336	140	(22)	(195)	22	281
Other assets	435	3	(64)	(98)	64	340
Total	**3,462**	**145**	**(86)**	**(375)**	**86**	**3,232**

Property, plant and equipment, with the exception of land, are depreciated over their individual useful lives.

The heading "Industrial buildings" refers to the warehouse in Trezzano sul Naviglio, which also accounts for the 600 thousand euros in land. These assets were acquired by the Group under a finance lease and are recognized in the balance sheet in accordance with IAS 17.

The increase in industrial buildings relates exclusively to the reclassification to this item of the property owned and intended for use as offices and laboratories, situated in via Labus, Milan, which has become the operative headquarters of Digital Bros Game Academy S.r.l. as of March 2015.

Total period increases came to 2,114 thousand euros, as follows:

EUR/000	30 June 2015
Improvements made to the property of the new office of 505 Games (US) Inc.	717
Office automation equipment	341
Furnishing for 505 Games (US) Inc.	86
Other investments	98
Total investments in the year (A)	**1,242**
Office automation equipment and furnishing supplied by Pipeworks Inc.	340
Office automation equipment and furnishing supplied by DR Studios Ltd.	77
Total intangible fixed assets supplied by the companies acquired (B)	**417**
Reclassification of the property in Via Labus, Milan (C)	**455**
Total increase in tangible fixed assets (A+B+C)	**2,114**

Movements in property, plant and equipment and in accumulated amortization, in this and the previous year, were as follows:

Current FY

Gross value of property, plant and equipment

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Industrial buildings	2,736	455	0	3,191
Land	600	0	0	600
Plants and machinery	24	0	0	24
Industrial and commercial equipment	3,013	700	(46)	3,667
Other assets	1,429	959	(28)	2,360
Total	**7,802**	**2,114**	**(74)**	**9,842**

Accumulated amortization

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Industrial buildings	(725)	(91)	0	(816)
Land	0	0	0	0
Plants and machinery	(24)	0	0	(24)
Industrial and commercial equipment	(2,732)	(233)	44	(2,921)
Other assets	(1,089)	(179)	28	(1,240)
Total	**(4,570)**	**(503)**	**72**	**(5,001)**

Previous FY

Gross value of property, plant and equipment

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Industrial buildings	2,734	2	0	2,736
Land	600	0	0	600
Plants and machinery	24	0	0	24
Industrial and commercial equipment	2,895	140	(22)	3,013
Other assets	1,490	3	(64)	1,429
Total	**7,743**	**145**	**(86)**	**7,802**

Accumulated amortization

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Industrial buildings	(643)	(82)	0	(725)
Land	0	0	0	0
Plants and machinery	(24)	0	0	(24)
Industrial and commercial equipment	(2,559)	(195)	22	(2,732)
Other assets	(1,055)	(98)	64	(1,089)
Total	**(4,281)**	**(375)**	**86**	**(4,570)**

2. Investment property

In the period, the amount of property investments at 30 June 2014, equal to 455 thousand euros for the owned property in Milan, was reclassified to property, plant and equipment as, from the third quarter of the year, it has become the operative headquarters of Digital Bros Game Academy S.r.l.

3. Intangible assets

All of the intangible assets recognized by the Group have finite useful lives. In the year, the Group recorded under intangible assets 3,666 thousand euros due to costs incurred for internal development and business combinations.

The table below shows the movements for this and the previous year:

EUR/000	01 July 2014	Increases	Decreases	Amort./Dep.	30 June 2015
Concessions and licences	1,298	2,380	0	(928)	2,750
Trademarks and similar rights	672	2,674	0	(1,012)	2,334
Other assets	171	1,339	0	(477)	1,033
Assets under construction	0	1,829	0	0	1,829
Total	**2,141**	**8,222**	**0**	**(2,417)**	**7,946**

EUR/000	01 July 2013	Increases	Decreases	Amort./Dep.	30 June 2014
Concessions and licences	337	1,484	0	(523)	**1,298**
Trademarks and similar rights	778	94	0	(200)	**672**
Other assets	153	131	0	(113)	**171**
Total	**1,268**	**1,709**	**0**	**(836)**	**2,141**

Assets under construction represent the costs incurred by DR Studios Ltd. and Pipeworks Inc. in relation to orders for the development of video games intended for other Group companies and the costs incurred by Game Network S.r.l. for a new game, which are not yet marketed as at 30 June 2015.

Investments made in intangible assets during the year are as follows:

EUR/000	Type	Increases
Battle Islands Brand	Trademarks and similar rights	2,670
In-company orders in progress Pipeworks Inc.	Assets under construction	1,534
Pipeworks Inc. contracts	Other assets	1,314
Rights to use Brothers	Concessions and licences	442
Rights to use Gems of Wars	Concessions and licences	374
Rights to use Battle Ages	Concessions and licences	312
Rights to use How to Survive 1.5	Concessions and licences	225
Rights to use Mythic Islands	Concessions and licences	203
Rights to use How to Survive 1.5 TPR	Concessions and licences	200
Rights to use Brothers for mobile	Concessions and licences	181
In-company orders in progress Game Network S.r.l.	Assets under construction	153
In-company orders in progress DR Studios Ltd.	Assets under construction	142
Cityglance app	Concessions and licences	112
Investments in the development of the management systems	Concessions and licences	102
Other concessions and licenses	Concessions and licences	229
Other assets	Other assets	25

Other brands	Trademarks and similar rights	4
Total increases in intangible assets		**8,222**

Movements in intangible assets and accumulated amortization for this and the previous year were as follows:

Current FY

Gross value of intangible assets

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Concessions and licences	4,215	2,380	0	6,595
Trademarks and similar rights	2,501	2,674	0	5,175
Other	339	1,339	0	1,678
Assets under construction	0	1,829	0	1,829
Total	**7,055**	**8,222**	**0**	**15,276**

Accumulated amortization

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Concessions and licences	(2,917)	(928)	0	(3,845)
Trademarks and similar rights	(1,829)	(1,012)	0	(2,841)
Other assets	(168)	(477)	0	(645)
Total	**(4,914)**	**(2,417)**	**0**	**(7,330)**

Previous FY

Gross value of intangible assets

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Concessions and licences	2,731	1,484	0	4,215
Trademarks and similar rights	2,407	94	0	2,501
Other assets	208	131	0	339
Total	**5,346**	**1,709**	**0**	**7,055**

Accumulated amortization

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Concessions and licences	(2,394)	(523)	0	(2,917)
Trademarks and similar rights	(1,629)	(200)	0	(1,829)
Other assets	(55)	(113)	0	(168)
Total	**(4,078)**	**(836)**	**0**	**(4,914)**

4. Equity investments

The equity investments held by the Group as at 30 June 2015, compared with those held as at 30 June 2014 are:

EUR/000	30 June 2015	30 June 2014	Change
Italian Gaming Entertainment S.r.l.	0	5	(5)
Games Analytics Ltd.	60	60	0
Ebooks&Kids S.r.l.	200	200	0
Cityglance S.r.l	45	45	0
Total associates	**305**	**310**	**(5)**
Starbreeze AB Shares A	969	0	969
Total other investments	**969**	**0**	**969**
Total investments	**1,274**	**310**	**964**

Changes in the year related to associates were described in paragraph 5 of the Notes “Investments in associates and other companies”.

At the close of the year, the carrying value of the equity investments in comparison with the Company’s portion of their equity was as follows:

Company name	Registered Office	Book value (a)	Share capital (b)	SE pro-rata (c)	Result for the FY	Change d=c-a
Games Analytics Ltd. (1)	Edinburgh	60	3	28	(2,352)	(32)
Ebooks S.r.l. (1)	Milan	200	26	42	2	(158)
Cityglance S.r.l. (2)	Milan	45	10	8	52	(37)
Total		**305**				

(1)The data was obtained from the financial statements at 31 December 2014

(2)The data was obtained from the interim report at 30 November 2014 approved by the Shareholders’ Meeting on 17 December 2014

The item Starbreeze AB shares A includes 783,188 shares issued by the company Starbreeze AB (listed on Nasdaq Stockholm First North Premier). These shares were measured at fair value with recognition in equity reserve of the difference between the book value and the market value at 30 June 2015 as instruments classified as available for sale.

5. Non-current receivables and other assets

These amounted to 1,058 thousand euros as at 30 June 2015.

Non-current receivables and other assets, comprised of security deposits, are made up as follows, as at 30 June 2015 and 30 June 2014:

EUR/000	30 June 2015	30 June 2014	Change
Guarantee deposits for the rental of Italian corporate offices	635	635	0
Guarantee deposits for the rental of foreign corporate offices	194	177	17
Guarantee deposits for utilities	5	5	0
Guarantee deposits for the AAMS and Bingo concession	220	220	0
Other guarantee deposits	4	4	0
Total non-current receivables and other assets	**1,058**	**1,041**	**17**

6. Deferred tax assets

Deferred tax assets are calculated on prior fiscal losses and other temporary differences between values applicable for tax purposes and those recognized in the financial statements. They are estimated assuming stable tax rates between now and the time of use, on the basis of current tax rates and/or modified rates when rates are expected to change.

As at 30 June 2015, this item was 2,330 thousand euros, down 1,887 thousand euros on 30 June 2014.

The table below shows deferred tax assets for Italian companies, foreign companies, and consolidation adjustments:

EUR/000	30 June 2015	30 June 2014	Change
Italian companies	622	1,642	(1,020)
Foreign companies	2,236	2,539	(303)
Consolidation adjustments	(618)	36	(654)
Total net working capital	**2,240**	**4,217**	**(1,977)**

The following table reports the details of temporary differences existing at 30 June 2015 and 30 June 2014:

EUR/000	30 June 2015	30 June 2014	Change
Taxed provision for doubtful receivables	1,483	1,489	(6)
Losses from previous years	323	367	(44)
Non-deductible interest expense	0	3,373	(3,373)
Other liabilities	374	496	(122)
Actuarial differences	39	16	23
Security revaluation reserve	(330)	0	(330)
Costs not deducted in previous years	359	215	144
Total differences	**2,248**	**5,956**	**(3,708)**
IRES tax rate	27.5%	27.5%	
IRES tax advances	**619**	**1,638**	**(1,019)**
IRAP tax advances	**3**	**4**	**(1)**
Tax advances from foreign subsidiaries	**2,236**	**2,539**	**(303)**
Tax advances from consolidation adjustments	**(618)**	**36**	**(654)**
Total deferred tax assets	**2,240**	**4,217**	**(1,977)**

Deferred tax assets of foreign subsidiaries are as follows:

EUR/000	**30 June 2015**
Deferred tax assets for losses - 505 Games Spain Sl	163
Deferred tax assets for losses - Pipeworks Inc.	359
Deferred tax assets for temporary differences - 505 Games (US) Inc.	1,667
Deferred tax assets for temporary differences - 505 Games Interactive	22
Deferred tax assets for temporary differences - 505 Games Mobile US	25
Total deferred tax assets of foreign subsidiaries	**2,236**

Deferred tax assets related to the tax losses of the Spanish subsidiary 505 Games Spain Slu and Pipeworks Inc.

NON-CURRENT LIABILITIES

7. Employee benefits

This provision reflects the actuarial value of the Group's effective liability to employees, calculated by an independent actuary in accordance with IAS 19. It decreased by 54 thousand euros with respect to the previous year.

Under the scope of the actuarial valuation IAS19 as at the date of 30 June 2015, a discounting rate Iboxx Corporate A was used, with a duration in excess of ten years, in line with the rate used at the end of last year. The use of a discounting rate Iboxx Corporate AA would not result in significant differences.

The calculation method can be summarised as follows:

- forecast, for each employee on the workforce as at the valuation date, of the employee termination indemnities already accrued as at 31 December 2006 and value adjusted as at the valuation date;
- determination for each employee of payments considered probable for employee termination indemnities, which will need to be made by the Company if an employee leaves through being made redundant, tendering his resignation, becoming unable to continue working, death and retirement, as well as where advances are requested;
- discounting as at the valuation date, of each probable payment.

The estimate is based on a year-end workforce at the Italian companies of 64 employees, with an average age of around 43 years.

The economic and financial parameters used in the actuarial calculation are as follows:

- annual interest rate: 2.37%;
- real annual increase rate in compensation: 1%;
- annual inflation rate equal to 0.60%, 1.20% for 2016, 1.50% for 2017 and 2018 and 2% from 2019 onwards.

The table below shows movements in the provision for employee termination indemnities, in comparison with the previous year.

EUR/000	**FY 2014/15**	**FY 2013/14**
Reserve for employee termination indemnities (T.F.R.) as at 1 July 2014	**540**	**530**
Use of the provision for disposals	(51)	(67)
Provisions for the period	215	238
Adjustment for complementary welfare	(188)	(210)
Adjustment for actuarial recalculation	(30)	49
Reserve for employee termination indemnities (T.F.R.) as at 30 June 2015	**486**	**540**

The Group has no supplementary pension plans in course.

8. Non-current provisions

These consist entirely of the provision for agents' indemnities. The amount as at 30 June 2015 of 170 thousand euros is down 35 thousand euros on 30 June 2014, when it was 205 thousand euros. The change relates to uses for 20 thousand euros, period provisions for 3 thousand euros and the elimination of positions no longer necessary for 18 thousand euros.

9. Other non-current payables and liabilities

Other non-current payables and liabilities at 30 June 2015 are composed of the long-term debt deriving from the contract for the purchase of DR Studios Ltd., which provides for the payment of two variable tranches according to revenue trends, of which the second, determined as 615 thousand euros, will be paid in September 2017.

At 30 June 2015, there are no other non-current payables and liabilities neither as at 30 June 2014.

NET WORKING CAPITAL

10. Inventories

Inventories consist of finished products for resale. Below is the breakdown of inventories by distribution channel:

EUR/000	30 June 2015	30 June 2014	Change
Inventories Italian Distribution (A)	**5,031**	**5,597**	**(566)**
Inventories 505 Games S.r.l.	786	885	(99)
Inventories foreign subsidiaries	7,064	8,297	(1,233)
Inventories Publishing (B)	**7,850**	**9,182**	**(1,332)**
Total inventories (A+B)	**12,881**	**14,779**	**(1,898)**

Inventories went from 14,779 thousand euros as at 30 June 2014 to 12,881 thousand euros as at 30 June 2015, a decrease of 1,898 thousand euros.

This reduction is due to the pursuit of the Group's strategy of selling off games for older generation consoles thus systematically reducing the finished product inventories.

11. Trade receivables

Receivables due from customers and for video game licenses showed the following movements for the year:

EUR/000	30 June 2015	30 June 2014	Change
Receivables due from customers in Italy	7,279	10,314	(3,036)
Receivables due from customers in EU	7,335	12,661	(5,324)
Receivables due from customers in the rest of world	12,279	11,298	983
Allowance for doubtful receivables	(2,069)	(1,836)	(233)
Total receivables due from customers	**24,824**	**32,437**	**(7,613)**
Receivables for licences to use video games	11,526	9,881	1,645
Total trade receivables	**36,350**	**42,318**	**(5,968)**

Total receivables due from customers recorded at 30 June 2015, amounting to 24,824 thousand euros, show a reduction of 7,613 thousand euros on the value at 30 June 2014 of 32,437 thousand euros. The decrease in receivables due from customers is due to the decrease in revenues in the Italian Distribution business segment and the particular concentration of revenues from Publishing retail distribution in the last month of the previous year with the launch of Sniper Elite V3.

Receivables are shown net of the estimated credit notes the Group may have to issue for price repositioning or returns.

Below are the details of potential credit notes to the issued:

EUR/000	30 June 2015	30 June 2014	Change
Credit notes for price repositioning	2,271	2,422	(151)
Credit notes for merchandise returns	88	251	(163)
Total credit notes to be issued	**2,359**	**2,673**	**(314)**

Credit notes to be issued for price repositioning fell by 151 thousand euros compared with 30 June 2014 while credit notes to be issued for material returns decreased by 163 thousand euros.

The provision for doubtful receivables increased by 233 thousand euros with respect to 30 June 2014. The estimated losses are based on an analysis of each customer's degree of solvency.

The provision for doubtful accounts and its movements during the year are reported below:

EUR/000	30 June 2014	Provisions	Uses	30 June 2015
Italian companies	1,662	407	0	2,069
EU companies	59	0	(59)	0
Rest of the world companies	115	0	(115)	0
Total provision for doubtful receivables	**1,836**	**407**	**(174)**	**2,069**

The following table breaks down receivables from customers by due date at 30 June 2015 and 30 June 2014:

EUR/000	30 June 2015	% of total	30 June 2014	% of total
Not past due	22,013	89%	29,777	92%
0 > 30 days	1,002	4%	1,289	4%
30 > 60 days	297	1%	197	0%
60 > 90 days	101	1%	21	0%
> 90 days	1,411	5%	1,153	4%
Total receivables due from	**24,824**	**100%**	**32,437**	**100%**

Receivables for video game licenses consist of advances paid for licenses not yet exploited or completely exploited by the close of the period. They increased in the year from 9,881 thousand euros to 11,526 thousand euros. In detail:

Amounts in euros	30 June 2015	30 June 2014	Change
Advances to developers for licences for future use	3,989	3,649	340
Advances to developers for licences partially used	7,537	6,232	1,305
Total receivables for licences to use	**11,526**	**9,881**	**1,645**

12. Tax credits

Tax credits can be broken down as follows:

EUR/000	30 June 2015	30 June 2014	Change
Credit from the national tax consolidation	1	1,731	(1,730)
VAT receivable	646	683	(37)
Foreign withholdings credit	1,083	920	163
IRES rebate for IRAP deductibility	119	119	(0)
Other receivables	617	365	252
Total tax receivables	**2,466**	**3,818**	**(1,352)**

The significant decrease in the receivable from national consolidation is mainly due to the positive result of the company included in the national tax consolidation 505 Games S.r.l. at 30 June 2015 contrarily to the previous year.

13. Other current assets

Other current assets are comprised of advances paid to suppliers, employees and sales representatives. They totalled 3,366 thousand euros as at 30 June 2014 and 6,148 thousand euros as at 30 June 2015. The composition is analysed below:

EUR/000	30 June 2015	30 June 2014	Change
Insurance reimbursements to be received	1	1	0
Advances to suppliers	5,929	3,174	2,755
Advances to employees	103	98	5
Other receivables	115	93	22
Total other current assets	**6,148**	**3,366**	**2,782**

Advances to suppliers refer chiefly to the localization and programming of video games and other operating costs, as well as amounts advanced for game production and the rental of equipment and office space. In detail:

EUR/000	30 June 2015	30 June 2014	Change
Advertising	48	110	(62)
Insurance	36	132	(96)
Rent	224	192	32
Programming	4,257	2,154	2,103
Other operating costs	1,171	436	735
Other prepaid expenses	193	150	43
Total other current assets	**5,929**	**3,174**	**2,755**

The increase of 2,755 thousand compared to 30 June 2014 is due primarily to the increase in advance payments for programming for 2,103 thousand euros of the subsidiary 505 Games S.r.l. for PAYDAY 2.

14. Trade payables

Trade payables amounted to 26,929 thousand euros at 30 June 2015, an increase of 4,895 thousand euros with respect to 30 June 2014 and are mostly due to publishers for the purchase of finished products and to developers. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Italian trade payables	(1,626)	(2,215)	589
EU trade payables	(13,437)	(9,403)	(4,034)
Rest of world trade payables	(11,866)	(10,416)	(1,450)
Total payables due to suppliers	**(26,929)**	**(22,034)**	**(4,895)**

The reduction in Italian trade payables is in line with the reduction of business in the Italian Distribution segment. The increased EU and rest of world trade payables relate to the greater payables for royalties and physical production of the video games of 505 Games S.r.l., in line with the higher sales in the Publishing and Mobile business segments.

15. Tax payables

Tax payables went from 4,028 thousand euros as at 30 June 2014 to 3,029 thousand euros as at 30 June 2015, a decrease of 999 thousand euros. In detail:

EUR/000	30 June 2015	30 June 2014	Change
Income tax	(1,311)	(1,185)	(126)
VAT payables	(769)	(1,753)	984
Other tax payables	(949)	(1,090)	141
Total tax payables	**(3,029)**	**(4,028)**	**999**

The reduction is mainly due to the decrease in the VAT payable compared with 30 June 2014 of 984 thousand euros especially due to the lesser payable for value added tax of the parent company.

16. Current provisions

There were no current provisions at 30 June 2015, as there were none at 30 June 2014.

17. Other current liabilities

Other current liabilities amounted to 1,859 thousand euros, an increase of 279 thousand euros compared to 30 June 2014. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Amounts due to social security institutions	(495)	(475)	(20)
Amounts due to employees	(970)	(774)	(196)
Amounts due to collaborators	(52)	(42)	(10)
Agents' commission	(35)	(100)	65
Other payables	(307)	(189)	(118)
Total other current liabilities	**(1,859)**	**(1,580)**	**(279)**

Amounts due to employees include pay in lieu of holiday and personal leave not taken by the end of the period, as well as the future payment of the standard contractual bonus (13th monthly salary) and the allocation related to company bonuses. The increase is due to the payable for holiday and leave not taken by Pipeworks Inc.

The significant decrease in payables for agents' commissions compared to 30 June 2014 is in line with the decrease in turnover related to the distribution of video games of Italian Distribution.

The significant increase in other payables is mainly due to the portion of the registration fees for training courses already received by Digital Bros Game Academy S.r.l., however pertinent to the following year.

SHAREHOLDERS' EQUITY

Detailed changes in shareholders' equity are reported in the consolidated statement of changes in equity. They can be summarised as follows:

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (losses)	Period profit (loss)	Total retained earnings (D)	Group consolidated shareholders' equity (A+B+C+D)
Total as at 01 July 2014	**5,644**	16,954	1,129	1,367	145	(86)	**19,509**	**(1,574)**	(122)	1,924	**1,802**	**25,381**
Allocation of period profit							**0**		(1,924)	1,924	**0**	**0**
Distribution of dividends							**0**		(960)		**(960)**	**(960)**
Other changes						35	**35**	**375**			**0**	**410**
Comprehensive profit (loss)					(389)	262	**(127)**			9,105	**9,105**	**8,978**
Total as at 30 June 2015	**5,644**	16,954	1,129	1,367	(244)	211	**19,417**	**(1,199)**	(3,006)	12,953	**9,947**	**33,809**

The share capital (unchanged with respect to 30 June 2014) is divided into 14,110,837 ordinary shares of par value 0.40 eurocents each, for a total of 5,644,334.80 euros. There are no other types of shares outstanding. There are no rights, preferences or restrictions on ordinary shares.

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

During the year, the Company sold off 125,000 of its treasury shares at the average price of 3.28 euros each, for a total value of 410 thousand euros. At 30 June 2015 it held 400,247 treasury shares valued at 1,199 thousand euros.

The changes in reserves in the period are:

EUR/000	30 June 2015
Change in the treasury share reserve	35
Change in the conversion reserve	(389)
Change in the actuarial reserve	22
Change in the security valuation reserve	240
Total changes in reserves	**(92)**

The change in the item retained earnings during the period, in addition to the result for the period, is related to the distribution of dividends for 960 thousand euros and the allocation to retained earnings of the profit achieved at 30 June 2014 amounted to 1,924 thousand euros.

NET FINANCIAL POSITION

The breakdown of the Group's net financial position as at 30 June 2015 as compared with the same data at 30 June 2014 is as follows:

	EUR/000	30 June 2015	30 June 2014	Change
22	Cash and cash equivalents	4,339	3,690	649
23	Current payables to banks	(12,738)	(22,355)	9,617
24	Other current financial assets and liabilities	1,685	(3,225)	4,910
	Current net financial position	**(6,714)**	**(21,890)**	**15,176**
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(1,619)	0	(1,619)
27	Other non-current financial liabilities	0	(19)	19
	Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**
	Total net financial position	***(8,333)***	***(21,909)***	***13,576***

Total net debt decreased to 8,333 thousand euros, down 13,576 thousand euros with respect to 30 June 2014, mainly due to a reduction in current payables to banks for 9,617 thousand euros and the increase in current financial assets and liabilities for 4,910 thousand euros.

At the close of the period, the carrying values of the financial instruments held by the Group were equal to their fair values. For cash and cash equivalents, carrying amount is a reasonable approximation of fair value since these are highly liquid forms of investment, while for finance lease liabilities (included with other financial liabilities), carrying amount is a reasonable approximation of fair value.

The following table shows the Group's financial liabilities at 30 June 2015, grouped by maturity:

EUR/000	Due within 12 months	1-5 years	over 5 years	Total
Amounts due to banks relating to current accounts	(13)	0	0	(13)
Amounts due to banks relating to the financing of import and export	(10,529)	0	0	(10,529)
Amounts due to banks relating to advances on invoices and subject to collection	(859)	0	0	(859)
Amounts due to banks for unsecured loans	(1,337)	(1,619)	0	(2,956)
Total amounts due to banks (A)	**(12,738)**	**(1,619)**	**0**	**(14,357)**
Other financial liabilities (B)	**(170)**	**0**	**0**	**(152)**
Total (A) + (B)	**(12,890)**	**(1,619)**	**0**	**(14,509)**

Current net financial position

The current net financial position is made up as follows:

	EUR/000	30 June 2015	30 June 2014	Change
22	Cash and cash equivalents	4,339	3,690	649
23	Current payables to banks	(12,738)	(22,355)	9,617
24	Other current financial assets and liabilities	1,685	(3,225)	4,910
	Total current net financial position	**(6,714)**	**(21,890)**	**15,176**

22. Cash and cash equivalents

Cash and cash equivalents at 30 June 2015, which are not restricted in any way, were comprised of sight deposits at banks and a Quadrante policy taken out by Digital Bros S.p.A. on 21 October 2002 in connection with the Montepaschivita insurance scheme. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Cash on hand and bank deposits	4,018	3,376	642
Quadrante policy with Banca Toscana	321	314	7
Total liquid funds	**4,339**	**3,690**	**649**

The Group’s liquid funds as at 30 June 2015 are 4,339 thousand euros, up 649 thousand euros on 30 June 2014.

23. Current payables to banks

Current payables to banks are comprised of account overdrafts, import-export financing, advances on invoices, advances subject to collection, and the short-term portion of two loans payable. The decrease in current payables to banks with respect to 30 June 2014 for 9,617 thousand euros is mainly due to the reduction in import-export financing and advances on invoices subject to collection only partially offset by the increase in loans payable within 12 months. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Current account overdrafts	(13)	(1,083)	1,070
Loans for import and export	(10,529)	(16,458)	5,929
Advances on invoices and subject to collection	(859)	(4,801)	3,942
Loans payable within 12 months	(1,337)	0	(1,337)
Fair value of derivatives within 12 months	0	(13)	13
Total current payables to banks	**(12,738)**	**(22,355)**	**9,617**

Payables to banks do not involve pledges, guarantees or covenants to be satisfied by the Group.

The portion of loans payable within twelve months at 30 June 2015 consists of, for 456 thousand euros, the outstanding debt of an unsecured loan granted by Banco Popolare Società Cooperativa maturing in January 2016 and for 881 thousand euros from the portion maturing in the short term of a loan granted by Unicredit S.p.A. maturing in January 2018.

The unsecured loan granted by Banco Popolare Società Cooperativa to the parent company was granted on 2 December 2014 and had an original value of 1 million euros. The loan is being paid back in twelve monthly instalments starting on 02 January 2015 and charges variable interest at the Euribor three-month rate plus a spread of 1.25 points.

The derivatives fair value was determined by the interest rate swap contract in place as at 30 June 2014 stipulated with Banca Intesa San Paolo, which was terminated at the same time as the financial lease contract relative to the Trezzano sul Naviglio warehouse, in November 2014.

24. Other current financial assets and liabilities

The breakdown of current financial assets and liabilities is as follows:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**
Starbreeze AB Shares B	1,553	0	1,553
Receivables collected by factoring companies on behalf of 505 Games Ltd.	302	0	302
Advances on the non-recourse factoring of trade receivables	(151)	(2,163)	2,012
Leasing instalments due within twelve months	(19)	(1,062)	1,043
Total other current financial assets and liabilities	**1,685**	**3,225**	**4,910**

The item Starbreeze AB shares B represents the market value at 30 June 2015 of 1,220,691 shares issued by the company Starbreeze (listed on Nasdaq Stockholm First North Premier). These shares were measured at fair value with recognition in the income statement of the difference between the book value and the market value at 30 June 2015 as instruments classified as available for sale. In July 2015, the shares were all sold with the simultaneous recognition of the gains.

Receivables collected from factoring companies on behalf of 505 Games Ltd. are amounts relating to certain receivables claimed by 505 Games Ltd. in respect of its customers and that were collected by Unicredit Factoring and Mediofactoring by 30 June 2015 and paid to the subsidiary only subsequently.

Advances on the non-recourse factoring of trade receivables, in the amount of 151 thousand euros, a decrease of 2,012 thousand euros compared with 30 June 2014.

Leasing instalments due within twelve months consist of the entire residual amount of the instalments of the financial lease contracts stipulated with Unicredit Leasing and Volkswagen Bank. The leases currently in force concern two cars. During the period, the financial lease contract for the warehouse in Trezzano sul Naviglio was redeemed for 911 thousand euros.

As at 30 June 2015, there are two lease contracts in force, with a residual debt that is all due in the short-term:

- a 50-thousand euro lease with Volkswagen Bank GmbH calling for 47 monthly payments of 1 thousand euros each, plus an advance payment of 10 thousand euros and an end-of-lease purchase option of 5 thousand euros. The lease contract matures on 01 November 2015. The amount of the instalments due within the twelve months comes to 9 thousand euros. The effective interest rate is 5.11%;

- a 46-thousand euro lease with Unicredit Leasing calling for 47 monthly payments of 1 thousand euros each, plus an advance payment of 9 thousand euros and an end-of-lease purchase option of 5 thousand euros. The lease contract matures on 02 April 2016. The amount of the instalments due within the twelve months comes to 10 thousand euros. The effective interest rate is 6.46%;

Non-current net financial position

The non-current net financial position is made up as follows:

	EUR/000	**30 June 2015**	**30 June 2014**	**Change**
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(1,619)	0	(1,619)
27	Other non-current financial liabilities	0	(19)	19
	Non-current net financial position	**(1,619)**	**(19)**	**(1,600)**

25. Non-current financial assets

There were no non-current financial assets at 30 June 2015, as there were none at 30 June 2014.

26. Non-current payables to banks

Non-current payables to banks consist exclusively of the portion with maturity beyond 12 months of a loan granted by Unicredit S.p.A. The unsecured loan granted by Unicredit S.p.A. to the parent company was granted on 1 April 2015 for a counter-value of 2.5 million euros. The loan provides for interest payments and the repayment of capital through deferred quarterly instalments starting from 31 July 2015. The interest rate is variable and is determined based on the 3-month Euribor plus a spread of 3.50 points.

27. Other non-current financial liabilities

There are no non-current financial liabilities as the debt at 30 June 2014 of 19 thousand euros was related solely to the non-current portion of the debt for two financial lease contracts which at 30 June 2015, had only short-term residual debt.

The following table shows finance lease payments by maturity:

EUR/000	**Nominal value of instalments**
Due within 12 months	19
1-5 years	0
Over 5 years	0
Total	**19**

COMMITMENTS AND RISKS

The Group's commitments are limited to the commitments for contracts signed:

EUR/000	30 June 2015	30 June 2014	Change
Commitments for purchase of Starbreeze shares	(5,534)	0	(5,534)
Commitments for contracts signed	(17,544)	(12,745)	(4,799)
Total commitments	**(23,078)**	**(12,745)**	**(10,333)**

Commitments for the purchase of A and B shares of the Swedish company Starbreeze refer to the agreement described in significant events that includes the total purchase of 5 million shares of the Swedish company for a total price of 8.2 million dollars. At 30 June 2015, the Group purchased 1,533 thousand shares at a price of 2,008 thousand dollars.

Commitments for contracts signed refer to future outlays by the Group, specifically with respect to licenses and user rights to video games not yet completed or whose production had not yet begun at the close of the year.

8. ANALYSIS OF THE INCOME STATEMENT

3. Net revenues

The total is broken down below by segment, excluding the Holding segment, which does not generate revenues:

	EUR/000	Development	Mobile	Publishing	Italian Distribution	Other Activities	Total
1	Gross revenues	1,565	14,847	80,014	24,529	289	121,244
2	Revenue adjustments	0	0	(3,504)	(1,485)	(140)	(5,129)
3	**Total net revenues**	**1,565**	**14,847**	**76,510**	**23,044**	**149**	**116,115**

The breakdown at 30 June 2014 was as follows:

	EUR/000	Development	Mobile	Publishing	Italian Distribution	Other Activities	Total
1	Gross revenues	0	11,088	76,263	53,885	338	141,574
2	Revenue adjustments	0	0	(4,333)	(3,850)	(246)	(8,429)
3	**Total net revenues**	**0**	**11,088**	**71,930**	**50,035**	**92**	**133,145**

Gross revenues of the year are down 14.4% on last year, going from 141,574 thousand euros to 121,244. Net revenues are instead down by 12.8%, settling at 115,990 thousand euros as compared with the 133,145 thousand euros realised as at 30 June 2014, due to the lesser influence of the revenue adjustments.

The decrease in gross revenues was due to the negative performance of sales in the Italian Distribution business segment, down 29,356 thousand euros. The revenues generated by the business segments Publishing and Mobile were instead up by 5% and 34%, respectively.

By contrast, the Italian Distribution business segment recorded an expected significant reduction in sales of the trading card game Yu-Gi-Oh!, due to the delayed airing of the new season of the cartoon to May. In addition to this, there has been a further reduction to video games distribution in Italy.

Publishing revenues increased by 3,751 thousand euros or 5%. Sales were concentrated on both video games published in previous periods, on all PAYDAY2 and Sniper Elite V3, but also for the sales recorded by the new version of PAYDAY2 for next generation consoles and launched near the end of the year.

The Mobile business segment’s revenues reached 14.8 million euros, up by 33.9%, or 3,759 thousand euros. The most significant portion of such revenues was represented by the constant revenue stream generated by the sale of the video game Terraria, which recorded revenues of higher than 12 million euros during the period, bearing witness to its constant success with gamers around the world. There was also a significant increase in the revenues generated by sales of the video game Battle Islands, an intellectual property fully owned by the Group following the acquisition of DR Studios Ltd., which during the period also benefited from the launch of the version of the game for the Sony PlayStation 4 console.

The Development segment's revenues amounted to 1,565 thousand euros and related to sales that the U.S. developer Pipeworks Inc. completed on development orders for third clients. Revenues on business with Group companies were eliminated during the consolidation process. In the future, it is expected that the process of integrating the developer with the Group's other business will render such revenues increasingly predominant.

The particular success of the recent release of the video game PAYDAY2: Crimewave Edition allowed the significant decrease in revenue adjustments. In fact, they decreased by 3,300 thousand euros and amounted to 4.4% of revenues compared with 6.3% recorded in the previous year.

8. Cost of goods sold

The cost of goods sold is detailed below:

EUR/000	30 June 2015	30 June 2014	Change	%
Purchase of goods for resale	(34,104)	(46,394)	12,290	-26.5%
Purchase of services for resale	(5,374)	(6,570)	1,196	-18.2%
Royalties	(28,328)	(36,909)	8,581	-23.2%
Changes in finished product inventories	(1,898)	(5,904)	4,006	-67.9%
Total cost of sold products	**(69,704)**	**(95,777)**	**26,073**	**-27.2%**

For more detailed information on the components of revenues and the cost of goods sold, see the directors' report, where comments are provided for the individual business segments.

10. Other revenues

Other revenues of 2,295 thousand euros include direct costs on development projects that Pipeworks Inc., DR Studios Ltd. and Game Network S.r.l. incurred for orders with Group companies.

11. Cost of services

The following table provides details of the cost of services:

EUR/000	30 June 2015	30 June 2014	Change	%
Advertising, marketing, trade fairs and exhibitions	(5,605)	(8,256)	2,651	-32.1%
Freight and transport	(782)	(1,133)	351	-30.9%
Other costs related to sales	(1,157)	(998)	(159)	15.9%
Sub-total services related to sales	**(7,544)**	**(10,387)**	**2,843**	**-27.4%**
Miscellaneous insurance	(301)	(379)	78	-20.7%
Consultancy	(2,270)	(2,143)	(127)	5.9%
Postal and telegraph	(189)	(165)	(24)	14.7%
Trips and transfers	(876)	(794)	(82)	10.3%
Utilities	(305)	(282)	(23)	8.2%
Maintenance	(140)	(99)	(41)	41.5%
Statutory auditors' fees	(108)	(108)	0	0.0%
Sub-total general services	**(4,189)**	**(3,970)**	**(219)**	**5.5%**
Total costs of services	**(11,733)**	**(14,357)**	**2,624**	**-18.3%**

The cost of services decreased by 2,624 thousand euros, from 14,357 thousand euros to 11,733 thousand euros, due mainly to lower advertising investments.

The decrease in the item freight and transport is to be read in the context of lower logistics costs to be incurred depending on the revenue growth of digital products.

12. Rent and leasing

The following table provides details of the cost of rent and leasing, which increased by 210 thousand euros compared with the year ended 30 June 2014:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**	**%**
Rental of offices for Italian companies	(754)	(744)	(10)	1.3%
Rental of offices for 505 Games Ltd.	(102)	(94)	(8)	8.5%
Rental of offices for DR Studios Ltd.	(45)	0	(45)	n.s.
Rental of offices for Digital Bros France S.a.s.	(46)	(42)	(4)	9.5%
Rental of offices for Digital Bros Spain Slu	(22)	(22)	0	0.0%
Rental of offices for 505 Games US Inc.	(330)	(229)	(101)	44.1%
Rental of offices for Pipeworks Inc.	(91)	0	(91)	n.s.
Rental of offices for 505 Games GmbH	(3)	(3)	0	0.0%
Leases of cars and warehouse equipment	(155)	(204)	49	-24.0%
Total costs for rent and leasing	**(1,548)**	**(1,338)**	**(210)**	**15.7%**

The increase in rent is due to the costs related to the company DR Studios Ltd. and Pipeworks Inc. acquired during the year and the higher costs incurred by the American subsidiary 505 Games US Inc. The increase in rent related to the American subsidiary 505 Games US Inc. is due to the fact that in the year, the company had to incur the costs relating to the rental of the temporary HQ, along with the rental of the HQ that was occupied definitively as of February 2015. This rent contract involves costs for 220 thousand euros per year compared with the previous contract of 87 thousand euros in light of the greater space required by US business in the Publishing and Mobile business segments.

13. Personnel costs

Personnel costs, including commissions paid to sales representatives, directors' fees approved by the shareholders, amounts paid to temporary workers and contract workers, and the cost of cars assigned to employees, came to 17,853 thousand euros and increased by 5,284 thousand euros on the previous year:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**	**%**
Wages and salaries	(12,939)	(8,377)	(4,562)	54.5%
Social security contributions	(3,168)	(2,438)	(730)	29.9%
Employee termination indemnities	(215)	(241)	26	-10.7%
Directors' fees	(1,147)	(996)	(151)	15.1%
Temporary work and collaborators	(248)	(189)	(59)	31.1%
Agents' commission	(107)	(293)	186	-63.4%
Other personnel costs	(29)	(35)	6	-18.3%
Total personnel costs	**(17,853)**	**(12,569)**	**(5,284)**	**42.0%**

The increase in directors' fees for 151 thousand euros takes into account the fact that during the year, a variable component was introduced of the fee for managing directors related to the three-year results achieved by the Group.

Personnel costs in the strict sense of the term consist of employee wages and salaries, social security charges and provisions for employee termination indemnities. They increased by 5,266 thousand euros over the previous year, while the average cost per employee increased by 1.2%:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**	**%**
Wages and salaries	(12,939)	(8,377)	(4,562)	54.5%
Social security contributions	(3,168)	(2,438)	(730)	29.9%
Employee termination indemnity	(215)	(241)	26	-10.7%
Total personnel costs	**(16,322)**	**(11,056)**	**(5,266)**	**47.6%**
Average number of employees	197	135	62	45.9%
Average cost per employee	**(82.9)**	**(81.9)**	**(1.0)**	**1.2%**

The increase in personnel costs is mainly due to the two companies acquired DR Studios Ltd. and Pipeworks Inc. during the year.

The breakdown of the Group's workforce at 30 June 2015 by type of contract is provided in the directors' report under "Other information".

14. Other operating costs

The details of operating costs by type are presented below, with the previous year's figures for comparison:

EUR/000	**30 June 2015**	**30 June 2014**	**Change**	**%**
Purchase of miscellaneous materials	(87)	(81)	(6)	7.7%
General and administrative costs	(1,028)	(831)	(197)	23.8%
Representation costs	(75)	(63)	(12)	19.4%
Miscellaneous bank charges	(181)	(215)	34	-15.8%
Total other operating costs	**(1,371)**	**(1,190)**	**(181)**	**15.2%**

Operating costs decreased by 15.2% on the previous year, from 1,190 thousand euros to 1,371 thousand euros. In particular, general and administrative expenses increased by 197 thousand euros as a result of acquisitions in the period, while bank charges decreased by 15.8% mainly due to lower costs incurred by the parent company and lower factoring costs incurred by the UK and French subsidiary.

21. Non-monetary income and operating costs

Non-monetary operating costs are made up as follows:

EUR/000	30 June 2015	30 June 2014	Change	%
Amortisation and depreciation	(2,920)	(1,211)	(1,709)	n.s.
Provisions	0	0	0	0.0%
Write-down of assets	(1,455)	(32)	(1,423)	n.s.
Asset write-backs	641	0	641	0.0%
Total non-monetary income and operating costs	**(3,734)**	**(1,243)**	**(2,491)**	**n.s.**

Non-monetary operating income and costs are up by negative 2,491 thousand euros. Growth was mainly due to the increased amortisation/depreciation of 1,709 thousand euros to reflect the investments made by the Group with the acquisitions of 100% of Pipeworks Inc. and DR Studios Ltd. and the intellectual property acquired during the period. Write-downs increased by 1,423 thousand euros, from 32 thousand euros to 1,455 thousand euros. The latter include:

- provisions to incorporate the economic effects of the transaction concluded with Dada S.p.A. during the period, in relation to the dispute that arose following the sale of the equity investment in Fueps S.p.A. for 379 thousand euros;
- provisions to cover some specific credit positions on which there is a probability of failure to collect for 435 thousand euros;
- the write-down of the investment in Dr Studios Ltd. for 641 thousand euros. The write-down is due to non-fulfilment of the condition that included the payment of an initial earn-out instalment in September 2015; this item is indeed offset by an item of the same amount recorded under non-monetary income, which is the reversal of the debt to the seller.

25. Financial income and charges

The item consists of:

	EUR/000	30 June 2015	30 June 2014	Change	%
23	Interest and financial income	3,939	348	3,591	n.s.
24	Interest and financial expenses	(2,027)	(2,723)	696	-25.6%
25	**Financial income and charges**	**1,912**	**(2,375)**	**4,287**	**n.s.**

Financial income and charges was positive for 1,912 thousand euros, against a loss of 2,375 thousand euros achieved in the previous year. The significant improvement is given by higher interest income and financial income of 3,591 thousand euros. They consist mainly of foreign exchange gains for 3,193 thousand euros and financial income of 737 thousand euros relating to the valuation of the Starbreeze B shares measured at fair value. Interest expense also improved by 696 thousand euros, which decreased by 1,097 thousand euros, in line with the lower average debt offset by a worsening of the foreign exchange losses of 401 thousand euros.

Below are the details of interest expense:

EUR/000	30 June 2015	30 June 2014	Change	%
Interest expense due to banks	(878)	(1,929)	1,051	-54.5%
Other interest expense	(2)	(19)	17	-86.1%
Interest expense on financing and leasing	(16)	(33)	17	-52.3%
Interest on factoring	(21)	(33)	12	-36.6%
Total interest expense on sources of finance	**(917)**	**(2,014)**	**1,097**	**-54.5%**
Exchange losses	(1,110)	(709)	(401)	56.6%
Total interest and financial expenses	**(2,027)**	**(2,723)**	**696**	**-25.6%**

Interest expense is down 696 thousand euros on the previous year, mainly as a result of the reduction in interest expense due to banks, justified by the lesser average debt and improved interest expense rates paid by the Group.

The implied cost of debt, i.e. gross interest expense as a percentage of average debt, was substantially stable on an annual basis at 7.5%. Average debt was calculated as the average of net indebtedness at the end of each quarter, while gross interest expense is shown net of interest paid on derivative products and on exchange losses.

EUR/000	30 June 2015	30 June 2014
Average debt	12,193	28,194
Gross interest expenses	(917)	(2,014)
Implied cost of debt	**-7.5%**	**-7.1%**

29. Taxes

The breakdown of current and deferred taxes at 30 June 2015 is as follows:

EUR/000	30 June 2015	30 June 2014	Change	%
Current taxes	(3,897)	(435)	(3,463)	n.s.
Deferred taxes	(1,252)	(2,200)	950	-43.2%
Total income taxes	**(5,149)**	**(2,635)**	**(2,514)**	**95.4%**

The increase in taxes as compared with 30 June 2014 is in line with the income trends.

Below is the breakdown of current taxes among the various current taxes:

EUR/000	30 June 2015	30 June 2014	Change	%
IRES	(2,628)	1,066	(3,694)	n.s.
IRAP	(615)	(298)	(317)	n.s.
Current taxes 505 Games France S.a.S.	25	(379)	404	n.s.
Current taxes 505 Games Ltd.	(451)	(135)	(316)	n.s.
Current taxes 505 Games US, Inc.	4	(661)	665	n.s.
Current taxes 505 Games Gmbh	(98)	0	(98)	n.s.
Other current taxes	(134)	(28)	(106)	n.s.
Total income taxes	**(3,897)**	**(435)**	**(3,462)**	**n.s.**

IRES for the period was determined as follows:

EUR/000	30 June 2015	30 June 2014
IRES taxable income	12,272	34
IRES rate	27.5%	27.5%
IRES for the period	(3,375)	(9)
Effect from tax consolidation	816	1,100
Taxes on income for the previous FY	(69)	(25)
IRES for the period	**(2,628)**	**1,066**

Below is a reconciliation between the IRES provision for the year and the profit shown in the financial statements:

EUR/000	30 June 2015		30 June 2014	
Pre-tax profit of the parent company	**2,240**		**(1,057)**	
IRES rate (27.5%)	**27.5%**		**27.5%**	
Theoretical tax	**(616)**	**-27.5%**	**291**	**-27.5%**
Tax effect of non-deductible costs or non-taxable revenues	975	44%	620	-59%
Tax effect of the use of tax losses not previously used	0	0%	0	0%
Net tax effect of the release of deferred tax assets not included in the points above	5	0%	(196)	19%
Effect from tax consolidation	816	36%	1,100	-104%
Tax effect of the portion of results of subsidiaries	(3,772)	-168%	(731)	69%
Taxes on income for the previous FY	(35)	-2%	(17)	2%
Income tax for the FY and effective tax rate	**(2,628)**	**-117%**	**1,066**	**-101%**

IRAP for the period was determined as follows:

EUR/000	30 June 2015	30 June 2014
IRAP taxable income	15,769	7,410
IRAP rate	3.9%	3.9%
IRAP for the year	(615)	(289)
IRAP for the previous year	0	(9)
IRAP for the period	**(615)**	**(298)**

Below is a reconciliation between the IRAP provision for the year and the profit shown in the financial statements:

EUR/000	30 June 2015		30 June 2014	
Parent company EBIT	**(4,024)**		**(1,580)**	
IRAP rate	**3.9%**		**3.9%**	
Theoretical tax	**0**	**0.00%**	**62**	**-3.90%**
Tax effect of non-deductible costs	0	0.00%	(132)	8.39%
Tax effect of the portion of results of subsidiaries	(615)	15.28%	(227)	14.37%
Income tax for the FY and effective tax rate	**(615)**	**15.28%**	**(298)**	**18.85%**

The increase in deferred taxes is related mainly to the good performance of the Publishing business segment, which allowed the US and UK subsidiaries to use the deferred tax assets recorded in previous years.

32. Basic earnings per share

The determination of basic earnings per share is based on the following data:

EUR/000	**30 June 2015**	**30 June 2014**
Net profit (loss) for the year (1)	9,105	1,925
Average number of outstanding shares (2)	14,110,837	14,110,837
Number of treasury shares held in the year (3)	(452,330)	(525,247)
Total average number of shares (4)=(2)-(3)	13,658,507	13,585,591
Net profit (loss) per share (1)/(4) in Euro	**0.67**	**0.14**

Basic earnings per share is calculated by dividing the net profit for the period by the average number of shares outstanding, net of treasury shares.

The loss per share at 30 June 2015 amounted to 0.67 eurocents, compared to 0.14 eurocents per share for the year ended 30 June 2014.

33. Diluted earnings per share

Diluted earnings per share coincides with the basic earnings per share, since there were no outstanding financial instruments convertible into shares as at 30 June 2014.

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

The main financial instruments used by the Group are as follows:

- Bank account overdrafts
- Sight- and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Derivative contracts
- Financial instruments held for trading

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

The parent company Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries, with the exception of other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which the financial risk is the responsibility of the individual company.

Since the financial year ended at 30 June 2008, the subsidiary 505 Games S.r.l. has enjoyed its own independent credit facilities to finance international growth; since April 2011 the subsidiary 505 Games Ltd. has had access to two international factoring lines and in November 2012, the subsidiary 505 Games France S.a.s. was granted its own international factoring line.

The Group tries to maintain a balance between short-term and medium/long-term financial instruments. The Group's core business, the 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 often dedicated to the individual investment, including in the form of finance leases.

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

In the following tables, the disclosures required by IFRS 7 regarding the significance of financial instruments for the Group's financial position and performance are provided separately for 2015 and 2014.

Financial instruments: balance sheet at 30 June 2015

Category of financial assets pursuant to IAS 39

Financial instruments – Assets at 30 June 2015 (EUR/000)	Fair value assets held for trading	Investments held to maturity	Receivables and loans	Assets held for sale	Book value at 30 June 2015	Notes
Non-current receivables and other assets	-	-	1,058	-	1,058	5
Trade receivables	-	-	36,684	-	36,684	11
Other current assets	-	-	6,148	-	6,148	13
Cash and cash equivalents	-	-	4,339	-	4,339	22
Other current financial assets	1,553	-	302		1,855	24
Total	**1,553**	**-**	**48,531**	**-**	**50,084**	

Category of financial liabilities pursuant to IAS 39

Financial instruments – Liabilities at 30 June 2015 (EUR/000)	Fair value liabilities held for trading	Liabilities measured at amortised cost	Book value at 30 June 2015	Notes
Trade payables	-	26,929	26,929	14
Other current liabilities	-	2,472	2,472	17
Current payables to banks	-	12,738	12,738	23
Other current financial liabilities	-	170	170	24
Non-current payables to banks	-	1,619	1,619	26
Other non-current financial liabilities	-	-	-	27
Total	**-**	**43,928**	**43,928**	

Financial instruments: balance sheet at 30 June 2014

Category of financial assets pursuant to IAS 39

Financial instruments – Assets at 30 June 2014 (EUR/000)	Fair value assets held for trading	Investments held to maturity	Receivables and loans	Assets held for sale	Book value at 30 June 2014	Notes
Non-current receivables and other assets	-	-	1,041	-	1,041	5
Trade receivables	-	-	42,318	-	42,318	11
Other current assets	-	-	3,366	-	3,366	13
Cash and cash equivalents	-	-	3,690	-	3,690	22
Total	**-**	**-**	**50,415**	**-**	**50,415**	

Category of financial liabilities pursuant to IAS 39

Financial instruments – Liabilities at 30 June 2014 (EUR/000)	Fair value liabilities held for trading	Liabilities measured at amortised cost	Book value at 30 June 2014	Notes
Trade payables	-	22,034	22,034	14
Other current liabilities	-	1,580	1,580	17
Current payables to banks	13	22,342	22,355	23
Current financial assets and liabilities	-	3,225	3,225	24
Non-current payables to banks	-	-	-	26
Other non-current financial liabilities	-	19	19	27
Total	**13**	**49,200**	**49,213**	

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

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk

Interest rate risk

The Group's exposure to interest rate fluctuations is marginal with respect to its medium- and long-term financial instruments, which were originally designated as fixed-rate instruments or have been converted into fixed rates using appropriate derivative agreements.
For short-term financial instruments, the possibility of rising interest rates is an effective risk, because the Group cannot immediately transfer the higher rates to its prices. These risks are reduced by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions;
- the degree of short-term borrowings, which varies substantially on the basis of seasonal trends in the video games market;
- the implementation of a short-term cash flow procedure that constantly monitors the trend in short-term debt and allows preventive action to be taken when interest rates are expected to rise.

Liquidity risk

Liquidity risk arises if it becomes difficult or impossible to obtain, under sustainable conditions, the financial resources needed to operate the business.

The factors that influence the Group's financial needs are the resources generated or absorbed by operating and investing activities; the maturity and renewal terms of debt and the liquidity of investments; and current conditions and available funds in the credit market.

The Group has reduced this risk by:

- setting up the centralized management of treasury procedures and therefore of credit lines;
- obtaining credit that allows the creation of a sustainable liability structure, through the use of irrevocable credit lines;
- monitoring prospective liquidity conditions.

Given the results of short- and medium/long-term planning, currently available funds, along with those to be generated by operating activities, should allow the Group to satisfy its requirements as far as investment, working capital management, and debt repayment at natural maturity are concerned and in any case to determine financial requirements sufficiently ahead of time.

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

Financial liabilities at 30 June 2015 (EUR/000)	Book value	Within the FY	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total	Notes
Current payables to banks	12,738	12,738						12,738	23
Other current financial liabilities	170	170						170	24
Non-current payables to banks	1,619		913	706				1,619	26
Other non-current financial liabilities									27
Total	**14,527**	**12,098**	**913**	**706**	**-**	**-**	**-**	**14,527**	

Financial liabilities at 30 June 2014 (EUR/000)	Book value	Within the FY	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total	Notes
Current payables to banks	22,355	22,355						22,355	23
Other current financial payables	3,225	3,225						3,225	24
Non-current payables to banks									26
Other non-current financial liabilities	19		19					19	27
Total	**25,599**	**25,580**	**19**	**-**	**-**	**-**	**-**	**25,599**	

The Group has sufficient financial resources to satisfy all debts maturing within one year, in the form of cash and cash equivalents, undrawn credit lines, which at the date of these financial statements amount to about 50 million euros, and cash flows from core operations.

Exchange rate risk

The Group is affected by exchange rate fluctuations of the British pound and the US dollar. Purchases in currencies other than the euro are marginal, and are almost entirely in British pounds and US dollars due to the manufacturing and structural costs of the local subsidiaries.

The Group's exposure in US dollars due to the operations of the United States subsidiary is mitigated by the fact that it has many game development contracts in that currency, so any negative changes in the EUR/USD exchange rate would cause license costs to go up but would also produce exchange gains on payments received (the reverse also holds true).

To monitor the risk level of the EUR/USD and EUR/GBP exchange rate, the Group closely monitors exchange rate forecasts from independent analysts and other sources, and may use derivative instruments to hedge this risk as appropriate (no such instruments are used at present).

Credit risk

In Italy, the Group sells exclusively to known buyers. If necessary information on customers is not available, merchandise is sold with advance payment and/or cash on delivery to limit credit risk to negligible amounts.

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Group has taken out insurance covering a considerable percentage of its customers.

All foreign subsidiaries have taken out credit insurance with the same global insurance group. The credit policy is never to exceed the limits of coverage for each individual customer, thereby limiting the chance that any difficulties faced by customers will affect the Group's performance.

The following table breaks down receivables from customers by due date at 30 June 2015 and 30 June 2014:

EUR/000	**30 June 2015**	**% of total**	**30 June 2014**	**% of total**
Not past due	22,013	88%	29,777	92%
0 > 30 days	1,002	4%	1,289	4%
30 > 60 days	297	1%	197	0%
60 > 90 days	101	1%	21	0%
> 90 days	1,545	6%	1,153	4%
Total receivables due from	**24,958**	**100%**	**32,437**	**100%**

Fair value of financial assets and liabilities and calculation methods used

The table below presents the fair value of assets and liabilities by type of method used to calculate them. Financial assets whose fair value cannot be objectively determined are not included.

The fair value of payables to banks has been calculated on the basis of the interest rate curve as of the reporting date, without making assumptions as to the credit spread.

The fair value of financial instruments listed in an active market is based on market prices as of the reporting date. 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 according to the market's prevailing models and techniques, using inputs observable in the market.

For trade receivables and payables and other financial assets, fair value has not been calculated as it is approximated by carrying value.

For lease instalments due and payables to other lenders, there is held to be no significant difference between fair value and the carrying value at which they are recognized.

EUR/000	Balance sheet value as at 30 June 2015	Mark to market	Mark to model	Total fair value	Notes
		Fair value	Fair value		
Cash and cash equivalents	4,339	4,339		4,339	22
Current payables to banks	12,738	12,738		12,738	23
Other current financial assets	1,553	1,553		1,553	24
Non-current payables to banks	1,619	1,619		1,619	25
Interest rate swap	0	0		0	23-26

EUR/000	Balance sheet value as at 30 June 2014	Mark to market	Mark to model	Total fair value	Notes
		Fair value	Fair value		
Cash and cash equivalents	3,690	3,690		3,690	22
Current payables to banks	22,342	22,342		22,342	23
Non-current payables to banks	0	0		0	25
Interest rate swap	13	13		13	23-26

Exchange and interest rate risk: sensitivity analysis

The sensitivity analysis was performed in accordance with IFRS 7. It applies to all financial instruments recognized in the financial statements.

The sensitivity analysis measures the estimated impact on the income statement and on the statement of financial position of a fluctuation in the exchange rate of +/-10% and in the interest rate of +/-1% with respect to the rates in effect at 30 June 2015 for each class of financial instrument, with all other variables remaining constant. The analysis is purely illustrative, as such changes rarely take place in an isolated manner.

At 30 June 2015, the Group was not exposed to additional risks, such as commodity risk.

For the sensitivity analysis on exchange rates, account was taken of the risk that may arise for any financial instrument denominated in a currency other than the euro. Consequently, translation risk was also taken into consideration.

These financial instruments are subject to gains or losses in value as a result of movements in interest rates:

- instruments with floating interest rates
- instruments with fixed interest rates but measured at fair value.

The table below shows the impact on net debt and pre-tax profit of an increase/decrease of 10% in the EUR/USD exchange rate with respect to the budgeted figures of 1.12:

Type of change	**Effect on net financial position**	**Effect on pre-tax profit**
+10% Dollar	2,203	744
-10% Dollar	(2,581)	(973)

Also, given the absolute value of the Company’s unhedged, variable-rate borrowings, it is estimated that a 1-point change in annual interest rates would affect net debt and the pre-tax profit by around 150 thousand euros.

Fair value hierarchy

IFRS 7 requires that financial instruments recognized at fair value 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.

To calculate the market value of financial instruments, the Group uses various measurement and valuation models, as summarized below for 2015 and 2014:

Book value at 30 June 2015	Tool	Level 1	Level 2	Level 3	Total	Notes
Other current financial assets	Listed shares	1,553			1,553	24

Book value at 30 June 2014	Tool	Level 1	Level 2	Level 3	Total	Notes
Derivatives for trading	Interest rate swap		13		13	23-26

10. NON-RECURRING INCOME AND EXPENSES

As required by Consob Resolution no. 15519 of 27 July 2006, non-recurring income and expenses are shown separately in the income statement. These are generated by transactions or events that by nature do not occur on a regular basis as part of the business.

In the year, the Group booked non-recurring expenses for 181 thousand euros relative to costs incurred for professionals used for the acquisitions completed during the period.

11. SEGMENT REPORTING

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

In order to respond to the changed competitive context of the video games market, the Group has implemented an organisational change process that involved flanking the Mobile business segment for the publication of video games on smartphones and social networks, to the already existing structure. The reorganisation in the previous year also entailed the consolidation of the previous Digital unit into the Publishing business segment, considering that the products distributed on the traditional channels and digital marketplaces adopt the same development, communication and marketing policies, which are managed by the same organisational division. The increasing weight of the Mobile and Publishing business segments and the concurrent reduction of the Italian Distribution business segment resulted in an ever-greater need for a more extensive organisational structure to coordinate the Group’s business, the Holding business segment, in particular for the finance, administration, information technology and general services functions.

The acquisition of the U.S. company Pipeworks Inc. on 12 September 2014 allowed the Group to extend the scope of its business to include video game development (the Development business segment).

Beginning in the year, it was deemed preferable to separate the business conducted by the subsidiary Game Network S.r.l., which manages paid gaming platforms under concession from the Italian State Monopoly Administration (AAMS), from the Mobile business segment. This business was merged into the new Other Activities business segment. The business segment also includes the business conducted during the period by the subsidiary Digital Bros Game Academy S.r.l., which consisted of the organisation of IT and gaming specialisation and training courses.

For the sake of comparison, income statement figures for the period ended 30 June 2014 have been restated according to the current arrangement by business segments.

The Group is therefore organised into five business segments:

- Development;
- Publishing;
- Mobile;
- Italian Distribution;
- Other Activities;
- Holding.

The directors observe the results of each segment separately in order to decide how to allocate resources and monitor financial results. Financial income and charges (including interest income and expense) and income tax are managed at the Group level and are not allocated to the business segments.

The following is a breakdown of results by business segment as at 30 June 2015 and 30 June 2014. Refer to paragraph 7 of the directors' report for comments.

Income statement by business segment for the period ended 30 June 2015

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
1	Revenues	1,565	14,847	80,014	24,529	289	0	121,244
2	Revenue adjustments	0	0	(3,629)	(1,485)	(140)	0	(5,254)
3	**Total revenues**	**1,565**	**14,847**	**76,385**	**23,044**	**149**	**0**	**115,990**
4	Purchase of goods for resale	0	(0)	(16,373)	(17,731)	0	0	(34,104)
5	Purchase of services for resale	(189)	(1,802)	(3,366)	0	(17)	0	(5,374)
6	Royalties	0	(6,541)	(21,774)	0	(13)	0	(28,328)
7	Changes in finished product inventories	0	0	(1,332)	(566)	0	0	(1,898)
8	**Total cost of sold products**	**(189)**	**(8,343)**	**(42,845)**	**(18,297)**	**(30)**	**0**	**(69,704)**
9	**Gross profit (3+8)**	**1,376**	**6,504**	**33,540**	**4,747**	**119**	**0**	**46,286**
10	Other revenues	1,558	445	58	81	153	0	2,295
11	Cost of services	(259)	(755)	(6,947)	(2,230)	(270)	(1,272)	(11,733)
12	Rent and leasing	(91)	(66)	(552)	(58)	(22)	(759)	(1,548)
13	Personnel costs	(3,604)	(2,598)	(6,296)	(2,419)	(379)	(2,557)	(17,853)
14	Other operating costs	(85)	(38)	(538)	(248)	(41)	(421)	(1,371)
15	**Total operating costs**	**(4,039)**	**(3,457)**	**(14,333)**	**(4,955)**	**(712)**	**(5,009)**	**(32,505)**
16	**EBITDA (9+10+15)**	**(1,105)**	**3,492**	**19,266**	**(127)**	**(440)**	**(5,009)**	**16,076**
17	Amortisation and depreciation	(441)	(1,118)	(898)	(227)	(117)	(119)	(2,920)
18	Provisions	0	0	0	0	0	0	0
19	Write-down of assets	0	(641)	(28)	(407)	0	(379)	(1,455)
20	Write-backs of assets and non-monetary income	0	641	0	0	0	0	641
21	**Total non-monetary income and operating costs**	**(441)**	**(1,118)**	**(926)**	**(634)**	**(117)**	**(498)**	**(3,734)**
22	**EBIT (16+21)**	**(1,546)**	**2,374**	**18,339**	**(761)**	**(557)**	**(5,507)**	**12,342**

Segment reporting

Consolidated statement of financial position at 30 June 2015

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
	Non-current assets							
1	Property, plant and equipment	284	52	1,101	2,865	522	17	4,841
2	Investment property	0	0	0	0	0	0	0
3	Intangible assets	2,513	3,322	1,451	0	338	322	7,946
4	Equity investments	0	0	(0)	0	0	1,274	1,274
5	Non-current receivables and other assets	0	0	194	9	220	635	1,058
6	Deferred tax assets	206	(461)	1,895	517	83	0	2,240
	Total non-current assets	**3,003**	**2,913**	**4,641**	**3,391**	**1,163**	**2,248**	**17,359**
	Non-current liabilities							
7	Employee benefits	0	0	0	(442)	(44)	0	(486)
8	Non-current provisions	0	0	0	(170)	0	0	(170)
9	Other non-current payables and liabilities	0	(589)	0	0	0	0	(589)
	Total non-current liabilities	**0**	**(589)**	**0**	**(612)**	**(44)**	**0**	**(1,245)**
	Net working capital							
10	Inventories	0	0	7,850	5,031	0	0	12,881
11	Trade receivables	254	8,085	22,565	5,446	0	0	36,350
12	Tax credits	0	740	1,243	471	12	0	2,466
13	Other current assets	182	760	4,534	252	174	246	6,148
14	Trade payables	(131)	(4,618)	(19,841)	(1,598)	(135)	(606)	(26,929)
15	Tax payables	0	(89)	(2,641)	(285)	(14)	0	(3,029)
16	Current provisions	0	0	0	0	0	0	0
17	Other current liabilities	(210)	(39)	(385)	(941)	(284)	0	(1,859)
	Total net working capital	**95**	**4,839**	**13,325**	**8,376**	**(247)**	**(360)**	**26,028**
	Total	**3,098**	**7,163**	**17,966**	**11,155**	**872**	**1,888**	**42,142**

Income statement by business segment for the period ended 30 June 2014

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
1	Revenues	0	11,088	76,263	53,885	338	0	141,574
2	Revenue adjustments	0	0	(4,333)	(3,850)	(246)	0	(8,429)
3	**Total revenues**	**0**	**11,088**	**71,930**	**50,035**	**92**	**0**	**133,145**
4	Purchase of goods for resale	0	0	(15,702)	(30,692)	0	0	(46,394)
5	Purchase of services for resale	0	(2,397)	(4,134)	0	(39)	0	(6,570)
6	Royalties	0	(7,919)	(28,985)	(5)	0	0	(36,909)
7	Changes in finished product inventories	0	0	(628)	(5,276)	0	0	(5,904)
8	**Total cost of sold products**	**0**	**(10,316)**	**(49,449)**	**(35,973)**	**(39)**	**0**	**(95,777)**
9	**Gross profit (3+8)**	**0**	**772**	**22,481**	**14,062**	**53**	**0**	**37,368**
10	Other revenues	0	0	170	94	0	0	264
11	Cost of services	0	(1,054)	(8,726)	(3,337)	(234)	(1,006)	(14,357)
12	Rent and leasing	0	(9)	(460)	(78)	(45)	(746)	(1,338)
13	Personnel costs	0	(1,256)	(5,249)	(3,837)	(261)	(1,966)	(12,569)
14	Other operating costs	0	(4)	(391)	(342)	(19)	(434)	(1,190)
15	**Total operating costs**	**0**	**(2,323)**	**(14,826)**	**(7,594)**	**(559)**	**(4,152)**	**(29,454)**
16	**EBITDA (9+10+15)**	**0**	**(1,551)**	**7,825**	**6,562**	**(506)**	**(4,152)**	**8,178**
17	Amortisation and depreciation	0	(186)	(515)	(308)	(89)	(113)	(1,211)
18	Provisions	0	0	0	0	0	0	0
19	Write-down of assets	0	0	(32)	0	0	0	(32)
20	Write-backs of assets and non-monetary income	0	0	0	0	0	0	0
21	**Total non-monetary income and operating costs**	**0**	**(186)**	**(547)**	**(308)**	**(89)**	**(113)**	**(1,243)**
22	**EBIT (16+21)**	**0**	**(1,737)**	**7,278**	**6,254**	**(595)**	**(4,265)**	**6,935**

Segment reporting

Consolidated statement of financial position at 30 June 2014

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
	Non-current assets							
1	Property, plant and equipment	0	1	184	3,010	1	36	3,232
2	Investment property	0	0	0	0	0	455	455
3	Intangible assets	0	535	1,250	4	154	198	2,141
4	Equity investments	0	(0)	(0)	(0)	0	310	310
5	Non-current receivables and other assets	0	0	177	9	220	635	1,041
6	Deferred tax assets	0	18	3,065	1,051	83	0	4,217
	Total non-current assets	**0**	**554**	**4,676**	**4,074**	**458**	**1,634**	**11,396**
	Non-current liabilities							
7	Employee benefits	0	0	0	(501)	(39)	0	(540)
8	Non-current provisions	0	0	0	(205)	0	0	(205)
9	Other non-current payables and liabilities	0	0	0	0	0	0	0
	Total non-current liabilities	**0**	**0**	**0**	**(706)**	**(39)**	**0**	**(745)**
	Net working capital							
10	Inventories	0	0	9,182	5,597	0	0	14,779
11	Trade receivables	0	5,254	28,017	9,047	0	0	42,318
12	Tax credits	0	669	939	2,205	5	0	3,818
13	Other current assets	0	231	2,513	400	10	212	3,366
14	Trade payables	0	(4,653)	(15,071)	(1,562)	(118)	(630)	(22,034)
15	Tax payables	0	(9)	(3,067)	(939)	(13)	0	(4,028)
16	Current provisions	0	0	0	0	0	0	0
17	Other current liabilities	0	(2)	(250)	(1,180)	(148)	0	(1,580)
	Total net working capital	**0**	**1,490**	**22,263**	**13,568**	**(264)**	**(418)**	**36,639**
	Total	**0**	**2,044**	**26,939**	**16,936**	**155**	**1,216**	**47,290**

***Development*:** the Development business segment, formed following the acquisition of the American company Pipeworks Inc., designs and develops video games. The business is conducted through an organisational structure consisting of qualified staff. The Company currently benefits from development agreements with clients external to the Group. The main reason behind the acquisition lies in the Group's interest to be able to have an in-house development team, which can supply the technological skills to improve the quality of video games and respect of development time.

Publishing: this activity consists of acquiring the rights to use video games from developers and their subsequent distribution both through a traditional-type international sales network and by distribution on the digital marketplaces such as, for example: Steam, Sony PlayStation Network, Microsoft Xbox Live.

The video games are normally acquired on an exclusive licence with international exploitations rights valid for several years.

505 Games is the trade name used by the Group worldwide in the Publishing segment.

Publishing operations were carried out during the period by the subsidiary 505 Games S.r.l. (which coordinates the activities), together with 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH, operating respectively in the French, U.K., U.S., Spanish and German markets. The company 505 Games Interactive (US) Inc. only provides consultancy on behalf of 505 Games S.r.l. The Swedish company 505 Games Nordic AB was dormant during the period.

***Mobile*:** the business segment has its own dedicated organisational structure, which it uses to deal with the production and marketing of video games for the mobile (smartphone and tablet) platforms and for social networks. The Group company responsible for coordinating this segment is 505 Mobile S.r.l., parent of the U.S. company 505 Mobile (US) Inc., which provided consultancy solely on behalf of 505 Mobile S.r.l. With the acquisition of the English company DR Studios Ltd. on 12 September 2014, the business segment benefited from an expansion of the activities carried out, which now also include the development of applications together with the publishing and marketing activities already carried out previously. As of this year, the company Game Entertainment S.r.l. began to manage Mobile video games based solely on advertising income.

The distinctive nature of the video games of the Mobile business segment is: different distribution platforms, the possibility for players to download applications free from the marketplaces and consequently the spending opportunities as a game feature.

Italian Distribution: this activity refers to the distribution in Italy of video games acquired from international publishers. The games are marketed through a direct network of key accounts and through an indirect network of sales representatives.

These operations are conducted by the parent, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Service S.r.l. for alternative distribution channels.

The Group also distributes the Yu-Gi-Oh! trading card game throughout the country.

Other Activities: this business segment includes all activities of limited scope, which are consolidated into a separate business segment, in the interest of logical presentation of results. The business segment includes the activities of the subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (the Italian State Monopology Administration) through the paid skill games platform www.gameplaza.it (until the end of the previous year www.scopa.it), and the activities of the newly formed Digital Bros Game Academy S.r.l. which organises IT and gaming specialisation courses, training courses and professional refresher courses, in multimedia and other formats.

Holding**:** it includes all coordinating functions carried out directly by Digital Bros S.p.A., in particular the implementation of sound financial policies to support the Group's operations, management of office buildings and brand management. As from last year, the administration, management control and development business have been included in the Holding business segment.

On 26 June 2015, to align the structure of the business segments with the company organization chart, the Board of Directors of Digital Bros S.p.A. approved the sale of 505 Games Mobile S.r.l. and subsidiaries to 505 Games S.r.l., as well as the sale of the subsidiaries 505 Games France S.a.s. and 505 Games Spain Sl to the same company.

Information on geographical segments

Gross revenues are broken down below by region:

EUR/000	30 June 2015		30 June 2014		Change	
Europe	21,774	18%	23,900	17%	(2,126)	-8.9%
The Americas	71,257	59%	58,973	42%	12,284	20.8%
Rest of the world	3,396	3%	4,458	3%	(1,062)	-23.8%
Total revenues from abroad	**96,427**	**80%**	**87,331**	**62%**	**9,096**	**10.4%**
Italy	24,817	20%	54,243	38%	(33,267)	-61.3%
Consolidated total gross revenues	**121,244**	**100%**	**141,574**	**100%**	**(24,171)**	**-17.1%**

As a percentage of total sales, revenues from abroad increased over the previous year from 62% of total consolidated revenues at 30 June 2014 to 80% at 30 June 2015, due to the reduction in Italian Distribution operations.

Revenues in the rest of the world were made by the subsidiary 505 Games Ltd., mainly in Australia, the Middle East and South Africa.

The most significant portion of the revenues from abroad is generated by the Publishing segment, which booked revenues from abroad as 80,014 thousand euros. Below is a breakdown of gross revenues from abroad, according to business segment:

EUR/000	30 June 2015		30 June 2014		Change	
Mobile	14,847	15%	11,426	13%	3,421	29.9%
Publishing	80,014	83%	76,263	87%	3,751	4.9%
Development	1,565	2%	0	0%	1,565	n.s.
Total gross revenues from abroad	**96,426**	**100%**	**87,689**	**100%**	**8,737**	**10.0%**

Revenues of the Mobile business segment include revenues relating to the marketing of video games for mobile platforms (smartphone and tablet) and social networks.

Revenues of the Development business segment include those recorded starting from September 2014 by Pipeworks Inc. for development orders in progress.

12. RELATED PARTY TRANSACTIONS

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

Intercompany transactions

Intercompany transactions have been described in paragraph 8 of the report on intercompany operations and related party transactions and atypical/unusual transactions, to which we would refer you.

Other related parties

Related party transactions regard:

- legal consultancy provided by the director Dario Treves;
- property rental carried out by Matov Imm. S.r.l. towards the parent company and subsidiary 505 Games France S.a.s.;
- property rental carried out by Matov LLC to the subsidiary 505 Games (US) Inc.

Both Matov Imm. S.r.l. and Matov LLC are owned by the Galante family.

Transactions at 30 June 2015 are summarized below:

EUR/000	**Receivables**		**Payables**		**Revenues**	**Costs**
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(200)
Matov Imm. S.r.l.	0	635	0	0	0	(800)
Matov LLC	0	133	0	0	0	(247)
Total	**0**	**768**	**(18)**	**0**	**0**	**(1,247)**

As at 30 June 2014, these were:

EUR/000	**Receivables**		**Payables**		**Revenues**	**Costs**
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(196)
Matov Imm. S.r.l.	0	635	0	0	0	(786)
Matov LLC	0	108	0	0	0	(142)
Total	**0**	**743**	**(18)**	**0**	**0**	**(1,124)**

The financial receivable due to Digital Bros S.p.A. by Matov Imm. S.r.l. refers to the security deposit on the Via Tortona 37 premises in Milan.

The financial receivable due to 505 Games (US) Inc. by Matov LLC refers to the guarantee deposit paid by way of guarantee against the lease instalments for the premises that became the American subsidiary's new offices during the year.

Rent for the Milan offices paid during the year by Digital Bros S.p.A. to Matov Imm. S.r.l. amounts to 754 thousand euros, that paid by 505 Games France S.a.s. for the buildings of Francheville amounts to 46 thousand euros.

In November 2013, a rent contract was stipulated between the subsidiary 505 Games (US) Inc. and Matov LLC, an associated party owned by the Galante family. As a whole, the operation was subject to the "Related party transactions procedure" adopted by Digital Bros S.p.A. in accordance with Consob Regulation 17221 of 12 March 2010 and provides for annual charges of 297 thousand US dollars.

Tax consolidation

Digital Bros S.p.A., in its capacity as parent company/consolidating company, has opted for the tax consolidation allowed by Italian law for the period 2015-2017 with the companies 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l. and 505 Games S.r.l.

This has made it necessary to prepare a set of rules for intercompany relations to ensure that no prejudice is caused to the individual participants in the system.

13. ATYPICAL OR UNUSUAL TRANSACTIONS

There were no atypical or unusual transactions in the period under examination or the same period of the previous year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

14. INFORMATION ON ASSETS SUBJECT TO REVALUATION IN ACCORDANCE WITH SPECIAL LAWS

No revaluations have been carried out on the Company's assets pursuant to Art. 10 of Law 72/83.

15. LOANS GRANTED TO MEMBERS OF ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES

Pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC, no loans have been granted to members of the Company's administrative, managerial and supervisory bodies.

16. EXTERNAL AUDITING FEES

Pursuant to Article 149-*duodecies* of the Listing Rules, the following table shows the fees paid for the year to Deloitte & Touche (the external auditing company of Digital Bros S.p.A.), and to other auditing firms inside and outside of its network:

Type of services	**Fees for FY 2014/15**					
	Parent company auditor			**Parent company auditor network**	**Auditor not part of the parent company network**	**Total**
	to the parent company	**to the other companies**	**Total**	**to the other companies**	**to the other companies**	
Audit	179,000	57,000	236,000	32,000	53,000	321,000
Attestation services						
Tax consultancy services						
Other services (to be detailed)						
- Review of proforma financial statements and disclosure documents						
- Accounting, tax, legal and administrative due diligence				37,583	41,000	78,583
- Agreed upon procedures						
- Advisory services to the reporting office (art. 154-*bis* CFA)						
- Opinions on the application of new accounting standards						
- Consultancy on accounting matters						
- Other services						
Total	**179,000**	**57,000**	**236,000**	**69,583**	**94,000**	**399,583**

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STATEMENT PURSUANT TO ART. 154-*BIS* (5) OF THE CONSOLIDATED FINANCE ACT

We, the undersigned, Abramo Galante as chairman of the Board of Directors and Stefano Salbe as financial reporting officer of the Digital Bros Group, hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for preparation of the consolidated financial statements for the period July 2014 - June 2015. No significant issues arose.

We also confirm that:

1. the consolidated financial statements of the Digital Bros Group at 30 June 2015:
   a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
   b) corresponds to the ledgers and accounting entries;
   c) provides a true and fair view of the financial position and performance of Digital Bros S.p.A. and of the companies included in the consolidation;

2. The directors' report includes a reliable analysis of the performance and result of operations and the report of Digital Bros S.p.A. and of all companies included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Milan, 11 September 2015

Signed

Chairman of the Board of Directors | Financial Reporting Officer

Abramo Galante | Stefano Salbe

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