



Interim financial report as at 31 December 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.digital-bros.net in the Investors section

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Contents	
Officers and control bodies	4
Directors' report	6
1. Group structure	6
2. The video games market	11
3. Seasonal trends	14
4. Significant events during the period	15
5. Analysis of the economic performance as at 31 December 2015	17
6. Analysis of the statement of financial position as at 31 December 2015	21
7. Performance of business segments	25
8. Intercompany and related party transactions and atypical/unusual transactions	37
9. Treasury shares	39
10. Research and development	39
11. Risk management and financial instruments	40
12. Reconciliation between net profit and shareholders' equity in the separate and consolidated accounts	46
13. Contingent assets and liabilities	48
14. Subsequent events	48
15. Outlook	49
16. Other information	50
Abridged consolidated financial statements as at 31 December 2015	51
Consolidated statement of financial position as at 31 December 2015	53
Consolidated income statement as at 31 December 2015	54
Consolidated statement of comprehensive income as at 31 December 2015	55
Consolidated statement of cash flows as at 31 December 2015	56
Consolidated statement of changes in equity	58
Notes to the abridged consolidated financial statements as at 31 December 2015	59
1. Form, content and other general information	60
2. Accounting standards	63
3. Use of estimates	64
4. Consolidation methods	67
5. Equity investments in associates and other companies	69
6. Business combinations	70
7. Analysis of the statement of financial position	71
8. Analysis of the income statement	91
9. Non-recurring income and expenses	94
10. Segment reporting	95
11. Related party transactions	101
12. Atypical or unusual transactions	102
Statement pursuant to Art. 154-bis (5) of the Consolidated Finance Act	103

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

Guido Guetta (Chairman)
Elena Morini
Bruno Soresina

Remuneration Committee

Guido Guetta (Chairman)
Elena Morini
Bruno Soresina

Board of Statutory Auditors

Paolo Villa	Chairman
Emanuela Maria Conti	Standing auditor
Laura Guazzoni	Standing 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.

On 14 January 2016 Sergio Amendola tendered his resignation as Chairman of the Board of Statutory Auditors. Standing auditor Paolo Villa thus became Chairman of the Board of Statutory Auditors and Emanuela Maria Conti standing auditor.

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 interim financial report of the Digital Bros S.p.A. Group as at 31 December 2015 was authorised by resolution of the Board of Directors on 29 February 2016. 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.

The Group has implemented an organisational change process that involved expanding into the Mobile segment, dedicated to the publication of video games on smartphones and social networks, alongside the already existing structure. The reorganisation involved the consolidation of the previous Digital organisational unit into the Publishing business segment, considering that the products distributed on the traditional channels and digital marketplaces adopt the same 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 a 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).

Since the previous 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), has been separated from the Mobile segment. The above business is now represented in the new segment Other Activities, which also includes the business conducted by the subsidiary Digital Bros Game Academy S.r.l., namely the organisation of IT and gaming specialisation and training courses.

For the sake of comparison, income statement figures for the period ended 31 December of the previous year 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 is responsible for designing and developing video games. The business is conducted through a dedicated organisational structure. The business carries out development projects on behalf of Group companies and non-captive clients. The business is conducted solely by Pipeworks Inc. An internal development team capable of contributing technological expertise allows for the improvement of video game quality and adherence to development schedules.

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 segment), 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. provides consultancy on behalf of 505 Games S.r.l. The Swedish company 505 Games Nordic AB was dormant during the period and is currently in liquidation.

Mobile: this business segment is responsible for the production and marketing of video games for mobile (smartphone and tablet) platforms and for social networks. The segment is coordinated by 505 Mobile S.r.l., which controls the U.S. company 505 Mobile (US) Inc., which provided consultancy on behalf of its parent company. 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. The segment also includes Game Entertainment S.r.l., which in the previous year began to manage mobile video games based on advertising revenue.

The distinctive nature of the video games of the Mobile business segment relates to the different distribution platforms from the Publishing business and the possibility for players to download applications free from the marketplaces and then spend money during the phases of the game.

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

Italian Distribution: 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.

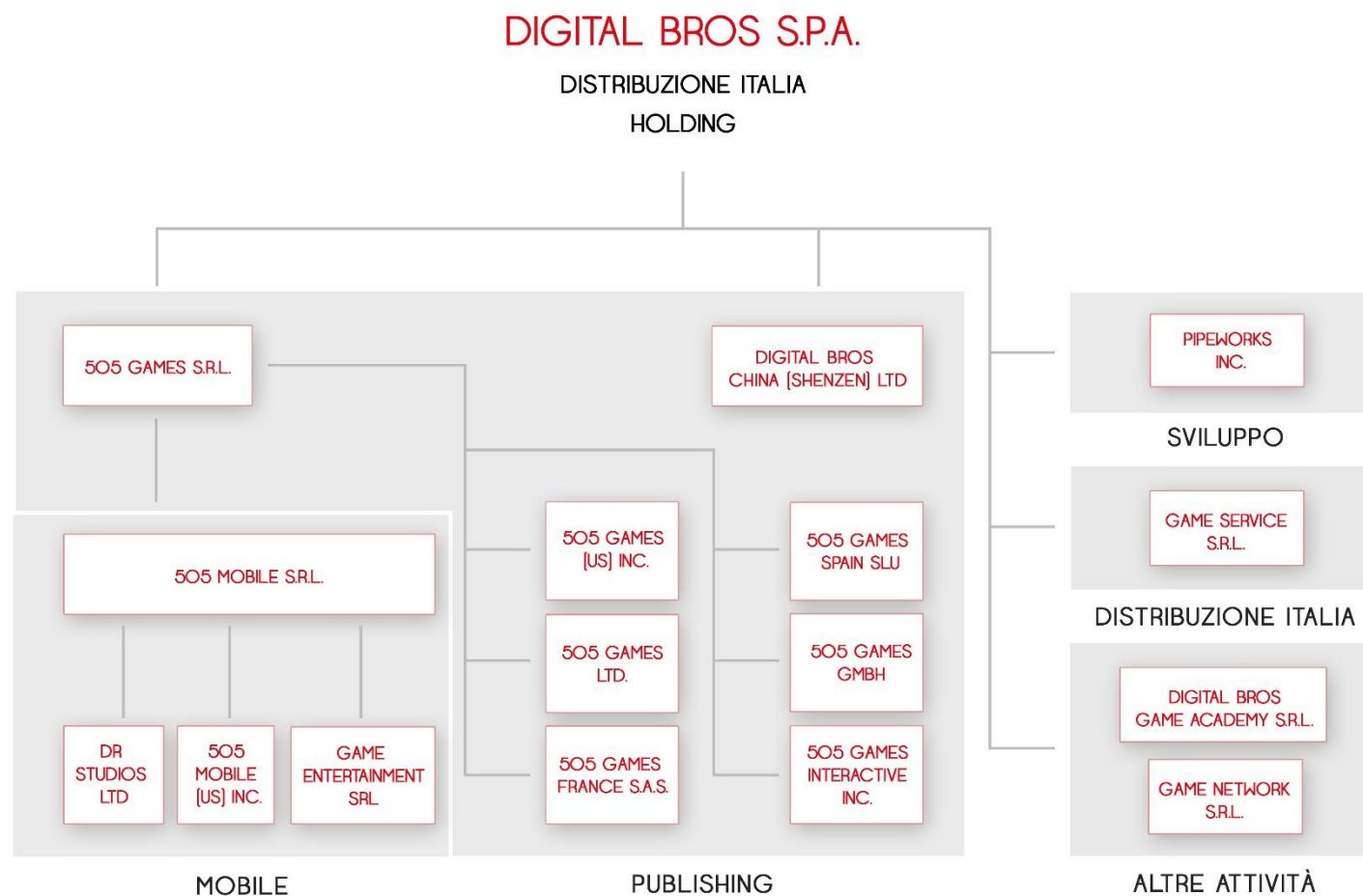
Other Activities: this residual business segment includes all operating activities of limited scope, which are consolidated into a separate business segment, in the interest of logical presentation of results. It includes the activities of the subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (the Italian State Monopoly Administration) and the activities of the subsidiary 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: 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. Administration, management control and development business have also been included in the Holding business segment.

In June 2015, in order to bring the organisational structure into line with the structure of the business segments, the parent company sold 100% of 505 Mobile S.r.l. and its subsidiaries, 505 Games France S.a.s. and 505 Games Slu, to 505 Games S.r.l.

All of the equity investments indicated in the following organisation chart are fully owned.

COMPANY ORGANIZATION CHART AS AT 31 DECEMBER 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 China (Shenzhen) Ltd.	Tao Yuan Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona 37, Milan	Offices
Game Network S.r.l.	Via Tortona 37, Milan	Offices
Game Service S.r.l.	Via Tortona 37, Milan	Offices
Pipeworks Inc.	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.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Spain Slu	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.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Mobile S.r.l.	Via Tortona 37, Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices

505 Games Nordic AB, based in Stockholm, was placed in liquidation during the period.

As at 31 December 2015 the Group had equity investments in the associates listed below:

Company name	Registered Office	Holding	Book value
Delta DNA Ltd. ⁽¹⁾	Edinburgh	1.16%	60
Ebooks&Kids S.r.l.	Milan	16%	200
Cityglance S.r.l.	Milan	37.5%	45
Ovosonico S.r.l.	Varese	18.38%	270
Total			574

(1) Previously Games Analytics Ltd.

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, brands, and intellectual property.

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.

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 traditional 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 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 global sales. The publisher decides on a game's release schedule, global 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., dealers 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 dealer is the outlet where the consumer purchases the game. Dealers 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 organized “marketplaces” where video games can be sold directly to the consumer without the need for a distributor or dealer. 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 Group has entered into publishing contracts with all of the marketplaces mentioned.

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

The digital distribution of a video game 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 allowing the publisher to run rapid and effective promotions. The extension of the life cycle is also accentuated by the possibility for a publisher to distribute additional episodes to a particularly successful video game exclusively on digital marketplaces.

3. SEASONAL TRENDS

The seasonal nature of the business is due to the launch on the market of highly successful products: 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 be concentrated in the first days of marketing of the product, 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 volatility of revenues 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 digital distribution, revenue is recorded when the end consumers download the video game from the marketplace. This process takes place more gradually over time and not primarily in the days immediately following launch, differently to traditional distribution, where revenue is earned at the time of delivery to the distributor/dealer regardless of the purchase by the end consumer.

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 are collected.

4. SIGNIFICANT EVENTS DURING THE PERIOD

The main events during the period were as follows:

- Digital Bros S.p.A. purchased 2,299,632 Starbreeze B shares for a total of 1,804 thousand euros and disposed of 3,500,323 shares for a total of 4,789 thousand euros. During the same period, it purchased 1,484,495 Starbreeze A ordinary shares for a total of 1,323 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 end of the quarter, treasury shares held amounted to 130,247 ordinary shares.
- On 2 September 2015, Digital Bros S.p.A. incorporated Digital Bros China (Shenzhen) Ltd., based in Shenzhen, China, with the purpose of carrying out marketing and business development activity on the Chinese market on behalf of Group companies. Share capital is 100 thousand euros.
- On 11 September 2015, the Group entered into a commitment to subscribe for a capital increase by the Italian video game developer Ovosonico S.r.l. in the total amount, inclusive of premium, of 720 thousand euros. The increase will take place in multiple stages and will result in Digital Bros S.p.A. holding a 49% interest in the company at the end of the process, scheduled for 31 July 2016. 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, stand out. During the period, a single payment of 270 thousand euros was made, of which 18,375 euros of capital and 251,625 euros of premium, representing an 18.38% interest in the Company.

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5. ANALYSIS OF THE ECONOMIC PERFORMANCE AS AT 31 DECEMBER 2015

	EUR/000	31 December 2015		31 December 2014		Change	
1	Gross revenues	45,290	105.6%	60,997	104.4%	(15,707)	-25.8%
2	Revenue adjustments	(2,396)	-5.6%	(2,588)	-4.4%	192	-7.4%
3	Total net revenues	42,894	100.0%	58,409	100.0%	(15,515)	-26.6%
4	Purchase of goods for resale	(12,091)	-28.2%	(18,058)	-30.9%	5,967	-33.0%
5	Purchase of services for resale	(3,286)	-7.7%	(2,871)	-4.9%	(415)	14.4%
6	Royalties	(7,969)	-18.6%	(14,259)	-24.4%	6,290	-44.1%
7	Changes in finished product inventories	(1,685)	-3.9%	(1,583)	-2.7%	(102)	6.5%
8	Total cost of sold products	(25,031)	-58.4%	(36,771)	-63.0%	11,740	-31.9%
9	Gross profit (3+8)	17,863	41.6%	21,638	37.0%	(3,775)	-17.4%
10	Other revenues	2,764	6.4%	259	0.4%	2,505	n.s.
11	Cost of services	(6,744)	-15.7%	(5,408)	-9.3%	(1,336)	24.7%
12	Rent and leasing	(784)	-1.8%	(767)	-1.3%	(17)	2.2%
13	Personnel costs	(9,836)	-22.9%	(7,578)	-13.0%	(2,258)	29.8%
14	Other operating expenses	(766)	-1.8%	(633)	-1.1%	(133)	21.1%
15	Total operating costs	(18,130)	-42.3%	(14,386)	-24.6%	(3,744)	26.0%
16	EBITDA (9+10+15)	2,497	5.8%	7,511	12.9%	(5,014)	-66.8%
17	Amortisation and depreciation	(1,791)	-4.2%	(1,279)	-2.2%	(512)	40.0%
18	Provisions	0	0.0%	(63)	-0.1%	63	n.s.
19	Write-down of assets	(425)	-1.0%	(332)	-0.6%	(93)	27.9%
20	Write-backs and non-monetary income	588	1.4%	0	0.0%	588	0.0%
21	Total non-monetary income and operating costs	(1,628)	-3.8%	(1,674)	-2.9%	46	-2.8%
22	EBIT (16+21)	869	2.0%	5,837	10.0%	(4,968)	-85.1%
23	Interest and financial income	1,972	4.6%	1,364	2.3%	608	44.5%
24	Interest and financial expenses	(865)	-2.0%	(845)	-1.4%	(20)	2.3%
25	Net financial income	1,107	2.6%	519	0.9%	588	n.s.
26	Pre-tax income (22+25)	1,976	4.6%	6,356	10.9%	(4,379)	-68.9%
27	Current taxes	(1,665)	-3.9%	(2,429)	-4.2%	764	-31.5%
28	Deferred taxes	938	2.2%	(6)	0.0%	944	n.s.
29	Total income taxes	(727)	-1.7%	(2,435)	-4.2%	1,709	-70.2%
30	Net profit (26+29)	1,249	2.9%	3,921	6.7%	(2,672)	-68.1%
	Net income per share:						
33	Basic earnings per share (in euros)	0.09		0.29		(0.20)	-68.8%
34	Diluted earnings per share (in euros)	0.09		0.29		(0.20)	-68.8%

In the first half of the year, the Group's gross revenues were 45,290 thousand euros, down by 15,707 thousand euros. Net revenues decreased by 26.6% to 42,894 thousand euros from 58,409 thousand euros for the period ended 31 December 2014.

Below is the breakdown of revenues by business segment as at 31 December 2015 compared with the previous year:

EUR/000	Gross revenues				Net revenues			
	2015	2014	Change		2015	2014	Change	
Publishing	23,001	36,861	(13,860)	-37.6%	21,673	35,401	(13,728)	-38.8%
Italian Distribution	13,937	16,289	(2,352)	-14.4%	12,913	15,242	(2,329)	-15.3%
Mobile	7,100	6,640	460	6.9%	7,100	6,640	460	6.9%
Development	916	1,087	(171)	-15.7%	916	1,087	(171)	-15.7%
Other Activities	336	120	216	n.s.	292	39	253	n.s.
Total gross revenues	45,290	60,997	(15,707)	-25.8%	42,894	58,409	(15,515)	-26.6%

The significant decline was primarily due to the decrease in Publishing segment revenues, which fell by 13,860 thousand euros. Revenues for the Publishing segment are detailed by product below:

Data in thousands of Euro	31 December 2015	31 December 2014	Change
Sniper Elite V3	4,124	18,124	(14,000)
PAYDAY 2	11,146	10,076	1,070
Terraria	4,154	3,872	282
How to Survive	806	1,263	(457)
Sniper Elite V2	164	1,241	(1,077)
Brothers	1,893	481	1,412
Other	714	1,804	(1,090)
Total revenues - Publishing	23,001	36,861	(13,860)

The most significant reduction related to the sales of the video game Sniper Elite V3, 14 million euros, which fell short of the sales recorded by the game in the previous year, immediately after launch. In the absence of the launch of new video games, the sales of the Publishing segment decreased by 13,860 thousand euros, although the performances of the most successful products published by the Group in previous years, PAYDAY 2 and Terraria, increased slightly.

The decrease in the revenues of the Italian Distribution segment of 2.4 million euros was due to the significant decline in the sales of the Yu-Gi-Oh! collectible cards, whereas there was an increase in video game distribution revenues due to the launch on the Italian market of the video games Metal Gear Solid V and PES 2016, which met with particular success among the public.

The revenues of the Mobile segment increased by 6.9% or 7,100 thousand euros, benefiting from the positive performance of sales of the Battle Island video games, developed by the subsidiary DR Studios. No new products were launched in the Mobile segment.

The Development segment's revenues for the half-year amounted to 916 thousand euros, down by 15.7%, and related to sales that the U.S. developer Pipeworks Inc. completed on development orders for non-captive clients.

The revenues of the Other Activities segment include Fantasfida revenues. Fantasfida is the first Italian daily fantasy sport, a phenomenon that is particularly popular in the United States of America. This is a game of skill in which the player fields a virtual team of champions in various athletic disciplines and takes part in a for-pay tournament with potential cash prizes.

The cost of goods sold decreased by 31.9%, greater than the decrease in revenues, falling from 36,771 thousand euros to 25,031 thousand euros, with a particularly marked decline of 44.1% in royalties, resulting in a decrease in gross profits of 17.4% from 21,638 thousand euros for the period ended 31 December 2014 to 17,863 thousand euros for the period ended 31 December 2015.

Other revenues, 259 thousand euros for the period ended 31 December 2014, represented a considerable component during the period, amounting to 2,764 thousand euros. Such revenues consist of the capitalisation of internal work as a result of development projects carried out by the subsidiaries Pipeworks Inc. and DR Studios Ltd on behalf of Group companies, in particular Prominence Poker. During the previous year, the value of this item was lower since the acquired development companies were consolidated with effect from September and Pipeworks Inc. had primarily operated on behalf of non-captive clients, as opposed to the situation in the half-year, following its integration into the Group's structure.

Operating expenses increased by 3,744 thousand euros, or 26%, rising from 14,386 thousand euros for the period ended 31 December 2014 to 18,130 thousand euros for the period ended 31 December 2015. It bears emphasising that the performance of operating expenses was significantly affected by the extraordinary operating expenses incurred for Fantasfida of 2,081 thousand euros.

Cost of services increased by 1,336 thousand euros, or 24.7% compared to the previous year, of which 1,683 thousand euros of advertising costs incurred for the launch of Fantasfida.

The increase in personnel costs of 2,258 thousand euros, or 29.8%, was due to the acquisition of the two development studios, which in the previous year were only consolidated from September, but also to the growth of the Publishing and Mobile structures to manage the important process of investment in new video games that the Group undertook in the previous 18 months.

EBITDA was 2,497 thousand euros, compared to 7,511 thousand euros for the period ended 31 December 2014, down by 66.8%.

Net non-monetary operating expenses decreased by 47 thousand euros as a result of higher write-backs of assets and non-financial income of 588 thousand euros, partially offset by the increase in amortisation and depreciation of 512 thousand euros to reflect the investments undertaken by the Group with the acquisitions of 100% of Pipeworks Inc. and DR Studios Ltd. The write-backs of assets were due to the non-existence of the payable of 588 thousand euros to the sellers of DR Studios Ltd. as a result of the

failure to satisfy the condition for an earn-out payment in September 2016. This entailed the concurrent write-down of the assets allocated during the acquisition phase for 425 thousand euros.

EBIT decreased by 4,968 thousand euros, falling from 5,837 thousand euros for the period ended 31 December 2014 to 869 thousand euros in the current period.

Net financial income amounted to 1,107 thousand euros, compared to 519 thousand euros in the same period of the previous year. Interest and financial income increased by 608 thousand euros due to the capital gains realised on the sale of the Starbreeze B shares purchased during the period of 1,447 thousand euros and to exchange gains of 523 thousand euros, compared to exchange gains of 1,360 thousand euros in the first half of the previous year. Interest and financial expenses amounted to 865 thousand euros, essentially unchanged compared to the period ended 31 December 2014, but with a significant decline in financial expenses of 296 thousand euros and an increase in exchange losses of 316 thousand euros.

Pre-tax income for the period ended 31 December 2015 was 1,976 thousand euros, compared to the 6,356 thousand euros recorded during the same period of last year. Net profit was 1,249 thousand euros, compared to the profit of 3,921 thousand euros for the period ended 31 December 2014.

Basic and diluted net earnings per share came to 0.09 euros, versus earnings per share of 0.29 euros in the same period of 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 31 DECEMBER 2015

	EUR/000	31 December 2015	30 June 2015	Change	
	Non-current assets				
1	Property, plant and equipment	5,068	4,841	227	4.7%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,044	7,946	1,098	13.8%
4	Equity investments	4,408	1,274	3,134	0.0%
5	Non-current receivables and other assets	1,064	1,058	6	0.5%
6	Deferred tax assets	3,050	2,240	810	36.2%
	Total non-current assets	22,634	17,359	5,275	30.4%
	Non-current liabilities				
7	Employee benefits	(479)	(486)	7	-1.5%
8	Non-current provisions	(127)	(170)	43	-25.4%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	Total non-current liabilities	(606)	(1,245)	639	-51.3%
	Net working capital				
10	Inventories	11,196	12,881	(1,685)	-13.1%
11	Trade receivables	35,825	36,350	(525)	-1.4%
12	Tax credits	3,587	2,466	1,121	45.5%
13	Other current assets	4,460	6,148	(1,688)	-27.5%
14	Trade payables	(20,320)	(26,929)	6,609	-24.5%
15	Tax payables	(3,309)	(3,029)	(280)	9.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,020)	(1,859)	(161)	8.6%
	Total net working capital	29,419	26,028	3,391	13.0%
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(20,601)	(19,417)	(1,184)	6.1%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(11,614)	(9,947)	(1,667)	16.8%
	Total shareholders' equity	(37,469)	(33,809)	(3,660)	10.8%
	Total net assets	13,978	8,333	5,645	67.8%
22	Cash and cash equivalents	4,048	4,339	(291)	-6.7%
23	Current payables due to banks	(16,819)	(12,738)	(4,081)	32.0%
24	Other current financial assets and liabilities	(207)	1,685	(1,892)	n.s.
	Current net financial position	(12,978)	(6,714)	(6,264)	93.3%
25	Non-current financial assets	1,146	0	1,146	0.0%
26	Non-current payables due to banks	(2,146)	(1,619)	(527)	32.6%
27	Other non-current financial liabilities	0	0	0	0.0%
	Non-current net financial position	(1,000)	(1,619)	619	-38.3%
	Total net financial position	(13,978)	(8,333)	(5,645)	67.7%

Non-current assets were up by 5,275 thousand euros compared to 30 June 2015, primarily due to the increase in intangible assets of 1,098 thousand euros related to the projects developed internally by Pipeworks Inc. and DR Studios Ltd. and the increase in equity investments of 3,134 thousand euros, due to the purchase of 1,484,495 Starbreeze A shares and the purchase of the equity investment in Ovosonico S.r.l.

Non-current liabilities decreased by 639 thousand euros due to the failure to meet the condition for the pay-out of the earn-out envisaged in the acquisition agreement for DR Studios Ltd. (589 thousand euros), whereas the remainder was due to minor changes in the captions employee benefits and non-current provisions.

Net working capital increased by 3,391 thousand euros compared to 30 June 2015, despite the decline in inventories of 1,685 thousand euros. This increase contrasted with the decline in sales, which normally permits a simultaneous reduction of net working capital, manifest in the item trade payables. The process of significant investments in new products launched by the Group in the past several months, expected to begin to generate revenues in the second half of the year, had a significant impact on trade receivables, which only declined by 1.4%.

An analysis of net working capital in comparison with figures at 30 June 2015 is provided below:

EUR/000	31 December 2015	30 June 2015	Change	
Inventories	11,196	12,881	(1,685)	-13.1%
Trade receivables	35,825	36,350	(525)	-1.4%
Tax credits	3,587	2,466	1,121	45.5%
Other current assets	4,460	6,148	(1,688)	-27.5%
Trade payables	(20,320)	(26,929)	6,609	-24.5%
Tax payables	(3,309)	(3,029)	(280)	9.2%
Current provisions	0	0	0	0.0%
Other current liabilities	(2,020)	(1,859)	(161)	8.6%
Total net working capital	29,419	26,028	3,391	13.0%

Net financial debt was 13,978 thousand euros, up by 5,645 thousand euros compared to 30 June 2015, in line with the increase in non-current assets.

The increase was due to the growth of current payables due to banks of 4,081 thousand euros and the decrease in other current financial assets and liabilities of 1,892 thousand euros, partially offset by the increase in other non-current financial assets of 1,146 thousand euros.

In the table below, the net financial position is compared with the situation at 30 June 2015:

EUR/000	31 December 2015	30 June 2015	Change	
Cash and cash equivalents	4,048	4,339	(291)	-6.7%
Current payables due to banks	(16,819)	(12,738)	(4,081)	32.0%
Other current financial assets and liabilities	(207)	1,685	(1,892)	n.s.
Current net financial position	(12,978)	(6,714)	(6,264)	93.3%
Non-current financial assets	1,146	0	1,146	0.0%
Non-current payables due to banks	(2,146)	(1,619)	(527)	32.6%
Other non-current financial liabilities	0	0	0	0.0%
Non-current net financial position	(1,000)	(1,619)	619	-38.3%
Total net financial position	(13,978)	(8,333)	(5,645)	67.7%

For a more in-depth analysis of cash flow, see the consolidated statement of cash flows attached to this interim financial report.

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7. PERFORMANCE OF BUSINESS SEGMENTS

Development

Key results (reclassified)

	Consolidated data in thousands of Euro	Development					
		31 December 2015		31 December 2014		Change	
1	Revenues	916	100.0%	1,087	100.0%	(171)	-15.8%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Total revenues	916	100.0%	1,087	100.0%	(171)	-15.8%
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(342)	-37.3%	(72)	-6.6%	(270)	n.s.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	n.s.
8	Total cost of sold products	(342)	-37.3%	(72)	-6.6%	(270)	n.s.
9	Gross profit (3+8)	574	62.7%	1,015	93.4%	(441)	-43.5%
10	Other revenues	2,188	239.0%	129	11.9%	2,059	n.s.
11	Cost of services	(124)	-13.6%	(72)	-6.6%	(52)	73.2%
12	Rent and leasing	(69)	-7.6%	(32)	-2.9%	(37)	n.s.
13	Personnel costs	(2,422)	-264.5%	(1,263)	-116.2%	(1,159)	91.7%
14	Other operating expenses	(98)	-10.7%	(27)	-2.5%	(71)	n.s.
15	Total operating costs	(2,713)	-296.3%	(1,394)	-128.2%	(1,319)	n.s.
16	EBITDA (9+10+15)	49	5.4%	(250)	-23.0%	299	n.s.
17	Amortisation and depreciation	(301)	-32.9%	(169)	-15.5%	(132)	n.s.
18	Provisions	0	0.0%	(63)	-5.8%	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	(301)	-32.9%	(232)	-21.3%	(69)	n.s.
22	EBIT (16+21)	(252)	-27.5%	(482)	-44.4%	230	-47.8%

The segment consists solely of the activities of the U.S. Pipeworks Inc., acquired on 1 September 2014 and thus consolidated for just four months in the first half of the previous year.

The revenues of the Development segment may relate to development contracts for non-captive clients, classified among revenues, whereas the revenues on internal development projects are classified amongst other revenues, after eliminating the margins earned.

Revenues from non-captive clients amounted to 916 thousand euros during the half-year, compared to 1,087 thousand euros in the previous year, whereas internal development projects increased to 2,188

thousand euros compared to just 129 thousand euros in the previous year, in line with the greater integration of the acquiree and the Group over time.

Other revenues may be broken down by order as follows:

EUR/000	Personnel costs	Other costs	Total
Prominence Poker	910	189	1,099
Galapagos	254	0	254
Superfight	244	46	290
Quality Assurance	194	3	197
Other projects	261	87	348
Total	1,863	325	2,188

The Prominence Poker order (referring to a video game that Pipeworks is developing for the Mobile segment) is particularly important, as it will result in the release in the first quarter of next year of the versions for next-generation consoles and the Steam personal computer video game platform. The product will be a free-to-play game, i.e. without requiring any payment for purchase, and the revenues will be based solely on purchases by players of virtual sums to be used in the game. Prior to the acquisition, the U.S. subsidiary had created a successful video game of the same type on the platform Microsoft Xbox Live.

Personnel costs were the most significant component of operating costs, amounting to 2,422 thousand euros. At the monthly level, costs of 403 thousand euros increased compared to the previous year, when monthly costs of 316 thousand euros were recorded, primarily due to the reinforcement of the Quality Assurance Division in response to the greater needs identified in this area by Group companies.

Amortisation/depreciation is for 82 thousand euros relative to the intangible assets brought by Pipeworks Inc. to the Group, and for 219 thousand euros relative to the amortisation of the goodwill resulting from the difference between the purchase price and equity of the Company upon acquisition.

Publishing

Key results (reclassified)

Consolidated data in thousands of Euro		Publishing					
		31 December 2015		31 December 2014		Change	
1	Revenues	23,001	106.1%	36,861	104.1%	(13,860)	-37.6%
2	Revenue adjustments	(1,328)	-6.1%	(1,460)	-4.1%	132	-9.0%
3	Total revenues	21,673	100.0%	35,401	100.0%	(13,728)	-38.8%
4	Purchase of goods for resale	(3,895)	-18.0%	(7,715)	-21.8%	3,820	-49.5%
5	Purchase of services for resale	(1,956)	-9.0%	(1,913)	-5.4%	(43)	2.3%
6	Royalties	(5,149)	-23.8%	(10,780)	-30.5%	5,631	-52.2%
7	Changes in finished product inventories	(484)	-2.2%	(731)	-2.1%	247	-33.8%
8	Total cost of sold products	(11,484)	-53.0%	(21,139)	-59.7%	9,655	-45.7%
9	Gross profit (3+8)	10,189	47.0%	14,262	40.3%	(4,073)	-28.6%
10	Other revenues	38	0.2%	17	0.0%	21	n.s.
11	Cost of services	(2,246)	-10.4%	(2,920)	-8.2%	674	-23.1%
12	Rent and leasing	(261)	-1.2%	(295)	-0.8%	34	-11.5%
13	Personnel costs	(3,376)	-15.6%	(2,755)	-7.8%	(621)	22.5%
14	Other operating expenses	(257)	-1.2%	(220)	-0.6%	(37)	16.5%
15	Total operating costs	(6,140)	-28.3%	(6,190)	-17.5%	50	-0.8%
16	EBITDA (9+10+15)	4,087	18.9%	8,089	22.9%	(4,002)	-49.5%
17	Amortisation and depreciation	(575)	-2.7%	(368)	-1.0%	(207)	56.3%
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	(575)	-2.7%	(368)	-1.0%	(207)	56.3%
22	EBIT (16+21)	3,512	16.2%	7,721	21.8%	(4,209)	-54.5%

The Publishing segment's revenues decreased from 36,861 thousand euros to 23,001 thousand euros. The most significant reduction related to the sales of the video game Sniper Elite V3, 14 million euros, which fell short of the sales recorded by the game in the previous year, immediately after launch. In the absence of the launch of new video games, the sales of the Publishing segment decreased by 13,860 thousand euros, although the performances of the most successful products published by the Group in previous years, PAYDAY 2 and Terraria, increased slightly.

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	31 December 2015	31 December 2014	Change
Sniper Elite V3	4,124	18,124	(14,000)
PAYDAY 2	11,146	10,076	1,070
Terraria	4,154	3,872	282
How to Survive	806	1,263	(457)
Sniper Elite V2	164	1,241	(1,077)
Brothers	1,893	481	1,412
Other	714	1,804	(1,090)
Total revenues - Publishing	23,001	36,861	(13,860)

A breakdown of revenues as at 31 December 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	31 December 2015	31 December 2014	Change
Revenues from retail distribution	11,017	21,163	(10,146) -47.9%
Revenues from digital distribution	11,972	15,615	(3,643) -23.3%
Revenues from sub-licensing	12	83	(71) -85.5%
Total revenues - Publishing	23,001	36,861	(13,860) -37.6%

Digital distribution revenues as at 31 December 2015 are broken down below by digital marketplace, as follows:

Revenues in thousands of Euro	31 December 2015	31 December 2014	Change
Steam	5,018	6,717	(1,699)
Sony Playstation Network	3,738	3,922	(184)
Microsoft Xbox Live	3,101	4,643	(1,542)
Other marketplaces	115	333	(218)
Total revenues - Digital distribution	11,972	15,615	(3,643)

Revenue adjustments are down 132 thousand euros, with a percentage decline of 9%, thus resulting in the reduction of net revenues of 38.8% as compared with the 37.6% of gross revenues. The item includes the estimated credit notes for unsold products that the Group forecasts having to issue to customers in the near future and was also down in line with the decrease in retail distribution revenues. The greater percent incidence of the latter during the half-year was due to the need to cover a larger volume of unsold copies of video games in the retail distribution channel.

The cost of goods sold decreased by 45.7%, greater than the decrease in revenues, falling from 21,139 thousand euros to 11,484 thousand euros, with a particularly marked decline of 52.2% in royalties, resulting in a decrease in gross profits of 28.6% from 21,638 thousand euros for the period ended 31 December 2014 to 14,262 thousand euros for the period ended 31 December 2015.

Operating costs were down by 50 thousand euros, due to the decline in the cost of services of 674 thousand euros, as a result of lower advertising investments in support of products, offset by an increase

in personnel costs of 621 thousand euros, due to the growth of the Publishing unit to manage the important process of new investments in video games undertaken by the Group in the past 18 months.

EBITDA declined to 18.9% of net revenues from 22.9% in the previous year, falling from 8,089 thousand euros to 4,087 thousand euros.

Non-monetary operating costs increased by 207 thousand euros due to greater amortisation of intellectual property, resulting in a decline of EBIT to 3,512 thousand euros or 16.2% of net revenues.

Mobile

Key results (reclassified)

Consolidated data in thousands of Euro		Mobile					
		31 December 2015		31 December 2014		Change	
1	Revenues	7,100	100.0%	6,640	100.0%	460	6.9%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Total revenues	7,100	100.0%	6,640	100.0%	460	6.9%
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(949)	-13.4%	(875)	-13.2%	(74)	8.5%
6	Royalties	(2,764)	-38.9%	(3,479)	-52.4%	715	-20.6%
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sold products	(3,713)	-52.3%	(4,354)	-65.6%	641	-14.7%
9	Gross profit (3+8)	3,387	47.7%	2,286	34.4%	1,101	48.2%
10	Other revenues	401	5.7%	79	1.2%	322	n.s.
11	Cost of services	(520)	-7.3%	(323)	-4.9%	(197)	60.9%
12	Rent and leasing	(39)	-0.6%	(16)	-0.2%	(23)	n.s.
13	Personnel costs	(1,472)	-20.7%	(1,105)	-16.6%	(367)	33.2%
14	Other operating expenses	(37)	-0.5%	(9)	-0.1%	(28)	n.s.
15	Total operating costs	(2,068)	-29.1%	(1,453)	-21.9%	(615)	42.3%
16	EBITDA (9+10+15)	1,720	24.2%	912	13.7%	808	88.6%
17	Amortisation and depreciation	(659)	-9.3%	(529)	-8.0%	(130)	24.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(425)	-6.0%	0	0.0%	(425)	0.0%
20	Write-backs of assets and non-monetary income	588	8.3%	0	0.0%	588	0.0%
21	Total non-monetary income and operating costs	(496)	-7.0%	(529)	-8.0%	33	-6.3%
22	EBIT (16+21)	1,224	17.2%	383	5.8%	841	n.s.

The Mobile segment's revenues climbed to 7,100 thousand euros during the half-year, up by 6.9% compared to the same period of the previous year.

Revenue trends of the business segment during the period are shown for the main products below:

Revenues in thousands of Euro	31 December 2015	31 December 2014	Change
Terraria	5,050	5,524	(474)
Battle Islands	1,350	750	600
Other products	700	366	334
Total revenues - Mobile	7,100	6,640	460

The revenues generated by sales of Terraria, amounting to 5,050 thousand euros two years from launch, were significant, despite the decrease of 8.6% compared to the same period of the previous year.

The video game Battle Islands, developed by the subsidiary DR Studios Ltd. and launched in December 2013, made a 1,350 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 while playing.

No new products were launched on the market.

The cost of goods sold comprises only purchases of services and royalties. The first, which come to 949 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 by type are as follows:

Data in thousands of Euro	31 December 2015	31 December 2014	Change
Live support	441	218	223
Programming	120	218	(98)
Quality assurance	221	406	(185)
Other	167	33	134
Total	949	875	74

The lower incidence of royalty costs was due to the growth of revenues on Battle Islands, which since it is fully the Group's property does not generate royalty costs. Primarily due to losses resulting from early termination of development contracts quite typical of the Mobile segment, they amounted to 341 thousand euros compared to 762 thousand euros in the previous year.

Operating costs include services (mostly advertising to promote products on the various platforms) and personnel costs. The increase in personnel costs was related to the acquiree DR Studios Ltd., which during the previous year was only consolidated from September.

Amortisation and depreciation increased by 130 thousand euros and were composed of:

Data in thousands of Euro	31 December 2015	31 December 2014	Change
Amortisation/depreciation of Battle Islands	445	421	24
Amortisation of intangible assets	188	97	91
Depreciation of tangible assets	26	11	15
Total	659	529	130

The write-backs of assets were due to the non-existence of the payable of 588 thousand euros to the sellers of DR Studios Ltd. as a result of the failure to satisfy the condition for an earn-out payment in September 2016. This entailed the concurrent write-down of the assets allocated during the acquisition phase for 425 thousand euros.

Period EBIT came to 1,224 thousand euros, as compared with an EBIT of 383 thousand euros recorded for the period ended 31 December 2014.

Italian Distribution

Key results (reclassified)

Consolidated data in thousands of Euro		Italian Distribution					
		31 December 2015		31 December 2014		Change	
1	Revenues	13,937	107.9%	16,289	106.9%	(2,352)	-14.4%
2	Revenue adjustments	(1,024)	-7.9%	(1,047)	-6.9%	24	-2.2%
3	Total revenues	12,913	100.0%	15,242	100.0%	(2,329)	-15.3%
4	Purchase of goods for resale	(8,196)	-63.5%	(10,343)	-67.9%	2,147	-20.8%
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	(1,201)	-9.3%	(852)	-5.6%	(349)	41.0%
8	Total cost of sold products	(9,397)	-72.8%	(11,195)	-73.4%	1,798	-16.1%
9	Gross profit (3+8)	3,516	27.2%	4,047	26.6%	(531)	-13.1%
10	Other revenues	18	0.1%	34	0.2%	(16)	-47.1%
11	Cost of services	(1,204)	-9.3%	(1,276)	-8.4%	72	-5.6%
12	Rent and leasing	(31)	-0.2%	(28)	-0.2%	(3)	10.7%
13	Personnel costs	(895)	-6.9%	(960)	-6.3%	65	-6.7%
14	Other operating expenses	(120)	-0.9%	(128)	-0.8%	8	-6.3%
15	Total operating costs	(2,250)	-17.4%	(2,392)	-15.7%	142	-5.9%
16	EBITDA (9+10+15)	1,284	9.9%	1,689	11.1%	(405)	-24.0%
17	Amortisation and depreciation	(86)	-0.7%	(112)	-0.7%	26	-23.4%
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	(86)	-0.7%	(112)	-0.7%	26	-23.4%
22	EBIT (16+21)	1,198	9.3%	1,577	10.3%	(379)	-24.0%

The decrease in the revenues of the Italian Distribution segment of 2.4 million euros was due to the significant decline in the sales of the Yu-Gi-Oh! collectible cards, whereas there was an increase in video game distribution revenues due to the launch on the Italian market of the video games Metal Gear Solid V and PES 2016, which met with particular success among the public.

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

EUR/000	31 December 2015	31 December 2014	Change	
Distribution of video games for consoles	10,106	8,112	1,994	24.6%
Distribution of video games for PC-CDRom	399	1,144	(745)	-65.1%
Distribution of trading cards	3,021	6,953	(3,932)	-56.5%
Distribution of other products and services	436	187	249	133.0%
Financial discounts	(25)	(107)	82	-76.6%
Total gross revenues - Italian Distribution	13,937	16,289	(2,352)	-14.4%

In order to better understand the quarterly trend in gross revenues, the breakdown of distribution revenues by console is shown below:

EUR/000	31 December 2015		31 December 2014		Change	
	Units	Turnover	Units	Turnover	Units	Turnover
Sony Playstation 4	129,272	5,417	70,559	3,168	83.2%	71.0%
Sony Playstation 3	89,326	2,303	109,862	2,692	-18.7%	-14.4%
Microsoft Xbox One	26,077	1,030	18,761	810	39.0%	27.2%
Microsoft Xbox 360	48,557	1,148	49,438	1,062	-1.8%	8.1%
Other consoles	22,505	208	26,058	380	-13.6%	-45.4%
Total console revenues	315,737	10,106	274,678	8,112	14.9%	24.6%

The business segment showed an increase in console video game distribution revenues of 1,994 thousand euros, due to the concurrent launch during the period of two video games that met with very high levels of success with the public: Metal Gear Solid V and PES 2016.

Sales of Yu-Gi-Oh! collectible cards decreased by 3,932 thousand euros.

Net revenues came to 12,913 thousand euros, a decrease of 15.3% compared to the previous year.

The cost of goods sold was down by 1,798 thousand euros (16.1%), a slightly higher decrease than that of net revenues. Gross profits were consequently down by 531 thousand euros, marking a 13.1% decrease.

Operating costs decreased by 5.9% (142 thousand euros) compared with the same period of the prior year. This reduction is due primarily to a decrease in the cost of services by 72 thousand euros and a decline in personnel costs by 65 thousand euros.

EBIT decreased by 379 thousand euros, from 1,577 thousand euros during the period ended 31 December 2014 to 1,198 thousand euros in the current half-year.

Other Activities

Key results (reclassified)

Consolidated data in thousands of Euro		Other Activities					
		31 December 2015		31 December 2014		Change	
1	Revenues	336	115.0%	120	308.2%	216	n.s.
2	Revenue adjustments	(44)	-15.0%	(81)	-208.2%	37	-46.2%
3	Total revenues	292	100.0%	39	100.0%	253	n.s.
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(39)	-13.3%	(11)	-29.0%	(28)	n.s.
6	Royalties	(56)	-19.0%	0	0.0%	(56)	n.s.
7	Changes in finished product inventories	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sold products	(95)	-32.4%	(11)	-29.0%	(84)	n.s.
9	Gross profit (3+8)	197	67.3%	28	71.8%	169	n.s.
10	Other revenues	119	40.9%	0	0.0%	119	0.0%
11	Cost of services	(2,013)	-688.8%	(134)	-343.2%	(1,879)	n.s.
12	Rent and leasing	(11)	-3.9%	(15)	-39.1%	4	-25.6%
13	Personnel costs	(265)	-90.8%	(153)	-393.0%	(112)	72.9%
14	Other operating expenses	(25)	-8.7%	(20)	-51.9%	(5)	25.2%
15	Total operating costs	(2,314)	-791.8%	(322)	-824.8%	(1,992)	n.s.
16	EBITDA (9+10+15)	(1,998)	-683.6%	(294)	-753.1%	(1,704)	n.s.
17	Amortisation and depreciation	(112)	-38.3%	(47)	-119.8%	(65)	n.s.
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	(112)	-38.3%	(47)	-119.8%	(65)	n.s.
22	EBIT (16+21)	(2,110)	-721.9%	(341)	-873.5%	(1,769)	n.s.

Gross revenues for the period ended 31 December 2015 are attributable to Game Network S.r.l. (237 thousand euros) and Digital Bros Game Academy S.r.l. (99 thousand euros).

The revenues of the Other Activities segment include Fantasfida revenues. Fantasfida is the first Italian daily fantasy sport, a phenomenon that is particularly popular in the United States of America. This is a game of skill in which the player fields a virtual team of champions in various athletic disciplines and takes part in a for-pay tournament with potential cash prizes.

Revenue adjustments consist entirely of taxes paid on the revenues earned by the portals www.gameplaza.it and www.fantasfida.it.

Other revenues represent the increase in internal processing orders relating to the direct costs incurred during the half-year for development of the product Fantasfida.it, released in September 2015.

Operating costs, which increased from 322 thousand euros to 2,314 thousand euros, were significantly influenced by the expenses incurred for Fantasfida, which amounted to 2,081 thousand euros.

EBIT was a negative 2,110 thousand euros, primarily due to the costs of launching Fantasfida.

Holding

Key results (reclassified)

Consolidated data in thousands of Euro		Holding					
		31 December 2015		31 December 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	(637)	0.0%	(683)	0.0%	46	-6.7%
12	Rent and leasing	(373)	0.0%	(381)	0.0%	8	-1.9%
13	Personnel costs	(1,406)	0.0%	(1,342)	0.0%	(64)	4.8%
14	Other operating expenses	(229)	0.0%	(229)	0.0%	(0)	0.0%
15	Total operating costs	(2,645)	0.0%	(2,635)	0.0%	(10)	0.4%
16	EBITDA (9+10+15)	(2,645)	0.0%	(2,635)	0.0%	(10)	0.4%
17	Amortisation and depreciation	(58)	0.0%	(54)	0.0%	(4)	7.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	0	0.0%	(332)	0.0%	332	n.s.
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	(58)	0.0%	(386)	0.0%	328	-84.9%
22	EBIT (16+21)	(2,703)	0.0%	(3,021)	0.0%	318	-10.5%

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.

Operating costs of 2,645 thousand euros were essentially in line with the period ended 31 December 2014, when they amounted to 2,635 thousand euros.

Amortisation and depreciation were consistent with the previous year, whereas there were no write-downs of assets as in the same period of the previous year.

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 the 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 the 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 the 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 the 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 unchanged. The new development contracts following integration are governed by a framework agreement based on the direct costs incurred plus a percent mark-up.

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 interim financial report for the period ended 31 December 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 Abramo and Raffaele Galante.

The impact of the related party transactions is shown in paragraph 12 of the explanatory notes.

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, as at 31 December 2015 Digital Bros S.p.A. owned 130,247 treasury shares, against the 400,247 held as at 30 June 2015.

In accordance with no. 4 of said paragraph 2, during the period the Company sold off 270,000 of its treasury shares at the average price of 11.28 euros each, for a total value of 3,045 thousand euros.

10. RESEARCH AND DEVELOPMENT

During the year, the Group incurred research expenses of 19 thousand euros and development expenses of 3,136 thousand euros. Such costs amounted to 442 thousand euros and 945 thousand euros, respectively, during the period ended 31 December 2014.

Research and development activities relate to the preliminary phases preceding the design of new video games and are primarily performed by the subsidiaries Pipeworks Inc. and DR Studios Ltd.

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. A significant portion of the Group's revenues comes 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 69%, in line with the previous year, and that of the top 50 customers was 96%. 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 dealers. 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 favorably, especially in the digital marketplace.

Hardware lifecycles

The Group 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 favor, 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
- 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.

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 favorable 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.

Financial instruments held for trading

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

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 income for the period		Shareholders' equity	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Period profit (loss) and shareholders' equity of Digital Bros S.p.A.	2	5,438	32,174	28,049
Period profit and shareholders' equity of subsidiaries	2,006	5,701	27,983	9,575
Book value of the equity investments	0	0	(24,684)	(19,280)
Consolidation adjustments				
Impairment of investments in subsidiaries	0	0	1,491	7,049
Elimination of infra-group profits	(437)	(20)	(854)	(128)
Other adjustments	(322)	(7,198)	1,359	3,324
Period profit (loss) and shareholders' equity of the Group	1,249	3,921	37,469	28,589

The following is a breakdown of other adjustments as of 31 December 2015 and as of 31 December 2014:

	Net income for the period		Shareholders' equity	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Impairment of Digital Bros S.p.A. in 505 Games S.r.l.	0	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 Pipeworks Inc.	0	0	1,491	0
Total impairment of investments in subsidiaries	0	0	1,491	7,049
Profits in inventory	(20)	13	(108)	(95)
DR Studios Ltd and Pipeworks Inc. margin on intercompany sales	(457)	(33)	(746)	(33)
Total elimination of infra-group profits	(437)	(20)	(854)	(128)
Dividends from Game Entertainment S.r.l.	0	(6,000)	0	0
Dividends from 505 Games France S.a.S.	0	(760)	0	0
Amortisation/depreciation/allocation of purchase price of DR Studios Ltd., net of the related tax effect	(281)	(286)	598	2,291
Amortisation/depreciation/allocation of purchase price of Pipeworks Inc., net of the related tax effect	(159)	(152)	529	847
Non-existence of payable for DR Studios Ltd. earn-out	427	0	0	0
Write-down of investment in DR Studios Ltd.	(309)	0	0	0
Other adjustments	0	0	232	186
Total other adjustments	(322)	(7,198)	1,359	3,324

13. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2015, there were no contingent assets and liabilities, as in the same period of the previous year.

14. SUBSEQUENT EVENTS

After the end of the period, Digital Bros S.p.A. purchased 583,639 Starbreeze B shares for a total of 981 thousand euros and disposed of 583,639 Starbreeze B ordinary shares for a total of 1,016 thousand euros. The parent company purchased 291,819 Starbreeze A ordinary shares for a total of 485 thousand euros.

The company 133 W Broadway, Inc. was incorporated on 8 January 2016. The company, based in the United States of America, is a fully-owned subsidiary of Digital Bros S.p.A. and has share capital of 100 thousand US dollars. In February the company purchased the property from which Pipeworks Inc. operates.

The company Digital Bros Holdings Ltd. was incorporated on 13 January 2016. The company, based in the United Kingdom, is a fully-owned subsidiary of Digital Bros S.p.A. and has share capital of 100 thousand pounds. The company will act as the sub-holding for the equity investments of all of the Group's English companies.

On 11 January 2016 the Shareholders' Meeting of 505 Games S.r.l. transformed the company from its current form into a joint-stock company, with capital represented by 1,000,000 shares with a par value of 1 euro each. Its new name is 505 Games S.p.A. The registered office, duration and end of the financial year remained unchanged, and the current Board of Directors was confirmed until the natural end of its term of office. The Shareholders' Meeting also authorised a bonus issue of 900,000 euros, increasing capital from 100,000 euros to 1,000,000 euros, through the issue of 900,000 shares with a nominal value of 1 euro each, through partial use of retained earnings.

15. OUTLOOK

The planned investments undertaken by the Group in the past 18 months, involving the simultaneous development of a number of new products, will begin to generate revenues in the fourth quarter of the year, in particular with the release of *Assetto Corsa*, a car racing video game created by Italian developer Kunos Simulazioni, and *Adrift*, a space exploration game based on the Oculus Rift virtual reality technology. The launch of the titles *Abzu* for the Publishing segment and *Hawken* and *Prominence Poker* for the Mobile segment - originally scheduled for the fourth quarter of the year - have been postponed until the first quarter of next year in order to ensure the planned quality levels.

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.

The Development business segment will continue to work on projects started in the previous year and is expected to continue to benefit from significant orders from non-captive clients.

The daily fantasy sport *Fantafida* will continue to generate a net loss in the coming quarters, although this loss will decrease compared to the first half of the year, and is expected to turn a profit starting in the second quarter of next year when the Serie A Championship resumes, with the availability of the Mobile version and the potential international expansion.

The Group believes that, despite the delayed release of new games on the market, the second half of the year will see a rather contained decrease in revenues compared to the previous year, allowing a lesser percent decrease in sales than in the first half of the year, in contrast to the forecasts of stable total revenue in all of 2015 announced in November 2015.

The result for the entire year is expected to be moderately positive, despite the investments undertaken in the first half of the year for the launch of the daily fantasy sport *Fantafida* and the delayed release of video games, although this obviously entails a reduction of the profit margins previously announced in line with the previous year.

Net financial debt, which increased in line with investments during the half-year, will tend to increase linearly in the second half of the year in keeping with the progress of the investment plan. Following the launch of the products on the market, it will then resume its natural tendency to decline starting in the first quarter of next year.

16. OTHER INFORMATION

EMPLOYEES

Below are the details of the workforce as at 31 December 2015 with comparative figures as at 31 December 2014:

Type	31 December 2015	31 December 2014	Change
Executives	10	9	1
Office workers	213	199	14
Blue-collar workers and apprentices	4	6	(2)
Total employees	227	214	13

The same details for employees at the Group's foreign companies as at 31 December 2015, compared with 31 December 2014, are as follows:

Type	31 December 2015	31 December 2014	Change
Executives	5	5	0
Office workers	160	139	21
Total foreign employees	165	144	21

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	10	8	2
Office workers	212	170	42
Blue-collar workers and apprentices	4	6	(2)
Total employees	226	184	42

The average headcount for the period at foreign companies is as follows:

Type	Average number for 2015	Average number for 2014	Change
Executives	5	3	2
Office workers	157	114	43
Total foreign employees	162	117	45

The increase in the number of foreign employees is the result of the acquisitions in the previous year.

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

ENVIRONMENT

As at 31 December 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.



**Abridged consolidated financial statements
as at 31 December 2015**

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated statement of financial position as at 31 December 2015

	EUR/000	31 December 2015	30 June 2015	Change	
	Non-current assets				
1	Property, plant and equipment	5,068	4,841	227	4.7%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,044	7,946	1,098	13.8%
4	Equity investments	4,408	1,274	3,134	0.0%
5	Non-current receivables and other assets	1,064	1,058	6	0.5%
6	Deferred tax assets	3,050	2,240	810	36.2%
	Total non-current assets	22,634	17,359	5,275	30.4%
	Non-current liabilities				
7	Employee benefits	(479)	(486)	7	-1.5%
8	Non-current provisions	(127)	(170)	43	-25.4%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	Total non-current liabilities	(606)	(1,245)	639	-51.3%
	Net working capital				
10	Inventories	11,196	12,881	(1,685)	-13.1%
11	Trade receivables	35,825	36,350	(525)	-1.4%
12	Tax credits	3,587	2,466	1,121	45.5%
13	Other current assets	4,460	6,148	(1,688)	-27.5%
14	Trade payables	(20,320)	(26,929)	6,609	-24.5%
15	Tax payables	(3,309)	(3,029)	(280)	9.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,020)	(1,859)	(161)	8.6%
	Total net working capital	29,419	26,028	3,391	13.0%
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(20,601)	(19,417)	(1,184)	6.1%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(11,614)	(9,947)	(1,667)	16.8%
	Total shareholders' equity	(37,469)	(33,809)	(3,660)	10.8%
	Total net assets	13,978	8,333	5,645	67.8%
22	Cash and cash equivalents	4,048	4,339	(291)	-6.7%
23	Current payables due to banks	(16,819)	(12,738)	(4,081)	32.0%
24	Other current financial assets and liabilities	(207)	1,685	(1,892)	n.s.
	Current net financial position	(12,978)	(6,714)	(6,264)	93.3%
25	Non-current financial assets	1,146	0	1,146	0.0%
26	Non-current payables due to banks	(2,146)	(1,619)	(527)	32.6%
27	Other non-current financial liabilities	0	0	0	0.0%
	Non-current net financial position	(1,000)	(1,619)	619	-38.3%
	Total net financial position	(13,978)	(8,333)	(5,645)	67.7%

Digital Bros Group

Consolidated income statement as at 31 December 2015

	EUR/000	31 December 2015		31 December 2014		Change	
1	Gross revenues	45,290	105.6%	60,997	104.4%	(15,707)	-25.8%
2	Revenue adjustments	(2,396)	-5.6%	(2,588)	-4.4%	192	-7.4%
3	Total net revenues	42,894	100.0%	58,409	100.0%	(15,515)	-26.6%
4	Purchase of goods for resale	(12,091)	-28.2%	(18,058)	-30.9%	5,967	-33.0%
5	Purchase of services for resale	(3,286)	-7.7%	(2,871)	-4.9%	(415)	14.4%
6	Royalties	(7,969)	-18.6%	(14,259)	-24.4%	6,290	-44.1%
7	Changes in finished product inventories	(1,685)	-3.9%	(1,583)	-2.7%	(102)	6.5%
8	Total cost of sold products	(25,031)	-58.4%	(36,771)	-63.0%	11,740	-31.9%
9	Gross profit (3+8)	17,863	41.6%	21,638	37.0%	(3,775)	-17.4%
10	Other revenues	2,764	6.4%	259	0.4%	2,505	n.s.
11	Cost of services	(6,744)	-15.7%	(5,408)	-9.3%	(1,336)	24.7%
12	Rent and leasing	(784)	-1.8%	(767)	-1.3%	(17)	2.2%
13	Personnel costs	(9,836)	-22.9%	(7,578)	-13.0%	(2,258)	29.8%
14	Other operating expenses	(766)	-1.8%	(633)	-1.1%	(133)	21.1%
15	Total operating costs	(18,130)	-42.3%	(14,386)	-24.6%	(3,744)	26.0%
16	EBITDA (9+10+15)	2,497	5.8%	7,511	12.9%	(5,014)	-66.8%
17	Amortisation and depreciation	(1,791)	-4.2%	(1,279)	-2.2%	(512)	40.0%
18	Provisions	0	0.0%	(63)	-0.1%	63	n.s.
19	Write-down of assets	(425)	-1.0%	(332)	-0.6%	(93)	27.9%
20	Write-backs and non-monetary income	588	1.4%	0	0.0%	588	0.0%
21	Total non-monetary income and operating costs	(1,628)	-3.8%	(1,674)	-2.9%	46	-2.8%
22	EBIT (16+21)	869	2.0%	5,837	10.0%	(4,968)	-85.1%
23	Interest and financial income	1,972	4.6%	1,364	2.3%	608	44.5%
24	Interest and financial expenses	(865)	-2.0%	(845)	-1.4%	(20)	2.3%
25	Net financial income	1,107	2.6%	519	0.9%	588	n.s.
26	Pre-tax income (22+25)	1,976	4.6%	6,356	10.9%	(4,379)	-68.9%
27	Current taxes	(1,665)	-3.9%	(2,429)	-4.2%	764	-31.5%
28	Deferred taxes	938	2.2%	(6)	0.0%	944	n.s.
29	Total income taxes	(727)	-1.7%	(2,435)	-4.2%	1,709	-70.2%
30	Net profit (26+29)	1,249	2.9%	3,921	6.7%	(2,672)	-68.1%
	Net income per share:						
33	Basic earnings per share (in euros)	0.09		0.29		(0.20)	-68.8%
34	Diluted earnings per share (in euros)	0.09		0.29		(0.20)	-68.8%

Digital Bros Group**Consolidated statement of comprehensive income as at 31 December 2015**

EUR/000	31 December 2015	31 December 2014	Change
Net profit (loss) for the period (A)	1,249	3,921	(2,672)
Items that will not subsequently be reclassified to the income statement (B)			
Actuarial profit (loss)	(4)	(17)	13
Tax effect relating to the actuarial profit (loss)	1	5	(4)
Differences from the conversion of foreign accounts	70	(151)	221
Tax effect relating to the conversion differences of foreign accounts	0	0	0
Fair value adjustment of shares “available for sale”	1,540	0	1,540
Tax effect related to the fair value adjustment of shares “available for sale”	(423)	0	(423)
Items that will subsequently be reclassified to the income statement (C)	1,184	(163)	1,347
Total other items of comprehensive profit D = (B)+(C)	1,184	(163)	1,347
Total comprehensive profit (loss) (A)+(D)	2,433	3,758	(1,325)
Attributable to:			
Shareholders of the parent company	2,433	3,758	(1,325)
Equity investments pertaining to third parties	0	0	

Digital Bros Group
Consolidated statement of cash flows as at 31 December 2015

	EUR/000	31 December 2015	31 December 2014
A.	Net financial position at beginning of period	(8,333)	(21,909)
B.	Cash flow from operating activities		
	Net profit/(loss) pertaining to the group	1,249	3,921
	<i>Provisions and non-monetary costs:</i>		
	Provisions and impairment of assets	0	332
	Intangible fixed assets	1,450	1,098
	Tangible fixed assets	341	181
	Net change to other provisions	(43)	(17)
	Net change to employee benefits	(7)	26
	Net change of other non-current liabilities	(589)	665
	SUBTOTAL B.	2,401	6,206
C.	Changes in net working capital		
	Inventories	1,685	1,583
	Trade receivables	525	6,565
	Tax credits	(1,121)	628
	Other current assets	1,688	(676)
	Trade payables	(6,609)	(2,002)
	Tax payables	280	(2,117)
	Current provisions	0	64
	Other current liabilities	161	1,753
	SUBTOTAL C.	(3,391)	5,797
D.	Cash flow from investing activities		
	Net investments in intangible fixed assets	(2,548)	(6,566)
	Net investments in tangible fixed assets	(568)	(825)
	Net investments in financial fixed assets	(3,950)	1,064
	SUBTOTAL D.	(7,066)	(6,327)
E.	Cash flow from financing activities		
	Capital increases	0	0
	SUBTOTAL E.	0	0
F.	Changes in consolidated shareholders' equity		
	Dividends distributed	(1,818)	(960)
	Changes in treasury shares held	809	375
	Increases (decreases) in other items of shareholders' equity	3,420	(128)
	SUBTOTAL F.	2,411	(713)
G.	Period cash flow (B+C+D+E+F)	(5,645)	4,963
H.	Closing net financial position (A+G)	(13,978)	(16,946)

Notes to the statement of cash flows

Details of cash flow movements by maturity:

EUR/000	31 December 2015	31 December 2014
Increase (decrease) in securities and liquid funds	(291)	(533)
Decrease (increase) in current payables due to banks	(4,081)	3,072
Decrease (increase) in other current financial assets and liabilities	(1,892)	2,187
Change in financial position due to acquisition of equity investments	0	224
Short-term period cash flow	(6,264)	4,950
Medium-term period cash flow	619	13
Period cash flow	(5,645)	4,963

Additional information on the consolidated statement of cash flows:

EUR/000	31 December 2015	31 December 2014	Change
Income tax paid	(642)	(1,470)	828
Interest paid	(289)	(585)	296
Interest collected	1	1	0
Total	(1,818)	(960)	(858)

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 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)					(151)	(12)	(163)			3,921	3,921	3,758
Total as at 31 December 2014	5,644	16,954	1,129	1,367	(6)	(63)	19,381	(1,199)	842	3,921	4,763	28,589
Total as at 01 July 2015	5,644	16,954	1,129	1,367	(244)	211	19,417	(1,199)	(3,006)	12,953	9,947	33,809
Allocation of period profit							0		9,105	(9,105)	0	0
Distribution of dividends									(1,818)		(1,818)	(1,818)
Other changes							0	809	2,236		2,236	3,045
Comprehensive profit (loss)					70	1,114	1,184			1,249	1,249	2,433
Total as at 31 December 2015	5,644	16,954	1,129	1,367	(174)	1,325	20,601	(390)	6,517	5,097	11,614	37,469



**Notes to the abridged consolidated financial
statements as at 31 December 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 abridged consolidated financial statements as at 31 December 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 abridged consolidated financial statements of the Digital Bros Group as at 31 December 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 are expressed in thousands of euros (EUR/000), unless otherwise specified.

Reporting formats

The abridged consolidated financial statements as at 31 December 2015 comply with the 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 2015.

The financial statements are comprised of:

- the consolidated statement of financial position as at 31 December 2015 with comparative figures at 30 June 2015 (the previous year-end reporting date);
- the consolidated income statement for the period from 01 July 2015 to 31 December 2015, in comparison with the consolidated income statement from 01 July 2014 to 31 December 2014;
- the consolidated statement of comprehensive income for the period from 01 July 2015 to 31 December 2015, in comparison with the consolidated statement of comprehensive income from 01 July 2014 to 31 December 2014;
- consolidated statement of cash flows from 01 July 2015 to 31 December 2015, in comparison with the consolidated statement of cash flows from 01 July 2014 to 31 December 2014;
- the consolidated statement of changes in equity from 01 July 2015 to 31 December 2015 and from 01 July 2014 to 31 December 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 indemnity at the parent company and its Italian subsidiaries, and in general payables due beyond 31 December 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 shareholders' 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 profit, 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 statement of cash flows 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 2014 and 31 December 2015.

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

2. ACCOUNTING STANDARDS

Figures in the abridged consolidated financial statements were determined according to the International Accounting Standards and their interpretations in effect as of 31 December 2015.

The consolidated financial statements were prepared on the basis of the accounts as at 31 December 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 abridged consolidated financial statements as at 31 December 2015 are coherent with those used to prepare the abridged consolidated financial statements as at 31 December 2014. Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of the abridged consolidated financial statements as at 31 December 2015.

Please see the financial statements at 30 June 2015 for a complete description of the accounting standards followed.

New accounting standards

The accounting standards and interpretations for which application is compulsory as from 01 July 2015, have not had any effect on the Group's interim financial report as at 31 December 2015, as they refer to situations that do not apply or have impacts considered as insignificant.

3. USE OF ESTIMATES

Discretionary valuations

The preparation of the abridged consolidated financial statements as at 31 December 2015 and their explanatory 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 abridged consolidated 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 collectability 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 four 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 indemnity (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 dealers 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. In determining royalties for products with digital and/or mobile distribution, the three-year planning revision of revenues takes place with at least monthly frequency.

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 abridged consolidated financial statements as at 31 December 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 abridged consolidated financial statements as at 31 December 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 China (Shenzhen) Ltd.	Shenzhen	China	€100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	€50,000	100%
DR Studios Ltd.	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.	Eugene (OR)	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 (CA)	USA	\$100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	\$100,000	100%
505 Mobile S.r.l.	Milan	Italy	€100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	\$100,000	100%

505 Games Nordic AB, based in Stockholm, was placed in liquidation during the period.

Companies consolidated according to equity method:

Company name	Operative offices	Share capital	Share held directly	Share held indirectly
Delta DNA Ltd. ⁽¹⁾	Edinburgh	£2,847,000	1.16%	0%
Ebooks&Kids S.r.l.	Milan	€26,366	16%	0%
Cityglance S.r.l.	Milan	€10,000	37.5%	0%
Ovosonico S.r.l.	Milan	€100,000	13.38%	0%

(1) Previously Games Analytics Ltd.

5. EQUITY INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

Equity investments held by the Group companies as at 31 December 2015 are as follows:

- a 1.16% interest in Delta DNA Ltd., acquired on 3 July 2013 and carried at cost in the amount of 60 thousand euros (50 thousand pounds);
- a 16% interest in Ebooks&Kids S.r.l., carried at cost in the amount of 200 thousand euros. The equity investment was acquired by initial 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, by a further subscription of a share capital increase for 130 thousand euros, of which 127.1 thousand euros by way of premium;
- a 37.5% interest in Cityglance S.r.l., carried at 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;
- a 18.38% interest in Ovasonico S.r.l., with a carrying amount of 270 thousand euros, of which 18,375 euros of capital and 251,625 euros of premium.

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.

7. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position as at 31 December 2015 compared with the consolidated statement of financial position as at 30 June 2015 is given below:

	EUR/000	31 December 2015	30 June 2015	Change	
	Non-current assets				
1	Property, plant and equipment	5,068	4,841	227	4.7%
2	Investment property	0	0	0	0.0%
3	Intangible assets	9,044	7,946	1,098	13.8%
4	Equity investments	4,408	1,274	3,134	0.0%
5	Non-current receivables and other assets	1,064	1,058	6	0.5%
6	Deferred tax assets	3,050	2,240	810	36.2%
	Total non-current assets	22,634	17,359	5,275	30.4%
	Non-current liabilities				
7	Employee benefits	(479)	(486)	7	-1.5%
8	Non-current provisions	(127)	(170)	43	-25.4%
9	Other non-current payables and liabilities	0	(589)	589	n.s.
	Total non-current liabilities	(606)	(1,245)	639	-51.3%
	Net working capital				
10	Inventories	11,196	12,881	(1,685)	-13.1%
11	Trade receivables	35,825	36,350	(525)	-1.4%
12	Tax credits	3,587	2,466	1,121	45.5%
13	Other current assets	4,460	6,148	(1,688)	-27.5%
14	Trade payables	(20,320)	(26,929)	6,609	-24.5%
15	Tax payables	(3,309)	(3,029)	(280)	9.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,020)	(1,859)	(161)	8.6%
	Total net working capital	29,419	26,028	3,391	13.0%
	Shareholders' equity				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(20,601)	(19,417)	(1,184)	6.1%
20	Treasury shares	390	1,199	(809)	-67.5%
21	Retained earnings (losses)	(11,614)	(9,947)	(1,667)	16.8%
	Total shareholders' equity	(37,469)	(33,809)	(3,660)	10.8%
	Total net assets	13,978	8,333	5,645	67.8%
	Current net financial position				
22	Cash and cash equivalents	4,048	4,339	(291)	-6.7%
23	Current payables due to banks	(16,819)	(12,738)	(4,081)	32.0%
24	Other current financial assets and liabilities	(207)	1,685	(1,892)	n.s.
	Current net financial position	(12,978)	(6,714)	(6,264)	93.3%
	Non-current net financial position				
25	Non-current financial assets	1,146	0	1,146	0.0%
26	Non-current payables due to banks	(2,146)	(1,619)	(527)	32.6%
27	Other non-current financial liabilities	0	0	0	0.0%
	Non-current net financial position	(1,000)	(1,619)	619	-38.3%
	Total net financial position	(13,978)	(8,333)	(5,645)	67.7%

NON-CURRENT ASSETS

1. Property, plant and equipment

This item went from 4,841 thousand euros to 5,068 thousand euros. Period movements were as follows:

EUR/000	01 July 2015	Increase s	Decrease s	Amort/Dep	Use of provision for amort./dep.	31 December 2015
Industrial buildings	2,375	0	0	(50)	0	2,325
Land	600	0	0	0	0	600
Industrial and commercial equipment	746	204	(6)	(157)	6	793
Other assets	1,120	364	0	(134)	0	1,350
Total	4,841	568	(6)	(341)	6	5,068

Movements during the previous period were as follows:

EUR/000	01 July 2014	Increases	Decreases	Amort/ Dep	Use of provision for amort./ dep.	31 December 2014
Industrial buildings	2,011	455	0	(41)	0	2,425
Land	600	0	0	0	0	600
Industrial and commercial equipment	281	209	0	(87)	0	403
Other assets	340	616	(27)	(53)	27	903
Total	3,232	1,280	(27)	(181)	27	4,331

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

The heading “Industrial buildings” of 1,887 thousand euros refers to the warehouse in Trezzano sul Naviglio, which also accounts for the 600 thousand euros in land. The heading “Industrial buildings” also includes the owned building designated for office and workshop use located on Via Labus in Milan, which in the previous year became the base of operations of Digital Bros Game Academy S.r.l., in the amount of 438 thousand euros.

Total period increases came to 567 thousand euros, as follows:

EUR/000	31 December 2015	31 December 2014
Improvements made to the property of the new office of 505 Games (US) Inc.	350	487
Office automation equipment	188	116
Furnishings	3	39
Other	27	6
Total investments during the half-year (A)	568	648
Office automation equipment and furnishing supplied by Pipeworks Inc.	0	122

Office automation equipment and furnishing supplied by DR Studios Ltd.	0	55
Total intangible fixed assets supplied by the companies acquired (B)	0	177
Reclassification of the property in Via Labus, Milan (C)	0	455
Total increase in tangible fixed assets (A+B+C)	568	1,280

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

Current half-year

Gross value of property, plant and equipment

EUR/000	01 July 2015	Increases	Disposals	31 December 2015
Industrial buildings	3,191	0	0	3,191
Land	600	0	0	600
Plants and machinery	24	0	0	24
Industrial and commercial equipment	3,667	204	(6)	3,865
Other assets	2,360	364	0	2,724
Total	9,842	568	(6)	10,404

Accumulated depreciation

EUR/000	01 July 2015	Increases	Disposals	31 December 2015
Industrial buildings	(816)	(50)	0	(866)
Land	0	0	0	0
Plants and machinery	(24)	0	0	(24)
Industrial and commercial equipment	(2,921)	(157)	6	(3,072)
Other assets	(1,240)	(134)	0	(1,374)
Total	(5,001)	(341)	6	(5,336)

Previous half-year

Gross value of property, plant and equipment

EUR/000	01 July 2014	Increases	Disposals	31 December 2014
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	209	0	3,222
Other assets	1,429	616	(27)	2,018
Total	7,802	1,280	(27)	9,055

Accumulated depreciation

EUR/000	01 July 2014	Increases	Disposals	31 December 2014
Industrial buildings	(725)	(41)	0	(766)
Land	0	0	0	0
Plants and machinery	(24)	0	0	(24)

Industrial and commercial equipment	(2,732)	(87)	0	(2,819)
Other assets	(1,089)	(53)	27	(1,115)
Total	(4,570)	(181)	27	(4,724)

3. Intangible assets

Intangible assets increased by 3,242 thousand euros compared to 30 June 2015. Investments in intangible assets consist primarily of internal development orders relating to video games and Fantasfida.

All of the intangible assets recognized by the Group have finite useful lives.

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

EUR/000	01 July 2015	Increases	Decreases	Amort/Dep	31 December 2015
Concessions and licences	2,750	1,612	0	(715)	3,647
Trademarks and similar rights	2,334	3	(694)	(489)	1,154
Other assets	1,033	0	0	(246)	787
Assets under construction	1,829	2,241	(614)	0	3,456
Total	7,946	3,856	(1,308)	(1,450)	9,044

EUR/000	01 July 2014	Increases	Decreases	Amort/Dep	31 December 2014
Concessions and licences	1,298	1,472	0	(401)	2,369
Trademarks and similar rights	672	3,555	0	(495)	3,732
Other assets	171	1,337	0	(202)	1,306
Assets under construction	0	202	0	0	202
Total	2,141	6,566	0	(1,098)	7,609

The heading “Assets under construction” refers to the costs incurred by DR Studios Ltd. and Pipeworks Inc. relating to the orders for the development of video games intended for other Group companies that have yet to be marketed as at 31 December 2015.

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

EUR/000	31 December 2015	31 December 2014
In-company development orders	2,241	202
Fantasfida	489	0
Rights to use Brothers	356	412
Rights to use Gems of Wars	300	374
Battle Islands	237	3,613
Investments in the development of the management systems	106	69
Rights to use Battle Ages	98	130
Pipeworks Inc. contracts	0	1,314
Rights to use How to Survive 1.5	0	225
Rights to use Mythic Islands	0	203
Other	29	24
Total intangible assets	3,856	6,566

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

Current half-year

Gross value of intangible assets

EUR/000	01 July 2015	Increases	Disposals	31 December 2015
Concessions and licences	6,594	1,612	0	8,206
Trademarks and similar rights	5,175	3	(694)	4,484
Other assets	1,678	0	0	1,678
Assets under construction	1,829	2,241	(614)	3,456
Total	15,276	3,856	(1,308)	17,824

Accumulated amortization

EUR/000	01 July 2015	Increases	Disposals	31 December 2015
Concessions and licences	(3,844)	(715)	0	(4,559)
Trademarks and similar rights	(2,841)	(489)	0	(3,330)
Other assets	(645)	(246)	0	(891)
Assets under construction	0	0	0	0
Total	(7,330)	(1,450)	0	(8,780)

Previous half-year

Gross value of intangible assets

EUR/000	01 July 2014	Increases	Disposals	31 December 2014
Concessions and licences	4,215	1,472	0	5,687
Trademarks and similar rights	2,501	3,555	0	6,056
Other assets	339	1,337	0	1,676
Assets under construction	0	202	0	202
Total	7,055	6,566	0	13,621

Accumulated amortization

EUR/000	01 July 2014	Increases	Disposals	31 December 2014
Concessions and licences	(2,917)	(401)	0	(3,318)
Trademarks and similar rights	(1,829)	(495)	0	(2,324)
Other assets	(168)	(202)	0	(370)
Assets under construction	0	0	0	0
Total	(4,914)	(1,098)	0	(6,012)

4. Equity investments

The equity investments held by the Group as at 31 December 2015, compared with those held as at 30 June 2015 are:

EUR/000	31 December 2015	30 June 2015	Change
Games Analytics Ltd.	60	60	0
Ebooks&Kids S.r.l.	200	200	0
Cityglance S.r.l	45	45	0
Ovosonico S.r.l	270	0	270
Total associates	575	305	270
Starbreeze AB Shares A	3,833	969	2,864
Total other investments	3,833	969	2,864
Total investments	4,408	1,274	3,134

Equity investments increased by 3,134 thousand euros compared to 30 June 2015 due to the purchase of the Starbreeze A shares for 2,864 thousand euros and the purchase of a 18.38% interest in Ovosonico S.r.l. for 270 thousand euros.

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

The item Starbreeze AB shares A includes 2,257,683 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 financial instruments classified as available for sale.

5. Non-current receivables and other assets

These amounted to 1,064 thousand euros as at 31 December 2015.

Non-current receivables and other assets, comprised of security deposits, are made up as follows:

EUR/000	31 December 2015	30 June 2015	Change
Guarantee deposits for the rental of Italian corporate offices	635	635	0
Guarantee deposits for the rental of foreign corporate offices	200	194	6
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	1,064	1,058	6

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.

As at 31 December 2015, this item was 3,050 thousand euros, up by 765 thousand euros on 30 June 2015.

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

EUR/000	31 December 2015	30 June 2015	Change
Italian companies	668	622	46
Foreign companies	2,443	2,236	207
Consolidation adjustments	(61)	(618)	557
Total deferred tax assets	3,050	2,240	810

The portion of deferred tax assets of foreign subsidiaries relates to the tax losses recorded in previous years and are considered to be recoverable insofar as it is considered likely that, on the basis of the approved plans, each will generate taxable income within the next three years, that should suffice to recover it.

The change in the heading “Consolidation adjustments” of 557 thousand euros includes 423 thousand euros relating to the recognition of deferred tax liabilities on the adjustment to fair value of the Starbreeze A shares classified as available for sale.

NON-CURRENT LIABILITIES

7. Employee benefits

This provision represents the actuarial value of the Group's effective liability to employees, calculated by an independent actuary in accordance with IAS 19. It decreased by 7 thousand euros with respect to 30 June 2015.

Under the scope of the actuarial valuation IAS19 as at the date of 31 December 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 calculation method can be summarised as follows:

- forecast, for each employee on the workforce as at the valuation date, of the employee termination indemnity already accrued as at 31 December 2006 and value adjusted as at the estimation date;
- determination for each employee of probable payments for employee termination indemnity, 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 62 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: 2.30%;
- real annual increase rate in compensation: 1%;
- annual inflation rate of 1.5% for 2016, increasing in subsequent periods.

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

EUR/000	31 December 2015	30 June 2015
Reserve for employee termination indemnity (T.F.R.) as at 1 July	486	540
Use of the provision for disposals	(15)	(51)
Provisions for the period	89	215
Adjustment for complementary welfare	(85)	(188)
Adjustment for actuarial recalculation	4	(30)
Reserve for employee termination indemnity (T.F.R.) as at 31 December	479	486

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 31 December 2015 of 127 thousand euros is down 43 thousand euros on 30 June 2015, when it was 170 thousand euros. The change compared to 30 June 2015 was due to uses of 45 thousand euros and provisions for the period of 2 thousand euros.

9. Other non-current payables and liabilities

As at 31 December 2015, there were no other non-current payables and liabilities. The amount recognised at 30 June 2015, 589 thousand euros, was determined on the basis of the estimate of the potential earn-out to be paid in September 2016 for the acquisition of DR Studios Ltd. The amount was reversed as at 31 December 2015, inasmuch as the forecasts do not indicate any liability.

NET WORKING CAPITAL

10. Inventories

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

EUR/000	31 December 2015	30 June 2015	Change
Inventories - Italian Distribution (A)	3,830	5,031	(1,201)
Inventories 505 Games S.r.l.	782	786	(4)
Inventories foreign subsidiaries	6,584	7,064	(480)
Inventories Publishing (C)	7,366	7,850	(484)
Total inventories (A+B+C)	11,196	12,881	(1,685)

Inventories went from 12,881 thousand euros as at 30 June 2015 to 11,196 thousand euros as at 31 December 2015, a decrease of 1,685 thousand euros.

This reduction is due to the pursuit of the Group's strategy of selling off games for older generation consoles and systematically reducing its stock levels.

11. Trade receivables

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

EUR/000	31 December 2015	30 June 2015	Change
Receivables due from customers in Italy	8,709	7,279	1,430
Receivables due from customers in EU	4,669	7,335	(2,666)
Receivables due from customers in the rest of world	4,100	12,279	(8,179)
Allowance for doubtful receivables	(2,069)	(2,069)	0
Total receivables due from customers	15,409	24,824	(9,415)
Receivables for licences to use video games	20,416	11,526	8,890
Total trade receivables	35,825	36,350	(525)

Total receivables due from customers recorded as at 31 December 2015, amounting to 15,409 thousand euros, show a reduction of 9,415 thousand euros on the value at 30 June 2015 of 24,824 thousand euros, in keeping with sales performance.

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 be issued, according to type:

EUR/000	31 December 2015	30 June 2015	Change
Credit notes for price repositioning	2,194	2,271	(77)
Credit notes for merchandise returns	257	88	169
Total credit notes to be issued	2,451	2,359	92

Credit notes to be issued for price repositioning fell by 77 thousand euros compared with 30 June 2015. Credit notes to be issued for merchandise returns fell by 169 thousand euros compared with 30 June 2015.

The provision for doubtful accounts was unchanged compared to 30 June 2015 and reflects potential losses on receivables due to customer default. The estimated losses are based on an analysis of each customer's degree of solvency.

Advances to developers are receivables for advances paid to video game developers during the development process and are broken down into receivables for future licences and, i.e. advances relating to development contracts for which the video game has yet to be released on the market, and advances for partially used licences. Advances for partially used licences relate to development contracts for which the video game has been released on the market, yet for which the royalties generated since launch have not reached the advances paid, despite being expected to do so on the basis of forecasts.

Receivables for video game licenses are broken down below as at 31 December 2015, compared with 30 June 2015:

Amounts in euros	31 December 2015	30 June 2015	Change
Advances to developers for licences for future use	15,911	3,989	11,922
Advances to developers for licences partially used	4,505	7,537	(3,032)
Total receivables for licences to use	20,416	11,526	8,890

The following table breaks down advances for contracts for future use by development contract. The heading “Other contracts” refers to the advances relating to 23 development contracts of individual amounts of less than one million euros:

Data in thousands of Euro	31 December 2015
Payday 2	6,065
Adrift	2,428
Abzu	1,493
Portal Knights	1,194
Other contracts	4,731
Total	15,911

12. Tax credits

Tax credits can be broken down as follows:

EUR/000	31 December 2015	30 June 2015	Change
Credit from the national tax consolidation	1	1	0
VAT receivable	640	646	(6)
Foreign withholdings credit	2,190	1,083	1,107
IRES rebate for IRAP deductibility	119	119	0
Other receivables	637	617	20
Total tax receivables	3,587	2,466	1,121

The increase in the item compared to 30 June 2015 was due to the increase in the receivable for amounts withheld, in particular by the subsidiary 505 Games S.r.l., on the payment of royalty income received.

13. Other current assets

Other current assets are comprised of advances paid to suppliers, employees and sales representatives. They totalled 6,148 thousand euros as at 30 June 2015 and 4,460 thousand euros as at 31 December 2015. The composition of the item is analysed below:

EUR/000	31 December 2015	30 June 2015	Change
Advances to suppliers	4,225	5,929	3,260
Advances to employees	106	103	98
Advances to agents	0	0	0
Other current assets	129	116	684
Total other current assets	4,460	6,148	4,042

Advances to suppliers refer chiefly to the localization and programming of video games and other operating expenses, as well as amounts advanced for game production. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Advertising	94	48	76
Insurance	81	36	97
Rent	196	224	227
Programming	2,312	4,257	2,247
Other operating expenses	1,160	1,171	297
Other prepaid expenses	382	193	316
Total advances to suppliers	4,225	5,929	3,260

14. Trade payables

Trade payables amounted to 20,320 thousand euros as at 31 December 2015, a decrease of 6,609 thousand euros with respect to 30 June 2015 and are mostly due to publishers for the purchase of finished products and to developers. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Italian trade payables	(2,793)	(1,626)	(1,167)
EU trade payables	(10,085)	(13,437)	3,352
Rest of world trade payables	(7,442)	(11,866)	4,424
Total payables due to suppliers	(20,320)	(26,929)	6,609

The increase in Italian trade payables was due to the significant investments, above all in advertising, relating to the launch of Fantasfida. The decrease in EU trade payables and rest of world trade payables was due to the lesser royalties payable of 505 Games S.r.l. in accordance with the decline in revenues.

15. Tax payables

Tax payables went from 3,029 thousand euros as at 30 June 2015 to 3,309 thousand euros as at 31 December 2015, an increase of 280 thousand euros. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Income tax	(2,055)	(1,311)	(744)
VAT payables	(237)	(769)	532
Other tax payables	(1,017)	(949)	(68)
Total tax payables	(3,309)	(3,029)	(280)

The increase in income tax payables was 744 thousand euros, in contrast to the performance of pre-tax profit, inasmuch as, at the end of the previous year, as opposed to the situation as at 31 December 2015,

several companies were able to set off their tax liability against tax losses in previous periods, thereby reducing the amount of income tax payables.

The reduction in the VAT payables as compared with 30 June 2015, is particularly due to the lesser payable for value added tax of the parent company and French, English and Germany subsidiaries, in line with the decrease in sales.

16. Current provisions

There were no current provisions as at 31 December 2015, as at 30 June 2015.

17. Other current liabilities

Other current liabilities amounted to 2,020 thousand euros, an increase of 161 thousand euros compared to 30 June 2015. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Amounts due to social security institutions	(526)	(495)	(31)
Amounts due to employees	(652)	(970)	318
Amounts due to collaborators	(70)	(52)	(18)
Agents' commission	(8)	(35)	27
Other payables	(764)	(307)	(457)
Total other current liabilities	(2,020)	(1,859)	(161)

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 deferred compensation.

The heading "Other payables" consists primarily of the payables that the Group owes to its customers. These generally refer to payables resulting from year-end bonuses, i.e. discounts granted at the end of the contractual period on the basis of sales generated, contractually established for certain customers, particularly on the French, Spanish and Italian markets. The heading tends to increase at the end of the year inasmuch as the bonuses are calculated on the basis of sales during the calendar year and paid in the immediately following months.

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 2015	5,644	16,954	1,129	1,367	(244)	211	19,417	(1,199)	(3,006)	12,953	9,947	33,809
Allocation of period profit							0		9,105	(9,105)	0	0
Distribution of dividends									(1,818)		(1,818)	(1,818)
Other changes							0	809	2,236		2,236	3,045
Comprehensive profit (loss)					70	1,114	1,184			1,249	1,249	2,433
Total as at 31 December 2015	5,644	16,954	1,129	1,367	(174)	1,325	20,601	(390)	6,517	5,097	11,614	37,469

The share capital (unchanged with respect to 30 June 2015) is divided into 14,110,837 ordinary shares of par value of 0.40 euros each, for a total of 5,644,334.8 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 half-year, 270,000 treasury shares were sold for an average price of 11.28 euros per share, for a total of 3,045 thousand euros. The book value of the shares sold was 809 thousand euros and represents the change in the heading "Treasury shares", whereas the positive differential of 2,236 thousand euros was classified as other changes in retained earnings.

The changes in reserves in the period are:

EUR/000	31 December 2015
Change in the translation reserve	70
Change in the IAS 19 reserve	(3)
Change in the security valuation reserve	1,117
Total changes in reserves	1,184

The change in the security valuation reserve was due to the difference between the market value at the end of the period and the purchase cost of the Starbreeze A ordinary shares held on 31 December 2015 and classified amongst equity investments.

NET FINANCIAL POSITION

The breakdown of the Group's net financial position as at 31 December 2015 as compared with the same data at 30 June 2015 is as follows:

	EUR/000	31 December 2015	30 June 2015	Change
22	Cash and cash equivalents	4,048	4,339	(291)
23	Short-term payables due to banks	(16,819)	(12,738)	(4,081)
24	Other current financial payables	(207)	1,685	(1,892)
	Current net financial position	(12,978)	(6,714)	(6,264)
25	Non-current financial assets	1,146	0	1,146
26	Non-current payables due to banks	(2,146)	(1,619)	(527)
27	Other non-current financial liabilities	0	0	0
	Non-current net financial position	(1,000)	(1,619)	(619)
	Total net financial position	(13,978)	(8,333)	(5,645)

Net financial debt increased by 5,645 thousand euros compared to 30 June 2015, primarily due to the increase in short-term payables due to banks of 4,081 thousand euros, the increase in other short-term financial liabilities of 1,892 thousand euros and the increase in non-current payables due to banks of 527 thousand euros, partially offset by the increase in non-current financial assets of 1,146 thousand euros.

At the end 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 as at 31 December 2015, grouped by maturity:

EUR/000	Due within 12 months	1-5 years	over 5 years	Total
Payables due to banks relating to current accounts	(35)	0	0	(35)
Payables due to banks relating to the financing of import and export	(12,775)	0	0	(12,775)
Payables due to banks relating to advances on invoices and subject to collection	(2,592)	0	0	(2,592)
Payables due to banks for unsecured loans	(1,417)	(2,146)	0	(3,563)
Total amounts due to banks (A)	(16,819)	0	0	(18,965)
Other financial liabilities (B)	(207)	0	0	(207)
Total financial liabilities (A) + (B)	(17,026)	(2,146)	0	(19,172)

Current net financial position

The current net financial position is made up as follows:

	EUR/000	31 December 2015	30 June 2015	Change
22	Cash and cash equivalents	4,048	4,339	(291)
23	Short-term payables due to banks	(16,819)	(12,738)	(4,081)
24	Other current financial payables	(207)	1,685	(1,892)
	Total current net financial position	(12,978)	(6,714)	(6,264)

22. Cash and cash equivalents

As at 31 December 2015 cash and cash equivalents, which were not subject to any restrictions, consisted of sight deposits at banks. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Cash on hand and bank deposits	4,048	4,018	30
AXA MPS Quadrante policy	0	321	(321)
Total liquid funds	4,048	4,339	(291)

The Group's liquid funds as at 31 December 2015 amounted to 4,048 thousand euros, down by 291 thousand euros on 30 June 2015.

At 30 June 2015, the heading included a Quadrante insurance policy contracted by Digital Bros S.p.A. on 21 October 2002 and issued by AXA MPS, which was paid out during the period.

23. Short-term payables due to banks

Short-term payables due to banks are comprised of account overdrafts, import-export financing, advances on invoices, and advances subject to collection. Most of the increase in short-term payables due to banks with respect to 30 June 2015 (4,081 thousand euros) is due to the rise in import-export financing and advances on invoices subject to collection. Details are as follows:

EUR/000	31 December 2015	30 June 2015	Change
Current account overdrafts	(35)	(13)	(22)
Loans for import and export	(12,775)	(10,529)	(2,246)
Advances on invoices and subject to collection	(2,592)	(859)	(1,733)
Loans payable within 12 months	(1,417)	(1,337)	(80)
Total short-term payables due to banks	(16,819)	(12,738)	(4,081)

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

The portion of loans payable within twelve months as at 31 December 2015 consists of, for 917 thousand euros, the short-term portion of a loan granted by UniCredit S.p.A. maturing in January 2018 and, for 500 thousand euros, the short-term portion of a loan granted by Monte dei Paschi di Siena S.p.A. maturing in December 2017.

24. Other current financial payables

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

EUR/000	31 December 2015	30 June 2015	Change
Starbreeze B shares	0	1,553	(1,553)
Receivables collected by factoring companies on behalf of 505 Games Ltd.	550	302	248
Advances on the non-recourse factoring of trade receivables	(751)	(151)	(600)
Leasing instalments due within twelve months	(6)	(19)	13
Total other current financial assets and liabilities	(207)	1,685	(1,892)

At 30 June 2015, the caption “Starbreeze B shares” referred to the market value of 1,220,691 Starbreeze B shares (listed on NASDAQ Stockholm First North Premier). In July 2015, the shares were all sold.

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 31 December 2015 and paid to the subsidiary only subsequently.

Advances on the non-recourse factoring of trade receivables of 751 thousand euros increased by 600 thousand euros compared with 30 June 2015.

Leasing instalments due within twelve months consist of the entire residual amount of the instalments of the financial lease contracts stipulated with Unicredit Leasing relating to a motor vehicle. The 46 thousand euros lease contract with Unicredit Leasing called 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 6 thousand euros. The effective interest rate is 6.46%;

The following table shows finance lease payments by maturity:

EUR/000	31 December 2015	30 June 2015	Change
Due within 12 months	6	19	(13)
1-5 years	0	0	0
Non-current (5 years)	0	0	0
Total	6	19	(13)

Non-current net financial position

Non-current net financial position is made up as follows:

	EUR/000	31 December 2015	30 June 2015	Change
25	Non-current financial assets	1,146	0	1,146
26	Non-current payables due to banks	(2,146)	(1,619)	(527)
27	Other non-current financial liabilities	0	0	0
	Total current net financial position	(1,000)	(1,619)	(619)

25. Non-current financial assets

As at 31 December 2015 the heading includes a loan of JPY 150,000,000 granted by 505 Games S.r.l. to Shinshuppatsu Junbi Co. Ltd. The loan, which bears interest at an annual rate of 7% may be repaid on demand, but the Group estimates that the borrower will make use of the funds for at least two years. The loan was granted to the company concerned as part of a broader commercial agreement concerning the development of certain video games.

26. Non-current payables due to banks

Non-current payables due to banks include 1,146 thousand euros of the portion due beyond 12 months of a loan granted by UniCredit S.p.A. and 1 million euros of the portion due beyond 12 months of a loan granted by Monte dei Paschi di Siena S.p.A. The loan granted by Unicredit S.p.A. to the parent company was granted on 1 April 2015 for 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 percentage points. The loan by Monte dei Paschi di Siena S.p.A. to the parent company was granted on 23 November 2015 for 1.5 million euros. The loan calls for repayment over two years in six quarterly instalments, inclusive of principal and interest, starting on 30 September 2016, plus two instalments of interest only, due on 31 March 2016 and 30 June 2016. The interest rate is variable and is determined based on the 6-month Euribor plus a spread of 2.0 percentage points.

27. Other non-current financial liabilities

There were no non-current financial liabilities as at 31 December 2015, as there were none at 30 June 2015.

COMMITMENTS AND RISKS

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

EUR/000	31 December 2015	30 June 2015	Change
Commitments for purchase of Starbreeze shares	(2,939)	(5,534)	(2,595)
Commitments for contracts signed	(15,623)	(17,544)	(1,921)
Total commitments	(18,562)	(23,078)	(4,516)

Commitments for the purchase of A and B shares of the Swedish company Starbreeze refer to the agreement entered into in April 2015 that includes the total purchase of 5 million shares of the Swedish company for a total price of 8.2 million dollars. As at 31 December 2015, the Group purchased 3,833 thousand shares at a price of 5 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 period.

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	916	7,100	23,001	13,937	336	45,290
2	Revenue adjustments	0	0	(1,328)	(1,024)	(44)	(2,396)
3	Total net revenues	916	7,100	21,673	12,913	292	42,894

The breakdown as at 31 December 2014 was as follows:

	EUR/000	Development	Mobile	Publishing	Italian Distribution	Other Activities	Total
1	Gross revenues	1,087	6,640	36,861	16,289	120	60,997
2	Revenue adjustments	0	0	(1,460)	(1,047)	(81)	(2,588)
3	Total net revenues	1,087	6,640	35,401	15,242	39	58,409

Gross revenues for the half-year decreased from 60,997 thousand euros to 45,290 thousand euros. Net revenues decreased by 26.6% to 42,894 thousand euros from 58,409 thousand euros for the period ended 31 December 2014.

Below is the breakdown of revenues by business segment as at 31 December 2015 compared with the previous year:

EUR/000	Gross revenues				Net revenues			
	2015	2014	Change		2015	2014	Change	
Publishing	23,001	36,861	(13,860)	-37.6%	21,673	35,401	(13,728)	-38.8%
Italian Distribution	13,937	16,289	(2,352)	-14.4%	12,913	15,242	(2,329)	-15.3%
Mobile	7,100	6,640	460	6.9%	7,100	6,640	460	6.9%
Development	916	1,087	(171)	-15.7%	916	1,087	(171)	-15.7%
Other Activities	336	120	216	n.s.	292	39	253	n.s.
Total gross revenues	45,290	60,997	(15,707)	-25.8%	42,894	58,409	(15,515)	-26.6%

The significant decrease was primarily due to the decline in the revenues of the Publishing segment, which fell by 13,860 thousand euros due to the lack of new product launches during the period. Revenues for the Publishing segment are detailed by product below:

Data in thousands of Euro	31 December 2015	31 December 2014	Change
Sniper Elite V3	4,124	18,124	(14,000)
PAYDAY 2	11,146	10,076	1,070
Terraria	4,154	3,872	282
How to Survive	806	1,263	(457)
Sniper Elite V2	164	1,241	(1,077)
Brothers	1,893	481	1,412
Other	714	1,804	(1,090)
Total revenues - Publishing	23,001	36,861	(13,860)

During the half-year, the Group benefited from a constant sales flow for its two most successful previously published products: PAYDAY 2 and Terraria, with an increase in revenues. The largest decline, 14,000 thousand euros, was due to the sales of the video game Sniper Elite V3, which in the previous year generated revenues of 18,124 thousand euros, immediately following its launch in June 2014.

The decrease in the revenues of the Italian Distribution segment of 2,352 thousand euros was due to the significant decline in the sales of the Yu-Gi-Oh! collectible cards of 3,932 thousand euros compared to the first half of the previous year, whereas there was an increase in video game distribution revenues of 1,249 thousand euros due to the launch on the Italian market of the video games Metal Gear Solid V and PES 2016, which met with particular success.

The revenues of the Mobile segment increased by 6.9% or 7,100 thousand euros, benefiting from the positive performance of sales of the Battle Island video games, developed by the subsidiary DR Studios. The Development segment's revenues for the half-year amounted to 916 thousand euros, down by 15.7%, and related to sales that the U.S. developer Pipeworks Inc. completed on development orders for non-captive clients.

The revenues of the Other Activities segment of 336 thousand euros include the revenues on the launch of Fantasfida. Fantasfida is a daily fantasy sport, i.e. a game of skill in which the player fields a team of seven soccer players and takes part in a for-pay tournament with potential cash prizes. Fantasfida is operated under concession from the Italian State Monopoly Administration (AAMS) held by the subsidiary Game Network S.r.l.

25. Financial income and charges

The item consists of:

	EUR/000	31 December 2015	31 December 2014	Change	%
23	Interest and financial income	1,972	1,364	608	44.6%
24	Interest and financial expenses	(865)	(845)	(20)	2.3%
25	Net financial income	1,107	519	588	n.s.

Net financial income amounted to 1,107 thousand euros, compared to 519 thousand euros in the same period of the previous year. Interest and financial income increased by 608 thousand euros due to the capital gains realised on the sale of the Starbreeze B shares of 1,447 thousand euros and to exchange gains of 522 thousand euros, compared to exchange gains of 1,360 thousand euros in the first half of the previous year. Interest expense increased by 20 thousand euros.

Below are the details of interest expense:

EUR/000	31 December 2015	31 December 2014	Change	%
Interest expense due to by banks	(225)	(569)	344	-60.4%
Other interest expense	0	0	0	0.0%
Interest expense on financing and leasing	(54)	(7)	(47)	n.s.
Interest on factoring	(10)	(9)	(1)	15.3%
Total interest expense on sources of finance	(289)	(585)	296	-50.6%
Exchange losses	(576)	(260)	(316)	n.s.
Total interest and financial expenses	(865)	(845)	(20)	2.4%

29. Taxes

The breakdown of current and deferred taxes as at 31 December 2015 is as follows:

EUR/000	31 December 2015	31 December 2014	Change	%
Current taxes	(1,665)	(2,429)	764	-31.5%
Deferred taxes	1,010	(6)	1,017	n.s.
Total income taxes	(655)	(2,435)	1,780	-73.1%

The decrease in current taxes is in line with the lower pre-tax profit recorded for the period ended 31 December 2015 compared to the same period of the previous year.

As at 31 December 2015 deferred taxes amounted to 1,010 thousand euros and were estimated on the basis of the pre-tax losses of the subsidiaries 505 Games (US) Inc. and Game Network S.r.l.

9. 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.

During the period, the Group did not recognise any non-recurring income or expenses.

10. SEGMENT REPORTING

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

The Group has implemented an organisational change process that involved expanding into the Mobile segment, dedicated to the publication of video games on smartphones and social networks, alongside the already existing structure. The reorganisation involved the consolidation of the previous Digital organisational unit into the Publishing business segment, considering that the products distributed on the traditional channels and digital marketplaces adopt the same 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 a 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).

Since the previous 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), has been separated from the Mobile segment. The above business is now represented in the new segment Other Activities, which also includes the business conducted by the subsidiary Digital Bros Game Academy S.r.l., namely the organisation of IT and gaming specialisation and training courses.

For the sake of comparison, income statement figures for the period ended 31 December of the previous year 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 31 December 2015 and 31 December 2014. Refer to paragraph 7 of the directors' report for comments.

Income statement by business segment for the period ended 31 December 2015

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
1	Revenues	916	7,100	23,001	13,937	336	0	45,290
2	Revenue adjustments	0	0	(1,328)	(1,024)	(44)	0	(2,396)
3	Total revenues	916	7,100	21,673	12,913	292	0	42,894
4	Purchase of goods for resale	0	0	(3,895)	(8,196)	0	0	(12,091)
5	Purchase of services for resale	(342)	(949)	(1,956)	0	(39)	0	(3,286)
6	Royalties	0	(2,764)	(5,149)	0	(56)	0	(7,969)
7	Changes in finished product inventories	0	0	(484)	(1,201)	0	0	(1,685)
8	Total cost of sold products	(342)	(3,713)	(11,484)	(9,397)	(95)	0	(25,031)
9	Gross profit (3+8)	574	3,387	10,189	3,516	197	0	17,863
10	Other revenues	2,188	401	38	18	119	0	2,764
11	Cost of services	(124)	(520)	(2,246)	(1,204)	(2,013)	(637)	(6,744)
12	Rent and leasing	(69)	(39)	(261)	(31)	(11)	(373)	(784)
13	Personnel costs	(2,422)	(1,472)	(3,376)	(895)	(265)	(1,406)	(9,836)
14	Other operating expenses	(98)	(37)	(257)	(120)	(25)	(229)	(766)
15	Total operating costs	(2,713)	(2,068)	(6,140)	(2,250)	(2,314)	(2,645)	(18,130)
16	EBITDA (9+10+15)	49	1,720	4,087	1,284	(1,998)	(2,645)	2,497
17	Amortisation and depreciation	(301)	(659)	(575)	(86)	(112)	(58)	(1,791)
18	Provisions	0	0	0	0	0	0	0
19	Write-down of assets	0	(425)	0	0	0	0	(425)
20	Write-backs of assets and non-monetary income	0	588	0	0	0	0	588
21	Total non-monetary income and operating costs	(301)	(496)	(575)	(86)	(112)	(58)	(1,628)
22	EBIT (16+21)	(252)	1,224	3,512	1,198	(2,110)	(2,703)	869

Income statement by business segment for the period ended 31 December 2014

	Consolidated data in thousands of Euro	Development	Mobile	Publishing	Italian Distribution	Other Activities	Holding	Total
1	Revenues	1,087	6,640	36,861	16,289	120	0	60,997
2	Revenue adjustments	0	0	(1,460)	(1,047)	(81)	0	(2,588)
3	Total revenues	1,087	6,640	35,401	15,242	39	0	58,409
4	Purchase of goods for resale	0	0	(7,715)	(10,343)	0	0	(18,058)
5	Purchase of services for resale	(72)	(875)	(1,913)	0	(11)	0	(2,871)
6	Royalties	0	(3,479)	(10,780)	0	0	0	(14,259)
7	Changes in finished product inventories	0	0	(731)	(852)	0	0	(1,583)
8	Total cost of sold products	(72)	(4,354)	(21,139)	(11,195)	(11)	0	(36,771)
9	Gross profit (3+8)	1,015	2,286	14,262	4,047	28	0	21,638
10	Other revenues	129	79	17	34	0	0	259
11	Cost of services	(72)	(323)	(2,920)	(1,276)	(134)	(683)	(5,408)
12	Rent and leasing	(32)	(16)	(295)	(28)	(15)	(381)	(767)
13	Personnel costs	(1,263)	(1,105)	(2,755)	(960)	(153)	(1,342)	(7,578)
14	Other operating expenses	(27)	(9)	(220)	(128)	(20)	(229)	(633)
15	Total operating costs	(1,394)	(1,453)	(6,190)	(2,392)	(322)	(2,635)	(14,386)
16	EBITDA (9+10+15)	(250)	912	8,089	1,689	(294)	(2,635)	7,511
17	Amortisation and depreciation	(169)	(529)	(368)	(112)	(47)	(54)	(1,279)
18	Provisions	(63)	0	0	0	0	0	(63)
19	Write-down of assets	0	0	0	0	0	(332)	(332)
20	Write-backs of assets and non-monetary income	0	0	0	0	0	0	
21	Total non-monetary income and operating costs	(232)	(529)	(368)	(112)	(47)	(386)	(1,674)
22	EBIT (16+21)	(482)	383	7,721	1,577	(341)	(3,021)	5,837

Development: the Development business segment is responsible for designing and developing video games. The business is conducted through a dedicated organisational structure. The business carries out development projects on behalf of Group companies and non-captive clients. The business is conducted solely by Pipeworks Inc. An internal development team capable of contributing technological expertise allows for the improvement of video game quality and adherence to development schedules.

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 segment), 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. provides consultancy on behalf of 505 Games S.r.l. The Swedish company 505 Games Nordic AB was dormant during the period and is currently in liquidation.

Mobile: this business segment is responsible for the production and marketing of video games for mobile (smartphone and tablet) platforms and for social networks. The segment is coordinated by 505 Mobile S.r.l., which controls the U.S. company 505 Mobile (US) Inc., which provided consultancy on behalf of its parent company. 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. The segment also includes Game Entertainment S.r.l., which in the previous year began to manage mobile video games based on advertising revenue.

The distinctive nature of the video games of the Mobile business segment relates to the different distribution platforms from the Publishing business and the possibility for players to download free applications from the marketplaces and then spend money during the phases of the game.

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

Italian Distribution: 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 residual business segment includes all operating activities of limited scope, which are consolidated into a separate business segment, in the interest of logical presentation of results. It includes the activities of the subsidiary Game Network S.r.l., which manages paid games under concession from AAMS (the Italian State Monopoly Administration) and the activities of the subsidiary 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: this segment 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. Administration, management control and development business have also been included in the Holding business segment.

In June 2015, in order to bring the organisational structure into line with the structure of the business segments, the parent company sold 100% of 505 Mobile S.r.l. and its subsidiaries, 505 Games France S.a.s. and 505 Games Slu, to 505 Games S.r.l.

Information on geographical segments

Gross revenues are broken down below by region:

EUR/000	31 December 2015		31 December 2014		Change	
Europe	8,820	19%	10,355	17%	(1,535)	-14.8%
The Americas	21,445	47%	32,721	54%	(11,276)	-34.5%
Rest of the world	752	2%	1,512	2%	(760)	-50.3%
Total revenues from abroad	31,017	68%	44,588	73%	(13,571)	-30.4%
Italy	14,273	32%	16,409	27%	(2,136)	-13.0%
Consolidated total gross revenues	45,290	100%	60,997	100%	(15,707)	-25.8%

Revenues from abroad accounted for 68% of consolidated gross revenues, compared to 73% in the same period of the previous year, and decreased by 30.4% compared to 31 December 2014.

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 23,001 thousand euros, or 74% of revenues from abroad.

Below is a breakdown of gross revenues from abroad, according to business segment:

EUR/000	31 December 2015		31 December 2014		Change	
Mobile	7,100	23%	6,640	15%	460	6.9%
Publishing	23,001	74%	36,861	83%	(13,860)	-37.6%
Development	916	3%	1,087	2%	(171)	-15.7%
Total gross revenues from abroad	31,017	100%	44,588	100%	(13,571)	-30.4%

The revenues of the Development business segment include the revenues generated by Pipeworks Inc. on ongoing development orders from non-captive clients.

Italian revenues decreased to a less pronounced extent than revenues from abroad.

11. 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 Abramo and Raffaele Galante.

Transactions as at 31 December 2015 are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(22)	0	0	(124)
Matov Imm. S.r.l.	0	635	0	0	0	(395)
Matov LLC	0	136	0	0	0	(138)
Total	0	771	(22)	0	0	(657)

As at 31 December 2014, these were:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(91)
Matov Imm. S.r.l.	0	635	0	0	0	(399)
Matov LLC	0	122	0	0	0	(115)
Total	0	757	(18)	0	0	(605)

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 deposits paid by way of guarantee against the lease instalments for the premises that became the American subsidiary's offices during the previous year.

Rent for the Milan offices paid during the year by Digital Bros S.p.A. to Matov Imm. S.r.l. amounts to 372 thousand euros, that paid by 505 Games France S.a.s. for the buildings of Francheville amounts to 23 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 285 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., 505 Games S.r.l. and Digital Bros Game Academy 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.

12. 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.

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
- due compliance with the administrative and accounting procedures for the preparation of the interim financial report as at 31 December 2015.

We also confirm that:

1. the interim financial report of the Digital Bros Group as at 31 December 2015:
 - a) has 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 interim financial report as at 31 December 2015 contains information on the key events that took place during the period and their impact on the interim financial report as at 31 December 2015, and describes the main risks and uncertainties. The interim financial report as at 31 December 2015 also includes disclosures on significant transactions with related parties.

Milan, 29 February 2016

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Officer

Stefano Salbe