



**Interim Report at September 30<sup>th</sup>, 2020**  
**(1<sup>st</sup> quarter of the financial year 2020/2021)**

**Digital Bros S.p.A.**  
Via Tortona, 37 – 20144 Milan, Italy  
VAT Number and Tax Number 09554160151  
Share capital: Euro 6,024,334.80 of which Euro 5,704,334,80 subscribed  
Milan Register of Companies 290680-Vol. 7394 Chamber of Commerce 1302132

This report is available in the Investors section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com)

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

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## **Board of Directors**

Sylvia Anna Bartyan	Independent Director
Lidia Florean	Non – Executive Director
Abramo Galante	Chairman and Chief Executive Officer
Davide Galante	Non – Executive Director
Raffaele Galante	Chief Executive Officer
Susanna Pedretti	Independent Director
Stefano Salbe	Executive Director <sup>(1)</sup>
Laura Soifer	Independent Director <sup>(2)</sup>
Dario Treves	Executive Director

<sup>(1)</sup> Financial reporting manager pursuant to Art. 154 bis of Legislative Decree 58/98

<sup>(2)</sup> Lead Independent Director

## **Control and Risk Committee**

Sylvia Anna Bartyan  
Susanna Pedretti  
Laura Soifer (Chairman)

## **Remuneration Committee**

Sylvia Anna Bartyan  
Susanna Pedretti (Chairman)  
Laura Soifer

## **Board of Statutory Auditors**

Gianfranco Corrao	Statutory Auditor
Carlo Hassan	Chairman
Maria Pia Maspes	Statutory Auditor
Daniela Delfrate	Substitute Statutory Auditor
Stefano Spiniello	Substitute Statutory Auditor

The Shareholders' Meeting held on October 28<sup>th</sup>, 2020 appointed the Board of Directors and Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will end within the Shareholders' Meeting which will approve the financial statements as at June 30<sup>th</sup>, 2023.

On October 28<sup>th</sup>, 2020, the Shareholders' Meeting appointed Abramo Galante as Chairman of the Board of Directors. On the same date, the Board of Directors appointed Abramo Galante and Raffaele Galante as Chief Executive Officers. The CEOs were given appropriate powers.

On August 7<sup>th</sup>, 2007, the Board of Directors appointed Executive Director Stefano Salbe to the position of financial reporting manager pursuant to Art. 154 bis of Legislative Decree 58/98 and gave him appropriate powers.

## **Auditors**

### **Deloitte & Touche S.p.A.**

On October 26<sup>th</sup>, 2012, the Shareholders' Meeting appointed Deloitte & Touche S.p.A, Via Tortona 25, Milan as corporate auditors until the approval of the financial statements as at June 30<sup>th</sup>, 2021.

### **Other information**

The Interim Management Report of Digital Bros Group for the period ended September 30<sup>th</sup>, 2020 was authorised by a resolution of the Board of Directors on November 12<sup>th</sup>, 2020.

Digital Bros S.p.A. is incorporated and operating in Italy. It is listed on the STAR segment of the MTA market operated by Borsa Italiana S.p.A..

# **Q1 REPORT**

## **1. GROUP ORGANIZATION**

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

The Group is organised into five operational business segments:

**Premium Games:** operations consist in the acquisition of video game content rights from developers and the distribution of the games through a traditional international retail sales network and via digital marketplaces such as Steam, Sony PlayStation Network, Microsoft Xbox Live, Epic Game Store, etc..

Video games not developed directly by internal studios are usually acquired with an exclusive license and long-term worldwide rights. The franchise used for worldwide publishing is 505 Games.

During the period, Premium Games operations were run by the subsidiary 505 Games S.p.A. – sub holding company – which controls 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. 505 Games Interactive (US) Inc. provides consulting services on behalf of 505 Games S.p.A..

The Italian company Kunos Simulazioni S.r.l., which developed and published the Assetto Corsa video game, is consolidated in this operating segment.

During the previous period, the Group completed the acquisition of two new companies: 51% of the capital of AvantGarden S.r.l, originally Ovosonico S.r.l., of which the Group already held 49%; 60% of Dutch company Rasplata B.V.. AvantGarden S.r.l is an Italian videogame developer with a team of around 25 people while the Dutch company holds the rights to an intellectual property currently under development.

Hook S.r.l. was incorporated during the reporting period. Hook will focus on limited-budget products developed by independent studios.

**Free to Play:** this business consists in the development and publishing of video games and/or applications that will be available free of charge on digital marketplaces and which allow in app purchases. Free to Play games usually presents less complexity than Premium Games but, in case of success, will have a longer life cycle. Free to Play video games are continuously upgraded after the launch in order to retain players and enhance the game's life cycle.

The franchise for worldwide publishing is 505 Mobile S.r.l., together with U.S. company 505 Mobile (US) Inc. which provides consulting services to Group companies, UK company DR Studios Ltd. which is a developer of Free to Play games and Hawken Entertainment Inc. which holds the rights to the Hawken series video games.

The brand used for publishing on a worldwide scale is 505 Games Mobile.

**Italian Distribution:** this consists of the distribution of video games purchased from international publishers. This business is conducted by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l. which distributes trading cards from newsstands.

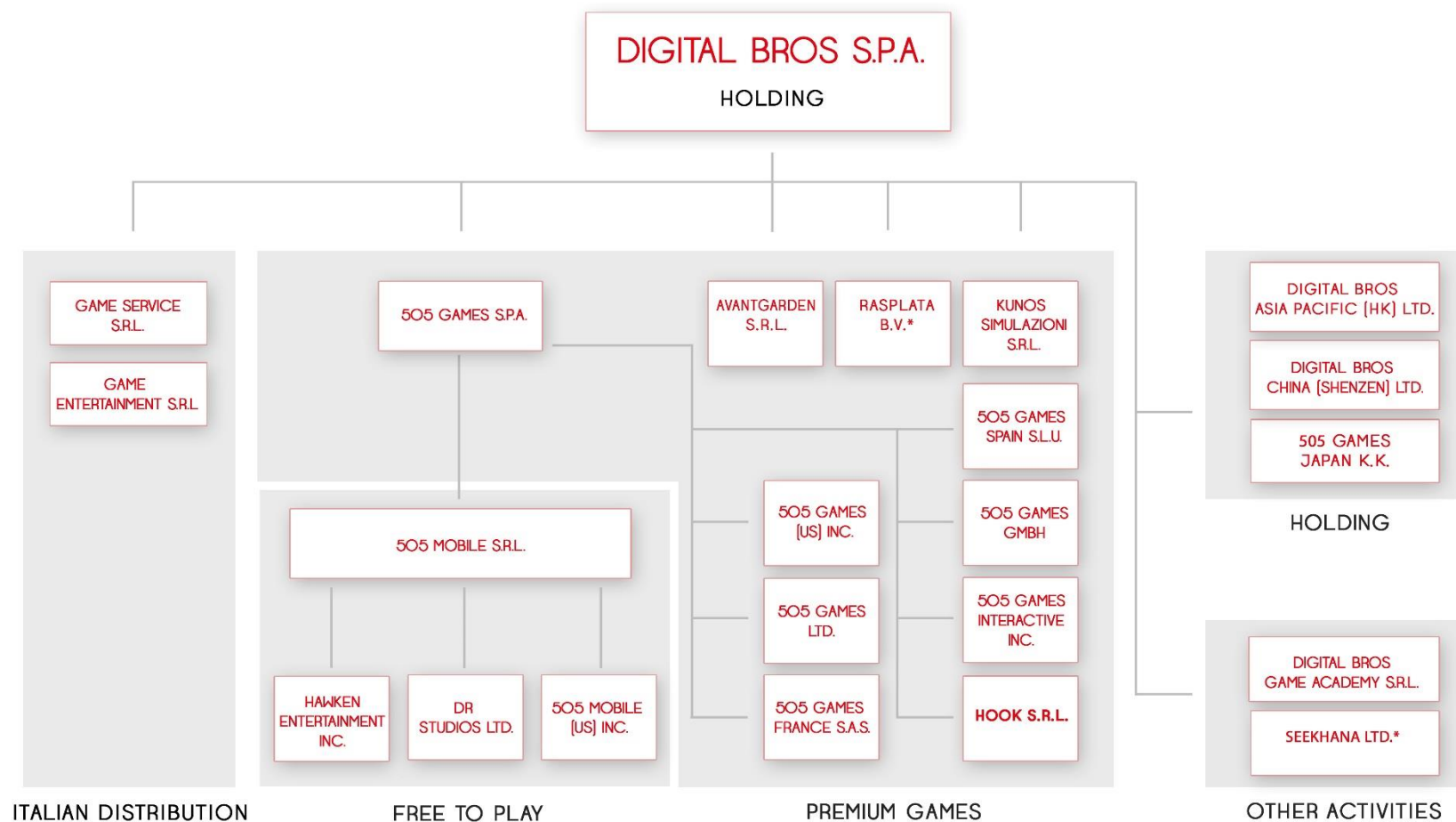
**Other Activities:** the operating segment handles all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organises video game training and professional courses. It also includes the activities of the subsidiary Game Network S.r.l. whose activities were interrupted in June 2018 and which entered liquidation in October 2018. During the previous period, the Group completed the acquisition of 25.23% of the UK company Seekhana Ltd, adding to the already-owned stake of 34.77% and taking the Group's overall stake at 60%.

**Holding:** this includes all the coordinating functions carried out by Digital Bros S.p.A.. The holding operating segment handles finance, management control and business development activities. The holding company has also been supported by Digital Bros China Ltd., Digital Bros Asia Pacific (HK) Ltd and 505 Games Japan K.K. which have operated as business developers for the Asian markets. 133 W Broadway Inc. and Digital Bros Holdings Ltd. were inactive during the period.

All the companies mentioned above are 100% owned, except for Rasplata B.V. and Seekhana Ltd. which are control with a 60% stake.

The organisation chart at September 30<sup>th</sup>, 2020 was as follows.:

## GROUP STRUCTURE AT SEPTEMBER 30<sup>TH</sup>, 2020



[\*] INVESTMENT AT 60%

During the reporting period, the Group operated in the following locations:

Company	Address	Activities
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
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 Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	Offices
Digital Bros China (Shenzhen) Ltd.	Wang Hai Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
Digital Bros Holdings Ltd. <sup>(1)</sup>	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	Via Tortona, 37 Milan	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	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 (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. in liquidation	Via Tortona, 37 Milan	Offices
Game Service S.r.l.	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona, 37 Milan	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	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
Rasplata B.V. <sup>(2)</sup>	Churchill-laan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. <sup>(2)</sup>	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
133 W Broadway, Inc.	133 W Broadway, Suite 200, Eugene, Oregon, U.S.A.	Offices

(1) Inactive during the period.

(2) 60% consolidated.

Both Rasplata B.V. and Seekhana Ltd. have been consolidated line-by-line and recognize separately the amount referred to non-controlling interests.

As at September 30<sup>th</sup>, 2020, the Group did not show any investments in associated companies.

## 2. VIDEO GAMES MARKET

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The video games market is an important segment of the entertainment industry. Movies, books and magazines, video games and toys are part of the industry and share the same characteristics, brands, features and intellectual properties.

The market is constantly evolving and growing, driven by the continuous technological upgrades. Gaming is no longer limited to traditional consoles, i.e. Sony PlayStation and Microsoft Xbox, but has expanded to mobile phones, tablet devices and hybrid consoles like the Nintendo Switch. Widespread low-cost connectivity, fibre optic networks and technologically advanced mobile phones have made video games increasingly diversified, sophisticated and interactive and have expanded the gaming population to adults and women.

The video games market follows the continuous technological evolution of consoles. When a console is first launched, the prices of the hardware and its video games are high and relatively small quantities are sold. Over their lifespan, console and game prices gradually fall, while the quantities sold and the video games quality increase.

While all video games are sold through digital marketplaces, only high-quality video games that show a strong potential are also distributed through the traditional sales networks. In this case, the value chain is as follows:



### *Developers*

The developers are the creators and the programmers of games usually based on an original idea, a successful brand, a movie, sports simulations etc.. The developers often retain the intellectual property, but, for a limited amount of time, transfer said rights to international video game publishers, the key players when it comes to finishing, marketing and internationally distributing the game through their digital and/or retail networks.

### *Publishers*

The publisher decides when the game is released onto the market, determines its global pricing and commercial policy, designs the packaging and takes on all of the risks. Publishers usually finance the game development stage and often acquire the game rights on a permanent basis. For this reason, both the publisher and the developer can financially benefit from the success of a video game.

### *Console manufacturers*

The console manufacturer is the company that designs, produces and markets the hardware or platform on which the game can be played. Sony produces the Sony PlayStation, Microsoft the Microsoft Xbox One and Nintendo the Nintendo Switch. The console manufacturer and the video game publisher are often one and the same.

### *Distributors*

The role of the distributor varies from country to country. The more a market is fragmented e.g. the Italian market, the more the distributor and the publisher roles are integrated, while on certain markets, such as the UK and the U.S., publishers usually have a direct presence due to a higher concentration of retailers. The increasing digitalisation of the market has led newly established video games publishers to use the distribution structures of already-established publishers.

### *Retailers*

The retailer is where the end consumer can purchase a game. Retailers may be international retail chains specialized in the sale of video games, specialized independent shops or web sites that sell directly to the public.

Console manufacturers have developed marketplaces where video games can be directly purchased in a digital format without involving a distributor or retailer. In this case, as for smartphone and tablet games, the value chain is less complex, as shown below:



The main marketplaces on which console video games are sold are Sony's PlayStation Store, Microsoft's Xbox Live and Nintendo's eShop. Steam is the global leader in the digital distribution of games for personal computers. During the previous fiscal year, the US company Epic launched Epic Games Store, a new marketplace for PC games, in the wake of the success of the Fortnite video game (owned by the same Epic).

The gradual digitalisation of the market has led both Microsoft (with Microsoft Xbox Game Pass and Microsoft Xbox Games with Gold) and Sony (with Sony PlayStation Now) to create digital platforms on which, rather than purchase a single game, gamers can access the entirety of the marketplace by paying a subscription fee. Revenues are recognized to publishers based on the usage of their video games. More recently, Google and Amazon have set up similar structures, the Stadia and Luna platforms respectively, while Apple has launched Apple Arcade, a platform dedicated to mobile video games.

Free to Play video games are available to the public in digital format only. The marketplaces used are the App Store for iPhone and iPad, the PlayStore for Android for Western markets and a huge number of

different marketplaces for Eastern markets. Some Free to Play video games are also available on PlayStation Store, Microsoft's Xbox Live and Steam.

Digital distribution has significantly extended the lifespan of individual games. The availability of a game is no longer strictly limited to its launch period as occurs in the retail channel. Rather, the product remains available on the various marketplaces for a longer period of time, thus generating a continuous flow of sales sometimes significantly influenced by the marketing strategies and promotional campaigns implemented. A video game life cycle can also be extended through the release of additional episodes and functions available for free or for payment (the so-called DLC, or Downloadable Contents).

### **3. SEASONALITY EFFECTS**

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Market seasonality is influenced by strong seasonality. The launch of a successful game in a certain period can lead to significant revenue increases between quarters. In fact, the launch of these products concentrates the sales in the first few days from the release.

The publishing and marketing of video games on digital marketplaces reduces partially the variability of the publisher's results between quarters. Digital distribution revenues are recognized when the consumer purchases a game on the marketplace. This occurs gradually compare to traditional retail distribution whose revenues are consignment to the distributor/retail independently from the moment it is chosen by the end consumer.

Digital promotional campaigns are fairly effective and concentrate revenue during these periods. Publishers tend to plan their promotional campaigns when the consumer spending is higher i.e. the Christmas season for European markets or Black Friday for the American market.

The Free to Play video games revenue are more spread and less influenced by seasonality than Premium video games. Free to Play video games show constant revenue growth over time with some articular exception of most waited free to play video games. Unlike Premium video games, Free to Play promotions are more weekly-based and therefore, do not create volatility across quarters.

The financial position is also closely linked to the revenue trend. The physical distribution of a product in a quarter leads to concentration of net working capital investment. This is temporarily reflected by the level of net cash/debt until such time as the related sales revenue is collected. The significant reduction in physical distribution revenues as a percentage of total consolidated revenues results in lower volatility of financial position items.

#### **4. SIGNIFICANT EVENTS OF THE REPORTING PERIOD**

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There were no significant events during the period.

##### ***Relations with Starbreeze and Starbreeze shareholders***

The Digital Bros Group and the Starbreeze Group has entered multiple diversified transactions, summarised below:

- in May 2016, the Group sold back its rights of PAYDAY2 to Starbreeze against a payment of USD 30 million and an earn out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3;
- in April 2015, the two groups signed a contract for the development and publishing of the console version of a video game inspired by the TV Series The Walking Dead. The contract provided a development budget of USD 10 million. As at September 30<sup>th</sup>, 2020, the subsidiary 505 Games S.p.A. had paid USD 4.8 million for the development of such video game. In November 2018, Starbreeze launched the PC version of the video game but the related sales were lower than expected. On February 27<sup>th</sup>, 2019, Skybound terminated the licence contract for The Walking Dead and, consequently, on April 8<sup>th</sup>, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze as contractor provided;
- since November 2018, Digital Bros has acquired 4,505,281 Starbreeze STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 2.05 per share. On June 4<sup>th</sup>, 2019, Stefano Salbe, an Executive Director of the Group, joined the Board of Directors of the Swedish company as a non-Executive Director;
- on November 21<sup>st</sup>, 2018, Digital Bros S.p.A. supported Varvtr AB with a loan of Euro 2 million. Varvtr AB is a Swedish company owned by the former Chief Executive Officer of Starbreeze AB which, at that date, held 19,021,541 Starbreeze STAR A shares and 1,305,142 Starbreeze STAR B shares, representing 5.61% of the share capital and 16.92% of the voting rights of Starbreeze AB at June 30<sup>th</sup>, 2020.

The OVERKILL's The Walking Dead unsuccess created financial problems to Starbreeze AB, enforcing the Company and five subsidiaries to petition the Swedish District Court for admission to a restructuring plan. As a result of financial problems connected with the lack of success of the OVERKILL's The Walking Dead video game, on December 3<sup>rd</sup>, 2018, Starbreeze AB and five subsidiaries petitioned the Swedish District Court for admission to a corporate restructuring plan. The Swedish Court approved the restructuring request and it was later extended several times until December 3<sup>rd</sup>, 2019. On December 6<sup>th</sup>, 2019, Starbreeze AB successfully completed the corporate restructuring process, proposing a payment plan to its creditors.

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

- on January 15<sup>th</sup>, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze STAR A shares held by Swedish company Varvtr AB for a consideration of around SEK 25.8 million, at a price of

SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realised in the 60 months after the acquisition. The consideration was paid, in part, by waiving the loan granted to Varvtre AB. The shares acquired represent 5.24% of share capital and 16.76% of voting rights;

- on February 26<sup>th</sup>, 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze AB for a price of Euro 19.2 million. The assets acquired have a nominal value of Euro 35.3 million, as detailed below:
  - a) a convertible bond of SEK 215 million (around Euro 19.7 million) issued by Starbreeze AB for a total of Euro 16.9 million. Any conversion of the bond would lead to the issue of 131,901,840 new Starbreeze STAR B shares, representing 15.4% of share capital and 5.54% of voting rights at September 30<sup>th</sup>, 2020. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze in September 2020;
  - b) a loan receivable of around USD 16.3 million (around Euro 14.8 million) for consideration of Euro 100 thousand. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
  - c) 3,601,083 Starbreeze STAR A shares and 6,018,948 Starbreeze STAR B shares which, at June 30<sup>th</sup>, 2020 before the share capital increase of September 2020, represented 2.66% of Starbreeze AB share capital and 3.71% of voting rights, for a total amount of Euro 2.2 million.

The total consideration is payable as follows: Euro 9.2 million was paid on the closing date of the transaction and Euro 10 million will be paid by February 28<sup>th</sup>, 2021.

In order to maintain unchanged its percentage stake in share capital and its percentage of voting rights, on June 23<sup>rd</sup>, 2020, the Group signed a binding agreement for the pro-quota subscription of the share issue to be approved by a future General Meeting of Starbreeze. This share issue was finalised in September 2020.

At September 30<sup>th</sup>, 2020, also as a result of minor purchases, the Group holds 55,854,122 Starbreeze STAR A shares and 24,890,329 Starbreeze STAR B shares representing 11.14% of share capital and 25.94% of voting rights.

Despite the continuing contractual relations and the equity interest held in the Swedish company, the Group does not believe it has any influence over Starbreeze. Accordingly, it has decided to classify the investment under other investments as in previous reporting periods. Non-Executive Director Stefano Salbe has not been confirmed in his role with Starbreeze. If the circumstances should change as a result of substantive changes in the relations between the two groups, the Group would reassess and alter the classification of the investment in its Statement of Financial Position.

## COVID-19

Following the outbreak of the COVID-19 pandemic and based on Ministerial guidelines issued from March 2020 and later modified several times, in order to guarantee the health and safety of its employees and collaborators, the Group adopted remote working arrangements whereby the majority of its employees and collaborators in Italy and abroad are able to work from home. These arrangements are still in place in many cases. From an operational perspective, the homeworking arrangements have not had a notable impact on the main areas of the Group business.

The most significant effects of the pandemic on the video games market may be summarised as follows:

- increased use of video games during the lockdown period, especially of mass market products, by casual gamers and for products subject to particular promotions;
- general growth in digital revenues;
- wipe-out of revenues from traditional distribution channels, except for the small share generated by e-commerce sales.

In terms of video game development, as carried out by development teams situated all around the world, the homeworking arrangements have inevitably led to production delays. These delays have been most evident especially on large development teams and in the last few months prior to the product's launch when teams are normally required to cooperate to a greater extent. For this reason, the Group had to postpone the launch of the PC version of Death Stranding by six weeks, scheduling it after the end of the previous reporting period on July 14<sup>th</sup>, 2020. The Group did not encounter any particular problems in relation to other development processes. In most cases, such activities are carried out by teams whose size makes it possible to achieve a high level of efficiency even when working remotely.

The gradual digitalisation of the market was accelerated because consumers were physically unable to go to stores. Consequently, in the last quarter, the Group's revenues were largely generated on digital marketplaces. This led to a sharp increase in the operating margins thanks to both a higher unit margin and to significant savings in terms of production and logistics costs.

The higher incidence of digital revenues means greater concentration of revenues on a small number of customers, all of whom have far more solid equity and financial structures than customers involved in the traditional distribution of products; these customers also pay more quickly on average. Therefore, the Group did not have to record any significant effect in the form of adjustments due to expected credit losses on trade receivables (IFRS 9). The performance of impairment tests on licences to video games already on sale or under development had almost no effect.

## 5. CONSOLIDATED INCOME STATEMENT AT SEPTEMBER 30<sup>TH</sup>, 2020

	Euro thousand	September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	38,950	100.8%	38,529	105.6%	421	1.1%
2	Revenue adjustments	(301)	-0.8%	(2,110)	-5.6%	1,809	-85.8%
3	<b>Net revenue</b>	<b>38,649</b>	<b>100.0%</b>	<b>36,419</b>	<b>100.0%</b>	<b>2,230</b>	<b>6.1%</b>
4	Purchase of products for resale	(1,210)	-3.1%	(9,538)	-19.1%	8,328	-87.3%
5	Purchase of services for resale	(2,200)	-5.7%	(2,106)	-8.6%	(94)	4.5%
6	Royalties	(8,882)	-23.0%	(12,591)	-26.8%	3,709	-29.5%
7	Changes in inventories of finished products	(303)	-0.8%	3,014	-1.5%	(3,317)	n.m.
8	<b>Total cost of sales</b>	<b>(12,595)</b>	<b>-32.6%</b>	<b>(21,221)</b>	<b>-55.9%</b>	<b>8,626</b>	<b>-40.6%</b>
9	<b>Gross profit (3+8)</b>	<b>26,054</b>	<b>67.4%</b>	<b>15,198</b>	<b>44.1%</b>	<b>10,856</b>	<b>71.4%</b>
10	Other income	1,127	2.9%	589	4.4%	538	91.3%
11	Costs for services	(3,239)	-8.4%	(5,255)	-11.8%	2,016	-38.4%
12	Rent and Leasing	(74)	-0.2%	(72)	-1.9%	(2)	1.8%
13	Payroll costs	(5,170)	-13.4%	(4,795)	-23.2%	(375)	7.8%
14	Other operating costs	(269)	-0.7%	(328)	-1.6%	59	-18.0%
15	<b>Total operating costs</b>	<b>(8,752)</b>	<b>-22.6%</b>	<b>(10,450)</b>	<b>-38.5%</b>	<b>1,698</b>	<b>-16.3%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>18,429</b>	<b>47.7%</b>	<b>5,337</b>	<b>10.0%</b>	<b>13,092</b>	<b>n.m.</b>
17	Depreciation and amortisation	(7,986)	-20.7%	(1,799)	-9.1%	(6,187)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(63)	-0.2%	(346)	-2.7%	283	-81.7%
20	Impairment reversal	0	0.0%	0	0.0%	0	n.m.
21	<b>Total depreciation, amortization and impairment</b>	<b>(8,049)</b>	<b>-20.8%</b>	<b>(2,145)</b>	<b>-11.7%</b>	<b>(5,904)</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>10,380</b>	<b>26.9%</b>	<b>3,192</b>	<b>-1.7%</b>	<b>7,188</b>	<b>n.m.</b>
23	Interest and finance income	1,751	4.5%	1,202	1.9%	549	45.7%
24	Interest expense and finance costs	(1,159)	-3.0%	(495)	-1.8%	(664)	n.m.
25	<b>Net interest income/(expense)</b>	<b>592</b>	<b>1.5%</b>	<b>707</b>	<b>0.0%</b>	<b>(115)</b>	<b>n.m.</b>
26	<b>Profit/ (loss) before tax (22+25)</b>	<b>10,972</b>	<b>28.4%</b>	<b>3,899</b>	<b>-1.7%</b>	<b>7,073</b>	<b>n.m.</b>
27	Current tax	(3,356)	-8.7%	(338)	0.0%	(3,018)	n.m.
28	Deferred tax	261	0.7%	(685)	-0.3%	944	n.m.
29	<b>Total taxes</b>	<b>(3,095)</b>	<b>-8.0%</b>	<b>(1,023)</b>	<b>-0.3%</b>	<b>(2,072)</b>	<b>n.m.</b>
30	<b>Net profit/loss</b>	<b>7,877</b>	<b>20.4%</b>	<b>2,876</b>	<b>-2.0%</b>	<b>5,001</b>	<b>n.m.</b>
	attributable to the shareholders of the Group	7,886	20.4%	2,876	7.9%	5,010	n.m.
	attributable to minority shareholders	(9)	0.0%	0	0.0%	(9)	n.m.
	<b>Earnings per share</b>						
33	<b>Total basic earnings per share (in Euro)</b>	<b>0.55</b>		<b>0.20</b>		<b>0.35</b>	<b>n.m.</b>
34	<b>Diluted earnings per share (in Euro)</b>	<b>0.54</b>		<b>0.20</b>		<b>0.34</b>	<b>n.m.</b>

The revenues from the first quarter of the year came from the launch of videogames for personal computers: in July Death Stranding, followed in August by the publishing of the Steam version of Control. The publishing of video games for personal computers is almost exclusively digital, therefore the Group was not affected by the shutdown of retail due to the spread of the COVID-19 pandemic. Digital revenues in the quarter were 85% of the total consolidated compared to the 45% achieved in the previous year.

International markets revenues were 95% of the total consolidated revenues in the quarter.

Consolidated gross revenues amounted to Euro 38,950 thousand, slightly increased compared to the Euro 38,529 thousand recorded in the first quarter of the previous year. Net revenue growth was 6.1% due to the increased portion of digital sales that do not require revenue adjustments in comparison to the traditional retail sales.

A breakdown by operating segment for the period ended September 30<sup>th</sup>, 2020 compared to the period ended September 30<sup>th</sup>, 2019 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2021	2020	Change		2021	2020	Change	
Premium Games	34,995	32,613	2,382	7.3%	34,826	30,926	3,900	12.6%
Free to Play	2,191	1,673	518	31.0%	2,191	1,673	518	31.0%
Italian Distribution	1,709	4,125	(2,416)	-58.6%	1,577	3,702	(2,125)	-57.4%
Other projects	55	118	(63)	-53.4%	55	118	(63)	-53.4%
<b>Total gross revenues</b>	<b>38,950</b>	<b>38,529</b>	<b>421</b>	<b>1.1%</b>	<b>38,649</b>	<b>36,419</b>	<b>2,230</b>	<b>6.1%</b>

The Premium Games operating segment represents 90% of the consolidated gross revenues and significantly increased the gross revenues of the period by Euro 2,382 thousand and net revenues, up by Euro 3,900 thousand, as a result of the sales of Death Stranding, the Steam version of Control, but also the continuing performance of Assetto Corsa and PAYDAY2. Revenues from Other products, which represent the digital sales of products launched in previous years, showed a continuous growth by 37%.

A breakdown of gross revenue by video game in the Premium Games segment is provided below:

Euro thousand	September 30 <sup>th</sup> , 2020	September 30 <sup>th</sup> , 2019	Change	
Death Stranding	15,309	0	15,309	n.m.
Control	7,073	17,646	(10,573)	-59.9%
Assetto Corsa	4,126	1,268	2,858	n.m.
Terraria	1,710	3,722	(2,012)	-54.1%
Bloodstained	1,579	5,524	(3,945)	-71.4%
PAYDAY2	1,234	941	293	31.1%
Other products	3,503	2,557	946	37.0%
Retail products	461	955	(494)	-51.7%
<b>Premium games total gross revenues</b>	<b>34,995</b>	<b>32,613</b>	<b>2,382</b>	<b>7.3%</b>

The Free to Play operating segment showed a 31% increase, from Euro 1,673 thousand to Euro 2,191 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter.

The Italian Distribution operating sector revenues decreased by 58.6% (from Euro 4,125 thousand down to Euro 1,709 thousand), impacted by the continuing decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Cost of sales decreased by Euro 8,626 thousand – a 40.6% decrease, following a decrease in purchases of products intended for resale for Euro 8,328 thousand and lower related royalties for Euro 3,709 thousand. The inventories decreased by Euro 3,317 thousand, in line with the retail distribution revenues trend.

Gross profit increased by Euro 10,856 thousand.

Other income amounted to Euro 1,127 thousand, increased by Euro 538 thousand. It almost entirely consisted of the capitalisation of in-house work on the development of video games to be launched soon. In particular, during the reporting period, these activities included the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd..

Operating costs decreased by Euro 1,698 thousand, because of lower advertising expenditure, and partially offset by higher labour costs.

Gross operating margin / EBITDA for the quarter has been Euro 18,429 thousand corresponding to 47,3% of the gross consolidated revenues, considerably growing from the Euro 5,337 thousand realized in the previous year.

Amortization and depreciation increased by Euro 6,187 thousand compared to September 30<sup>th</sup>, 2019 due to higher costs associated with the amortization of intellectual properties published by the Group.

The significant growth of the digital revenue portion in respect of total sales pushed the EBIT to more than triple, up to Euro 10,380 thousand compared to Euro 3,192 thousand as at September 30<sup>th</sup>, 2019. Digital sales, in fact, show better profitability rates due to the shorter value chain, less operational complexity and better payment conditions by the customers. The EBIT stood at 26.7% of the consolidated gross revenues for the quarter.

The net financial income was positive for Euro 592 thousand, against the positive Euro 707 thousand achieved in the previous year.

Profit before taxation for the period ended September 30<sup>th</sup>, 2020 amounted to Euro 10,972 thousand, an increase of Euro 7,073 thousand compared to profit before taxation of Euro 3,899 thousand as at September 30<sup>th</sup>, 2019.

Net profit for the period amounted to Euro 7,877 thousand compared to Euro 2,876 thousand as at September 30<sup>th</sup>, 2019.

Net profit attributable to the Shareholders of the Group was Euro 7,886 thousand.

Basic profit per share and diluted profit per share were respectively Euro 0.55 and Euro 0.54 compared to the Euro 0.20 profit per share as at September 30<sup>th</sup>, 2019.

The share of the result attributable to minority shareholders relates to 40% held by other shareholders of the Dutch company Rasplata B.V. and of the English company Seekhana Ltd..

## 6. CONSOLIDATED FINANCIAL POSITION AT SEPTEMBER 30<sup>TH</sup>, 2020

	Euro thousand	September 30 <sup>th</sup> , 2020	June 30 <sup>th</sup> , 2020	Change	
	<b>Non-current Assets</b>				
1	Property, plant and equipment	8,451	8,837	(386)	-4.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	46,182	33,248	12,934	38.9%
4	Equity investments	9,462	5,488	3,974	n.m.
5	Non-current receivables and other assets	2,759	6,744	(3,985)	-59.1%
6	Deferred tax assets	3,295	3,482	(187)	-5.4%
7	Non-current financial activities	17,352	17,251	101	0.6%
	<b>Total non current assets</b>	<b>87,501</b>	<b>75,050</b>	<b>12,451</b>	<b>16.6%</b>
	<b>Current assets</b>				
8	Inventories	7,686	7,989	(303)	-3.8%
9	Trade receivables	22,019	28,168	(6,149)	-21.8%
10	Tax receivables	897	3,100	(2,203)	-71.1%
11	Other current assets	37,841	32,816	5,025	15.3%
12	Cash and cash equivalent	8,882	8,527	355	4.2%
13	Other financial assets	0	0	0	n.m.
	<b>Total current assets</b>	<b>77,325</b>	<b>80,600</b>	<b>(3,275)</b>	<b>-4.1%</b>
	<b>TOTAL ASSETS</b>	<b>164,826</b>	<b>155,650</b>	<b>9,176</b>	<b>5.9%</b>
	<b>Capital and reserves</b>				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,480)	(20,960)	(520)	2.5%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(60,174)	(52,288)	(7,886)	15.1%
	<b>Equity attributable to Parent Company</b>	<b>(87,358)</b>	<b>(78,952)</b>	<b>(8,406)</b>	<b>10.6%</b>
	<b>Equity attributable to minority shareholders</b>	<b>(970)</b>	<b>(979)</b>	<b>9</b>	<b>-0.9%</b>
	<b>Total Net equity</b>	<b>(88,328)</b>	<b>(79,931)</b>	<b>(8,397)</b>	<b>10.5%</b>
	<b>Non-current liabilities</b>				
18	Employee benefits	(678)	(659)	(19)	2.9%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(5,499)	(6,369)	870	-13.7%
	<b>Total non-current liabilities</b>	<b>(6,258)</b>	<b>(7,578)</b>	<b>1,320</b>	<b>-17.4%</b>
	<b>Current liabilities</b>				
22	Trade payables	(46,892)	(41,140)	(5,752)	14.0%
23	Taxes payables	(6,099)	(5,473)	(626)	n.m.
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(3,472)	(4,721)	1,249	-26.4%
26	Current financial liabilities	(13,777)	(16,807)	3,030	-18.0%
	<b>Total net working capital</b>	<b>(70,240)</b>	<b>(68,141)</b>	<b>(2,099)</b>	<b>3.1%</b>
	<b>TOTAL LIABILITIES</b>	<b>(76,498)</b>	<b>(75,719)</b>	<b>(779)</b>	<b>1.0%</b>
	<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>(164,826)</b>	<b>(155,650)</b>	<b>(9,176)</b>	<b>5.9%</b>

Non-current assets increased by Euro 12,451 thousand. Intangible assets increased by Euro 12,934 thousand due to investments in new IPs and multi-years rights held by the Group, net of the amortization for the period. Equity investments increased by Euro 3,974 thousand due to further purchases of Starbreeze AB shares as described in the Significant Events during the Period section of the Q1 Report. Non-current receivables and other assets decreased by Euro 3,985 thousand following the classification among current assets of portion of the USD 10 million receivable deriving from the sale of Pipeworks Inc. which at June 30<sup>th</sup>, 2020 had a maturity of more than twelve months, but was fully collected in advance in October 2020.

Current assets decreased by Euro 3,275 thousand mainly due to lower trade receivables for Euro 6,149 thousand partially offset by higher other current assets for Euro 5,025 thousand due to the reclassification among current assets of the receivable deriving from the sale of Pipeworks Inc..

Non-current liabilities decreased by Euro 1,320 thousand, while current liabilities increased by Euro 2,099 thousand.

The following table contains details of the Group's net financial position at September 30<sup>th</sup>, 2020 together with comparative figures at June 30<sup>th</sup>, 2020:

	<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>June 30<sup>th</sup>, 2020</b>	<b>Change</b>	
12	Cash and cash equivalents	8,882	8,527	355	4.2%
13	Other current financial assets	0	0	0	n.m.
26	Current financial liabilities	(13,777)	(16,807)	3,030	-4.1%
	<b>Current net financial position</b>	<b>(4,895)</b>	<b>(8,280)</b>	<b>3,385</b>	<b>-40.9%</b>
7	Non-current financial assets	17,352	17,251	101	0.6%
21	Non-current financial liabilities	(5,499)	(6,369)	870	-13.7%
	<b>Non-current net financial position</b>	<b>11,853</b>	<b>10,882</b>	<b>971</b>	<b>8.9%</b>
	<b>Total net financial position</b>	<b>6,958</b>	<b>2,602</b>	<b>4,356</b>	<b>n.m.</b>

The net financial position amounted to Euro 6,958 thousand, significantly improved compared to Euro 2,602 thousand as at June 30<sup>th</sup>, 2020. Excluding the IFRS 16 effect, the net financial position was positive for Euro 12 million.

## 7. SEGMENT REPORTING

### Premium Games

#### Reclassified P&L highlights

Consolidated amounts in Euro thousand		Premium Games					
		September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	34,995	100.5%	32,613	105.5%	2,382	7.3%
2	Revenue adjustments	(169)	-0.5%	(1,687)	-5.5%	1,518	-90.0%
3	<b>Net revenue</b>	<b>34,826</b>	<b>100.0%</b>	<b>30,926</b>	<b>100.0%</b>	<b>3,900</b>	<b>12.6%</b>
4	Purchase of products for resale	(263)	-0.8%	(6,596)	-21.3%	6,333	-96.0%
5	Purchase of services for resale	(1,700)	-4.9%	(1,486)	-4.8%	(214)	14.4%
6	Royalties	(8,817)	-25.3%	(12,557)	-40.6%	3,740	-29.8%
7	Changes in inventories of finished products	(355)	-1.0%	2,759	8.9%	(3,114)	n.m.
8	<b>Total cost of sales</b>	<b>(11,135)</b>	<b>-32.0%</b>	<b>(17,880)</b>	<b>-57.8%</b>	<b>6,745</b>	<b>-37.7%</b>
9	<b>Gross profit (3+8)</b>	<b>23,691</b>	<b>68.0%</b>	<b>13,046</b>	<b>42.2%</b>	<b>10,645</b>	<b>81.6%</b>
10	Other income	575	1.7%	46	0.1%	529	n.m.
11	Cost of services	(2,552)	-7.3%	(4,232)	-13.7%	1,680	-39.7%
12	Lease and rental charges	(26)	-0.1%	(15)	0.0%	(11)	68.3%
13	Labour costs	(2,766)	-7.9%	(2,422)	-7.8%	(344)	14.2%
14	Other operating costs	(67)	-0.2%	(128)	-0.4%	61	-47.8%
15	<b>Total operating costs</b>	<b>(5,411)</b>	<b>-15.5%</b>	<b>(6,797)</b>	<b>-22.0%</b>	<b>1,386</b>	<b>-20.4%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>18,855</b>	<b>54.1%</b>	<b>6,295</b>	<b>20.4%</b>	<b>12,560</b>	<b>n.m.</b>
17	Depreciation and amortisation	(7,662)	-22.0%	(1,232)	-4.0%	(6,430)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary income and operating costs</b>	<b>(7,662)</b>	<b>-22.0%</b>	<b>(1,232)</b>	<b>-4.0%</b>	<b>(6,430)</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>11,193</b>	<b>32.1%</b>	<b>5,063</b>	<b>16.4%</b>	<b>6,130</b>	<b>n.m.</b>

The revenues from the first quarter of the year came from the launch of videogames for personal computers: in July Death Stranding, followed in August by the publishing of the Steam version of Control. The publishing of video games for personal computers is almost exclusively digital, therefore the Group was not affected by the shutdown of retail due to the spread of the COVID-19 pandemic.

The Premium Games operating segment represents 90% of the consolidated gross revenues and significantly increased the gross revenues of the period by Euro 2,382 thousand and net revenues, up by Euro 3,900 thousand, as a result of the sales of Death Stranding, the Steam version of Control, but also the

continuing performance of Assetto Corsa and PAYDAY2. Revenues from Other products, which represent the digital sales of products launched in previous years, showed a continuous growth by 37%.

A breakdown of gross revenue by video game in the Premium Games segment is provided below:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	
Death Stranding	15,309	0	15,309	n.m.
Control	7,073	17,646	(10,573)	-59.9%
Assetto Corsa	4,126	1,268	2,858	n.m.
Terraria	1,710	3,722	(2,012)	-54.1%
Bloodstained	1,579	5,524	(3,945)	-71.4%
PAYDAY2	1,234	941	293	31.1%
Other products	3,503	2,557	946	37.0%
Retail products	461	955	(494)	-51.7%
<b>Premium games total gross revenues</b>	<b>34,995</b>	<b>32,613</b>	<b>2,382</b>	<b>7.3%</b>

A breakdown of revenue by type is provided below:

<b>Euro Thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	
Retail distribution revenue	2,200	15,322	(13,122)	-85.6%
Digital distribution revenue	30,833	15,791	15,042	95.3%
Sub-licensing revenue	1,960	1,402	558	39.8%
Revenue from services	2	98	(96)	-98.0%
<b>Total Premium Games revenue</b>	<b>34,995</b>	<b>32,613</b>	<b>2,382</b>	<b>7.3%</b>

Retail distribution revenue decreased by Euro 13,122 thousand in the period, dropping from the 47% of the previous period to the actual 6% on total revenues. Digital distribution amounted to Euro 15,042 thousand, from 48% to 88% of the total revenue of the operating sector.

Sub-licensing revenue arises from the sub-licensing of game rights to publishers on markets where the Group does not operate directly, especially on Far East markets.

Digital distribution revenue for the period ended September 30<sup>th</sup>, 2020 may be broken down by console type as follows:

<b>Euro Thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	
Sony Playstation	4,362	5,232	(870)	-16.6%
Microsoft Xbox	2,538	3,425	(887)	-25.9%
Nintendo Switch	1,033	1,927	(894)	-46.4%
<b>Total console</b>	<b>7,933</b>	<b>10,584</b>	<b>(2,651)</b>	<b>-25.1%</b>
Personal Computer	22,194	4,302	17,892	n.m.
Mobile	707	905	(198)	-21.9%
<b>Total digital distribution revenue</b>	<b>30,833</b>	<b>15,791</b>	<b>15,042</b>	<b>95.3%</b>

In line with the gross revenue trend, net revenue amounted to Euro 34,826 thousand, increased by 12.6% compared to September 30<sup>th</sup>, 2019, because of fewer revenue adjustments that are typical of the retail distribution.

The total cost of sales of the Premium Games operating segment has decreased by Euro 6,745 thousand, equal to 37.7%, due to lower purchases of products for resale for Euro 6,333 thousand and lower new products royalties for Euro 3,740 thousand. Inventories of finished products also decreased by Euro 3,114 thousand, in line with the retail distribution revenue trend.

Gross profit increased by Euro 10,645 thousand.

Other income amounted at Euro 575 thousand and consists almost entirely of capitalized costs for in-house development of video games.

Operating costs decreased by Euro 1,386 thousand because of lower advertising expenditure, and partially offset by higher labour costs.

Gross operating margin / EBITDA increased by Euro 12,560 thousand. It represented 54.1% of net revenue compared to 20.3% in the previous period.

Depreciation and amortisation increased by Euro 6,430 thousand compared to September 30<sup>th</sup>, 2019 due to higher costs associated with the amortisation of intellectual properties published by the Group.

Operating margin / EBIT amounted to Euro 11,193 thousand, increased by Euro 6,130 thousand compared to Euro 5,063 thousand at September 30<sup>th</sup>, 2019, and represents 32.1% of net revenues. Digital sales show better profitability rates due to the shorter value chain, less operational complexity and better payment conditions by the customers; this has led to profitability rates much higher than in the past and in line with what was recorded in the second half of the previous year.

## Free to Play

### Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Free to Play					
		September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	2,191	100.0%	1,673	100.0%	518	31.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>2,191</b>	<b>100.0%</b>	<b>1,673</b>	<b>100.0%</b>	<b>518</b>	<b>31.0%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(497)	-22.7%	(555)	-33.2%	58	-10.5%
6	Royalties	(62)	-2.8%	(29)	-1.7%	(33)	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(559)</b>	<b>-25.5%</b>	<b>(584)</b>	<b>-34.9%</b>	<b>25</b>	<b>-4.2%</b>
9	<b>Gross profit (3+8)</b>	<b>1,632</b>	<b>74.5%</b>	<b>1,089</b>	<b>65.1%</b>	<b>543</b>	<b>49.9%</b>
10	Other income	529	24.1%	516	30.8%	13	2.5%
11	Costs for services	(33)	-1.5%	(88)	-5.3%	55	-62.5%
12	Lease and rental costs	(6)	-0.3%	(6)	-0.4%	0	-0.1%
13	Labour costs	(1,128)	-51.5%	(1,062)	-63.5%	(66)	6.2%
14	Other operating costs	(21)	-1.0%	(21)	-1.3%	0	-0.6%
15	<b>Total operating costs</b>	<b>(1,188)</b>	<b>-54.2%</b>	<b>(1,177)</b>	<b>-70.4%</b>	<b>(11)</b>	<b>0.9%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>973</b>	<b>44.4%</b>	<b>428</b>	<b>25.6%</b>	<b>545</b>	<b>n.m.</b>
17	Depreciation and amortisation	(43)	-2.0%	(312)	-18.6%	269	-86.1%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(346)	-20.7%	346	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(43)</b>	<b>-2.0%</b>	<b>(658)</b>	<b>-39.3%</b>	<b>615</b>	<b>-93.4%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>930</b>	<b>42.4%</b>	<b>(230)</b>	<b>-13.8%</b>	<b>1,160</b>	<b>n.m.</b>

The Free to Play operating segment showed a 31% increase, from Euro 1,673 thousand to Euro 2,191 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter.

Euro thousand	September 30 <sup>th</sup> , 2020	September 30 <sup>th</sup> , 2019	Change	
Gems of War	1,715	1,278	437	34.2%
Battle Islands	246	218	28	12.8%
Prominence Poker	212	162	50	30.9%
Other products	18	15	(3)	-4.2%
<b>Free to Play Total revenues</b>	<b>2,191</b>	<b>1,673</b>	<b>518</b>	<b>31.0%</b>

Purchases of services for resale have decreased by Euro 58 thousand because of lesser expenditure on quality assurance activities. Details are provided below:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>
Live support	316	342	(26)
Quality assurance	7	51	(44)
Hosting	138	121	17
Other	36	41	(5)
<b>Total purchase of services for resale</b>	<b>497</b>	<b>555</b>	<b>58</b>

Live support consists of game development and improvement after the initial launch in order to ensure players remain interested thanks to additional content that is added periodically.

Other income increased by Euro 13 thousand compared to September 30<sup>th</sup>, 2019. It mainly comprises the internal development costs incurred by the Group for the development of the future Free to Play version of the Hawken series video game whose launch is scheduled for next year.

Operating costs amounted to Euro 1,188 thousand, slightly increased compared to Euro 1,177 thousand of the previous year. This is due to a Euro 66 thousand increase in labour costs that is partially offset by a Euro 55 thousand decrease in cost of services.

Gross operating margin/EBITDA amounted to Euro 973 thousand and increased by Euro 545 thousand compared to September 30<sup>th</sup>, 2019.

Depreciation and amortisation decreased by Euro 269 thousand due to completion of the amortisation period of several products.

The operating margin/EBIT of the operating segment amounted to Euro 930 thousand, an improvement of Euro 1,160 thousand on the operating loss of Euro 230 thousand registered in the previous fiscal year.

## Italian Distribution

### Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Italian Distribution					
		September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	1,709	108.4%	4,125	111.4%	(2,416)	-58.6%
2	Revenue adjustments	(132)	-8.4%	(423)	-11.4%	291	-68.8%
3	<b>Net revenue</b>	<b>1,577</b>	<b>100.0%</b>	<b>3,702</b>	<b>100.0%</b>	<b>(2,125)</b>	<b>-57.4%</b>
4	Purchases of products for resale	(947)	-60.0%	(2,942)	-79.5%	1,995	-67.8%
5	Purchases of services for resale	0	0.0%	(62)	-1.7%	62	n.m.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	52	3.3%	255	6.9%	(203)	-79.7%
8	<b>Total cost of sales</b>	<b>(895)</b>	<b>-56.8%</b>	<b>(2,749)</b>	<b>-74.3%</b>	<b>1,854</b>	<b>-67.4%</b>
9	<b>Gross profit (3+8)</b>	<b>682</b>	<b>43.2%</b>	<b>953</b>	<b>25.7%</b>	<b>(271)</b>	<b>-28.4%</b>
10	Other income	0	0.0%	8	0.2%	(8)	n.m.
11	Costs for services	(211)	-13.4%	(507)	-13.7%	296	-58.3%
12	Lease and rental costs	(7)	-0.4%	(7)	-0.2%	0	0.0%
13	Labour costs	(269)	-17.1%	(329)	-8.9%	60	-18.1%
14	Other operating costs	(43)	-2.7%	(57)	-1.5%	14	-23.4%
15	<b>Total operating costs</b>	<b>(530)</b>	<b>-33.6%</b>	<b>(900)</b>	<b>-24.3%</b>	<b>370</b>	<b>-41.1%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>152</b>	<b>9.6%</b>	<b>61</b>	<b>1.6%</b>	<b>91</b>	<b>n.m.</b>
17	Depreciation and amortisation	(41)	-2.6%	(42)	-1.1%	1	-3.1%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(41)</b>	<b>-2.6%</b>	<b>(42)</b>	<b>-1.1%</b>	<b>1</b>	<b>-3.1%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>111</b>	<b>7.0%</b>	<b>19</b>	<b>0.5%</b>	<b>92</b>	<b>n.m.</b>

The Italian Distribution operating sector revenues decreased by 58.6% (from Euro 4,125 thousand down to Euro 1,709 thousand), impacted by the continuing decline retail distribution and accelerated by the effects of the COVID-19 pandemic.

Gross revenue is analysed by type as follows:

Euro thousand	September 30 <sup>th</sup> , 2020	September 30 <sup>th</sup> , 2019	Variazioni	
Distribution of video games for consoles	1,041	3,181	(2,140)	-67.3%
Distribution of trading cards	644	688	(44)	-6.4%
Distribution of other products and services	24	256	(232)	n.m.
<b>Italian Distribution total gross revenue</b>	<b>1,709</b>	<b>4,125</b>	<b>(2,416)</b>	<b>-58.6%</b>

The trading cards distribution revenue decreased to a lesser extent compared to the video games distribution and limited its decrease at 6.4%.

Cost of sales amounted to Euro 895 thousand, down by Euro 1,854 thousand compared to September 30<sup>th</sup>, 2019 due to the decrease in purchase of products for resale in line with the decrease in sales of the operating sector.

Operating costs amounted to Euro 530 thousand and have decreased by Euro 370 thousand compared to Euro 900 thousand registered at September 30<sup>th</sup>, 2019. As a result, the gross operating margin/EBITDA amounted to Euro 152 thousand (an improvement of Euro 91 thousand compared to the previous period) while the operating margin/EBIT amounted to Euro 111 thousand, increased by Euro 92 thousand compared to September 30<sup>th</sup>, 2019.

## Other Activities

### Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Other Activities					
		September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	55	100.0%	118	100.0%	(63)	-53.4%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>55</b>	<b>100.0%</b>	<b>118</b>	<b>100.0%</b>	<b>(63)</b>	<b>-53.4%</b>
4	Purchases of products for resale	0	0.7%	0	0.4%	0	0.0%
5	Purchases of services for resale	(3)	-4.8%	(3)	-2.5%	0	-9.0%
6	Royalties	(3)	-4.9%	(5)	-4.6%	2	66.6%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>(6)</b>	<b>-10.8%</b>	<b>(8)</b>	<b>-6.7%</b>	<b>2</b>	<b>-24.8%</b>
9	<b>Gross profit (3+8)</b>	<b>49</b>	<b>89.2%</b>	<b>110</b>	<b>93.3%</b>	<b>(61)</b>	<b>-55.4%</b>
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(26)	-47.0%	(51)	-43.4%	25	-49.6%
12	Lease and rental costs	0	-0.4%	(1)	-1.1%	1	n.m.
13	Labour costs	(71)	-129.5%	(72)	-60.9%	1	-0.9%
14	Other operating costs	(9)	-17.0%	(7)	-6.3%	(2)	25.0%
15	<b>Total operating costs</b>	<b>(106)</b>	<b>-191.9%</b>	<b>(131)</b>	<b>-110.9%</b>	<b>25</b>	<b>-19.3%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(57)</b>	<b>-102.8%</b>	<b>(21)</b>	<b>-17.7%</b>	<b>(36)</b>	<b>n.m.</b>
17	Depreciation and amortisation	(26)	-47.6%	(24)	-20.5%	(2)	8.2%
18	Allocation to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	<b>Total non-monetary operating income and costs</b>	<b>(26)</b>	<b>-47.6%</b>	<b>(24)</b>	<b>-20.5%</b>	<b>(2)</b>	<b>8.2%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(83)</b>	<b>-150.3%</b>	<b>(45)</b>	<b>-38.1%</b>	<b>(38)</b>	<b>83.8%</b>

In the reporting period, the revenue of the Other Activities operating segment decreased by Euro 63 thousand from Euro 118 thousand to Euro 55 thousand, because, contrary to the previous year, the courses of the new academic year will start in October 2020.

Operating costs have decreased by Euro 25 thousand because of lower costs for services.

There is an operating loss of Euro 83 thousand, increased compared to the negative EBIT of Euro 45 thousand registered at September 30<sup>th</sup>, 2019.

## Holding

### Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Holding					
		September 30 <sup>th</sup> , 2020		September 30 <sup>th</sup> , 2019		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	<b>Net revenue</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	<b>Total cost of sales</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
9	<b>Gross profit (3+8)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
10	Other income	23	0.0%	19	0.0%	4	21.8%
11	Costs for services	(417)	0.0%	(377)	0.0%	(40)	10.7%
12	Lease and rental costs	(35)	0.0%	(43)	0.0%	8	-20.2%
13	Labour costs	(936)	0.0%	(910)	0.0%	(26)	2.8%
14	Other operating costs	(129)	0.0%	(115)	0.0%	(14)	12.1%
15	<b>Total operating costs</b>	<b>(1,517)</b>	<b>0.0%</b>	<b>(1,445)</b>	<b>0.0%</b>	<b>(72)</b>	<b>5.0%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>(1,494)</b>	<b>0.0%</b>	<b>(1,426)</b>	<b>0.0%</b>	<b>(68)</b>	<b>4.7%</b>
17	Depreciation and amortisation	(214)	0.0%	(189)	0.0%	(25)	12.9%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(63)	0.0%	0	0.0%	(63)	n.m.
20	Reversal of impairment adjustments	0	0.0%	0	0.0%	0	n.m.
21	<b>Total non-monetary operating costs</b>	<b>(277)</b>	<b>0.0%</b>	<b>(189)</b>	<b>0.0%</b>	<b>(88)</b>	<b>46.4%</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>(1,771)</b>	<b>0.0%</b>	<b>(1,615)</b>	<b>0.0%</b>	<b>(156)</b>	<b>9.7%</b>

Operating costs amounted to Euro 1,517 thousand, increased by Euro 72 thousand compared to September 30<sup>th</sup>, 2019.

The write-down of assets relates to the advance collection with respect to the contractual maturity of the credit of USD 10 million deriving from the sale of Pipeworks Inc. which was collected in October 2020.

Operating margin/EBIT was negative for Euro 1,771 thousand compared to a negative figure of Euro 1,615 thousand at September 30<sup>th</sup>, 2019.

## **8. CONTINGENT ASSETS AND LIABILITIES**

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The sale of rights to PAYDAY2 by the Group to Starbreeze in May 2016 gave the Group the chance to earn up to a maximum of USD 40 million to be computed as 33% of the net revenue that Starbreeze shall realise on sales of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent activity as in the prior fiscal year.

## **9. SUBSEQUENT EVENTS**

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On October 28<sup>th</sup>, 2020, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2019-2020, a dividend distribution of Euro 0.15 per share and appointed the new Board of Directors and the new Board of Statutory Auditors for the three-year period 2021-2023 (until the approval of the Financial Statements for the fiscal year ending June 30<sup>th</sup>, 2023).

## 10. OUTLOOK

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Following the launch of the personal computer version of Death Stranding and the Steam version of Control in the first quarter, the revenue stream for the remaining three quarters will be impacted by the launch of Ghostrunner in October and the next-generation consoles (Sony PlayStation 5 and Microsoft Xbox X Series) versions of Control during the third quarter of the fiscal year. Starting same period, the Free to Play operating segment will market the worldwide launch of numerous new products, while the new version of the Hawken video game will be available in the fourth quarter of the fiscal year.

The Board of Directors of Digital Bros Group expects the revenues to continue to grow during the fiscal period ending June 30<sup>th</sup>, 2021, albeit at a lower rate than that seen in the previous fiscal year. This growth will mainly be driven by the continuous launch of new products, together with the on-going sales of already released titles.

The management expects that the forecasted increase in revenues will not have any significant impact on the operating margins which are estimated to remain almost stable compared to the Euro 20 million EBIT realized in the previous fiscal year. The progressive digitalization of the market will lead to an increase in profitability margins, but this will be temporarily offset by the increase in costs for the marketing campaigns in support of the new Free to Play products.

The net financial position was already positive at June 30<sup>th</sup>, 2020 and is expected to improve consistently throughout the fiscal year.

The Group will continue to monitor the effects of the spread of the COVID-19 pandemic, adopting appropriate mitigation as necessary and reporting to the market on any issues not already sufficiently disclosed.

## 11. OTHER INFORMATION

### EMPLOYEES

The following table contains analysis of the number of employees at September 30<sup>th</sup>, 2020 with comparative figures at September 30<sup>th</sup>, 2019:

Category	September 30 <sup>th</sup> , 2020	September 30 <sup>th</sup> , 2019	Change
Managers	7	7	0
Office workers	206	190	16
Blue-collar workers and apprentices	6	4	2
<b>Total employees</b>	<b>219</b>	<b>201</b>	<b>18</b>

The increase in the number of office workers is the result of the acquisition of AvantGarden S.r.l. on March 3<sup>rd</sup>, 2020.

The following table contains details of the number of employees of non-Italian companies at September 30<sup>th</sup>, 2020 with comparative figures at September 30<sup>th</sup>, 2019:

Category	September 30 <sup>th</sup> , 2020	September 30 <sup>th</sup> , 2019	Change
Managers	2	2	0
Office workers	128	126	2
<b>Total employees outside Italy</b>	<b>130</b>	<b>128</b>	<b>2</b>

The average number of employees for the period is calculated as the mean number of employees at the end of each month. It is shown below with corresponding prior year figures:

Category	Average no in 2021	Average no in 2020	Change
Managers	7	7	0
Office workers	206	187	19
Blue-collar workers and apprentices	6	4	2
<b>Total employees</b>	<b>219</b>	<b>198</b>	<b>21</b>

The average number of employees of the non-Italian companies is as follow:

Category	Average no in 2021	Average no in 2020	Change
Managers	2	2	0
Office workers	128	122	6
<b>Total employees outside Italy</b>	<b>130</b>	<b>124</b>	<b>6</b>

Employees of most of the Group's Italian companies are hired under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector. Meanwhile, employees of the two Italian development companies currently consolidated - Kunos Simulazioni S.r.l. and AvantGarden S.r.l. – are hired under the national collective employment agreement for the mechanical engineering industry.

### ENVIRONMENT

At September 30<sup>th</sup>, 2020, there were no environmental issues.

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## **Condensed consolidated financial statements at September 30<sup>th</sup>, 2020**

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## FINANCIAL STATEMENTS

### Digital Bros Group

#### Consolidated statement of financial position at September 30<sup>th</sup>, 2020

	Euro Thousand	September 30 <sup>th</sup> , 2020	June 30 <sup>th</sup> , 2020	Change	
	<b>Non-current Assets</b>				
1	Property, plant and equipment	8,451	8,837	(386)	-4.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	46,182	33,248	12,934	38.9%
4	Equity investments	9,462	5,488	3,974	n.m.
5	Non-current receivables and other assets	2,759	6,744	(3,985)	-59.1%
6	Deferred tax assets	3,295	3,482	(187)	-5.4%
7	Non-current financial activities	17,352	17,251	101	0.6%
	<b>Total non current assets</b>	<b>87,501</b>	<b>75,050</b>	<b>12,451</b>	<b>16.6%</b>
	<b>Current assets</b>				
8	Inventories	7,686	7,989	(303)	-3.8%
9	Trade receivables	22,019	28,168	(6,149)	-21.8%
10	Tax receivables	897	3,100	(2,203)	-71.1%
11	Other current assets	37,841	32,816	5,025	15.3%
12	Cash and cash equivalent	8,882	8,527	355	4.2%
13	Other financial assets	0	0	0	n.m.
	<b>Total current assets</b>	<b>77,325</b>	<b>80,600</b>	<b>(3,275)</b>	<b>-4.1%</b>
	<b>TOTAL ASSETS</b>	<b>164,826</b>	<b>155,650</b>	<b>9,176</b>	<b>5.9%</b>
	<b>Capital and reserves</b>				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,480)	(20,960)	(520)	2.5%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(60,174)	(52,288)	(7,886)	15.1%
	<b>Equity attributable to Parent Company</b>	<b>(87,358)</b>	<b>(78,952)</b>	<b>(8,406)</b>	<b>10.6%</b>
	<b>Equity attributable to minority shareholders</b>	<b>(970)</b>	<b>(979)</b>	<b>9</b>	<b>-0.9%</b>
	<b>Total Net equity</b>	<b>(88,328)</b>	<b>(79,931)</b>	<b>(8,397)</b>	<b>10.5%</b>
	<b>Non-current liabilities</b>				
18	Employee benefits	(678)	(659)	(19)	2.9%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(5,499)	(6,369)	870	-13.7%
	<b>Total non-current liabilities</b>	<b>(6,258)</b>	<b>(7,578)</b>	<b>1,320</b>	<b>-17.4%</b>
	<b>Current liabilities</b>				
22	Trade payables	(46,892)	(41,140)	(5,752)	14.0%
23	Taxes payables	(6,099)	(5,473)	(626)	n.m.
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(3,472)	(4,721)	1,249	-26.4%
26	Current financial liabilities	(13,777)	(16,807)	3,030	-18.0%
	<b>Total net working capital</b>	<b>(70,240)</b>	<b>(68,141)</b>	<b>(2,099)</b>	<b>3.1%</b>
	<b>TOTAL LIABILITIES</b>	<b>(76,498)</b>	<b>(75,719)</b>	<b>(779)</b>	<b>1.0%</b>
	<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>(164,826)</b>	<b>(155,650)</b>	<b>(9,176)</b>	<b>5.9%</b>

**Digital Bros Group**
**Consolidated income statement at September 30<sup>th</sup>, 2020**

	Euro Thousand	September 30 <sup>th</sup> , 2020		June 30 <sup>th</sup> , 2020		Change	
1	Gross revenue	38,950	100.8%	38,529	105.6%	421	1.1%
2	Revenue adjustments	(301)	-0.8%	(2,110)	-5.6%	1,809	-85.8%
3	<b>Net revenue</b>	<b>38,649</b>	<b>100.0%</b>	<b>36,419</b>	<b>100.0%</b>	<b>2,230</b>	<b>6.1%</b>
4	Purchase of products for resale	(1,210)	-3.1%	(9,538)	-19.1%	8,328	-87.3%
5	Purchase of services for resale	(2,200)	-5.7%	(2,106)	-8.6%	(94)	4.5%
6	Royalties	(8,882)	-23.0%	(12,591)	-26.8%	3,709	-29.5%
7	Changes in inventories of finished products	(303)	-0.8%	3,014	-1.5%	(3,317)	n.m.
8	<b>Total cost of sales</b>	<b>(12,595)</b>	<b>-32.6%</b>	<b>(21,221)</b>	<b>-55.9%</b>	<b>8,626</b>	<b>-40.6%</b>
9	<b>Gross profit (3+8)</b>	<b>26,054</b>	<b>67.4%</b>	<b>15,198</b>	<b>44.1%</b>	<b>10,856</b>	<b>71.4%</b>
10	Other income	1,127	2.9%	589	4.4%	538	91.3%
11	Costs for services	(3,239)	-8.4%	(5,255)	-11.8%	2,016	-38.4%
12	Rent and Leasing	(74)	-0.2%	(72)	-1.9%	(2)	1.8%
13	Payroll costs	(5,170)	-13.4%	(4,795)	-23.2%	(375)	7.8%
14	Other operating costs	(269)	-0.7%	(328)	-1.6%	59	-18.0%
15	<b>Total operating costs</b>	<b>(8,752)</b>	<b>-22.6%</b>	<b>(10,450)</b>	<b>-38.5%</b>	<b>1,698</b>	<b>-16.3%</b>
16	<b>Gross operating margin (EBITDA) (9+10+15)</b>	<b>18,429</b>	<b>47.7%</b>	<b>5,337</b>	<b>10.0%</b>	<b>13,092</b>	<b>n.m.</b>
17	Depreciation and amortisation	(7,986)	-20.7%	(1,799)	-9.1%	(6,187)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(63)	-0.2%	(346)	-2.7%	283	-81.7%
20	Impairment reversal	0	0.0%	0	0.0%	0	n.m.
21	<b>Total depreciation, amortization and impairment</b>	<b>(8,049)</b>	<b>-20.8%</b>	<b>(2,145)</b>	<b>-11.7%</b>	<b>(5,904)</b>	<b>n.m.</b>
22	<b>Operating margin (EBIT) (16+21)</b>	<b>10,380</b>	<b>26.9%</b>	<b>3,192</b>	<b>-1.7%</b>	<b>7,188</b>	<b>n.m.</b>
23	Interest and finance income	1,751	4.5%	1,202	1.9%	549	45.7%
24	Interest expense and finance costs	(1,159)	-3.0%	(495)	-1.8%	(664)	n.m.
25	<b>Net interest income/(expense)</b>	<b>592</b>	<b>1.5%</b>	<b>707</b>	<b>0.0%</b>	<b>(115)</b>	<b>n.m.</b>
26	<b>Profit/ (loss) before tax (22+25)</b>	<b>10,972</b>	<b>28.4%</b>	<b>3,899</b>	<b>-1.7%</b>	<b>7,073</b>	<b>n.m.</b>
27	Current tax	(3,356)	-8.7%	(338)	0.0%	(3,018)	n.m.
28	Deferred tax	261	0.7%	(685)	-0.3%	944	n.m.
29	<b>Total taxes</b>	<b>(3,095)</b>	<b>-8.0%</b>	<b>(1,023)</b>	<b>-0.3%</b>	<b>(2,072)</b>	<b>n.m.</b>
30	<b>Net profit/loss</b>	<b>7,877</b>	<b>20.4%</b>	<b>2,876</b>	<b>-2.0%</b>	<b>5,001</b>	<b>n.m.</b>
	attributable to the shareholders of the Group	7,886	20.4%	2,876	7.9%	5,010	n.m.
	attributable to minority shareholders	(9)	0.0%	0	0.0%	(9)	n.m.
	<b>Earnings per share</b>						
33	<b>Total basic earnings per share (in Euro)</b>	<b>0.55</b>		<b>0.20</b>		<b>0.35</b>	<b>n.m.</b>
34	<b>Diluted earnings per share (in Euro)</b>	<b>0.54</b>		<b>0.20</b>		<b>0.34</b>	<b>n.m.</b>

**Digital Bros Group****Consolidated statement of comprehensive income at September 30<sup>th</sup>, 2020**

<b>Euro Thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>
<b>Profit (Loss) for the period (A)</b>	<b>7,877</b>	<b>2,876</b>	<b>5,001</b>
<b>Items that will not be subsequently recycled through profit or loss (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Exchange differences on translation of foreign operations	(329)	403	(732)
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of shares designated as “available for sale”	1,009	(125)	1,134
Tax effect regarding fair value measurement of shares designated as “available for sale”	(242)	29	(271)
<b>Items that will subsequently be recycled through profit or loss (C)</b>	<b>438</b>	<b>307</b>	<b>131</b>
<b>Total other comprehensive income D= (B)+(C)</b>	<b>438</b>	<b>307</b>	<b>131</b>
<b>Total comprehensive income (loss) (A)+(D)</b>	<b>8,315</b>	<b>3,183</b>	<b>5,132</b>
Attributable to:			
<b>Parent company shareholders</b>	<b>8,324</b>	<b>3,183</b>	<b>5,141</b>
<b>Non-controlling interests</b>	<b>(9)</b>	<b>0</b>	<b>(9)</b>

**Digital Bros Group**
**Consolidated cash flow statement at September 30<sup>th</sup>, 2020**

	<b>Euro Thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>
<b>A. Opening net cash/debt</b>		<b>8,527</b>	<b>4,767</b>
<b>B. Cash flows from operating activities</b>			
Profit (loss) for the period attributable to the Group		7,877	2,876
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment losses		(63)	346
Amortisation of intangible assets		7,524	1,352
Depreciation of property, plant and equipment		462	447
Net change in advance taxes		187	586
Net change in other provisions		0	0
Net change in employee benefit provisions		19	3
Net change in other non-current liabilities		(469)	41
<b>SUBTOTAL B.</b>		<b>15,537</b>	<b>5,651</b>
<b>C. Change in net working capital</b>			
Inventories		303	(3,014)
Trade receivables		6,149	(4,292)
Current tax assets		2,203	(105)
Other current assets		(4,962)	(479)
Trade payables		5,752	14,671
Current tax liabilities		626	473
Current provisions		0	0
Other current liabilities		(1,249)	669
<b>SUBTOTAL C.</b>		<b>8,822</b>	<b>7,923</b>
<b>D. Cash flows from investing activities</b>			
Net payments for intangible assets		(20,458)	(2,622)
Net payments for property, plant and equipment		(76)	(6,649)
Net payments for non-current financial assets		11	(310)
<b>SUBTOTAL D.</b>		<b>(20,523)</b>	<b>(9,581)</b>
<b>E. Cash flows from financing activities</b>			
Capital increases		0	0
Changes in financial liabilities		(3,900)	327
Changes in financial assets		(101)	843
<b>SUBTOTAL F.</b>		<b>(4,001)</b>	<b>1,170</b>
<b>F. Changes in consolidated equity</b>			
Dividends distributed		0	0
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		520	390
<b>SUBTOTAL G.</b>		<b>520</b>	<b>390</b>
<b>G. Cash flow for the period (B+C+D+E+F+G)</b>		<b>355</b>	<b>5,553</b>
<b>H. Closing net cash/debt (A+G)</b>		<b>8,882</b>	<b>10,320</b>

## Digital Bros Group

### Consolidated statement of changes in equity

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
<b>Total on July 1<sup>st</sup>, 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(1,350)	1,579	<b>21,223</b>	<b>0</b>	38,811	(1,513)	<b>37,298</b>	<b>64,225</b>	<b>0</b>	<b>64,225</b>
Allocation of profit for the year							<b>0</b>		(1,513)	1,513	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes						83	<b>83</b>				<b>0</b>	<b>83</b>	<b>0</b>	<b>83</b>
Comprehensive income (loss)					403	(96)	<b>307</b>			3,057	<b>3,057</b>	<b>3,364</b>	<b>0</b>	<b>3,364</b>
<b>Total on September 30<sup>th</sup>, 2019</b>	<b>5,704</b>	18,486	1,141	1,367	(947)	1,566	<b>21,613</b>	<b>0</b>	37,298	3,057	<b>40,355</b>	<b>67,672</b>	<b>0</b>	<b>67,672</b>
<b>Total on July 1<sup>st</sup>, 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,416)	1,382	<b>20,960</b>	<b>0</b>	37,298	14,990	<b>52,288</b>	<b>78,952</b>	<b>979</b>	<b>79,931</b>
Allocation of profit for the year							<b>0</b>		14,990	(14,990)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes						82	<b>82</b>				<b>0</b>	<b>82</b>		<b>82</b>
Comprehensive income (loss)					(329)	767	<b>438</b>			7,886	<b>7,886</b>	<b>8,324</b>	<b>(9)</b>	<b>8,315</b>
<b>Total on September 30<sup>th</sup>, 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,745)	2,231	<b>21,480</b>	<b>0</b>	52,288	7,886	<b>60,174</b>	<b>87,358</b>	<b>970</b>	<b>88,328</b>

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**Notes to the condensed consolidated financial  
statements for the period ended September 30<sup>th</sup>,  
2020**

For details of form and content and other general information, as well as the use of estimates, accounting policies, consolidation methods, investments in associated companies and other entities and business combination reference should be made to the notes to the consolidated financial statements for the year ended June 30<sup>th</sup>, 2020. The consolidated financial statements for the period ended September 30<sup>th</sup>, 2020 have been prepared on a going concern basis, implementing the same accounting policies followed for the consolidated financial statements for the year ended June 30<sup>th</sup>, 2020.

## **STATEMENT OF FINANCIAL POSITION**

The consolidated financial statements of Digital Bros Group for the period ended September 30<sup>th</sup>, 2020 together with comparative figures at June 30<sup>th</sup>, 2020 is shown in the Financial Statements section. The main balance sheet components are commented below.

## **NON-CURRENT ASSETS**

Non-current assets increased by Euro 12,451 thousand.

Intangible assets increased by Euro 12,934 thousand due to investment in new video games minus amortisation and impairment adjustments for the period.

Net payments for intangible assets amounted to Euro 20,458 thousand:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>June 30<sup>th</sup>, 2019</b>
Premium Games user rights	28	502
Investment on development of management systems	41	79
<b>Total capex on concessions and licences</b>	<b>69</b>	<b>581</b>
Internal development contracts in progress	821	399
Assets in progress	19,568	1,642
<b>Total additions to assets in progress</b>	<b>20,389</b>	<b>2,041</b>
<b>Total capex on intangible assets</b>	<b>20,458</b>	<b>2,622</b>

The Group's equity investments in associated companies increased by Euro 3,974 thousand due to the pro-quota subscription of the share issue by the Swedish company Starbreeze AB in September 2020. Details are provided below:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>June 30<sup>th</sup>, 2020</b>	<b>Change</b>
Starbreeze AB - A shares	6,129	3,676	2,453
Starbreeze AB - B shares	2,884	1,363	1,521
Unity Software Inc.	167	167	0
Noobz from Poland S.A.	282	282	0
<b>Total investments</b>	<b>9,462</b>	<b>5,488</b>	<b>3,974</b>

Non-current receivables and other assets include a receivable of Euro 1,905 thousand from Starbreeze AB that was purchased from the company Smilegate Holdings. The receivable has a nominal amount of around USD 16.3 million and was purchased for consideration of Euro 100 thousand. As at September 30<sup>th</sup>, 2020, the amount has been restated at the amortised cost of Euro 774 thousand. The receivable forms part of the

Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed by the District Court in Sweden – in any case, not later than December 2024. The residual part relates to security deposits for contractual obligations. Non-current receivables and other assets decreased by Euro 3,985 thousand following the classification among current assets of the portion of the USD 10 million receivable deriving from the sale of Pipeworks Inc. which, at June 30<sup>th</sup>, 2020, had a maturity of more than twelve months, but was fully collected in advance in October 2020.

Deferred tax assets are calculated on tax loss carryforwards and on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis. They have been measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Non-current financial assets consist entirely of the fair value measurement of the convertible bonds issued by Starbreeze AB with a nominal value of SEK 215 million and maturing in December 2024, as described in the Significant Events during the Period section of the Q1 Report.

### **CURRENT ASSETS**

Current assets decreased by Euro 3,275 thousand mainly due to lower trade receivables for Euro 6,149 thousand and partially offset by higher other current assets for Euro 5,025 thousand following the reclassification of the receivable for the sale of Pipeworks Inc..

### **NON-CURRENT LIABILITIES**

Non-current liabilities decreased by Euro 1,320 thousand.

As at September 30<sup>th</sup>, 2020 there are no other non-current payables and liabilities as the Euro 469 thousand payable accounted for at June 30<sup>th</sup>, 2020 and relating to the amount payable for advisory services received by the Parent Company in relation to the disposal of Pipeworks Inc., has been reclassified among current liabilities.

Employee benefits reflects the actuarial value of the Group's liability towards employees, as calculated by an independent actuary in accordance with the IAS 19 provisions.

Non-current provisions consist entirely of the agents' termination indemnity provision.

### **CURRENT LIABILITIES**

Current liabilities increased by Euro 2,049 thousand mainly due to higher trade payables following the recognition of the royalty payable for the quarter.

## NET EQUITY

The detailed changes in equity are shown in the consolidated statement of changes in equity. They can be summarized as follows:

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
<b>Total on July 1<sup>st</sup>, 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,416)	1,382	<b>20,960</b>	<b>0</b>	37,298	14,990	<b>52,288</b>	<b>78,952</b>	<b>979</b>	<b>79,931</b>
Allocation of profit for the year							<b>0</b>		14,990	(14,990)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes						82	<b>82</b>				<b>0</b>	<b>82</b>		<b>82</b>
Comprehensive income (loss)					(329)	767	<b>438</b>			7,886	<b>7,886</b>	<b>8,324</b>	<b>(9)</b>	<b>8,315</b>
<b>Total on September 30<sup>th</sup>, 2020</b>	<b>5,704</b>	18,486	1,141	1,367	(1,745)	2,231	<b>21,480</b>	<b>0</b>	52,288	7,886	<b>60,174</b>	<b>87,358</b>	<b>970</b>	<b>88,328</b>

### 14. Share capital

Share capital at September 30<sup>th</sup>, 2020 is unchanged compared to June 30<sup>th</sup>, 2020 and is divided into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,704,334.80. No other shares of any nature are in issue. There are no rights, liens or restrictions associated with the ordinary shares.

### 15. Reserves

The change in Other reserves includes Euro 82 thousand to restate the stock option reserve, Euro 767 thousand (positive) to restate the reserve for securities measurement. No specific uses or objectives have been designated for individual equity reserves, other than those laid down by law.

## NET FINANCIAL POSITION

The following table contains details of the Group's net financial position at September 30<sup>th</sup>, 2020 together with comparative figures at June 30<sup>th</sup>, 2020:

	<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>June 30<sup>th</sup>, 2020</b>	<b>Change</b>
12	Cash and cash equivalents	8,882	8,527	355
13	Other current financial assets	0	0	0
26	Current financial liabilities	(13,777)	(16,807)	3,030
	<b>Current net financial position</b>	<b>(4,895)</b>	<b>(8,280)</b>	<b>3,385</b>
7	Non-current financial assets	17,352	17,251	101
21	Non-current financial liabilities	(5,499)	(6,369)	870
	<b>Non-current net financial position</b>	<b>11,853</b>	<b>10,882</b>	<b>971</b>
	<b>Total net financial position</b>	<b>6,958</b>	<b>2,602</b>	<b>4,356</b>

The net financial position amounted to Euro 6,958 thousand, significantly improved compared to Euro 2,602 thousand as at June 30<sup>th</sup>, 2020. Excluding the IFRS 16 effect, the net financial position amounted to Euro 12 million.

The most significant change derives from the decrease in current financial liabilities by Euro 3,030 thousand following the extinction of the loan granted by UniCredit S.p.A. to 505 Games S.p.A..

For information purposes only, the following table sets out the net financial position in accordance with DEM/6064293 of July 28<sup>th</sup>, 2006:

	<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>June 30<sup>th</sup>, 2020</b>	<b>Change</b>	
A.	Cash	4	5	(1)	-20.0%
B.	Cash equivalents (details)	8,878	8,522	356	4.2%
<b>C.</b>	<b>Liquidity (A) + (B)</b>	<b>8,882</b>	<b>8,527</b>	<b>355</b>	<b>4.2%</b>
<b>D.</b>	<b>Current and non-current financial receivables</b>	<b>17,352</b>	<b>17,251</b>	<b>101</b>	<b>0.6%</b>
E.	Current bank borrowing	1	547	(546)	-99.8%
F.	Current portion of non-current debt	2,336	5,153	(2,817)	-54.7%
G.	Other current financial liabilities	11,440	11,107	333	3.0%
<b>H.</b>	<b>Current financial indebtedness (E)+(F)+(G)</b>	<b>13,777</b>	<b>16,807</b>	<b>(3,030)</b>	<b>-18.0%</b>
<b>I.</b>	<b>Net current financial indebtedness (H) – (D) – (C)</b>	<b>(12,457)</b>	<b>(8,971)</b>	<b>(3,486)</b>	<b>38.9%</b>
J.	Non-current bank borrowing	1,656	1,906	(250)	-13.1%
K.	Other non-current financial liabilities	3,843	4,463	(620)	-13.9%
<b>L.</b>	<b>Non-current financial indebtedness (J) + (K)</b>	<b>5,499</b>	<b>6,369</b>	<b>(870)</b>	<b>-13.7%</b>
<b>M.</b>	<b>Net financial indebtedness (I) + (L)</b>	<b>(6,958)</b>	<b>(2,602)</b>	<b>(4,356)</b>	<b>n.m.</b>

## STATEMENT OF PROFIT OR LOSS

### 3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period ended September 30<sup>th</sup>, 2020. It does not include the Holding operating segment as it does not generate revenue:

	<b>Euro Thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other activities</b>	<b>Total</b>
1	Gross revenue	2,191	34,995	1,709	55	38,950
2	Revenue adjustments	0	(169)	(132)	0	(301)
3	<b>Total net revenue</b>	<b>2,191</b>	<b>34,826</b>	<b>1,577</b>	<b>55</b>	<b>38,649</b>

At September 30<sup>th</sup>, 2019, the breakdown was as follows:

	<b>Euro Thousands</b>	<b>Free to Play</b>	<b>Premium Games</b>	<b>Italian Distribution</b>	<b>Other activities</b>	<b>Total</b>
1	Gross revenue	1,673	32,613	4,125	118	38,529
2	Revenue adjustments	0	(1,687)	(423)	0	(2,110)
3	<b>Total net revenue</b>	<b>1,673</b>	<b>30,926</b>	<b>3,702</b>	<b>118</b>	<b>36,419</b>

Comments on the net revenue can be found in the Q1 Report.

### 25. Net financial income / (expenses)

This item may be analysed as follows:

	<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	<b>%</b>
23	Interest and financial income	1,751	1,202	549	45.7%
24	Interest and financial expenses	(1,159)	(495)	(664)	n.m.
25	<b>Net financial income / (expenses)</b>	<b>592</b>	<b>707</b>	<b>(115)</b>	<b>n.m.</b>

The net financial income was positive for Euro 592 thousand compared to the positive Euro 707 thousand registered in the previous year. The decrease is the result of a Euro 664 thousand increase in interest and financial expenses and a Euro 549 thousand increase in interest and financial income.

Interest and financial income may be analysed as follows:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	<b>%</b>
Financial income	688	683	5	0.7%
Exchange gains	1,060	518	542	n.m.
Other	3	1	2	n.m.
<b>Total interest and financial income</b>	<b>1,751</b>	<b>1,202</b>	<b>549</b>	<b>45.7%</b>

Interest and financial income increased by Euro 549 thousand because of a Euro 542 thousand rise in exchange gains. Financial income includes Euro 774 thousand due to the restatement of the loan of around USD 16.3 million receivable from Starbreeze as acquired for consideration of Euro 100 thousand.

Interest and financial expenses amounted to Euro 1,159 thousand. They increased by Euro 664 thousand compared to September 30<sup>th</sup>, 2019, mainly because of exchange losses for Euro 782 thousand.

Interest and financial expenses are analysed in detail as follows:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	<b>%</b>
Interest expenses on current accounts and trade finance	(37)	(77)	40	-51.4%
Interest expenses on loans and leases	(76)	(153)	77	-50.3%
Factoring interest expenses	(1)	(2)	1	-50.0%
<b>Total interest expenses on sources of finance</b>	<b>(114)</b>	<b>(232)</b>	<b>118</b>	<b>-50.9%</b>
Exchange losses	(1,045)	(263)	(782)	n.m.
Equity valuation of investments	<b>(1,159)</b>	<b>(495)</b>	<b>(664)</b>	<b>n.m.</b>
<b>Total interest and financial expenses</b>	<b>(37)</b>	<b>(77)</b>	<b>40</b>	<b>-51.4%</b>

## 29. Taxation

Current and deferred taxes at September 30<sup>th</sup>, 2020 are detailed below:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>	<b>September 30<sup>th</sup>, 2019</b>	<b>Change</b>	<b>%</b>
Current taxes	(3,356)	(338)	(3,018)	n.m.
Deferred taxes	261	(685)	947	n.m.
<b>Total taxes</b>	<b>(3,095)</b>	<b>(1,023)</b>	<b>(2,072)</b>	<b>n.m.</b>

## Information by geographical area

Gross revenue may be broken down by geographical area as follow:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>		<b>September 30<sup>th</sup>, 2019</b>		<b>Change</b>	
Europe	7,401	19%	8,467	16%	(1,066)	-12.6%
Americas	26,425	68%	20,986	58%	5,439	25.9%
Rest of the world	3,360	9%	4,833	8%	(1,473)	-30.5%
<b>Total foreign revenue</b>	<b>37,186</b>	<b>95%</b>	<b>34,286</b>	<b>82%</b>	<b>2,900</b>	<b>8.5%</b>
Italy	1,764	5%	4,243	18%	(2,479)	-58.4%
<b>Total consolidated gross revenue</b>	<b>38,950</b>	<b>100%</b>	<b>38,529</b>	<b>100%</b>	<b>421</b>	<b>1.1%</b>

Foreign revenue represented 95% of consolidated gross revenue compared to 82% in the previous year and increased by Euro 2,900 thousand compared to September 30<sup>th</sup>, 2019.

Rest of the world revenue relates to sales made by the subsidiary 505 Games Ltd., mainly in Australia, the Middle East and South Africa, as well as to sales made by subsidiary 505 Games S.p.A. in the Far East.

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 34,995 thousand i.e. 94% of total foreign revenue.

Details of gross foreign revenue by operating segment are provided below:

<b>Euro thousand</b>	<b>September 30<sup>th</sup>, 2020</b>		<b>September 30<sup>th</sup>, 2019</b>		<b>Change</b>	
Free to Play	2,191	6%	1,673	10%	518	31.0%
Premium Games	34,995	94%	32,613	90%	2,382	7.3%
<b>Total gross foreign revenue</b>	<b>37,186</b>	<b>100%</b>	<b>34,286</b>	<b>100%</b>	<b>2,900</b>	<b>8.5%</b>

***Related parties transactions***

At September 30<sup>th</sup>, 2020 no transaction unusual in terms of characteristic or larger than those of continuing nature has been carried out.

## STATEMENT PURSUANT TO ART. 154- BIS (5) OF THE CONSOLIDATED FINANCE ACT

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We, the undersigned, Abramo Galante, Chairman of the Board of Directors and Stefano Salbe, financial reporting manager of Digital Bros Group, hereby declare, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of February 24<sup>th</sup>, 1998:

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period July 1<sup>st</sup>, 2020 – September 30<sup>th</sup>, 2020. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group for the period ended September 30<sup>th</sup>, 2020:
  - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19<sup>th</sup>, 2002;
  - b) reflect the accounting books and records;
  - c) give a true and fair view of the results and financial position of the issuer and of the entities included in the consolidation;
2. the Q1 Report accompanying the consolidated and separate financial statements includes a reliable analysis of the results, as well as a description of the main risks and uncertainties to which Digital Bros S.p.A. and the consolidated entities are exposed.

Milan, November 12<sup>nd</sup>, 2020

Signed

Chairman of the Board of Directors  
Abramo Galante

Financial Reporting Manager  
Stefano Salbe