



Digital Bros S.p.A.

**Separate financial statements
at June 30th, 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 Companies House No. 290680-Vol. 7394 Chamber of Commerce 1302132

This report is available in the Investors section of the Company's website at 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.*

FULL YEAR REPORT

Digital Bros S.p.A. distributes in Italy, video games acquired from international publishers under the Halifax brand. The games are marketed through a direct sales network of key accounts and through an indirect sales network of sales agents. The Company also distributes Yu-Gi-Oh! trading cards in Italy.

The Company also performs management and coordination activities in its capacity as Parent Company of the Digital Bros Group.

Analysis of revenue by geographical area can be found in the Notes to the Separate Financial Statements.

1. VIDEOGAMES MARKET

The video games market is one of the most important segments of the entertainment industry. Movies, books and magazines, video games and toys are part of the industry and present 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 personal computers and traditional consoles (Sony, Microsoft and Nintendo), but has expanded to mobile phones and tablet devices. Low-cost fiber connectivity availability, fiber 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. At the launch of the console, the prices of the hardware and its related video games are high and relatively low quantities are sold. Across their lifecycle, console and video game prices gradually decline, while the quantities sold and the video games quality increase.

Video games are sold through digital marketplaces, but high-quality video games with high popularity are also distributed through the traditional sales channel. In this case, the value chain is as follows:



The COVID-19 pandemic further accelerated the decline of the physical distribution of video games that was already being replaced by digital distribution.

Developers

Developers are the creators and the programmers of games usually based on an original idea, a successful brand, a movie, sports simulations etc.. Even if developers sometimes retain the intellectual property they often assign the rights to an international video game publisher.

Publishers

The publisher is responsible of the launch of the videogame, determines its global pricing and commercial and marketing policy, designs the packaging and accepts all of the risks related. Publishers usually finance the video game development process and often acquire the game rights on a permanent basis.

Console manufacturers

The console manufacturer designs and manufactures the hardware or the platform on which the game is played. Sony produces the Sony PlayStation, Microsoft the Microsoft Xbox and Nintendo the Nintendo Switch. The console manufacturer also operates as a video game publisher.

Distributors

The role of distributors is different from market to market. 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 digitalization of the market has enabled newly established video games publishers to remain digital only and appoint the retail distribution services to a competitor publisher.

Retailers

The retailer is the shop where the consumer buys the video 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 realized 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 shorter, as illustrated 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, after the success of the Fortnite video game (owned by the same Epic).

The gradual digitalization 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 gamers can access to the full library of games by paying a subscription fee. Revenues are recognized to publishers based on the utilization 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 large 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 lifecycle of individual games. The availability of a game is no longer limited to its launch period as happens in the retail channel. The product remains available on the different marketplaces for a longer period of time, generating a continuous flow of sales significantly influenced by the promotional campaigns implemented. A video game life cycle can also be extended through the release of additional episodes and functions (the so-called DLC, or Downloadable Contents).

2. SEASONALITY EFFECTS

Market seasonality is influenced by the launch of highly anticipated and popular products. 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 financial position is closely related to the revenue trend. The physical distribution of a product in a quarter increases net working capital investment. This is temporarily reflected by the level of net cash/debt until the time the related sales revenue will be collected. The significant reduction in physical distribution revenues as a percentage of total consolidated revenues resulted in lower volatility of the financial position.

3. SIGNIFICANT EVENTS OF THE REPORTING PERIOD

The significant events occurred during the reporting were the following:

- On October 28th, 2020, the Shareholders' Meeting of Digital Bros 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 2021-2023 three-year period (until the approval of the Financial Statements for the fiscal year ending June 30th, 2023).
- On January 7th, 2021, the Group acquired 100% of Infinite Interactive Pty. and Infinity Plus Two Pty., the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and support their development. The transaction was carried out through the subsidiary 505 Games Australia Pty., created by the Group for that scope. The total fixed consideration amounted to USD 4.5 million, inclusive of a profit scheme for the key employees. In addition to the fixed consideration, an earn-out scheme has been agreed: the earn-out may range between 0% and 9% of the revenues generated by the products developed by subsidiaries over the next 48 months;
- On February 11th, 2021 the Group announced the forthcoming worldwide publication of the video game Eiyuden Chronicle - Hundred Heroes on both personal computers and consoles. The release of the video game is scheduled for the fiscal year ending June 30th, 2023 and the Group expects lifetime revenues in excess of Euro 30 million;
- On June 15th, 2021 Digital Bros Shareholders Meeting approved the Remuneration policy pursuant to art. 123-ter, co 3-bis of the T.U.F. and the adoption of the 2021-2027 Medium-Long Term Monetary Incentives Plan based on non-financial instruments, in favor of the executive directors and the management of Digital Bros Group. The plan shall be in force from FY2021 to FY2027;
- On June 29th, 2021 the Group announced the agreement between the subsidiary 505 Games S.p.A. and the Finnish Remedy Entertainment Plc for the co-publishing and development of a new videogame that will be available on PC, PlayStation 5 and Xbox Series X|S. The new videogame codenamed "Condor" is a multiplayer cooperative experience built on Remedy's proprietary Northlight® technology. Condor is a spin-off of the critically acclaimed and award-winning Control. Condor's initial development investment amounts to Euro 25 million and, as for the current agreement in place for Control, Condor's development costs, marketing expenses and future revenues will be equally split between Digital Bros Group and Remedy Entertainment. Alongside Condor, Digital Bros and Remedy Entertainment have planned to further expand the Control-franchise with another, bigger-budget Control-game, to be agreed in more details in the future.

Relations with Starbreeze AB and Starbreeze AB shareholders

The Digital Bros Group and the Starbreeze AB Group have entered multiple diversified transactions, summarized below:

- in May 2016, the Group sold back its rights of PAYDAY2 to Starbreeze AB 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 30th, 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 AB launched the PC version of the video game but the related sales were lower than expected. On February 27th, 2019, Skybound terminated the license contract for The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze AB for the development and publishing of the console version;
- since November 2018, Digital Bros has acquired 6,369,061 Starbreeze AB STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

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. The Swedish Court approved the restructuring request which was later extended several times until December 3rd, 2019. On December 6th, 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 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB STAR A shares held by Swedish company Varv 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 realized in the 60 months after the acquisition. The consideration was paid, in part, by waiving the loan granted to Varv AB. The shares acquired represent 5.24% of share capital and 16.76% of voting rights;
- on February 26th, 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 131,933,742 new Starbreeze AB STAR B shares, representing 13.55% of share capital and 3.95% of voting rights at December 31st, 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 AB 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 AB STAR A shares and 6,018,948 Starbreeze AB STAR B shares for a total amount of Euro 2.2 million. At June 30th, 2020, they represented 2.66% of Starbreeze AB share capital and 3.71% of voting rights, before the share capital increase of September 2020.

The total consideration was paid as follows: Euro 9.2 million was paid on the closing date of the transaction and Euro 10 million was paid on February 23rd, 2021.

In order to keep its stake in the share capital and its voting rights unchanged, on June 23rd, 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 AB. This share issue was finalized in September 2020 as previously mentioned.

At June 30th, 2021, also as a result of minor purchases, the Group holds 61,758,625 Starbreeze AB STAR A shares and 24,890,329 Starbreeze AB STAR B shares representing 11.96% of share capital and 28.86% 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 AB. Accordingly, it has decided to classify the investment under other investments as in the previous reporting periods. Digital Bros S.p.A. will reclassify the investment in its financial statement, should the circumstances change as a result of substantial changes in the relations between the two groups.

COVID-19

The Group adopted remote working arrangements, following the outbreak of the COVID-19 pandemic and the Ministerial guidelines issued from March 2020, later modified several times, in order to guarantee the health and safety of its employees and collaborators. The majority of its employees and collaborators in Italy and abroad may efficiently work from home. These arrangements are still in place. From an operational perspective, the homeworking arrangements did not have a significant impact on the main areas of operations of the Group.

The most significant effects of the pandemic on the video games market may be summarized 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;
- inconsistent revenues from traditional distribution channels, except for the small share generated by e-commerce sales.

The sudden decrease in revenues from traditional distribution accelerated a process that had already been in progress for some years. Therefore, the drastic slump recorded in March 2020 led to a reduction in the prices of products in inventory and to increased obsolescence of finished goods. The Company took account of this factor, adjusting the inventories' valuation.

4. SEPARATE STATEMENT OF PROFIT AND LOSS AT JUNE 30TH, 2021

The following table sets out the Company's results at June 30th, 2021 together with comparative figures at June 30th, 2020;:

	Euro thousand	June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	9,569	103.0%	13,881	125.5%	(4,312)	-31.1%
2	Revenue adjustments	(281)	-3.0%	(2,821)	-25.5%	2,540	-90.0%
3	Net revenue	9,288	100.0%	11,060	100.0%	(1,772)	-16.0%
4	Purchase of products for resale	(2,428)	-26.1%	(5,515)	-49.9%	3,087	-56.0%
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 inventories of finished products	(493)	-5.3%	(1,760)	-15.9%	1,267	-72.0%
8	Total cost of sales	(2,921)	-31.5%	(7,275)	-65.8%	4,354	-59.8%
9	Gross profit (3+8)	6,367	68.5%	3,785	34.2%	2,582	68.2%
10	Other income	174	1.9%	222	2.0%	(48)	-21.5%
11	Costs for services	(2,362)	-25.4%	(2,849)	-25.8%	487	-17.1%
12	Rent and Leasing	(134)	-1.4%	(125)	-1.1%	(9)	7.1%
13	Payroll costs	(5,459)	-58.8%	(4,890)	-44.2%	(569)	11.7%
14	Other operating costs	(570)	-6.1%	(538)	-4.9%	(32)	6.0%
15	Total operating costs	(8,525)	-91.8%	(8,402)	-76.0%	(123)	1.5%
16	Gross operating margin (EBITDA) (9+10+15)	(1,984)	-21.4%	(4,395)	-39.7%	2,411	-54.8%
17	Depreciation and amortisation	(941)	-10.1%	(935)	-8.5%	(6)	0.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(79)	-0.8%	(190)	-1.7%	111	-58.6%
20	Impairment reversal	0	0.0%	591	5.3%	(591)	n.m.
21	Total depreciation, amortization and impairment	(1,020)	-11.0%	(534)	-4.8%	(486)	91.0%
22	Operating margin (EBIT) (16+21)	(3,004)	-32.3%	(4,929)	-44.6%	1,925	-39.0%
23	Interest and finance income	13,719	147.7%	5,466	49.4%	8,253	n.m.
24	Interest expense and finance costs	(1,575)	-17.0%	(1,388)	-12.5%	(187)	13.5%
25	Net interest income/(expense)	12,144	130.7%	4,078	36.9%	8,066	n.m.
26	Profit/ (loss) before tax (22+25)	9,140	98.4%	(851)	-7.7%	9,991	n.m.
27	Current tax	(644)	-6.9%	712	6.4%	(1,356)	n.m.
28	Deferred tax	(63)	-0.7%	(134)	-1.2%	71	-53.0%
29	Total taxes	(707)	-7.6%	578	5.2%	(1,285)	n.m.
30	Net profit/loss (26+29)	8,433	90.8%	(273)	-2.5%	8,706	n.m.

Gross revenue decreased by 31.1% from Euro 13,881 thousand in the prior year to Euro 9,569 thousand at June 30th, 2021, a significant drop in sales caused by the COVID-19 pandemic.

Gross revenue is analyzed as follows:

Euro thousand	June 30th, 2021	June 30th, 2020	Change	%
Revenue from video games for consoles	2,421	6,810	(4,389)	-64.4%
Revenue from trading cards	1,994	1,828	166	9.1%
Revenue from other products and services	5,154	5,243	(89)	-1.7%
Total gross revenue	9,569	13,881	(4,312)	-31.1%

Revenue from other products and services are generated under the Company's contract with other Group companies for the provision of centralized services.

Purchases of products for resale decreased by Euro 3,087 thousand (-56%) while inventories decreased by Euro 493 thousand.

Other income decreased by Euro 48 thousand from Euro 222 thousand at June 30th, 2020 to Euro 174 thousand at June 30th, 2021.

Operating costs amounted to Euro 8,525 thousand, increasing by Euro 123 thousand due to higher payroll costs for Euro 569 thousand and offset by lower costs for services for Euro 487 thousand. Payroll costs increase follows the overall wages increase and the implementation of the 2021-2027 Medium-Long Term Monetary Incentives Plan.

EBITDA amounted to negative Euro 1,984 thousand increased by Euro 2,411 thousand compared to negative Euro 4,395 at June 30th, 2020.

Non-monetary operating costs increased from Euro 534 thousand in the prior year to Euro 1,020 thousand in the current reporting period as a result of a Euro 591 thousand reduction in impairment reversal.

EBIT increased from negative Euro 4,929 thousand in the prior year to negative Euro 3,004 thousand at June 30th, 2021.

Net interest income was positive for Euro 12,144 thousand compared to Euro 4,078 thousand in the prior year, as a result of a Euro 8,253 thousand increase in interest and financial income following the dividends collected by the subsidiaries.

Profit before tax increased to Euro 9,140 thousand against a Euro 851 thousand loss at June 30th, 2020. Net profit amounted to Euro 8,433 thousand against a Euro 273 thousand net loss in the prior year.

5. SEPARATE FINANCIAL STATEMENT AT JUNE 30TH, 2021

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	6,576	7,273	(697)	-9.6%
2	Investment property	0	0	0	0.0%
3	Intangible assets	163	196	(33)	-16.6%
4	Equity investments	29,416	23,635	5,781	24.5%
5	Non-current receivables and other assets	4,868	6,542	(1,674)	-25.6%
6	Deferred tax assets	31	613	(582)	-95.0%
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	59,894	55,510	4,384	7.9%
	Current assets				
8	Inventories	1,494	1,987	(493)	-24.8%
9	Trade receivables	893	1,866	(973)	-52.2%
10	Receivables from subsidiaries	27,094	14,455	12,639	87.4%
11	Tax receivables	590	2,221	(1,631)	-73.4%
12	Other current assets	524	5,301	(4,777)	-90.1%
13	Cash and cash equivalent	1,038	858	180	20.9%
14	Other current financial assets	0	0	0	n.m.
	Total current assets	31,633	26,688	4,945	18.5%
	TOTAL ASSETS	91,527	82,198	9,329	11.4%
	Capital and reserves				
15	Share capital	(5,704)	(5,704)	0	0.0%
16	Reserves	(22,865)	(20,886)	(1,979)	9.5%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(26,772)	(20,478)	(6,294)	30.7%
	Total net equity	(55,341)	(47,068)	(8,273)	17.6%
	Non-current liabilities				
19	Employee benefits	(391)	(429)	38	-8.9%
20	Non-current provisions	(81)	(81)	0	0.0%
21	Other non-current payables and liabilities	(505)	(469)	(36)	7.8%
22	Non-current financial liabilities	(7,549)	(4,941)	(2,608)	52.8%
	Total non-current liabilities	(8,526)	(5,920)	(2,606)	44.0%
	Current liabilities				
23	Trade payables	(1,444)	(2,026)	582	-28.7%
24	Payables to subsidiaries	(16,437)	(13,646)	(2,791)	20.5%
25	Taxes payables	(5,421)	(159)	(5,262)	n.m.
26	Short term provisions	0	0	0	n.m.
27	Other current liabilities	(957)	(1,205)	248	-20.5%
28	Current financial liabilities	(3,401)	(12,174)	8,773	-72.1%
	Total net working capital	(27,660)	(29,210)	1,550	-5.3%
	TOTAL LIABILITIES	(36,186)	(35,130)	(1,056)	3.0%
	TOTAL NET EQUITY AND LIABILITIES	(91,527)	(82,198)	(9,329)	11.4%

The following table contains a breakdown of the net financial position with comparative figures at June 30th, 2020:

	Euro thousand	June 30th, 2021	June 30th, 2020	Change	
13	Cash and cash equivalents	1,038	858	180	20.9%
14	Other current financial assets	0	0	0	n.m.
28	Current financial liabilities	(3,401)	(12,174)	8,773	-72.1%
	Current net financial position	(2,363)	(11,316)	8,953	-79.1%
7	Non-current financial assets	18,840	17,251	1,589	9.2%
22	Non-current financial liabilities	(7,549)	(4,941)	(2,608)	52.8%
	Non-current net financial position	11,290	12,310	(1,018)	-8.3%
	Total net financial position	8,927	994	7,935	n.m.

The net financial position amounted to Euro 8,927 thousand, significantly improved compared to positive Euro 994 thousand as at June 30th, 2020. Excluding the IFRS 16 effect, the net financial position would have been positive for Euro 12.7 million.

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

All sales and purchases of goods and services between Digital Bros S.p.A. and other Group companies and related parties are conducted at arm's length.

Digital Bros S.p.A. bills 505 Games S.p.A. an amount equal to 15% of digital revenue that the subsidiary generates in Italy in recognition of the indirect marketing and public relations services performed that are not directly attributable to individual products.

Digital Bros S.p.A. bills 505 Games S.p.A. for the costs directly incurred on its behalf and with a percentage of the total indirect costs incurred by it for the coordination of the acquisition of games and for administrative, financial, legal, logistics and IT services.

Digital Bros S.p.A. bills Digital Bros Game Academy S.r.l. for the cost of administrative, financial, legal and IT services incurred on its behalf and for the cost of the lease of the property located in Via Labus, Milan, the Academy's operational headquarters.

Digital Bros S.p.A. bills Avantgarden S.r.l. with the cost of leasing part of the property in Via Tortona, Milan which is the subsidiary's operational headquarters.

505 Games S.p.A. bills 505 Games (US) Inc. for the costs directly incurred on its behalf and with a percentage of the total indirect costs incurred by it for the coordination of the acquisition of games and for administrative, financial, legal, logistics and IT services.

Digital Bros S.p.A. has made a loan to Rasplata B.V. on which interest accruing is charged quarterly.

Other minor transactions consisting of administrative, financial, legal and general services are usually performed by Digital Bros S.p.A. on behalf of other Group companies. The parent company also provides a centralized cash pooling service, using intercompany current accounts to which positive and negative balances between Group companies are transferred, including through the transfer of receivables. These accounts do not bear interest.

Italian Group companies also transfer tax receivables and payables to Digital Bros S.p.A. in accordance with domestic tax group arrangements.

Transactions with other related parties

Related party transactions refer to:

- legal advisory services provided by director Dario Treves as well as the contract for a portion of the Via Tortona 37 headquarters leased to the Treves law firm;
- property leases by Matov Imm. S.r.l. to Digital Bros S.p.A. Matov Imm. S.r.l. and Matov LLC is owned by Abramo and Raffaele Galante.

Atypical transactions

During the reporting period, as in prior year, there were no atypical or unusual transactions, as defined by Consob Communication DEM 6064293 of July 28th, 2006.

7. TREASURY SHARES

It is hereby disclosed that, at June 30th, 2021, Digital Bros S.p.A. did not hold any treasury shares and did not carry out any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2)(3) of the Italian Civil Code

8. RESEARCH AND DEVELOPMENT

The Company did not engage in any research and development activity during the fiscal year.

9. MANAGEMENT OF OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Company uses a risk identification process involving the Board of Directors together with the organizational structures in coordination meetings held periodically throughout the year. Their work is summarized in a risk matrix that is prepared and regularly reviewed by the Executive Director in charge of internal control, who is part of the coordination meetings. Each risk is summarized in a report that provides a description of the risk, a gross risk rating based on a probability/impact matrix, the mitigating factors and/or the internal process implemented to reduce and monitor the risk, all the above allows the determination of the individual net risk rating. The Executive Director is assisted in these processes by the Control and Risks Committee and by the Board of Statutory Auditors.

The individual risk schedule also reports the impact that failure to meet the control objectives would have in terms of operations and financial reporting.

The completeness of the risk map and the ratings of net risk is assessed jointly by the two CEOs. The process is supervised by the Board of Statutory Auditors.

Risks fall into two different categories: operational risks and financial risk.

Operational risks

The most significant operational risks are:

- product obsolescence;
- dependence on key personnel.

Product obsolescence risk

Video games are subject to rapid obsolescence. A game that is sold at a certain price is then gradually repositioned at lower prices over time. The launch price of a game is usually higher during the launch of a console and then decreases throughout the life cycle of the hardware.

The decision to invest in a specific product is often made years before its expected release. Therefore, management must estimate the selling price of a game for the future periods. A rapid acceleration in the obsolescence of a game or its supporting hardware could result in lower retail prices than originally forecasted, with the result that revenues and margins could be lower than forecast, as it happened due to the COVID-19 pandemic.

Risk of dependence on key personnel

The Company's success depends on the performance of certain key individuals who have made an important contribution to its development and have acquired valuable experience in the game industry.

The Company has an executive team (Chairman, CEOs and CFO) with many years' experience in the sector and who play a decisive role in the management of its business. The loss of the services of these individuals without suitable replacements could have a negative impact on the Company's results and financial position and, in particular, could affect the risk detection, assessment and monitoring process.

This risk is mitigated by the fact that the two CEOs are also major shareholders in the Company and by the fact that a long-term incentive plan has been implemented for the CFO.

Management of financial risks and financial instruments

The main financial instruments used by the Company are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring of trade receivables and advances on notes)
- Finance leases.

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

Credit facilities granted to the Company and utilized at June 30th, 2021 are as follows:

Euro Thousands	Facility	Utilized	Available
Bank overdrafts	1,200	0	1,200
Import financing	11,550	0	11,550
Advances on invoices and cash orders subject to collection	7,250	0	7,250
Factoring	1,000	21	979
Medium-term loans	8,375	6,968	1,407
Total	29,375	6,989	22,386

Digital Bros S.p.A. and 505 Games S.p.A. manage all financial risks, also on behalf of the other subsidiaries. This is excepted in relation to other financial instruments not listed above i.e. trade payables and receivables arising from operating activities for which each subsidiary remains responsible for the financial risk.

The Company seeks to maintain a balance between short-term and medium/long-term financial instruments in line with forecast performance. The Company's core business, the sale and 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 of credit often dedicated to the individual investment, including finance leases.

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

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

- interest rate risk;
- liquidity risk.

Interest rate risk

The Company's exposure to the risk of interest rate fluctuation is limited with regard to its medium and long-term financial instruments which were originally arranged as fixed-rate instruments or have been converted into fixed rate using appropriate derivative agreements.

The risk of interest rate increases is an effective risk for short-term financial instruments because the Company cannot immediately pass on any interest rate rises by increasing its selling prices.

The level of debt is low or next to zero and the interest rate risk is further mitigated by the implementation of a short-term cash flow procedure.

Liquidity risk

The liquidity risk regards difficulty in accessing the credit market.

It often takes several years to develop a video game. This means it is necessary to find additional lines of credit to cover the period between the investment and the return on invested capital after the product launch.

The mitigating factors that can reduce this risk are listed below:

- cash flows, financing requirements and liquidity requirements are monitored centrally by the Company Treasury Function with the aim of ensuring effective and efficient management of financial resources and guaranteeing an appropriate level of available liquidity;
- the Company's level of capitalization means it only has to use leverage to a marginal extent.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Company to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Company's funding requirements in good time.

10. CONTINGENT ASSETS AND LIABILITIES

At June 30th, 2021 – as at June 30th, 2020 – there were no contingent assets or liabilities.

11. SUBSEQUENT EVENTS

There were no significant subsequent events after the fiscal year end.

12. OUTLOOK

The gradual digitalization of the market has characterized recent years and triggered a gradual reduction in physical sales of video games in Italy that has been further heightened by the COVID-19 pandemic and is likely to continue in the near future.

The Company will increasingly focus on its Group coordination activities which will lead to an increase in other income. At the same time, the positive performance of the subsidiaries Kunos Simulazioni S.r.l. and 505 Games S.p.A. will lead to significant growth in dividends received.

As a result of the above, a significant net profit is forecast for the forthcoming reporting period.

The Company will continue to monitor the effects of the spread of the COVID-19 pandemic, adopting appropriate mitigation measures as necessary and reporting to the market on any issues not already considered to a sufficient degree.

13. OTHER INFORMATION

EMPLOYEES

The following table contains analysis of the number of employees at June 30th, 2021 with comparative figures at June 30th, 2020:

Category	June 30 th , 2021	June 30 th , 2020	Change
Managers	5	5	0
Office workers	35	37	(2)
Blue-collar workers and apprentices	5	5	0
Total employees	45	47	(2)

The average number of employees for the period is calculated as the average 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	5	5	0
Office workers	35	38	(3)
Blue-collar workers and apprentices	5	5	0
Total employees	45	48	(3)

The Company's employees are hired under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector.

ENVIRONMENT

At June 30th, 2021, there were no environmental issues and there is no reason to believe any environmental issues should emerge in the future as the Company's activities consist chiefly of packing and shipping video games and affixing labels to packaging.

FINANCIAL STATEMENTS

Digital Bros S.p.A

Separate financial statement at June 30th, 2021

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	6,576	7,273	(697)	-9.6%
2	Investment property	0	0	0	0.0%
3	Intangible assets	163	196	(33)	-16.6%
4	Equity investments	29,416	23,635	5,781	24.5%
5	Non-current receivables and other assets	4,868	6,542	(1,674)	-25.6%
6	Deferred tax assets	31	613	(582)	-95.0%
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	59,894	55,510	4,384	7.9%
	Current assets				
8	Inventories	1,494	1,987	(493)	-24.8%
9	Trade receivables	893	1,866	(973)	-52.2%
10	Receivables from subsidiaries	27,094	14,455	12,639	87.4%
11	Tax receivables	590	2,221	(1,631)	-73.4%
12	Other current assets	524	5,301	(4,777)	-90.1%
13	Cash and cash equivalent	1,038	858	180	20.9%
14	Other current financial assets	0	0	0	n.m.
	Total current assets	31,633	26,688	4,945	18.5%
	TOTAL ASSETS	91,527	82,198	9,329	11.4%
	Capital and reserves				
15	Share capital	(5,704)	(5,704)	0	0.0%
16	Reserves	(22,865)	(20,886)	(1,979)	9.5%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(26,772)	(20,478)	(6,294)	30.7%
	Total net equity	(55,341)	(47,068)	(8,273)	17.6%
	Non-current liabilities				
19	Employee benefits	(391)	(429)	38	-8.9%
20	Non-current provisions	(81)	(81)	0	0.0%
21	Other non-current payables and liabilities	(505)	(469)	(36)	7.8%
22	Non-current financial liabilities	(7,549)	(4,941)	(2,608)	52.8%
	Total non-current liabilities	(8,526)	(5,920)	(2,606)	44.0%
	Current liabilities				
23	Trade payables	(1,444)	(2,026)	582	-28.7%
24	Payables to subsidiaries	(16,437)	(13,646)	(2,791)	20.5%
25	Taxes payables	(5,421)	(159)	(5,262)	n.m.
26	Short term provisions	0	0	0	n.m.
27	Other current liabilities	(957)	(1,205)	248	-20.5%
28	Current financial liabilities	(3,401)	(12,174)	8,773	-72.1%
	Total net working capital	(27,660)	(29,210)	1,550	-5.3%
	TOTAL LIABILITIES	(36,186)	(35,130)	(1,056)	3.0%
	TOTAL NET EQUITY AND LIABILITIES	(91,527)	(82,198)	(9,329)	11.4%

Digital Bros S.p.A.
Separate statement of profit and loss at June 30th, 2021

	Euro thousand	June 30th, 2021		June 30th, 2020		Change	
1	Gross revenue	9,569	103.0%	13,881	125.5%	(4,312)	-31.1%
2	Revenue adjustments	(281)	-3.0%	(2,821)	-25.5%	2,540	-90.0%
3	Net revenue	9,288	100.0%	11,060	100.0%	(1,772)	-16.0%
4	Purchase of products for resale	(2,428)	-26.1%	(5,515)	-49.9%	3,087	-56.0%
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 inventories of finished products	(493)	-5.3%	(1,760)	-15.9%	1,267	-72.0%
8	Total cost of sales	(2,921)	-31.5%	(7,275)	-65.8%	4,354	-59.8%
9	Gross profit (3+8)	6,367	68.5%	3,785	34.2%	2,582	68.2%
10	Other income	174	1.9%	222	2.0%	(48)	-21.5%
11	Costs for services	(2,362)	-25.4%	(2,849)	-25.8%	487	-17.1%
12	Rent and Leasing	(134)	-1.4%	(125)	-1.1%	(9)	7.1%
13	Payroll costs	(5,459)	-58.8%	(4,890)	-44.2%	(569)	11.7%
14	Other operating costs	(570)	-6.1%	(538)	-4.9%	(32)	6.0%
15	Total operating costs	(8,525)	-91.8%	(8,402)	-76.0%	(123)	1.5%
16	Gross operating margin (EBITDA) (9+10+15)	(1,984)	-21.4%	(4,395)	-39.7%	2,411	-54.8%
17	Depreciation and amortisation	(941)	-10.1%	(935)	-8.5%	(6)	0.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(79)	-0.8%	(190)	-1.7%	111	-58.6%
20	Impairment reversal	0	0.0%	591	5.3%	(591)	n.m.
21	Total depreciation, amortization and impairment	(1,020)	-11.0%	(534)	-4.8%	(486)	91.0%
22	Operating margin (EBIT) (16+21)	(3,004)	-32.3%	(4,929)	-44.6%	1,925	-39.0%
23	Interest and finance income	13,719	147.7%	5,466	49.4%	8,253	n.m.
24	Interest and finance expense	(1,575)	-17.0%	(1,388)	-12.5%	(187)	13.5%
25	Net interest income/(expense)	12,144	130.7%	4,078	36.9%	8,066	n.m.
26	Profit/ (loss) before tax (22+25)	9,140	98.4%	(851)	-7.7%	9,991	n.m.
27	Current tax	(644)	-6.9%	712	6.4%	(1,356)	n.m.
28	Deferred tax	(63)	-0.7%	(134)	-1.2%	71	-53.0%
29	Total taxes	(707)	-7.6%	578	5.2%	(1,285)	n.m.
30	Net profit/loss (26+29)	8,433	90.8%	(273)	-2.5%	8,706	n.m.

Separate statement of comprehensive income at June 30th, 2021

Euro thousand	June 30 th , 2021	June 30 th , 2020	Change
Profit (Loss) for the period (A)	8,433	(273)	8,706
Items that will not be subsequently recycled through profit and loss (B)	0	0	0
Actuarial gain (loss)	1	11	(10)
Income tax relating to the actuarial gain (loss)	0	(2)	2
Fair value measurement of shares held to collect and sell	2,170	(706)	1,464
Tax effect of fair value measurement of shares held to collect and sell	(521)	169	(690)
Items that will subsequently be recycled through profit and loss (C)	1,650	(528)	2,178
Total other comprehensive income D= (B)+(C)	1,650	(528)	2,178
Total comprehensive income (loss) (A)+(D)	10,083	(801)	10,884

Digital Bros S.p.A.

Separate cash flow statement at June 30th, 2021

	Euro thousand	June 30th, 2021	June 30th, 2020
A.	Opening cash and cash equivalents	858	83
B.	Cash flows from operating activities		
	Profit (loss) for the year attributable to the Group	8,433	(273)
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment adjustments	(79)	(190)
	Amortisation of intangible assets	132	151
	Depreciation of property, plant and equipment	809	784
	Net change in deferred tax assets	582	(31)
	Net change in other provisions	0	0
	Net change in employee benefit provisions	(38)	(7)
	Net change in other non-current liabilities	1,979	(198)
	SUBTOTAL B.	11,818	236
C.	Change in net working capital		
	Inventories	493	1,760
	Trade receivables	973	(606)
	Receivables due from subsidiaries	(12,639)	13,681
	Tax receivables	1,631	2,271
	Other current assets	4,777	(4,298)
	Trade payables	(582)	1,110
	Payables to subsidiaries	2,791	4,558
	Current tax liabilities	5,262	14
	Current provisions	0	380
	Other current liabilities	(248)	584
	Other non-current liabilities	36	(453)
	Non-current receivables and other assets	1,737	2,584
	SUBTOTAL C.	4,231	21,585
D.	Cash flows from investing activities		
	Net investment in intangible assets	(99)	(91)
	Net investment in property, plant and equipment	(112)	(5,240)
	Net investment in non-current financial assets	(5,765)	(7,113)
	SUBTOTAL D.	(5,976)	(12,444)
E.	Cash flows from financing activities		
	Proceeds from capital increases	0	0
	Change in financial liabilities	(6,165)	6,708
	Change in financial assets	(1,589)	(15,309)
	SUBTOTAL E.	(7,754)	(8,601)
F.	Changes in consolidated equity		
	Dividends distributed	(2,139)	0
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	0	0
	SUBTOTAL F.	(2,139)	0
G.	Cash flow for the period (B+C+D+E+F)	180	776
H.	Closing net cash/debt (A+G)	1,038	858

Digital Bros S.p.A.

Separate statement of changes in equity at June 30th, 2021

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)
Total on July 1st, 2019	5,704	18,486	1,141	(142)	(80)	1,679	21,084	0	19,911	840	20,751	47,539
Allocation of profit for the year							0		840	(840)	0	0
Other changes						330	330				0	330
Comprehensive income (loss)						(528)	(528)			(273)	(273)	(801)
Total on June 30th, 2020	5,704	18,486	1,141	(142)	(80)	1,481	20,886	0	20,751	(273)	20,478	47,068
Total on July 1st, 2020	5,704	18,486	1,141	(142)	(80)	1,481	20,886	0	20,751	(273)	20,478	47,068
Allocation of profit for the year							0		(273)	273	0	0
Dividend distribution							0		(2,139)		(2,139)	(2,139)
Other changes						329	329				0	329
Comprehensive income (loss)						1,650	1,650			8,433	8,433	10,083
Total on June 30th, 2021	5,704	18,486	1,141	(142)	(80)	3,460	22,865	0	18,339	8,433	26,772	55,341

A) not available;

B) available - can be used to cover losses. Only the share premium reserve is distributable if the legal reserve has reached the limit established by Art. 2430 (one fifth of the share capital);

D) available - can be used to cover losses, for capital increases and for the distribution of dividends.

Digital Bros S.p.A.

Separate statement of profit and loss prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2021		June 30 th , 2020	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	9,569	0	13,881	0
2	Revenue adjustments	(281)	0	(2,821)	0
3	Net revenue	9,288	0	11,060	0
4	Purchase of products for resale	(2,428)	0	(5,515)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	(493)	0	(1,760)	0
8	Total cost of sales	(2,921)	0	(7,275)	0
9	Gross profit (3+8)	6,367	0	3,785	0
10	Other income	174	6	222	59
11	Costs for services	(2,362)	(394)	(2,849)	(348)
12	Rent and Leasing	(134)	(83)	(125)	(76)
13	Payroll costs	(5,459)	0	(4,890)	0
14	Other operating costs	(570)	0	(538)	0
15	Total operating costs	(8,525)	(477)	(8,402)	(424)
16	Gross operating margin (EBITDA) (9+10+15)	(1,984)	(471)	(4,395)	(365)
17	Depreciation and amortisation	(941)	(576)	(935)	(576)
18	Provisions	0	0	0	0
19	Asset impairment charge	(79)	0	(190)	0
20	Impairment reversal	0	0	591	0
21	Total depreciation, amortization and impairment	(1,020)	(576)	(534)	(576)
22	Operating margin (EBIT) (16+21)	(3,004)	(1,047)	(4,929)	(941)
23	Interest and finance income	13,719	0	5,466	0
24	Interest expense and finance costs	(1,575)	(66)	(1,388)	(55)
25	Net interest income/(expense)	12,144	(66)	4,078	(55)
26	Profit/ (loss) before tax (22+25)	9,140	(1,113)	(851)	(996)
27	Current tax	(644)	0	712	0
28	Deferred tax	(63)	0	(134)	0
29	Total taxes	(707)	0	578	0
30	Net profit/loss (26+29)	8,433	(1,113)	(273)	(996)

Digital Bros S.p.A.

Separate financial statement prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2021		June 30 th , 2020	
		Total	Of which with related parties	Total	Of which with related parties
	Non-current Assets				
1	Property, plant and equipment	6,576	0	7,273	0
2	Investment property	0	0	0	0
3	Intangible assets	163	0	196	0
4	Equity investments	29,416	0	23,635	0
5	Non-current receivables and other assets	4,868	635	6,542	635
6	Deferred tax assets	31	0	613	0
7	Non-current financial assets	18,840	0	17,251	0
	Total non-current assets	59,894	635	55,510	635
	Current assets				
8	Inventories	1,494	0	1,987	0
9	Trade receivables	893	137	1,866	149
10	Receivables from subsidiaries	27,094	0	14,455	0
11	Tax receivables	590	0	2,221	0
12	Other current assets	524	0	5,301	0
13	Cash and cash equivalent	1,038	0	858	0
14	Other current financial assets	0	0	0	0
	Total current assets	31,633	137	26,688	149
	TOTAL ASSETS	91,527	772	82,198	784
	Capital and reserves				
15	Share capital	(5,704)	0	(5,704)	0
16	Reserves	(22,865)	0	(20,886)	0
17	Treasury shares	0	0	0	0
18	Retained earnings	(26,772)	0	(20,478)	0
	Total net equity	(55,341)	0	(47,068)	0
	Non-current liabilities				
19	Employee benefits	(391)	0	(429)	0
20	Non-current provisions	(81)	0	(81)	0
21	Other non-current payables and liabilities	(505)	0	(469)	0
22	Non-current financial liabilities	(7,549)	(3,238)	(4,941)	(3,787)
	Total non-current liabilities	(8,526)	(3,238)	(5,920)	(3,787)
	Current liabilities				
23	Trade payables	(1,444)	(124)	(2,026)	(88)
24	Payables to subsidiaries	(16,437)	0	(13,646)	0
25	Taxes payables	(5,421)	0	(159)	0
26	Short term provisions	(0)	0	0	0
27	Other current liabilities	(957)	0	(1,205)	0
28	Current financial liabilities	(3,401)	(549)	(12,174)	(549)
	Total net working capital	(27,660)	(673)	(29,210)	(637)
	TOTAL LIABILITIES	(36,186)	(3,911)	(35,130)	(4,424)
	TOTAL NET EQUITY AND LIABILITIES	(91,527)	(3,911)	(82,198)	(4,424)

Digital Bros S.p.A.

Separate statement of profit and loss prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2021		June 30 th , 2020	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	9,569	0	13,881	0
2	Revenue adjustments	(281)	0	(2,821)	0
3	Net revenue	9,288	0	11,060	0
4	Purchase of products for resale	(2,428)	0	(5,515)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	(493)	0	(1,760)	0
8	Total cost of sales	(2,921)	0	(7,275)	0
9	Gross profit (3+8)	6,367	0	3,785	0
10	Other income	174	0	222	0
11	Costs for services	(2,362)	0	(2,849)	0
12	Rent and Leasing	(134)	0	(125)	0
13	Payroll costs	(5,459)	0	(4,890)	0
14	Other operating costs	(570)	0	(538)	0
15	Total operating costs	(8,525)	0	(8,402)	0
16	Gross operating margin (EBITDA) (9+10+15)	(1,984)	0	(4,395)	0
17	Depreciation and amortisation	(941)	0	(935)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(79)	0	(190)	0
20	Impairment reversal	0	0	591	0
21	Total depreciation, amortization and impairment	(1,020)	0	(534)	0
22	Operating margin (EBIT) (16+21)	(3,004)	0	(4,929)	0
23	Interest and finance income	13,719	0	5,466	0
24	Interest expense and finance costs	(1,575)	0	(1,388)	0
25	Net interest income/(expense)	12,144	0	4,078	0
26	Profit/ (loss) before tax (22+25)	9,140	0	(851)	0
27	Current tax	(644)	0	712	0
28	Deferred tax	(63)	0	(134)	0
29	Total taxes	(707)	0	578	0
30	Net profit/loss (26+29)	8,433	0	(273)	0



Notes to the separate financial statements at June 30th, 2021

1. FORM, CONTENT AND OTHER GENERAL INFORMATION

The main activities carried out by Digital Bros S.p.A. are described in the Full Year Report.

The separate financial statements at June 30th, 2021 have been prepared on a going concern basis. The Company has concluded that the risks and uncertainties to which it is exposed, as described in the Full Year Report, do not create any uncertainty as to its ability to operate as a going concern. The Company will continue to monitor the effects of the spread of the COVID-19 pandemic which, for now, has had no effect on its ability to operate as a going concern. It will adopt appropriate mitigation measures, as necessary, and will report to the market on any issues not already considered to a sufficient degree.

Accounting standards adopted and declaration of compliance with IAS/IFRS

The separate financial statements of Digital Bros S.p.A. at June 30th, 2021 have been prepared in accordance with Art. 154-ter of Legislative Decree 58 of February 24th, 1998 and subsequent amendments thereto. They have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as based on the text published in the Official Journal of the European Union. The term “IFRS” encompasses International Accounting Standards (IAS) still in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). All amounts included in the separate financial statements at June 30th, 2021 are stated in Euro thousands, unless otherwise specified.

Reporting format

The separate financial statements at June 30th, 2021 have been prepared in accordance with IAS/IFRS and with the related interpretations (SIC/IFRIC) endorsed by the European Commission as of the reporting date.

The financial statements and the notes thereto also include the disclosures required by Consob Resolution 15519 of July 27th, 2006 and Consob Communication 6064293 of July 28th, 2006.

The financial statements comprise:

- separate financial statement at June 30th, 2021 with comparative figures at June 30th, 2020 (the annual reporting date for the previous separate financial statements);
- separate statement of profit and loss at June 30th, 2021 with comparative figures at June 30th, 2020;
- separate statement of comprehensive income at June 30th, 2021 with comparative figures at June 30th, 2020;
- separate cash flow statement at June 30th, 2021 with comparative figures at June 30th, 2020;
- separate statement of changes in equity at June 30th, 2021 with comparative figures at June 30th, 2020.

The left-hand column of the statement of financial position indicates the number of the relevant note.

The components of the statement of financial position have been allocated to the following five categories:

- non-current assets;
- current assets;
- equity;
- current liabilities;
- non-current liabilities.

Non-current assets consist of assets that are long-term in nature, such as property, plant and equipment to be used for more than one period, equity investments in subsidiaries and associated companies and receivables that fall due in subsequent periods. They also include deferred tax assets regardless of when they might be realized.

Current assets consist of items of a short-term nature such as inventories, trade receivables, cash and cash equivalents and other current financial assets.

Equity consists of share capital, reserves and retained earnings (profit for the year plus prior year profits not allocated to specific reserves by the shareholders in general meeting).

Non-current liabilities comprise provisions not expected to be used within 12 months as well as post-employment benefits, especially the provision for employee termination indemnities, and, in general, payables that fall due after June 30th, 2021.

Current liabilities include liabilities falling due by June 30th, 2021, mainly trade payables, tax liabilities and current financial liabilities.

The net financial position has been split between the current net financial position and the non-current net financial position and represents total net financial assets.

The left-hand column of the consolidated statement of profit and loss and of the statement of profit and loss presented for segment reporting purposes indicates the number of the relevant note.

The statement of profit and loss has been presented in a multi-step format, with expenses analyzed by nature and shows four intermediate levels of profit:

- gross profit, the difference between net revenue and total cost of sales;
- gross operating margin (EBITDA), the difference between gross profit and total operating costs, plus other income;
- operating margin (EBIT), the difference between gross operating margin and non-monetary operating costs;
- profit before tax, the difference between the operating margin and net financial income (expenses).

Earnings per share is shown after net profit / (loss) for the year i.e. the difference between profit before tax and total income tax income (expense).

The separate cash flow statement has been prepared using the indirect method, whereby profit is adjusted for the effects of transactions of a non-cash nature, changes in net working capital, cash flows from financing and investing activities and changes in equity.

The overall change for the period is given by the sum of the following:

- cash flows from operating activities;
- change in net working capital;
- cash flows from investing activities;
- cash flows from financing activities;
- changes in equity.

The statement of changes in equity has been prepared in accordance with International Financial Reporting Standards and shows changes between July 1st, 2019 and June 30th, 2021.

2. ACCOUNTING POLICIES

The separate financial statements at June 30th, 2021 have been prepared in accordance with the International Financial Reporting Standards and their interpretations in force at that date.

The financial statements have been prepared on the basis of the Company's accounting records as at June 30th, 2021.

The measurement criteria used to prepare the separate financial statements at June 30th, 2021 are consistent with those used to prepare the separate financial statements at June 30th, 2020, except as described below for the new standards applied from July 1st, 2019.

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost and are shown net of depreciation and impairment. No assets have been revalued in prior years. No borrowing costs have been capitalized.

Leasehold improvements and costs incurred subsequent to purchase are capitalized only if they increase the future economic benefits associated with the asset. All other costs are recognized in profit and loss when incurred.

Depreciation is computed on a straight-line basis over the assets' estimated useful lives, as follows:

Buildings	3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%

Assets held under finance leases, whereunder all risks, and rewards of ownership are transferred to the Group, are recognized at the lower of their fair value at the inception of the lease and the present value of the minimum lease payments payable over the entire lease term. The corresponding lease obligation is recognized under financial liabilities. Depreciation is charged on a straight-line basis over the estimated useful life of each asset category.

Leases where the lessor retains substantially all the risks and rewards of ownership of an asset are accounted for as operating leases. Operating lease costs are recognized in profit and loss over the lease term as lease and rental expenses.

Land is not depreciated but impairment adjustments are made if recoverable amount (the greater of fair value and value in use) falls below reported cost.

Intangible assets

Intangible assets purchased or produced internally are capitalized in accordance with IAS 38 - Intangible assets when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

They are recognized at purchase or production cost and those with a finite useful life are amortized on a straight-line basis over their estimated useful life.

The amortisation rates applied are as follows:

- Brands/Trademarks 10%
- Microsoft Dynamics Navision licenses 20%.
- Long-term licenses / User rights 20%.

Intangible assets with finite useful lives are amortized systematically over their estimated useful lives and amortisation begins when the assets are available for use. Carrying amount is tested for recoverability in accordance with IAS 36, as explained under “impairment of assets” below.

The same criterion is used for long-term licenses for user rights, the amortisation method of which must reasonably and reliably reflect the correlation between costs and income. the Company applies amortisation on a straight-line basis over the contract term and, in any event, over a period not exceeding five years, if the correlation cannot be objectively determined.

The related amortisation is included in depreciation and amortisation in the separate statement of profit and loss.

Equity investments

Equity investments in subsidiaries are recorded at cost as adjusted for impairment.

Any positive difference arising at the time of acquisition from third parties between the purchase cost and the Company’s share of the fair value of equity is included in the carrying amount of the investment.

Equity investments in subsidiaries are tested for impairment in accordance with IAS 36 once a year, or more frequently if necessary. If there is evidence that these investments have been impaired, the related adjustment is duly recognized in profit and loss. If the Company’s share of an investee’s losses exceeds the carrying amount of the equity investment and if the Company is obliged to cover this loss, the carrying amount of the investment is reduced to zero and the Company’s share of the additional losses is recognized as a provision in the statement of financial position. If there is any subsequent indication that an impairment loss may no longer exist or may have decreased, it is reversed in profit and loss up to the cost of the asset.

The profits and losses and assets and liabilities of associated companies are recorded in the financial statements using the equity method, except where the investments have been classified as held for sale.

Under this method, investments in associated companies are initially recognized at cost. The financial statements include the Company share of the profits or losses of the associated companies as recognized using the equity method until the date on which significant influence ends.

In accordance with IFRS 9, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are classified as financial assets held to collect and sell and are measured at fair value, except in situations where fair value cannot be reliably determined: in such cases, the cost method is adopted.

Profits or losses resulting from fair value adjustments are recognized in a specific other comprehensive income reserve until an asset is sold or impaired; when an asset is sold, profits or losses previously recognized in other comprehensive income are reclassified to profit and loss for the period. When an asset is adjusted for impairment, the accumulated loss is recognized in profit and loss under “Interest and financial expenses”.

Impairment of assets

At the reporting date the Company reviews the carrying amount of its tangible and intangible assets and investments in subsidiaries and associates to determine if there are any indicators of impairment. If any such indicators exist, the asset’s recoverable amount is estimated in order to determine the extent of the impairment adjustment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. The value in use of an asset is estimated by discounting estimated future cash flows after taxes to their present value at a discount rate that reflects the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than its carrying amount, it is reduced to the lower recoverable amount. The reversal of an impairment loss is immediately recognized in profit and loss. In particular, the recoverable amount is deemed to be the value in use, when assessing the existence of any impairment losses pertaining to investments in subsidiaries and associates, when these entities are not listed or if a reliable market value (fair value less costs to sell) is not determinable. Value in use is the portion attributable to the Company of the present value of estimated cash flows from operations or dividends to be received from each subsidiary and the amount that is expected to be received from the ultimate disposal of the asset in line with the provisions of IAS 28 and the part of IAS 36 referred to by IAS 28.

When it is no longer necessary to maintain an impairment adjustment, the carrying value of the asset (or cash-generating unit) – except for the goodwill - is increased to the new value based on its estimated recoverable amount; this cannot exceed the net carrying amount the asset would have had if it had never been adjusted for impairment. The reversal of an impairment adjustment is recognized in profit and loss.

Inventories

Inventories of finished goods are recognized at the lower of purchase cost including ancillary expenses and realizable value, as estimated based on market trends. Cost is determined based on specific cost.

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

Receivables and payables

Receivables are measured at amortized cost which coincides with their estimated realizable value. The nominal amount of receivables is brought into line with estimated realizable amount by means of a provision for doubtful accounts, taking account of the specific circumstances of each debtor.

Receivables due from customers involved in insolvency proceedings are written off in full or written down to the extent that ongoing legal action indicates they are partially collectible.

Payables are stated at nominal amount.

Factoring of trade receivables

The Company factors trade receivables on a non-recourse basis with various factoring companies. In accordance with IAS 39, factored assets may be derecognized only when the associated risks and rewards have been substantially transferred. Accordingly, receivables factored without recourse that include provisions limiting the transfer of these risks and rewards at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the separate financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognized in the separate financial statements under other current financial liabilities.

Employee benefits

Employee termination indemnities (*trattamento di fine rapporto* or TFR) - mandatory for Italian companies pursuant to Art. 2120 of the Civil Code - constitute deferred compensation and depend on the employees' period of employment and the amount of compensation received while in the Company's service.

Effective January 1st, 2007, significant changes were made to Italian law governing the TFR. These changes included the choice given to employees to decide where to allocate their TFR entitlement accruing (in supplementary pension schemes or in the "Treasury Fund" managed by the Social Security agency INPS). Thus, the obligation towards INPS and the payments to supplementary pension schemes qualify as defined contribution plans while the amounts remaining in TFR, in accordance with IAS 19, retain their status as defined benefit plans.

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

Current and non-current provisions

The Company creates provisions for risks and charges when it has legal or constructive obligations to third parties whose exact amount and/or timing is uncertain and/or it is probable that the Company will have to employ resources to fulfil the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any increases/decreases in the estimated amount of the liability.

Changes in estimates are recognized in the statement of profit and loss for the period in which the change occurs.

Financial assets and liabilities

Current financial assets, non-current financial assets and current and non-current financial liabilities are recognized in accordance with IFRS 9 – Financial Instruments.

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

Current financial assets and securities are recognized based on their trading date and, upon initial recognition, they are measured at purchase cost including transaction expenses. After initial recognition, financial instruments and securities available for sale are measured at fair value. If no market price is available, the fair value of financial instruments available for sale is measured with the most appropriate valuation techniques e.g. the discounted cash flow method, using market information available at the reporting date.

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

Financial liabilities hedged by derivatives are measured at fair value, according to hedge accounting rules as applicable to fair value hedges: profits and losses from subsequent fair value measurement, due to changes in interest rates and/or exchange rates, are recognized in profit and loss and offset by the effective portion of the loss or profit deriving from the subsequent fair value measurement of the instrument hedged.

Financial assets measured at fair value through profit and loss

In accordance with IFRS 9 this category includes the following cases:

- financial assets specifically held for trading purposes;
- financial assets to be considered at fair value since their data of purchase.

On initial recognition, financial assets held for trading are measured at fair value, without adding directly attributable transaction costs or income that are recognized in profit and loss.

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

Profits or losses on financial assets measured at fair value through profit and loss are immediately recognized in profit and loss.

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

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

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

Derivative financial instruments

The new hedge accounting requirements of IFRS 9 have confirmed the existence of three types of hedging. Nonetheless, greater flexibility has been introduced with regard to the types of transaction that qualify for hedge accounting. Specifically, the types of instrument that qualify as hedging instruments and the types of risk components relating to non-financial elements that are eligible for hedge accounting have been extended. Moreover, the effectiveness test has been replaced with an “economic relationship” principle. Also, the retrospective determination of the effectiveness of the hedge is no longer required.

IFRS 9 requires that income and expenses resulting from hedges be recognized as adjustments to the initial carrying amount of the hedged non-financial items (basis adjustments). Moreover, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments in terms of IAS 1 Presentation of Financial Statements. Hedging income and losses subject to basis adjustments are classified as amounts that will not subsequently be recycled through profit (loss) for the year or in other items of comprehensive income. This is consistent with the practice followed by the Group prior to adoption of IFRS 9.

As in prior years, when a forward contract is used in a cash flow hedge or a fair value hedge relationship, the Group has designated the change in the fair value of the entire forward contract, including forward points, as a hedging instrument.

When option contracts are used to hedge highly probable, planned operations, the Group designates only the intrinsic value of the options as a hedging instrument. Under IAS 39, changes in the fair value of the time value of the option (the part not designated) were immediately recorded in profit (loss) for the period. Under IFRS 9, changes in the time value of options relating to the hedged item are recognized as other items of comprehensive income and accumulated in the hedging reserve in equity. Amounts accumulated in equity are either recycled in profit (loss) for the period when the hedged item affects profit (loss) for the period or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting treatment relating to the non-designated time value of an option be

applied retrospectively. This applies solely to hedging relationships that existed as at July 1st, 2018.

When derivative financial instruments meet the conditions for hedge accounting, they are accounted for as follows:

- *Fair value hedge* – If a derivative financial instrument is designated as a hedge against changes in the fair value of a recognized asset or liability attributable to a particular risk that may affect profit and loss, the gain or loss arising from subsequent fair value measurement of the hedge is recognized in profit and loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognized in profit and loss.
- *Cash flow hedge* – If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable and could affect profit and loss, the effective portion of the gain or loss on the financial instrument is recognized directly in equity. The cumulative gain or loss is transferred from equity to profit and loss in the same period in which the hedged transaction is recognized. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit and loss. If a hedge or a hedging relationship is closed, but the hedged transaction has not yet taken place, the gains or losses recognized up to that time in equity are reclassified to profit and loss as soon as the transaction occurs. If the hedged transaction is no longer deemed probable, the profits or losses not yet realized that have been accounted for in equity are immediately recognized in profit and loss.

If hedge accounting cannot be applied, the profits or losses arising from the fair value measurement of the derivative financial instrument are recognized immediately in profit and loss as interest income/expense or financial income/expense.

Treasury shares

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

Revenue

On May 28th, 2014, the IASB published IFRS 15 – Revenue from Contracts with Customers. The standard establishes a new revenue recognition model providing for:

- identification of the contract with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract;
- revenue recognition criteria when the entity satisfies each performance obligation.

Accordingly, revenues from sales of goods and purchase costs are measured at the fair value of the consideration received or due, taking account of the amount of any returns, bonuses, trade discounts and volume-related rewards.

Revenues are recognized when the obligation to transfer the goods to the customer is fulfilled and the amount of the revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognized as a revenue recognition at the same time as the sale is recognized.

Goods are transferred when the counterparty acquires control of them i.e. when it is able to decide on the use of the asset and to enjoy the benefits. In the case of retail sale, transfer generally occurs at the time of delivery of the goods and upon payment of the consideration by the end consumer. In the case of wholesale sales, transfer normally occurs when the goods arrive at the customer's warehouse.

Revenue and costs relating to services are recognized based on the state of completion of the service at the reporting date. The state of completion is determined based on an assessment of the work done. When the services under a single contract are rendered in more than one reporting period, the consideration is allocated to the various services based on their fair value.

When the Group acts as agent rather than as principal in a sales transaction, the revenue recognized is equal to the Group's net commission.

Chargebacks to third parties of costs incurred on their account are recorded as reductions to the related cost.

Costs

Costs and other operating expenses are recognized when incurred in accordance with the accrual and matching principles, when they do not produce future economic benefits, or when those benefits do not qualify for recognition as assets.

Advertising costs are recognized upon receipt of the service.

Cost of sales

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

Changes in inventories refer to the change in the period in the gross amount of period end inventories, net of the change in provisions for inventory obsolescence.

Dividends received

Dividends received from investee companies are recognized when the right to receive payment is established, provided they derive from the allocation of profits earned subsequent to the acquisition of the investee. Such dividends are deducted from the carrying amount of the equity investment, if they derive from the distribution of reserves generated prior to acquisition.

Interest income and expenses

Interest income and expenses are recognized on an accrual basis and shown separately in the statement of profit and loss without being offset against each other.

Current tax

Income tax includes all taxes computed on the Company's taxable income. Income tax is generally recognized in profit and loss, except when it pertains to items debited or credited directly to equity, in which case the tax effect is recognized directly in equity.

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

Deferred tax

Deferred tax is calculated in accordance with the balance sheet liability method. It is calculated on all temporary differences between the accounting and tax value of an asset or liability, with the exception of non-deductible goodwill and differences deriving from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Deferred tax assets on tax losses and unused tax credits available for carry forward are recognized to the extent of the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are computed using the tax rates expected to be in force when the temporary differences are likely to be realized or reversed.

They are classified as non-current assets and liabilities, regardless of the estimated year of use.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the number of shares outstanding, excluding treasury shares. Diluted earnings per share is equal to basic earnings per share as no financial instruments convertible to shares were in issue during the period.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated at the exchange rate in force on that date. Exchange gains and losses generated by the settlement of monetary items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognized in profit and loss.

New accounting standards

Accounting standards, amendments and IFRS interpretations applied from July 1st, 2020

The accounting standards, amendments and IFRS interpretations adopted by the Group in the financial statements for the annual reporting period commencing on July 1st, 2020 are indicated below:

- On May 28th, 2020, the IASB published an amendment called “***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***”. The document provides for the lessees the right to account for the reduction in rents connected to Covid-19 without having to assess, through the analysis of the contracts, whether the IFRS 16 definition of lease modification is respected. Therefore, the lessees who apply this right will be able to record the effects of the reductions in rent directly in the statement of profit and loss on the effective date of the reduction. This amendment applies to financial statements starting on June 1st, 2020. The adoption of this amendment did not have any effects on the Company’s financial statements;
- On March 31st, 2020, the IASB published an amendment called “***Covid-19-Related Rent Concessions beyond June 30th, 2021 (Amendments to IFRS 16)***”. The amendment extends the application of the above mentioned “***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***” by one year. This amendment enters into force starting April June 1st, 2021 and early adoption is allowed. The adoption of this amendment did not have any effects on the Company’s financial statements;
- On May 28th, 2020 the IASB published an amendment called “***Extension of the Temporary exemption from Applying IFRS 9 (Amendments to IFRS 4)***”. The amendments allows to extend the temporary exemption from the application of IFRS 9 until January 1st, 2023 for insurance. The adoption of this amendment did not have any effects on the Company’s financial statements;
- On August 27th, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document “***Interest Rate Benchmark Reform — Phase 2***” which contains amendments to the following standards:
 - IFRS 9 *Financial Instruments*;
 - IAS 39 *Financial Instruments: Recognition and Measurement*;
 - IFRS 7 *Financial Instruments: Disclosures*;
 - IFRS 4 *Insurance Contracts*; and
 - IFRS 16 *Leases*.

All the aforementioned amendments entered into force on July 1st, 2021. The adoption of this amendment did not have any effects on the Company’s financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatorily applicable and not adopted early by the Group at June 30th, 2021

On May 14th, 2020, the IASB published the following amendments called:

- **Amendments to IFRS 3 Business Combinations:** the amendments are intended to update the IFRS 3 reference to the Conceptual Framework in the revised version, without entailing changes to the provisions of IFRS 3;
- **Amendments to IAS 16 Property, Plant and Equipment:** the amendments are intended to disallow the amount received from the sale of goods produced in the test phase of the activity to be deducted from the cost of tangible assets. These sales revenues and the related costs will therefore be recognized in the statement of profit and loss;
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that in the estimate of the possible cost of a contract, all costs directly attributable to the contract must be considered. Consequently, the evaluation of the possible cost of a contract includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid as it has stipulated the contract (such as, for example, the share of the cost of personnel and depreciation of the machinery used for the fulfillment of the contract);
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments will come into force starting January 1st, 2022. The directors do not expect a significant effect on the Company's separate financial statements from the adoption of these amendments.

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

At the reporting date, the competent European Union bodies had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On January 23rd, 2020 the IASB published an amendment called “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The document clarifies how to classify debts and other short/long term liabilities. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not expect a significant effect on the Company's financial statement from the adoption of this amendment;
- On February 12th, 2021 the IASB published two amendments called “**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**” and “**Definition of Accounting Estimates—Amendments to IAS 8**”. The amendments improve the disclosure of accounting policies as to provide more useful information to the investors, and help companies

distinguish changes in accounting estimates from changes in accounting policies. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment;

- On May 7th, 2021 the IASB published an amendment called “***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***”. The document clarifies how deferred taxes on transactions that can generate assets and liabilities of the same amount must be accounted for, such as leasing and dismantling obligations. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not expect a significant effect on the Company's financial statement from the adoption of this amendment.

3. DISCRETIONARY JUDGMENT AND SIGNIFICANT ESTIMATES

Discretionary judgment

Preparation of the separate financial statements at June 30th, 2021 and the notes thereto required the use of discretionary judgment in order to make estimates and assumptions with an effect on the carrying amount of assets and liabilities recognized in the consolidated financial statements and on disclosures relating to contingent assets and liabilities as at the reporting date. These judgements are made on the basis of short- and medium/long-term forecasts that are constantly updated and approved by the Board of Directors prior to the approval of all financial reports.

Estimates are based on figures that reflect current available knowledge. They are periodically reviewed, and the effects are reflected in profit and loss. Actual results may differ, even significantly, from these estimates due to changes in the factors considered when formulating them. Estimates are used, in particular, to recognize provisions for doubtful accounts and for the measurement of inventories, depreciation and amortisation, equity investments, asset impairment, employee benefits, deferred taxes and other provisions and allowances.

The main sources of uncertainty when making estimates regarded the recoverable amount of intangible assets, credit risk, inventory impairment, employee benefits, provisions, revenue adjustments, royalties and deferred tax estimates.

Credit risk

There are no particular risk assessment issues with regard to trade receivables as it is the Company policy not to exceed credit insurance limits for individual customers/debtors.

Recoverable amount of equity investments

Equity investments are adjusted for impairment whenever events or a change in circumstances indicate that their carrying amount is no longer recoverable. Events that may potentially require an impairment adjustment to an equity investment include changes in the strategic plan and changes in market prices that lead to a poorer operational performance and reduce the subsidiaries' capacity to generate dividends. Measurement of the recoverable amount of equity investments is performed using estimates of expected cash flows and appropriate discount rates to calculate present value. Therefore, it is based on a set of hypothetical assumptions relating to future events and actions by the Directors of subsidiaries that may not necessarily occur in the manner and within the timescale forecasted.

Measurement of inventories

The Company measures inventories on a quarterly basis, in light of the rapid obsolescence of its products. Impairment adjustments may be recorded in relation to individual products whose market value is lower than their historical cost. In order to make these estimates, the Company uses revenue forecasts, as periodically produced by the sales department. Any differences identified between the market value of a product held in inventory, taking account of its price category and historical cost, are recognized in profit

and loss in the period they come to light.

Employee benefits

Estimating employee termination indemnities is made more complex by the fact that it requires an assessment of the future cash outflows that may arise as a result of employees' voluntary and involuntary departure, in relation to their seniority and the revaluation rates these benefits enjoy by the Law.

The TFR (employee termination indemnity system) underwent significant change during the year ended June 30th, 2006. Estimating the liability remains complex because a residual portion of indemnities has remained with the Company. The Company makes its estimate with assistance from an actuary in order to determine the necessary parameters.

Following the approval of the "2016-2026 Stock Option Plan", an actuarial measurement was required. An independent professional was appointed to perform the measurement.

Deferred tax

Deferred tax is calculated based on the asset-liability method. It is calculated on all temporary differences emerging between the taxable base of an asset or a liability and the corresponding statutory amount, except for goodwill not deductible for tax purposes and differences resulting from investments in subsidiaries which are not expected to reverse in the foreseeable future.

Deferred tax assets on tax losses and tax credits not used but available for carry forward are recognized to the extent that it is probable that future taxable income against which they can be recovered will be generated. Deferred tax assets and liabilities are determined using the tax rates expected to be applicable in the periods when the temporary differences will be realized or extinguished.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, irrespective of the period in which they are expected to be used.

4. ANALYSIS OF THE SEPARATE FINANCIAL STATEMENT AT JUNE 30TH, 2021

The separate financial statement at June 30th, 2021 is set out below together with comparative figures at June 30th, 2020:

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	6,576	7,273	(697)	-9.6%
2	Investment property	0	0	0	0.0%
3	Intangible assets	163	196	(33)	-16.6%
4	Equity investments	29,416	23,635	5,781	24.5%
5	Non-current receivables and other assets	4,868	6,542	(1,674)	-25.6%
6	Deferred tax assets	31	613	(582)	-95.0%
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	59,894	55,510	4,384	7.9%
	Current assets				
8	Inventories	1,494	1,987	(493)	-24.8%
9	Trade receivables	893	1,866	(973)	-52.2%
10	Receivables from subsidiaries	27,094	14,455	12,639	87.4%
11	Tax receivables	590	2,221	(1,631)	-73.4%
12	Other current assets	524	5,301	(4,777)	-90.1%
13	Cash and cash equivalent	1,038	858	180	20.9%
14	Other current financial assets	0	0	0	n.m.
	Total current assets	31,633	26,688	4,945	18.5%
	TOTAL ASSETS	91,527	82,198	9,329	11.4%
	Capital and reserves				
15	Share capital	(5,704)	(5,704)	0	0.0%
16	Reserves	(22,865)	(20,886)	(1,979)	9.5%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(26,772)	(20,478)	(6,294)	30.7%
	Total Net equity	(55,341)	(47,068)	(8,273)	17.6%
	Non-current liabilities				
19	Employee benefits	(391)	(429)	38	-8.9%
20	Non-current provisions	(81)	(81)	0	0.0%
21	Other non-current payables and liabilities	(505)	(469)	(36)	7.8%
22	Non-current financial liabilities	(7,549)	(4,941)	(2,608)	52.8%
	Total non-current liabilities	(8,526)	(5,920)	(2,606)	44.0%
	Current liabilities				
22	Trade payables	(1,444)	(2,026)	582	-28.7%
23	Payables to subsidiaries	(16,437)	(13,646)	(2,791)	20.5%
24	Taxes payables	(5,421)	(159)	(5,262)	n.m.
25	Short term provisions	0	0	0	n.m.
26	Other current liabilities	(957)	(1,205)	248	-20.5%
27	Current financial liabilities	(3,401)	(12,174)	8,773	-72.1%
	Total net working capital	(27,660)	(29,210)	1,550	-5.3%
	TOTAL LIABILITIES	(36,186)	(35,130)	(1,056)	3.0%
	TOTAL NET EQUITY AND LIABILITIES	(91,527)	(82,198)	(9,329)	11.4%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment decreased from Euro 7,273 thousand to Euro 6,576 thousand:

Euro Thousands	July 1 st , 2020	Additions	Disposals	Deprec'n	Use of accum. dep'n	June 30 th , 2021
Industrial buildings	6,254	0	0	(679)	0	5,575
Land	635	0	0	0	0	635
Plant and machinery	137	57	0	(52)	0	142
Other assets	247	55	(46)	(78)	46	224
Leasehold improvements	0	0	0	0	0	0
Total	7,273	112	(46)	(809)	46	6,576

Euro Thousands	July 1 st , 2019	Additions	Disposals	Deprec'n	Use of accum. dep'n	June 30 th , 2020
Industrial buildings	2,031	4,902	0	(679)	0	6,254
Land	635	0	0	0	0	635
Plant and machinery	136	62	0	(61)	0	137
Other assets	14	276	(102)	(43)	102	247
Leasehold improvements	1	0	0	(1)	0	0
Total	2,817	5,240	(102)	(784)	102	7,273

Property, plant and equipment – except for land - is depreciated over the useful life of each individual asset.

Industrial building at June 30th, 2021 included:

Euro thousand	
Trezzano sul Naviglio warehouse	1,442
Via Labus (Milan) offices	392
Application of IFRS 16 to Via Tortona (Milan) offices	3,741
Total	5,575

Additions for the period to industrial and commercial equipment amounted to Euro 57 thousand and mainly related to office furniture and office automation equipment. Meanwhile, additions of Euro 55 thousand to other assets regard the purchase of one car under finance leases.

Changes to the gross carrying amount of property, plant and equipment and accumulated depreciation, in the current year and in the previous year, were as follows:

Current reporting period*Gross amount of property, plant and equipment*

Euro Thousands	July 1st, 2020	Additions	Disposals	June 30th, 2021
Industrial buildings	8,160	0	0	8,160
Land	635	0	0	635
Plant and machinery	2,305	57	0	2,362
Other assets	1,513	55	(46)	1,522
Leasehold improvements	317	0	0	317
Total	12,930	112	(46)	12,996

Accumulated depreciation

Euro Thousands	July 1st, 2020	Additions	Disposals	June 30th, 2021
Industrial buildings	(1,906)	(679)	0	(2,585)
Land	0	0	0	0
Plant and machinery	(2,168)	(52)	0	(2,220)
Other assets	(1,266)	(78)	46	(1,298)
Leasehold improvements	(317)	0	0	(317)
Total	(5,657)	(809)	46	(6,420)

Previous reporting period*Gross amount of property, plant and equipment*

Euro Thousands	July 1st, 2019	Additions	Disposals	June 30th, 2020
Industrial buildings	3,258	4,902	0	8,160
Land	635	0	0	635
Plant and machinery	2,243	62	0	2,305
Other assets	1,339	276	(102)	1,513
Leasehold improvements	317	0	0	317
Total	7,792	5,240	(102)	12,930

Accumulated depreciation

Euro Thousands	July 1st, 2019	Additions	Disposals	June 30th, 2020
Industrial buildings	(1,227)	(679)	0	(1,906)
Land	0	0	0	0
Plant and machinery	(2,107)	(61)	0	(2,168)
Other assets	(1,325)	(43)	102	(1,266)
Leasehold improvements	(316)	(1)	0	(317)
Total	(4,975)	(784)	102	(5,657)

The Company's property, plant and equipment are unburdened by liens, mortgages or other securities.

3. Intangible assets

All of the intangible assets recognized by the Company have finite useful lives. No intangible assets have been recorded in connection with internal development costs and business combinations.

Intangible assets have recorded a net decrease of Euro 33 thousand following the amortisation of Euro 132 thousand. The following table shows movements for the current reporting period and the previous reporting period by asset:

Euro Thousands	July 1st, 2020	Additions	Disposals	Amort'n	June 30th, 2021
Concessions and licenses	168	94	0	(124)	138
Trademarks and similar rights	6	0	0	(1)	5
Other intangible assets	22	5	0	(7)	20
Total	196	99	0	(132)	163

Euro Thousands	July 1st, 2019	Additions	Disposals	Amort'n	June 30th, 2020
Concessions and licenses	233	80	0	(145)	168
Trademarks and similar rights	3	4	0	(1)	6
Other intangible assets	20	7	0	(5)	22
Total	256	91	0	(151)	196

Concessions and licenses increased by Euro 94 thousand over the reporting period mainly because of expenditure on ERP systems.

Movements on intangible assets and accumulated amortisation in the current and previous reporting periods were as follows:

Current reporting period

Gross amount of intangible assets

Euro Thousands	July 1st, 2020	Additions	Disposals	June 30th, 2021
Concessions and licenses	3,037	94	0	3,131
Trademarks and similar rights	1,518	0	0	1,518
Other intangible assets	101	5	0	106
Total	4,656	99	0	4,755

Accumulated amortisation

Euro Thousands	July 1st, 2020	Additions	Disposals	June 30th, 2021
Concessions and licenses	(2,869)	(124)	0	(2,993)
Trademarks and similar rights	(1,512)	(1)	0	(1,513)
Other intangible assets	(79)	(7)	0	(86)
Total	(4,460)	(132)	0	(4,592)

Previous reporting period

Gross amount of intangible assets

Euro Thousands	July 1st, 2019	Additions	Disposals	June 30th, 2020
Concessions and licenses	2,957	80	0	3,037
Trademarks and similar rights	1,514	4	0	1,518
Other intangible assets	94	7	0	101
Total	4,565	91	0	4,656

Accumulated amortisation

Euro Thousands	July 1st, 2019	Additions	Disposals	June 30th, 2020
Concessions and licenses	(2,724)	(145)	0	(2,869)
Trademarks and similar rights	(1,511)	(1)	0	(1,512)
Other intangible assets	(74)	(5)	0	(79)
Total	(4,309)	(151)	0	(4,460)

At the reporting date, there were no intangible assets with an indefinite useful life.

4. Equity investments

Equity investments amounted to Euro 29,416 thousand and increased by Euro 5,335 thousand compared to the prior year.

The following table contains details of equity investments at June 30th, 2021, together with comparatives at June 30th, 2020:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
505 Games S.p.A.	10,100	10,100	0
Game Service S.r.l.	85	85	0
Digital Bros Game Academy S.r.l.	207	207	0
Game Network S.r.l.	(40)	(24)	(16)
Digital Bros Game China	100	100	0
Digital Bros Holdings Ltd.	125	125	0
133 W Broadway Inc.	(228)	(228)	0
Kunos Simulazioni S.r.l.	4,676	4,676	0
Digital Bros Asia Pacific Ltd.	100	100	0
Rasplata BV	2,008	2,008	0
AvantGarden S.r.l.	495	495	0
Seekhana Ltd.	503	503	0
Supernova Games Studios S.r.l.	100	0	100
Chrysalide Jeux et Divertissement Inc.	0	0	0
Total subsidiaries	18,231	18,147	84
Starbreeze AB – A Shares	7,635	3,676	3,959
Starbreeze AB – B Shares	3,097	1,363	1,734
Investment in Unity Software Inc.	171	167	4
Investment in Noobz PL Sp.	282	282	0
Total other equity investments	11,185	5,488	5,697
Total equity investments	29,416	23,635	5,781

Digital Bros Game Academy's, Game Network S.r.l.'s and 133 W Broadway Inc.'s book values are net of the provisions for impairment losses of equity investments. Respectively, they amounted to Euro 93 thousand, Euro 50 thousand and Euro 319 thousand.

Changes in subsidiaries during the year consist of:

- decrease in the value of the investment in Game Network S.r.l. due a Euro 16 thousand operating loss of the subsidiary;
- the establishment of Supernova Games Studios S.r.l..

The increase in other investments is due to:

- purchase/subscription of 35,063,338 Starbreeze AB A shares and 15,156,381 Starbreeze AB B shares for a respective value of Euro 2,653 thousand and Euro 1,008 thousand;
- fair value measurement of the 61,758,625 Starbreeze A shares and the 24,890,329 Starbreeze AB B shares (listed on Nasdaq Stockholm), with allocation to an equity reserve of the difference between the carrying amount and the fair value at June 30th, 2021 as they are financial instruments classified as held to collect and sell, and positive for Euro 2,032 thousand;
- sale of 7,351 of Unity Software Inc.' shares (listed on Nasdaq Composite Index) for Euro 634 thousand realizing a capital gain of Euro 501 thousand and fair value measurement of the 9,211 Unity Software Inc. shares (listed on Nasdaq Composite Index), with allocation of the 1,860 residual shares to an equity reserve of the difference between the carrying amount and the fair value at June 30th, 2021, as they are financial instruments classified as held to collect and sell, and positive for Euro 138 thousand.

At the reporting date, the carrying amount of equity investments compared with the Group's share of the equity was as follows:

Name	Location	Carrying amount a	Capital b	Pro-rata share of equity c	Result for the year	Change d=c-a
505 Games S.p.A.	Milan	10,100	10,000	45,733	14,790	35,633
Game Service S.r.l.	Milan	85	50	173	(10)	88
Digital Bros Game Academy S.r.l.	Milan	207	300	152	(55)	(55)
Game Network S.r.l.	Milan	(40)	10	(40)	(16)	0
Digital Bros China (Shenzhen) Ltd.	Shenzhen	100	100	116	10	16
Digital Bros Holdings Ltd.	Milton Keynes	125	125	107	(1)	(18)
133 W Broadway Inc.	Eugene	(228)	90	(220)	(4)	8
Kunos Simulazioni S.r.l.	Rome	4,676	10	9,039	6,256	4,363
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	100	100	144	28	44
AvantGarden S.r.l.	Milan	495	100	450	(56)	(45)
Supernova Games Studios S.r.l.	Milan	100	100	(42)	(142)	(142)
Rasplata BV	Amsterdam	2,008	2	836	(215)	(1,172)
Seekhana Ltd.	Milton Keynes	503	840	524	(2)	21
Chrysalide Jeux et Divertissement Inc.	Québec City	0	0	(8)	(10)	(8)
Total subsidiaries		18,231				

All of the subsidiaries are 100% owned except for Rasplata BV, Seekhana Ltd and Chrysalide Jeux et Divertissement Inc. which respectively are 60% and 75% owned.

No impairment adjustment has been made to the investment in Rasplata BV. as its medium/long-term business plan suggests that there is no permanent impairment.

No impairment adjustment has been made to the investment in Supernova Games Studios S.r.l., as its medium/long-term business plan suggests that there is no permanent impairment. The Company will make

use of art. 6, paragraph 3, of the Liquidity Decree which provides that the Shareholders' Meeting may postpone these decisions until the fifth subsequent financial year as an alternative to the immediate reduction of the share capital and the simultaneous increase of the same to an amount not less than the legal minimum.

5. Non-current receivables and other assets

Non-current receivables and other assets amounted to Euro 4,868 thousand and decreased by Euro 1,674 thousand compared to June 30th, 2020:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Receivable for sale of Pipeworks Inc.	0	4,770	(4,770)
Receivable from Starbreeze AB	4,227	1,132	3,095
Guarantee deposit – rental of offices in Via Tortona, Milan	635	635	0
Other guarantee deposits	6	5	1
Total non-current receivables and other assets	4,868	6,542	(1,674)

As at June 30th, 2021, they included a receivable of Euro 4,227 thousand from Starbreeze AB that was purchased from 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 June 30th, 2021, the amount has been restated at the positive amortized cost of Euro 3,094 thousand. The receivable forms part of the Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed with the District Court in Sweden – in any case, not later than December 2024.

The non-current receivables and other assets decrease is determined by the full collection of the receivable for the sale of the Pipeworks Inc.. At June 30th, 2020, the portion of the total receivable of USD 10 million deriving from the sale of the American subsidiary had a maturity of more than twelve months, but was fully collected in October 2020, in advance of the contractual deadline.

The remaining balance of Euro 641 thousand consists entirely of guarantee deposits paid in respect of contractual obligations. The largest deposit is the amount of Euro 635 thousand paid to Matov Imm. S.r.l. as a deposit for the rental of the Company's headquarters in Via Tortona 37, Milan.

6. Deferred tax assets

At June 30th, 2021, deferred tax assets amounted to Euro 31 thousand and decreased by Euro 582 thousand compared to June 30th, 2020. The balance includes IRES deferred tax assets of Euro 26 thousand and IRAP deferred tax assets of Euro 5 thousand.

Deferred tax assets are calculated on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The rate applied for IRES purposes was 24%.

The following table provides details of temporary differences at June 30th, 2021 and June 30th, 2020:

Description	Temporary differences at June 30 th , 2020	Changes in temporary differences in the year	Temporary differences at June 30 th , 2021
Taxed provision for bad debts	648	0	648
Directors' emoluments not relating to period	257	65	322
TFR/Employee termination indemnity	100	0	100
Inventory obsolescence provision	197	(103)	94
Reserve for write-down of securities	1,058	(2,170)	(1,112)
Reserve for application of IFRS 9	242	(237)	5
Other	21	33	54
Total	2,523	(2,412)	111

The following table shows the calculation of deferred tax assets for IRES purposes at June 30th, 2021:

Description	Temporary differences at June 30 th , 2021	Deferred tax assets for IRES purposes at June 30 th , 2021 ^(a)
Taxed provision for bad debts	648	156
Directors' emoluments not relating to period	322	77
TFR/Employee termination indemnity	100	24
Inventory obsolescence provision	94	23
Reserve for write-down of securities	(1,112)	(267)
Reserve for application of IFRS 9	5	1
Other	54	13
Total	111	26

^(a) Calculated as 24% of temporary differences.

CURRENT ASSETS

At June 30th, 2021, the Company had no receivables or payables with a residual duration of more than five years and no payables were secured on the Company's assets. Exchange rate fluctuation since the reporting date has not had any significant effect. Moreover, there were no receivables or payables linked to repurchase agreements.

The following table contains a geographical breakdown of the items included in Total current assets at June 30th, 2021:

	Euro Thousands	Italy	EU	Non-EU	Total
8	Inventories	1,494	0	0	1,494
9	Trade receivables	879	0	14	893
10	Receivables from subsidiaries	18,172	6,957	1,965	27,094
11	Tax receivables	590	0	0	590
12	Other current assets	524	0	0	524
13	Cash and cash equivalents	1,038	0	0	1,038
	Total current assets	22,697	6,957	1,979	31,633

8. Inventories

Inventories consist of finished products for resale. Inventories decreased by Euro 493 thousand, from Euro 1,987 thousand to Euro 1,494 thousand as at June 30th, 2021, in line with the decline of retail distribution revenues.

9. Trade receivables

Changes in trade receivables compared to the prior year are as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Trade receivables - Italy	1,635	2,400	(765)
Trade receivables - Other EU	14	222	(208)
Trade receivables - Rest of the world	0	0	0
Provision for doubtful debts	(756)	(756)	0
Total trade receivables	893	1,866	(973)

At June 30th, 2021, trade receivables amounted to Euro 893 thousand, a decrease of Euro 973 thousand compared to Euro 1,866 thousand at June 30th, 2020. The Company's trade receivables are primarily due from Italian customers.

The balance is stated net of the provision for doubtful debts. Trade receivables are stated net of an estimate of credit notes that the Company expects to have to issue for price repositioning or returns.

The provision for doubtful debts amounted to Euro 756 thousand, unchanged as at June 30th, 2020. The provision is estimated based on a detailed analysis of each trade receivable balance in order to assess its recoverability. It also takes account of application of the new IFRS 9.

The following table contains a breakdown of trade receivables at June 30th, 2021 by due date, together with comparative figures at June 30th, 2020:

Euro Thousands	June 30th, 2021	% on total	June 30th, 2020	% on total
Current	687	77%	1,797	96%
0 - 30 days overdue	94	11%	0	0%
30 - 60 days overdue	0	0%	6	0%
60 - 90 days overdue	2	0%	7	1%
> 90 days overdue	110	12%	56	3%
Total trade receivables	893	100%	1,866	100%

10. Receivables from subsidiaries

Receivables from subsidiaries amounted to Euro 27,094 thousand, increasing by Euro 12,639 thousand compared to June 30th, 2020.

Receivables from subsidiaries at June 30th, 2021 and at June 30th, 2020 are analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
505 Games S.p.A.	11,185	0	11,185
Rasplata BV	6,944	1,005	5,939
Game Entertainment S.r.l.	2,825	5,024	(2,199)
505 Mobile S.r.l.	2,412	4,426	(2,014)
505 Games Australia Pty Ltd.	1,522	0	1,522
Kunos Simulazioni S.r.l.	464	1,544	(1,080)
Avantgarden S.r.l.	460	242	218
Game Network S.r.l.	454	446	8
Game Service S.r.l.	353	340	13
133 W Broadway Inc.	248	259	(11)
Chrysalide Jeux et Divertissement Inc.	166	0	166
505 Games Japan KK	29	0	29
Supernova Games Studios S.r.l.	19	0	19
505 Games France S.a.s.	13	593	(580)
Hawken Entertainment Inc.	0	576	(576)
Total receivables from subsidiaries	27,094	14,455	12,639

The most significant increases relate to 505 Games S.p.A. and Rasplata BV.

Based on medium/long-term business plans, the Company believes that all receivables from subsidiaries are recoverable.

11. Tax receivables

At June 30th, 2021, tax receivables amounted to Euro 590 thousand and decreased by Euro 1,631 thousand compared to a balance of Euro 2,221 thousand at June 30th, 2020.

Tax receivables at June 30th, 2021 and at June 30th, 2020 are analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Receivable under domestic tax group arrangement	0	1,767	(1,767)
IRES rebate receivable	120	120	0
VAT receivable	421	132	290
Other receivables	49	203	(154)
Total tax receivables	590	2,221	(1,631)

The decrease in the receivable under the domestic tax group arrangement is due to the higher taxable income of the Italian companies which made it possible to offset tax credits.

The IRES rebate receivable relates to the deductibility of IRAP on payroll costs.

12. Other current assets

Other current assets decreased from Euro 5,201 thousand at June 30th, 2020 to Euro 524 thousand at June 30th, 2021. The balance may be analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Insurance refunds receivable	1	1	0
Receivables from suppliers	337	349	(12)
Advances to employees	107	111	(4)
Other receivables	79	70	9
Receivable for the sale of Pipeworks Inc.	0	4,770	(4,770)
Total other current assets	524	5,301	(4,777)

The receivables for the sale of Pipeworks Inc. was nullified following the collection of the USD 10 million receivable deriving from the sale of the American subsidiary.

SHAREHOLDERS' EQUITY

The shareholders' equity at June 30th, 2021 was analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Share capital	5,704	5,704	0
Legal reserve	1,141	1,141	0
Share premium reserve	18,486	18,486	0
IFRS adoption reserve	(142)	(142)	0
Reserve for actuarial gains and losses	(90)	(91)	1
Reserve for measurement of securities	845	(804)	1,649
Stock option reserve	2,625	2,296	329
Retained earnings	19,034	21,446	(2,412)
Application of IFRS 9	(695)	(695)	0
Profit/(Loss) for the year	8,433	(273)	8,707
Total shareholders' equity	55,341	47,068	8,273

Detailed movements on equity are shown in the statement of changes in equity. The following table contains a summary of these movements:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Opening equity	47,068	47,539	(471)
Application of IFRS 9	0	0	0
Distribution of dividends	(2,139)	0	(2,139)
Change in treasury shares	0	0	0
Actuarial gains (losses)	1	9	(8)
Change in reserve for measurement of securities	1,649	(538)	2,187
Stock option reserve	329	331	(2)
Other changes	0	0	0
Profit/(Loss) for the year	8,433	(273)	8,707
Closing equity	55,341	47,068	8,273

Share capital at June 30th, 2021 is unchanged compared to June 30th, 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 thousand.

There are no rights, liens or restrictions associated with the ordinary shares.

The Euro 329 thousand increase in the Stock option plan reserve regards the amount relating to the period for the "Stock option plan 2016-2026". The plan rules are available on the Company website.

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

At the date of approval of the financial statements, no dividends had already been approved but not yet paid. The Company has not issued any shares with dividend rights, convertible bonds, or securities of a similar nature.

NON-CURRENT LIABILITIES

19. Employee benefits

“Employee benefits” reflects the actuarial value of the Company’s liability towards employees, as calculated by an independent actuary. It decreased by Euro 38 thousand compared to the prior year.

The IAS 19 actuarial measurement at June 30th, 2021 was performed using a discount rate based on the Iboxx Corporate A 10y+ index, in line with the rate used at the previous reporting date. Use of a discount rate based on the Iboxx Corporate AA index would not have made a significant difference.

The calculation method can be summarized as follows:

- for each employee on the payroll, projection of the termination indemnity already provided for at December 31st, 2006 and revalued as of the measurement date;
- calculation for each employee of the probable termination indemnity that the Company will have to pay in the event of the employee's leaving due to dismissal, resignation, disability, death or retirement and in the event of requests for advances;
- discounting of each probable payment to present value.

The estimate is based on Digital Bros S.p.A.’s reporting date headcount of 45 employees.

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

- annual rate of interest of 0.92%;
- annual rate of real increase in remuneration of 2.1%;
- annual rate of inflation of 0.80%.

The following table shows movements on the provision for employee termination indemnities in the reporting period and in the previous reporting period:

Euro Thousands	June 30th, 2021	June 30th, 2020
Provision for employee termination indemnities at 1 July 1st, 2020	429	436
Employees transferred to 505 Games S.p.A.	(32)	0
Utilization of provision for payments to leavers	(5)	0
Allocations to provision in the year	139	149
Measurement of supplementary pension schemes	(139)	(144)
Actuarial measurement	(1)	(12)
Provisions for employee termination indemnities at June 30th, 2021	391	429

The Company is not party to any supplementary pension funds.

20. Non-current provisions

These consist entirely of the agents' termination indemnity provision. The balance of Euro 81 thousand at June 30th, 2021 is unchanged compared to June 30th, 2020.

21. Other non-current payables and liabilities

At June 30th, 2021 other non-current payables and liabilities amounted to Euro 505 thousand and included the Euro 926 thousand estimated cost of the 2021-2027 Medium-Long Term Monetary Incentives Plan approved by the Shareholders' Meeting in June 2021.

At June 30th, 2021, no other non-current payables and liabilities subsist, as the Euro 469 thousand amount payable for advisory services received by the Parent Company in relation to the disposal of Pipeworks Inc. was settled upon the early collection of the USD 10 million receivable.

CURRENT LIABILITIES

The following table contains a geographical breakdown of the items included in Total current liabilities at June 30th, 2021:

	Euro Thousands	Italy	Other EU	NON-EU	Total
23	Trade payables	(1,173)	(255)	(15)	(1,444)
24	Payables to subsidiaries	(123)	(13,563)	(2,752)	(16,437)
25	Tax payables	(5,421)	0	0	(5,421)
26	Current provisions	0	0	0	0
27	Other current liabilities	(957)	0	0	(957)
28	Current financial liabilities	(3,401)	0	0	(3,401)
	Total current liabilities	(11,075)	(13,818)	(2,767)	(27,660)

23. Trade payables

Trade payables due within a year decreased by Euro 582 thousand and mainly consist of payables for the purchase of video games, trading cards and received services. The balance is analyzed below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Trade payables – Italy	(1,174)	(995)	(179)
Trade payables – Other EU	(255)	(517)	262
Trade payables – Rest of World	(15)	(514)	499
Total trade payables	(1,444)	(2,026)	582

Trade payables – Other EU consist of payables for the purchased of video games.

24. Payables to subsidiaries

Payables to subsidiaries amounted to Euro 16,437 thousand and increased by Euro 2,791 thousand compared to the prior year. They are analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
505 Games Ltd.	(6,330)	(3,079)	(3,251)
505 Games GmbH	(3,084)	(1,790)	(1,294)
DR Studios Ltd.	(2,271)	(1,695)	(576)
505 Games Iberia Slu	(1,770)	(1,265)	(505)
505 Games (US) Inc.	(1,213)	(3,741)	2,528
505 Games Mobile (US) Inc.	(767)	(529)	(238)
505 Games Interactive Inc.	(454)	(329)	(125)
Hawken Entertainment Inc.	(140)	0	(140)
Digital Bros Holdings Ltd.	(107)	(101)	(6)
Digital Bros Asia Pacific (HK) Ltd.	(104)	(79)	(24)
Hook S.r.l.	(77)	0	(77)
Digital Bros China (Shenzhen) Ltd.	(74)	(68)	(6)
Digital Bros Game Academy S.r.l.	(46)	(215)	169
505 Games S.p.A.	0	(754)	754
Total	(16,437)	(13,646)	(2,791)

The most significant increases regard the payables to 505 Games Ltd. and 505 Games GmbH.

25. Tax payables

Tax payables increased by Euro 5,262 thousand from Euro 159 thousand at June 30th, 2020 to Euro 5,241 thousand at June 30th, 2021. They mainly include the debt for the national tax consolidation for Euro 5,104 thousand and the Euro 180 thousand IRAP debt. The residual part includes payables for taxes deducted at source from employees and contract personnel.

26. Current provisions

At June 30th, 2021, there were no current provisions.

27. Other current liabilities

Other current liabilities decreased by Euro 248 thousand from Euro 1,205 thousand at June 30th, 2020 to Euro 957 thousand at June 30th, 2021. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Amounts due to social security institutions	(234)	(251)	17
Amounts due to employees	(659)	(576)	(83)
Amounts due to contract staff	(40)	(36)	(4)
Other payables	(24)	(342)	318
Total other current liabilities	(957)	(1,205)	248

Amounts due to employees include accrued holiday pay and leave of absence not taken by the end of the reporting period, amounts accrued for the future payment of 13th monthly salaries and amounts accrued for the portion of prior period variable remuneration not recognized that relates to the reporting period.

Other current liabilities at June 30th, 2020 included Euro 325 thousand relating to a revision of the original purchase price of the investment in Kunos Simulazioni S.r.l., which was paid during the year.

NET FINANCIAL POSITION

The Company's net financial position at June 30th, 2021 is analyzed in detail below. Comparative figures at June 30th, 2020 are also provided:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change
13	Cash and cash equivalents	1,038	858	180
28	Current financial liabilities	(3,401)	(12,174)	8,773
	Current net financial position	(2,363)	(11,316)	8,953
7	Non-current financial assets	18,840	17,251	1,589
22	Non-current financial liabilities	(7,549)	(4,941)	(2,608)
	Non-current net financial position	11,290	12,310	(1,018)
	Total net financial position	8,927	994	7,935

The net financial position was positive for Euro 8,927 thousand, increasing by Euro 7,935 thousand compared to June 30th, 2020. Net of the IFRS 16 effect, which led to the recognition of a Euro 3,787 thousand financial liability, the net financial position increased amounted to Euro 11,722 thousand.

Current net financial position

The current net financial position is analyzed as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change
13	Cash and cash equivalents	1,038	858	180
28	Current financial liabilities	(3,401)	(12,174)	8,773
	Current net financial position	(2,363)	(11,316)	8,953

13. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 1,038 thousand at June 30th, 2021, an increase of Euro 180 thousand compared to June 30th, 2020. They are unrestricted and consist entirely of current account deposits accessible on demand.

28. Current financial liabilities

Current financial liabilities (or current bank borrowing) consists of advances on invoices and notes receivable, short-term loans and other current financial liabilities for a total amount of Euro 3,401 thousand. Details are as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Bank borrowing – current account overdrafts	0	0	0
Bank borrowing – import and export finance	0	0	0
Bank borrowing – advances on invoices and notes	0	(547)	547
Instalment loans due within a year	(2,777)	(994)	(1,783)
Other current financial liabilities	(624)	(10,633)	10,009
Total current financial liabilities	(3,401)	(12,174)	8,773

Instalment loans amounting to Euro 2,777 thousand comprise the portion with a maturity within 12 months of:

- a Euro 2 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. to sustain working capital and provide financial support; the loan agreement provides for principal repayments in 8 quarterly instalments in arrears between 24/09/2020 and 24/06/2022; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.40 percentage points;
- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the 36 months loan agreement provides for principal repayments in 12 quarterly instalments in arrears between 29/04/2021 and 29/01/2024; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.35 percentage points;
- a Euro 1,375 thousand loan granted by UniCredit S.p.A. to Digital Bros S.p.A. on 28/01/2021 to consolidate existing credit lines and loans for a total of Euro 700 thousand and to develop and implement new investments for the remaining Euro 1,175 thousand. The loan provides for a pre-amortization phase starting from the disbursement date and until 31/01/2022 during which Digital Bros will pay quarterly deferred installments of interest only, and a quarterly capital repayment phase between 30/04/2022 and 31/01/2025; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 percentage points. Against this loan, Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to protect against the risk of interest rate increases for the entire duration of the loan, paying the bank a premium of Euro 14 thousand.

Other current financial liabilities are detailed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Advances on trade receivables factored without recourse	(8)	(21)	13
Lease instalments due within a year	(67)	(63)	(4)
IFRS 16 application	(549)	(549)	0
Liability to Smilegate Holdings	0	(10,000)	10,000
Total current financial liabilities	(624)	(10,633)	10,009

Lease instalments due within a year increased by Euro 4 thousand due to a new contract signed during the year and described in paragraph 22. “Non-current financial liabilities”.

On February 23rd, 2021, Digital Bros S.p.A. fully paid the Euro 10 million debt to Smilegate Holdings relating to the portion of the purchase price of the assets previously held in Starbreeze AB by the Korean company.

7. Non-current financial assets

Non-current financial assets consist entirely of the fair value measurement of the convertible bond 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 Full Year Report. It increased by Euro 1,589 compared to June 30th, 2020.

22. Non-current financial liabilities

Non-current financial liabilities include loans due after more than a year and other non-current financial liabilities for a total of Euro 7,549 thousand. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Loans due after more than a year	(4,191)	(1,006)	(3,185)
Other non-current financial liabilities	(3,358)	(3,935)	577
Total non-current financial liabilities / bank borrowing	(7,549)	(4,941)	(2,608)

At June 30th, 2021, non-current bank borrowing included Euro 4,191 thousand representing the non-current portion of the loan granted to Digital Bros S.p.A., as described above.

Other non-current financial liabilities amount to Euro 3,358 thousand. They include Euro 120 thousand of lease repayments due after more than a year and Euro 3,238 thousand due to application of the new IFRS 16.

Lease liabilities regard:

- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 84 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 8 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th, 2023. Lease instalments due within a year amount to Euro 20 thousand while those due after more than a year total Euro 22 thousand. There is a variable rate of interest of 2.26%;
- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 89 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 9 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th,

2023. Lease instalments due within a year amount to Euro 20 thousand while those due after more than a year total Euro 24 thousand. There is a variable rate of interest of 2.26%;

- two finance lease agreements entered into with BMW Group Segment Financial Services for the purchase of two motor vehicle. Each lease provides for a financed amount of Euro 22 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 2 thousand and a final purchase option of Euro 1 thousand. The finance leases expire on November 11th, 2023. The lease instalments due within a year amount to Euro 4 thousand for both contracts while those due after more than a year total Euro 9 thousand. There is a variable rate of interest of 5.85%;
- a finance lease agreement entered into with Volkswagen Bank for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 58 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 12 thousand and a final purchase option of Euro 21 thousand. The finance lease expires on December 15th, 2024. Lease instalments due within a year amount to Euro 6 thousand while those due after more than a year total Euro 24 thousand. There is a variable rate of interest of 3.99%;
- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 55 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 6 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on June 1st, 2025. Lease instalments due within a year amount to Euro 13 thousand while those due after more than a year total Euro 25 thousand. There is a variable rate of interest of 2.48%.

The following table shows finance and operating lease payments by maturity:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Within 1 year	616	612	4
1-5 years	2,441	2,432	9
More than 5 years	917	1,503	(586)
Total	3,974	4,547	(573)

Below is reported the net financial position as required by the Disclosure Guidelines pursuant to the Prospectus Regulation issued by the European Securities and Markets Authority (ESMA) on March 4th, 2021:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
A.	Net cash/debt	1,038	858	180	20.9%
B.	Cash equivalents to liquid assets	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	1,038	858	180	n.m.
E.	Current financial liabilities (debt instrument included, but current portion of non-current financial liabilities excluded)	0	0	0	0.0%
F.	Current portion of non-current debt	3,401	12,174	(8,773)	-72.1%
G.	Current financial indebtedness (E + F)	3,401	12,174	(8,773)	-72.1%
H.	Net current financial indebtedness (G - D)	2,363	11,316	(8,953)	-79.1%
I.	Non-current financial liabilities (current portion of non-current financial liabilities and debt instruments excluded)	7,549	4,941	2,608	52.8%
J.	Debt instruments	0	0	0	0.0%
K.	Trade payables and other non-current liabilities	0	0	0	0.0%
L.	Non-current financial indebtedness (I + J + K)	7,549	4,941	2,609	52.8%
M.	Net financial indebtedness (H + L)	9,913	16,257	(6,344)	-39.0%

COMMITMENTS AND RISKS

The following table reports Digital Bros S.p.A.'s commitments:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Commitments for undersigned contracts	27,954	28,513	(559)
Commitments for subscription of capital of Starbreeze AB	0	2,395	(2,395)

The increase in commitments for credit mandates in favor of subsidiaries relates to increased guarantees in favor of 505 Games S.p.A..

In September 2020, Digital Bros S.p.A. subscribed the share capital increase of Starbreeze AB.

5. ANALYSIS OF THE SEPARATE STATEMENT OF PROFIT AND LOSS AT JUNE 30TH, 2021

3. Net revenue

Total net revenue decreased by 16% from Euro 11,060 thousand in the prior year to Euro 9,288 thousand in the year ended June 30th, 2020:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change	
Gross sales – Italy	9,523	13,425	(3,902)	-29.1%
Gross sales – Other countries	46	456	(410)	-89.9%
Total gross revenue	9,569	13,881	(4,312)	-31.1%
Total revenue adjustments	(281)	(2,821)	2,540	-90.0%
Total net revenue	9,288	11,060	(1,772)	-16.0%

Gross revenue may be analyzed by geographical area as follows:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change	
Gross revenue – Italy	9,523	13,425	(3,902)	-29.1%
Gross revenue – Other EU	46	456	(410)	-89.9%
Total gross revenue	9,569	13,881	(4,312)	-31.1%

8. Cost of sales

Cost of sales is analyzed as follows:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change	%
Purchases of products for resale	(2,428)	(5,515)	3,087	-56.0%
Change in inventories of finished products	(493)	(1,760)	1,268	-72.0%
Total cost of sales	(2,921)	(7,275)	4,353	-59.8%

More detailed analysis of the individual revenue and cost of sales items is provided in the Full Year Report.

10. Other income

Other income mainly comprises revenue for activities on behalf of the subsidiaries.

11. Costs for services

Costs for services are detailed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Advertising, marketing, trade fairs and exhibitions	(205)	(605)	400	-66.1%
Transport and freight	(84)	(110)	26	-23.8%
Sub-total: sales related services	(289)	(715)	426	-59.6%
Sundry insurance	(63)	(80)	17	-20.6%
Legal and notary fees	(1,460)	(1,252)	(208)	16.6%
Postage and telegraph	(74)	(68)	(6)	8.4%
Travel and subsistence costs	(37)	(209)	172	-82.2%
Utilities	(77)	(115)	38	-32.7%
Maintenance	(67)	(77)	10	-12.6%
Statutory auditors' fees	(74)	(74)	0	0.0%
Sub-total: general services	(1,852)	(1,875)	23	-1.2%
Intercompany services	(221)	(259)	38	-14.6%
Sub-total	(2,073)	(2,134)	61	-2.8%
Total costs for services	(2,362)	(2,849)	487	-17.1%

Costs for services amounted to Euro 2,362 thousand, a decrease of Euro 487 thousand compared to June 30th, 2020 mainly because of lower advertising expenditure for Euro 400 thousand and higher consultancy fees, as a result of greater use of external professional advisors.

12. Lease and rental costs

Lease and rental costs amounted to Euro 134 thousand compared to Euro 125 thousand at June 30th, 2020. At June 30th, 2021 the item included Euro 83 thousand of expenses relating to the rental of the Company's offices and Euro 51 thousand of lease costs for cars and warehouse equipment that do not fall within the scope of application of IFRS 16 because of their modest amount or the short residual duration of the lease.

13. Payroll costs

Payroll costs include agents' commission, directors' fees approved by the Shareholders' Meeting, costs for temporary workers and contract personnel and costs for company cars assigned to employees. They totaled Euro 5,459 thousand, a Euro 569 thousand increase following the implementation of the 2021-2027 Medium-Long Term Monetary Incentives Plan. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Wages and salaries	(2,797)	(2,341)	(456)	19.5%
Social contributions	(933)	(871)	(62)	7.1%
Employee termination indemnity	(140)	(156)	16	-10.5%
Stock option plan	(330)	(330)	0	0.0%
Directors' fees	(1,190)	(1,121)	(69)	6.1%
Agents' commission	(6)	(18)	12	-69.8%
Other payroll costs	(63)	(53)	(10)	18.0%
Total payroll costs	(5,459)	(4,890)	(569)	11.6%

Payroll costs include wages and salaries, social contributions and the employee termination indemnity. They increase by Euro 502 thousand compared to the previous year:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Wages and salaries	(2,797)	(2,341)	(457)	19.5%
Social contributions	(933)	(871)	(62)	7.1%
Employee termination indemnity	(140)	(156)	16	-10.5%
Total payroll costs	(3,869)	(3,367)	(502)	14.9%
Average number of employees	45	48	(3)	-6.3%
Average cost per employee	(86)	(70)	(16)	22.6%

The average cost per employee increased by 22.6% following the implementation of the aforementioned Monetary Incentives Plan.

A breakdown of the Group's workforce by employee category at June 30th, 2021 is provided in the Full Year Report.

14. Other operating costs

Other operating costs amounted to Euro 570 thousand, a 6% increase due to higher sundry bank charges for Euro 32 thousand.

The following table contains details of operating costs, together with prior year comparatives:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Purchases of sundry materials	(37)	(52)	15	-29.1%
General & Administrative costs	(430)	(418)	(12)	2.8%
Entertainment expenses	(14)	(11)	(3)	23.1%
Sundry bank charges	(89)	(57)	(32)	56.3%
Total other operating costs	(570)	(538)	(32)	6.0%

21. Non-monetary operating income and expenses

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Depreciation and amortisation	(941)	(935)	(6)	0.6%
Impairment adjustments to assets	(79)	(190)	111	-58.1%
Reversal of previous adjustments	0	591	(591)	n.m.
Total non-monetary operating income expenses	(1,020)	(534)	(486)	91.0%

Non-monetary operating income and expenses amounted to Euro 1,020 thousand, increasing by Euro 486 thousand from Euro 534 thousand as at June 30th, 2020, following the Euro 591 thousand decrease of reversal of previous adjustments.

Impairment adjustments to assets in the years ended June 30th, 2021 and June 30th, 2020 are analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Impairment adjustment to investment in Game Networks S.r.l.	(16)	(34)	18
Impairment adjustment to investment in 133 W Broadway Inc.	0	(63)	63
Impairment adjustment to investment in Digital Bros Game Academy S.r.l.	0	(93)	93
Impairment adjustment to financial assets	(63)	0	(63)
Total impairment adjustments to assets	(79)	(190)	111

Impairment adjustment to financial assets relates to the receivable for the sale of the Pipeworks Inc. investment against the complete fulfillment of the contractual obligations by the buyer.

25. Net financial income / (expenses)

Net financial income totaled Euro 12,144 thousand compared to Euro 4,078 thousand in the prior year. The caption may be analyzed as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
23	Interest and financial income	13,719	5,466	8,253	n.m.
24	Interest and financial expenses	(1,575)	(1,388)	(187)	13.5%
25	Net interest and financial income	12,144	4,078	8,066	n.m.

Interest and financial income may be analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Dividends from subsidiaries	7,500	2,500	5,000	n.m.
Other interest and financial income	4,857	2,198	2,659	n.m.
Exchange gains	1,362	768	594	77.4%
Total interest and financial income	13,719	5,466	8,253	n.m.

At June 30th, 2021, dividends were received from 505 Games S.p.A. and Kunos Simulazioni S.r.l..

Financial income includes Euro 3,096 thousand due to the restatement of the loan of around USD 16.3 million receivable from Starbreeze AB as acquired for consideration of Euro 100 thousand and Euro 903 thousand fair value measurement of the convertible bond issued by Starbreeze AB and the gain of Euro 501 thousand realized on the sale of Unity Software Inc.'s shares.

Interest and financial expenses are analyzed in detail as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Interest expenses on bank accounts	(28)	(173)	145	-83.5%
Interest expenses on loans and leases	(100)	(60)	(40)	65.8%
Factoring interest expenses	(1)	(3)	2	-56.0%
Total interest expenses on sources of finance	(129)	(236)	107	-45.5%
Exchange losses	(1,446)	(496)	(950)	n.m.
Equity valuation of investments	0	(656)	656	n.m.
Total interest and financial expenses	(1,575)	(1,388)	(187)	13.4%

Interest and financial expenses have increased by Euro 187 thousand to stand at Euro 1,575 thousand, due to higher exchanges losses.

During the reporting period, no equity valuation of investment (Euro 656 thousand at June 30th, 2020) was needed.

29. Taxation

Current and deferred taxes at June 30th, 2021 are detailed below:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change	%
Current taxes	(644)	712	(1,357)	n.m.
Deferred taxes	(63)	(134)	71	-53.0%
Total taxes	(707)	578	(1,286)	n.m.

Current taxes consist entirely of IRES which was determined as follows:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change
Taxable income for IRES	1,858	(2,954)	4,813
IRES rate	24.0%	24.0%	
IRES for the period	(446)	709	(1,155)
Prior year taxes	0	3	(3)
IRES for the period	(446)	712	(1,158)

IRES for the period is reconciled with the result reported in the financial statements as follows:

Euro Thousands	June 30 th , 2021		June 30 th , 2020	
Company profit before taxation	9,140		(851)	
IRES rate	24.0%		24.0%	
Theoretical taxation	(2,194)	-24.0%	204	-24.0%
Tax effect of non-deductible costs	1,689	18%	562	-66%
Tax effect of utilization of tax loss carryforwards	0	0%	0	0%
Net tax effect of reversal of deferred tax assets not included in above captions	58		(58)	
Prior year taxation	0		3	
Taxes on income for the year and effective tax rate	(446)	-4.9%	712	-83.7%

IRAP for the year was determined as follows:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change
Taxable income for IRAP purposes	3,554	(2,643)	6,197
IRAP rate	5.57%	3.90%	0
IRAP for the period	(198)	0	(198)
IRAP relating to prior year	0	0	0
IRAP for the period	(198)	0	(198)

The IRAP expense for the year may be reconciled with the result reported in the financial statements as follows:

Euro Thousands	June 30th, 2021		June 30th, 2020	
Operating margin/EBIT of Parent Company	(2,927)		(2,643)	
IRAP rate	5.57%		3.90%	
Theoretical IRAP	163	-5.6%	0	0.0%
Tax effect of non-deductible costs	(382)	13.0%	0	0.0%
Net tax effect of reversal of deferred tax assets not included in above items	21		0	
Tax on income for the period and effective tax rate	(198)	6.8%	0	0.0%

From July 1st, 2020, Digital Bros S.p.A falls into the situation provided for industrial holding companies and consequently the IRAP rate has increased from 3.9% to 5.57%.

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

The main financial instruments used by the Company are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (advances on notes and factoring)
- Finance leases.

The objective of these instruments is to finance the Company's operating activities.

The credit facilities available to the Company, together with utilization at June 30th, 2021, are detailed below:

Euro Thousands	Facility	Utilized	Headroom
Bank current account overdrafts	1,200	0	1,200
Import finance	11,550	0	11,550
Advances on invoices and notes	7,250	0	7,250
Factoring	1,000	21	979
Medium-term financing	8,375	6,968	1,407
Total	29,375	6,989	22,386

The Company seeks to maintain a balance between short-term and medium/long-term financial instruments. The Company's core business i.e. the marketing of video games mainly involves investment in net working capital which is funded through short-term lines of credit. Long-term investments are normally financed through medium/long-term lines of credit, often dedicated to the individual investment, sometimes in the form of finance leases.

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

Financial Instruments: Separate Financial Statement at June 30th, 2021

Category of financial assets in terms of IFRS 9

Financial Instruments – Assets at June 30th, 2021 (in Euro Thousands)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount at June 30th, 2021	Note
Non-current receivables and other assets	-	4,868	-	4,868	5
Non-current financial assets	18,840	-	-	18,840	7
Trade receivables	-	893	-	893	9
Receivables from subsidiaries	-	27,094	-	27,094	10
Other current assets	-	524	-	524	12
Cash and cash equivalents	-	1,038	-	1,038	13
Other current financial assets	-	-	-	-	26
Total	18,840	34,417	-	53,257	

Category of financial liabilities in terms of IFRS 9

Financial Instruments – Liabilities at June 30th, 2021 (in Euro Thousands)	FVTPL	Liabilities at amortized cost	FVTOCI	Carrying amount at June 30th, 2021	Note
Other non-current liabilities	-	505	-	505	21
Non-current financial liabilities	-	7,549	-	7,549	22
Trade payables	-	1,444	-	1,444	23
Payables to subsidiaries	-	16,437	-	16,437	24
Other current liabilities	-	957	-	957	27
Current financial liabilities	-	3,401	-	3,401	28
Total	-	30,293	-	30,293	

Financial Instruments: Separate Financial Statement at June 30th, 2020

Category of financial assets in terms of IFRS 9

Financial Instruments – Assets at June 30th, 2020 (in Euro Thousands)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount at June 30th, 2020	Note
Non-current receivables and other assets	-	6,542	-	6,542	5
Non-current financial assets	17,251	-	-	17,251	7
Trade receivables	-	1,866	-	1,866	9
Receivables from subsidiaries	-	14,455	-	14,455	10
Other current assets	-	5,301	-	5,301	12
Cash and cash equivalents	-	858	-	858	13
Other current financial assets	-	-	-	-	26
Total	17,251	29,022	-	46,273	

Category of financial liabilities in terms of IFRS 9

Financial Instruments – Liabilities at June 30th, 2020 (in Euro Thousands)	FVTPL	Liabilities at amortized cost	FVTOCI	Carrying amount at June 30th, 2020	Note
Other non-current liabilities	-	469	-	469	21
Non-current financial liabilities	-	4,941	-	4,941	22
Trade payables	-	2,026	-	2,026	23
Payables to subsidiaries	-	13,646	-	13,646	24
Other current liabilities	-	1,205	-	1,205	27
Current financial liabilities	-	12,174	-	12,174	28
Total	-	34,461	-	34,461	

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

- interest rate risk
- liquidity risk
- credit risk.

Interest rate risk

The Company's exposure to the risk of interest rate fluctuation is marginal with respect to its medium and long-term financial instruments which were originally arranged as fixed-rate instruments or have been transformed into fixed rate instruments by means of appropriate derivative contracts.

For short-term financial instruments, the risk of interest rate increases is a genuine one because the Company cannot immediately pass on any rate increases through higher prices.

The level of debt is low or next to zero and the interest rate risk is further mitigated by:

- the availability of a range of short-term credit lines which enable the Company to borrow at the most favorable terms and conditions;
- the financial structure which varies significantly based on video game market seasonality and which shows constant improvement in the medium/long-term trend;
- the implementation of a short-term cash flow procedure that constantly monitors the short-term borrowing trend and allows preventive action to be taken when interest rates are expected to rise.

Liquidity risk

The liquidity risk arises if it becomes difficult or impossible to raise - on sustainable terms and conditions, obtain -the financial resources needed to operate the business.

The factors that influence the Company'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 on the credit market.

The Company has taken the following measures in order to reduce this risk:

- centralized management of treasury procedures and lines of credit;
- obtaining lines of credit that lead to the creation of a sustainable debt structure through the use of irrevocable lines of credit;
- constant monitoring of prospective liquidity conditions.

The results of short and medium/long-term planning, currently available funds and funds to be generated by operating activities are expected to enable the Company to fulfil its funding requirements with regard to capex, working capital management and debt repayment at scheduled maturity. They should also be able to determine the Company's funding requirements in good time.

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

Financial liabilities at June 30th, 2021 (in Euro Thousands)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Non-current financial liabilities	7,549		2,763	2,347	928	594	917	7,549	22
Current financial liabilities	3,401	3,401						3,401	28
Total	10,950	3,401	2,763	2,347	928	594	917	10,950	

Financial liabilities at June 30th, 2020 (in Euro Thousands)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Non-current financial liabilities	4,941		1,618	622	613	585	1,503	4,941	22
Current financial liabilities	12,174	12,174						12,174	28
Total	17,115	12,174	1,618	622	613	585	1,503	17,115	

The Company has sufficient financial resources to satisfy its debt maturing within one year. These financial resources include cash and cash equivalents, unutilized credit facilities totaling around Euro 21 million at the reporting date and cash flows from operating activities.

Credit risk

The Company sells exclusively to well-known customers. For customers on which the Company does not have the necessary information, the sales policy adopted requires advance payment and/or cash on delivery in order to limit credit risk.

The finance department reviews credit facilities and customer balances before any shipments are made. In addition to these precautions, the Company has taken out insurance covering a significant percentage of its customers.

The following table contains a breakdown of trade receivables by due date at June 30th, 2021 and at June 30th, 2020:

Euro thousand	June 30th, 2021	% on total	June 30th, 2020	% on total
Not overdue	687	77%	1,797	96%
0 -30 days overdue	94	11%	0	0%
30 - 60 days overdue	0	0%	6	0%
60 - 90 days overdue	2	0%	7	1%
> 90 days overdue	110	12%	56	3%
Total receivables from	893	100%	1,866	100%

Fair value of financial assets and liabilities and calculation models used

The table below presents the fair value of assets and liabilities based on the calculation methods and models used.

Financial assets whose fair value cannot be reasonably determined have not been included.

The fair value of bank borrowing has been calculated based on the interest rate curve at the reporting date, without making assumptions as to the credit spread.

The fair value of financial instruments listed on an active market is based on reporting date market prices. The market prices used are bid/ask prices depending on the asset/liability held. The fair value of unlisted financial instruments and derivatives is determined using the valuation models and techniques most prevalent on the market, using inputs observable on the market.

Fair value has not been calculated for trade receivables and trade payables as their carrying amount approximates fair value.

For finance lease payables and payables to other lenders, we believe there is no significant difference between fair value and carrying amount.

Euro Thousands	Carrying amount at June 30th, 2021	Mark to Market Fair Value	Mark to Model Fair Value	Total <i>Fair Value</i>	Note
Other non-current financial assets	18,840		18,840	18,840	7
Cash and cash equivalents	858	1,038		858	13
Non-current financial liabilities	7,549	7,549		7,549	22
Current financial liabilities	3,401	3,401		3,401	28

Euro Thousands	Carrying amount at June 30th, 2020	Mark to Market Fair Value	Mark to Model Fair Value	Total <i>Fair Value</i>	Note
Other non-current financial assets	17,251		17,251	17,251	7
Cash and cash equivalents	858	858		858	13
Non-current financial liabilities	4,941	4,941		4,941	22
Current financial liabilities	12,174	12,174		12,174	28

Fair value hierarchy

IFRS 7 requires that financial instruments recognized at fair value be classified in a hierarchy reflecting the significance of the inputs used to measure fair value. The levels are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are directly or indirectly observable in the market;
- Level 3: inputs not based on observable market data.

The Company uses various measurement and valuation models to determine the fair value of financial instruments. The following table contains a summary of such financial instruments at June 30th, 2021 and at June 30th, 2020:

Carrying amount at June 30 th , 2021	Instrument	Level 1	Level 2	Level 3	Total	Note
Investments	Listed shares	10,903			10,903	4
Non-current financial assets	Bonds		18,840		18,840	7

Carrying amount at June 30 th , 2020	Instrument	Level 1	Level 2	Level 3	Total	Note
Investments	Listed shares	5,039			5,039	4
Non-current financial assets	Bonds		17,251		17,251	7

7. NON-RECURRING INCOME AND EXPENSES

During the year, the Company did not account for any non-recurring income and expenses in accordance with Consob Resolution 15519 of July 27th, 2006.

8. CONTINGENT ASSETS AND LIABILITIES

At June 30th, 2021 – as at June 30th, 2020 – there were no contingent assets and liabilities.

9. RELATED PARTY TRANSACTIONS

It is hereby disclosed that all commercial and financial transactions between Digital Bros S.p.A. and its direct subsidiaries and associates have been conducted at arm's length and cannot be classed as atypical or unusual transactions, in accordance with Consob Resolution 17221 of March 12th, 2010.

Transactions between Digital Bros and subsidiaries

Commercial and financial transactions between Digital Bros S.p.A. and other Group companies at June 30th, 2021 took place on an arm's length basis. The following table provides a summary of year end balances and transactions in the year, together with the prior year comparatives:

Euro Thousands	Receivables		Payables		Revenue	Costs
	Trade	Financial	Trade	Financial		
505 Games S.p.A.	0	11,185	0	0	5,353	(294)
505 Mobile S.r.l.	0	2,412	0	0	0	0
Digital Bros Game Academy S.r.l.	0	0	0	(46)	49	(7)
Game Entertainment S.r.l.	0	2,825	0	0	(557)	0
Game Network S.r.l.	0	454	0	0	0	0
Game Service S.r.l.	0	353	0	0	0	(83)
Kunos Simulazioni S.r.l.	0	464	0	0	0	0
505 Games France S.a.s.	0	13	0	0	0	0
505 Games Ltd.	0	0	0	(6,330)	9	0
505 Games Iberia Slu	0	0	0	(1,770)	0	0
505 Games (US) Inc.	0	0	0	(1,213)	56	0
505 Games GmbH	0	0	0	(3,084)	0	0
505 Games Interactive	0	0	0	(454)	0	0
505 Games Mobile (US)	0	0	0	(767)	0	0
DR Studios Ltd.	0	0	0	(2,271)	0	0
Digital Bros Asia Pacific (HK) Ltd.	0	0	0	(104)	0	0
Digital Bros China (Shenzhen) Ltd.	0	0	0	(74)	0	0
Digital Bros Holdings Ltd.	0	0	0	(107)	0	0
133 W Broadway Inc.	0	248	0	0	0	0
Hawken Entertainment Inc.	0	0	0	(140)	0	0
Avantgarden S.r.l.	0	460	0	0	50	0
505 Games Japan KK	0	29	0	0	0	0
Rasplata B.V.	0	6,944	0	0	203	0
Hook S.r.l.	0	0	0	(77)	0	0
Supernova Games Studios S.r.l.	0	19	0	0	3	0
505 Games Australia Pty Ltd.	0	1,522	0	0	0	0
Chrysalide Jeux et Divertissement Inc.	0	166	0	0	0	0
Total	0	27,094	0	(16,437)	5,166	(384)

The Company also provides a centralized cash management service, using intercompany current accounts to which positive and negative balances between Group companies are transferred. These accounts do not bear interest.

Other related parties

Other related party transactions refer to:

- legal advisory services provided by director Dario Treves as well as the contract for a portion of the Via Tortona 37 headquarters leased to the Treves law firm;
- property leases by Matov Imm. S.r.l. to Digital Bros S.p.A.. Matov Imm. S.r.l. is owned by Abramo and Raffaele Galante.

The following table contains details of reporting date financial statement balances and total transactions for the period, together with the prior year comparatives:

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	137	0	(124)	0	3	(394)
Matov Imm. S.r.l.	0	635	0	(3,787)	0	(725)
Total at June 30th, 2021	137	635	(124)	(3,787)	3	(1,039)

Other related party transactions at June 30th, 2020 were as follows:

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		Trade
Dario Treves	149	0	(88)	0	0	(348)
Matov Imm. S.r.l.	0	635	0	(4,336)	0	(707)
Ovosonico S.r.l.	0	0	0	0	59	0
Total at June 30th, 2020	149	635	(88)	(4,336)	59	(.055)

Digital Bros S.p.A.'s financial receivable from Matov Imm. S.r.l. refers to the guarantee deposit paid in relation to lease instalments due for the premises at Via Tortona 37, Milan.

Tax consolidation

The parent company Digital Bros S.p.A. joined the tax filing system as parent-consolidating company with 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l., 505 Games S.p.A., Digital Bros Game Academy S.r.l., Game Network S.r.l., Kunos Simulazioni S.r.l., Avantgarden S.r.l., Hook S.r.l. and Supernova Games S.r.l., following the introduction into the Italian tax system of the tax filing system.

Adherence to the national tax consolidation system has made it necessary to draw up a regulation implementing inter-company relations aimed at ensuring that there is no prejudice to the individual companies involved.

10. ATYPICAL OR UNUSUAL TRANSACTIONS

There were no atypical or unusual transactions during the reporting period or in prior year, as defined by Consob Communication DEM 6064293 of July 28th, 2006.

11. OTHER INFORMATION

INCOME FROM EQUITY INVESTMENTS OTHER THAN DIVIDENDS

It is hereby disclosed that the Company did not receive any income from equity investments other than dividends, pursuant to Art. 2425 (15) of the Italian Civil Code.

DIRECTORS' FEES

The fees paid to members of the Board of Directors amounted to Euro 1,190 thousand.

STATUTORY AUDITORS' FEES

The fees paid to members of the Board of Statutory Auditors. amounted to Euro 74 thousand.

FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has issued options linked to the previously described 2016-2026 Stock Option Plan.

SHAREHOLDER LOANS WITH SUBORDINATION CLAUSES

The Company is not party to any shareholder loans with subordination clauses.

CAPITAL EARMARKED FOR A SPECIFIC USE

The Company has not earmarked any capital for a specific use.

LOANS EARMARKED FOR A SPECIFIC USE

The Company has not earmarked any loans for a specific use.

OFF-BALANCE SHEET AGREEMENTS

There are no off-balance sheet agreements.

12. INFORMATION ON SHARE OWNERSHIP STRUCTURE (pursuant to Article 123 bis of the T.U.F.)

SHARE CAPITAL STRUCTURE

At June 30th, 2021, share capital consisted of 14,260,837 issued and wholly paid ordinary shares with a par value of Euro 0.4 each. The Company has not issued different classes of shares or other financial instruments entitling the holder to subscribe to newly issued shares. On January 11th, 2017, Digital Bros Group Shareholders' Meeting approved the 2016-2026 Stock Option Plan. At June 30th, 2021, 218,000 options had already vested; no conversion request has been received.

RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no statutory restrictions on the transfer of securities, such as limits on the possession of shares or the need to obtain permission from the issuer or from other shareholders.

SECURITIES CARRYING SPECIAL RIGHTS

No securities granting special rights of control have been issued.

EMPLOYEE SHARE OWNERSHIP: EXERCISE OF VOTING RIGHTS

There are no employee share ownership schemes.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

SHAREHOLDERS AGREEMENTS

There are no shareholders agreements in place.

APPOINTMENT AND REPLACEMENT OF DIRECTORS AND BY-LAW AMENDMENTS

Please see the Corporate Governance Report included in the consolidated annual report and available in the investors section at www.digitalbros.com.

AUTHORISATION TO INCREASE SHARE CAPITAL AND/OR PURCHASE TREASURY SHARES

No powers to authorize share capital increases have been granted to the Board of Directors.

CHANGE OF CONTROL CLAUSES

There are no change of control clauses.

DIRECTORS' INDEMNITIES IN CASE OF RESIGNATION, DISMISSAL OR DEPARTURE AS A RESULT OF A TAKEOVER BID

There are no agreements that provide for indemnities in the event of dismissal, resignation and/or departure from office, even if a takeover bid were to be the cause of termination.

13. INFORMATION ON ASSETS REVALUED UNDER SPECIFIC LAWS

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

14. LOANS GRANTED TO MEMBERS OF MANAGEMENT, GOVERNANCE AND SUPERVISORY BODIES

It is hereby disclosed that no loans have been granted to members of the Company's administrative, management and supervisory bodies, pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC.

15. EXTERNAL AUDIT FEES

It is hereby disclosed that external auditors, Deloitte & Touche, received fees of Euro 184 thousand at June 30th, 2021, pursuant to Art. 149- duodecies of the Issuers Regulation. See the attachment in the Notes to the Consolidated Financial Statements for further information.

16. ALLOCATION OF NET PROFIT FOR THE YEAR

A net profit of Euro 8,433 thousand is reported at June 30th, 2021. The Board of Directors recommends that the Shareholders' Meeting approves the distribution of a dividend of Euro 0.18 per share, for a total of around Euro 2,567 thousand, bringing to profit the difference of Euro 5,866 thousand, in light of the excellent results achieved by the Group which will lead to increased dividend income for the year.

STATEMENT PURSUANT TO ART. 154- BIS (5) OF THE T.U.F.

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 24th, 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 1st, 2020 – June 30th, 2021. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group for the period ended March 31st, 2021:
 - 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 19th, 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 Full Year 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, September 27th, 2021

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe