



Half Year Financial Report at December 31st, 2020

(1st half of the financial year 2020/2021)

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT Number and Tax Number 09554160151

Share capital: Euro 6,024,334.80 of which Euro 5,704,334,80 subscribed
Milan Register of Companies 290680-Vol. 7394 Chamber of Commerce 1302132

This report is available in the Investors section of the Company's website at www.digitalbros.com

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

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Board of Directors

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

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

⁽²⁾ Lead Independent Director

Control and Risk Committee

Sylvia Anna Bartyan
Susanna Pedretti
Laura Soifer (Chairman)

Remuneration Committee

Sylvia Anna Bartyan
Susanna Pedretti (Chairman)
Laura Soifer

Board of Statutory Auditors

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

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

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

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

Auditors

Deloitte & Touche S.p.A.

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

Other information

The publication of the Half Year Financial Report of Digital Bros Group for the six months period ended December 31st, 2020 was authorised by a resolution of the Board of Directors on March 9th, 2021.

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

HALF YEAR REPORT

1. GROUP ORGANIZATION

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

The Group is organised into five operational business segments:

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

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

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

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

During the previous period, the Group completed the acquisition of two new companies: 51% of the capital of AvantGarden S.r.l, originally Ovosonico S.r.l., of which the Group already held 49%; 60% of Dutch company Rasplata B.V.. AvantGarden S.r.l is an Italian videogame developer with a team of around 20 people while the Dutch company holds the rights to an intellectual property currently under development.

Hook S.r.l. and Supernova Games Studio S.r.l. were incorporated during the reporting period. Hook S.r.l. will become the Group's publisher for premium video games with development budgets lower than 505 Games', but with a potential for success due to the innovative nature of the idea or the speed of execution. Supernova Games Studio S.r.l. will become a new video game production studio based in Milan. During the half year, MSE & DB S.L., an equal joint venture under the Spanish law set up with a development studio in order to jointly create a new intellectual property, was also established.

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

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

During the reporting period, the Australian 505 Games Pty Ltd. was incorporated. In January 2021 the subsidiary acquired 100% of Infinity Interactive Pty. and Infinity Interactive Two Pty, the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and are responsible for their development.

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

Italian Distribution: consists of the distribution of video games purchased from international publishers.

This business is conducted by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l. which distributes trading cards.

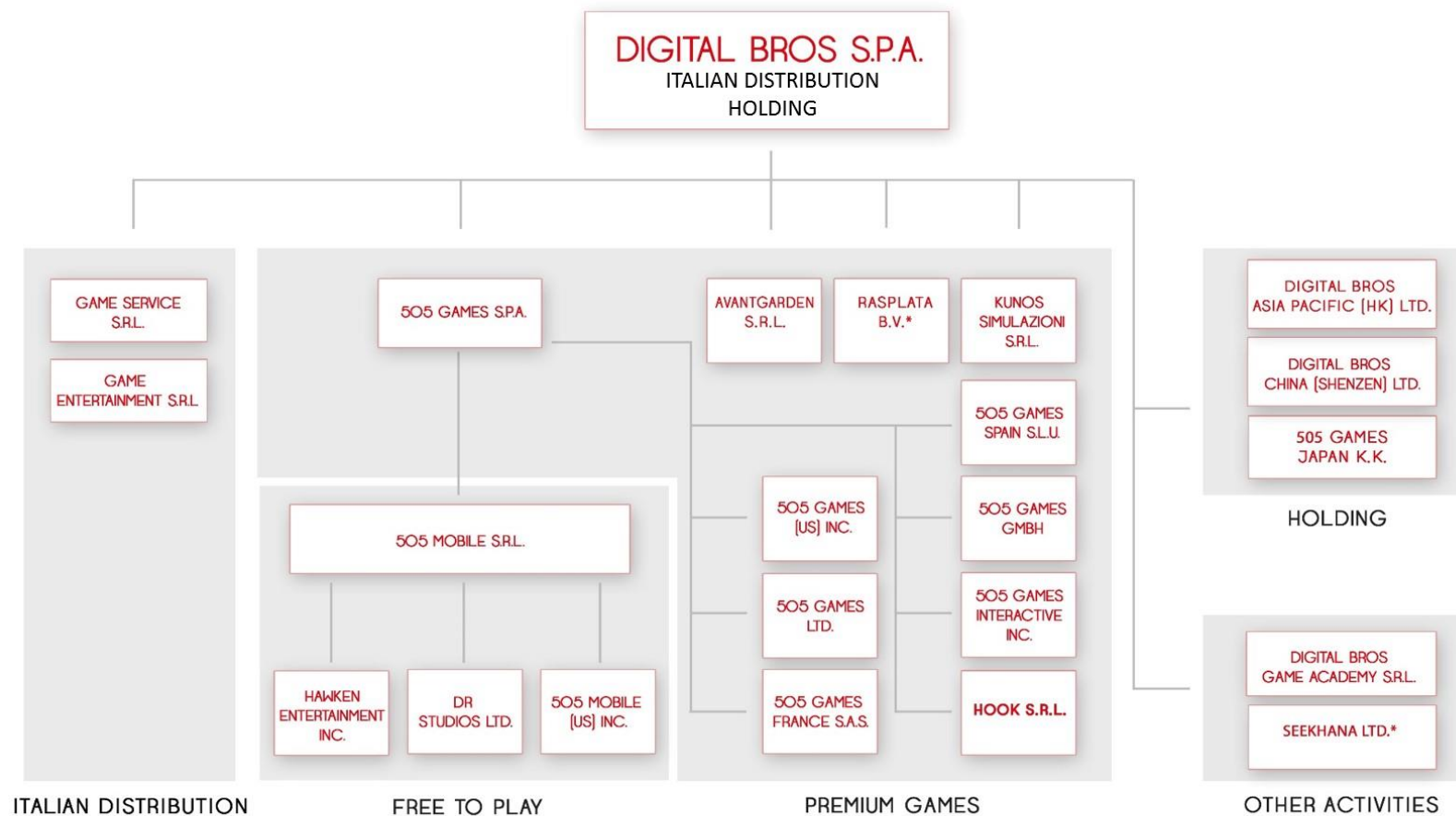
Other Activities: the operating segment handles all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organises video game training and professional courses. It also includes the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

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

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

The organisation chart at December 31st, 2020 was as follows:

GROUP STRUCTURE AT DECEMBER 31ST, 2020



[*] INVESTMENT AT 60%

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

Company	Address	Activities
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
Digital Bros Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	Offices
Digital Bros China (Shenzhen) Ltd.	Wang Hai Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
Digital Bros Holdings Ltd. ⁽¹⁾	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	Via Tortona, 37 Milan	Offices
505 Games Australia Pty Ltd. ⁽¹⁾	202 153 Park Street, South Melbourne Vic 3205	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. in liquidation	Via Tortona, 37 Milan	Offices
Game Service S.r.l.	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona, 37 Milan	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
505 Mobile S.r.l.	Via Tortona, 37 Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. ⁽²⁾	Churchill-Jaan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. ⁽²⁾	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Supernova Games Studio S.r.l. ⁽¹⁾	Via Tortona, 37 Milan	Offices
133 W Broadway, Inc. ⁽¹⁾	133 W Broadway, Suite 200, Eugene, Oregon, U.S.A.	Offices

(1) Inactive during the period.

(2) 60% consolidated.

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

During the half year, MSE & DB S.L., an equal share joint venture under the Spanish law set up with a development studio in order to jointly create a new intellectual property with a Euro 5 thousand book value, was also established.

2. VIDEO GAMES MARKET

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

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

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

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



Developers

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

Publishers

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

Console manufacturers

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

Distributors

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

Retailers

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



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

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

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

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

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

3. PERFORMANCE INDICATORS AND SEASONALITY EFFECTS

In order to facilitate the understanding of its consolidated economic and balance sheet data, the Group uses, with continuity and uniformity of representation since different financial years, some widely used indicators. In particular, the following interim indicators / results are highlighted in the income statement: Gross profit, EBITDA and EBIT, deriving from the algebraic sum of the preceding entries. At the equity level, similar considerations apply to the net financial position, the components of which are also detailed in the specific section of the notes. The definitions of the indicators used by the Group, as they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies / groups and therefore comparable with them. However, reconciliations between the result indicators illustrated in the report on operations and the financial statements are not necessary as the Group uses indicators directly drawn from the condensed half year consolidated financial statements.

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 publishing and marketing of video games on digital marketplaces partially reduces the volatility of the publisher's results between quarters. Digital distribution revenues are recognized when the consumer purchases a game on the marketplace. This occurs gradually and is not concentrated in the days immediately after the launch, unlike traditional retail distribution whose revenues are recognized upon consignment of the product to the distributor/retailer, regardless of when it is purchased by the end consumer.

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

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

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

4. SIGNIFICANT EVENTS OF THE REPORTING PERIOD

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

Relations with Starbreeze and Starbreeze shareholders

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

- in May 2016, the Group sold back its rights of PAYDAY2 to Starbreeze against a payment of USD 30 million and an earn out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3;
- in April 2015, the two groups signed a contract for the development and publishing of the console version of a video game inspired by the TV Series The Walking Dead. The contract provided a development budget of USD 10 million. As at September 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 launched the PC version of the video game but the related sales were lower than expected. On February 27th, 2019, Skybound terminated the licence contract for The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze for the development and publishing of the console version;
- since November 2018, Digital Bros has acquired 6,369,061 Starbreeze STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share;
- on November 21st, 2018, Digital Bros S.p.A. supported Varvtr AB with a loan of Euro 2 million. Varvtr AB is a Swedish company owned by the former Chief Executive Officer of Starbreeze AB which, at that date, held 19,021,541 Starbreeze STAR A shares and 1,305,142 Starbreeze STAR B shares, representing 5.61% of the share capital and 16.92% of the voting rights of Starbreeze AB at June 30th, 2020.

The OVERKILL's The Walking Dead unsuccess created financial problems to Starbreeze AB, enforcing the Company and five subsidiaries to petition the Swedish District Court for admission to a restructuring plan. 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 STAR A shares held by Swedish company Varvtr AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realised in the 60 months

after the acquisition. The consideration was paid, in part, by waiving the loan granted to Varvtr 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 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 in September 2020;
 - b) a loan receivable of around USD 16.3 million (around Euro 14.8 million) for consideration of Euro 100 thousand. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - c) 3,601,083 Starbreeze STAR A shares and 6,018,948 Starbreeze STAR B shares which, at June 30th, 2020 before the share capital increase of September 2020, represented 2.66% of Starbreeze AB share capital and 3.71% of voting rights, for a total amount of Euro 2.2 million.

The total consideration 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 maintain unchanged its percentage stake in share capital and its percentage of voting rights, 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. This share issue was finalised in September 2020.

At December 31st, 2020, also as a result of minor purchases, the Group holds 61,758,625 Starbreeze STAR A shares and 24,890,329 Starbreeze STAR B shares representing 11.96% of share capital and 28.57% of voting rights.

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

COVID-19

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

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

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

In terms of video game development, as carried out by development teams situated all around the world, the homeworking arrangements have inevitably led to production delays. These delays have been most evident especially on large development teams and in the last few months prior to the product's launch when teams are normally required to cooperate to a greater extent. The Group did not encounter any particular problems in relation to other development processes. In most cases, such activities are carried out by teams whose size makes it possible to achieve a high level of efficiency even when working remotely.

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

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

5. CONSOLIDATED INCOME STATEMENT AT DECEMBER 31ST, 2020

	Euro thousand	December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	82,381	101.8%	67,850	108.6%	14,531	21.4%
2	Revenue adjustments	(1,437)	-1.8%	(5,365)	-8.6%	3,928	-73.2%
3	Net revenue	80,944	100.0%	62,485	100.0%	18,459	29.5%
4	Purchase of products for resale	(3,050)	-3.8%	(12,837)	-20.5%	9,787	-76.2%
5	Purchase of services for resale	(5,621)	-6.9%	(4,046)	-6.5%	(1,575)	38.9%
6	Royalties	(21,368)	-26.4%	(18,695)	-29.9%	(2,673)	14.3%
7	Changes in inventories of finished products	(515)	-0.6%	1,392	2.2%	(1,907)	n.m.
8	Total cost of sales	(30,554)	-37.7%	(34,186)	-54.7%	3,632	-10.6%
9	Gross profit (3+8)	50,390	62.3%	28,299	45.3%	22,091	78.1%
10	Other income	2,294	2.8%	1,386	2.2%	908	65.6%
11	Costs for services	(5,376)	-6.6%	(8,755)	-14.0%	3,379	-38.6%
12	Rent and Leasing	(133)	-0.2%	(141)	-0.2%	8	-5.4%
13	Payroll costs	(10,960)	-13.5%	(10,013)	-16.0%	(947)	9.5%
14	Other operating costs	(610)	-0.8%	(623)	-1.0%	13	-2.1%
15	Total operating costs	(17,079)	-21.1%	(19,532)	-31.3%	2,453	-12.6%
16	Gross operating margin (EBITDA) (9+10+15)	35,605	44.0%	10,153	16.2%	25,452	n.m.
17	Depreciation and amortisation	(15,400)	-19.0%	(5,139)	-8.2%	(10,261)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(289)	-0.4%	(1,169)	-1.9%	880	-75.2%
20	Impairment reversal	0	0.0%	204	0.3%	(204)	n.m.
21	Total depreciation, amortization and impairment	(15,689)	-19.4%	(6,104)	-9.8%	(9,585)	n.m.
22	Operating margin (EBIT) (16+21)	19,916	24.6%	4,049	6.5%	15,867	n.m.
23	Interest and finance income	4,594	5.7%	1,540	2.5%	3,054	n.m.
24	Interest expense and finance costs	(2,357)	-2.9%	(1,940)	-3.1%	(417)	21.5%
25	Net interest income/(expense)	2,237	2.8%	(400)	-0.6%	2,637	n.m.
26	Profit/ (loss) before tax (22+25)	22,153	27.4%	3,649	5.8%	18,504	n.m.
27	Current tax	(6,800)	-8.4%	(1,086)	-1.7%	(5,714)	n.m.
28	Deferred tax	497	0.6%	(625)	-1.0%	1,122	n.m.
29	Total taxes	(6,303)	-7.8%	(1,711)	-2.7%	(4,592)	n.m.
30	Net profit/loss	15,850	19.6%	1,938	3.1%	13,912	n.m.
	attributable to the shareholders of the Group	15,890	19.6%	1,938	3.1%	13,952	n.m.
	attributable to minority shareholders	(40)	0.0%	0	0.0%	(40)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	1.11		0.14		0.97	n.m.
34	Diluted earnings per share (in Euro)	1.09		0.14		0.95	n.m.

Consolidated gross revenues amounted to Euro 82,381 thousand, increased by 21.4% compared to the Euro 67,850 thousand recorded in the first half of the previous year. Net revenue significantly grew by 29.5% due to the increased portion of digital sales that do not require revenue adjustments in comparison to the traditional retail sales.

Digital revenues in the period were 85% of the consolidated total compared to the 48% achieved in the previous year, therefore the Group was not affected by the shutdown of retail due to the spread of the COVID-19 pandemic.

International markets revenues were 96% of the total consolidated revenues in the period.

A breakdown by operating segment for the period ended December 31st, 2020 compared to the period ended December 31st, 2019 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2021	2020	Change		2021	2020	Change	
Premium Games	74,739	58,043	16,696	28.8%	73,496	53,221	20,275	38.1%
Free to Play	4,483	3,338	1,145	34.3%	4,483	3,338	1,145	34.3%
Italian Distribution	2,932	6,185	(3,253)	-52.6%	2,738	5,642	(2,904)	-51.5%
Other projects	227	284	(57)	-20.0%	227	284	(57)	-19.9%
Total gross revenues	82,381	67,850	14,531	21.4%	80,944	62,485	18,459	29.5%

The Premium Games operating segment represents 91% of the consolidated gross revenues and significantly increased the gross revenues of the period by Euro 16,696 thousand and net revenues, up by Euro 20,275 thousand, as a result of the sales of Death Stranding, the Steam version of Control, the Ghostrunner video game but also the on-going performance of Assetto Corsa and PAYDAY2. Revenues from Other products, which represent the digital sales of products launched in previous years, showed a continuous growth by 16.3%.

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

Euro thousand	December 31 st , 2020	December 31 st , 2019	Change	
Death Stranding	23,192	0	23,192	n.m.
Control	16,039	23,908	(7,869)	-32.9%
Assetto Corsa	8,969	3,516	5,453	n.m.
Ghostrunner	6,872	0	6,872	n.m.
Terraria	4,377	7,318	(2,941)	-40.2%
Bloodstained	3,293	8,559	(5,266)	-61.5%
PAYDAY2	2,278	1,968	310	15.8%
Other products	8,801	7,567	1,234	16.3%
Retail products	918	5,207	(4,289)	-82.4%
Premium games total gross revenues	74,739	58,043	16,696	28.8%

The Free to Play operating segment showed a 34.3% increase, from Euro 3,338 thousand to Euro 4,483 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter. This game became

part of the Group's IP portfolio as a result of the acquisition of the Australian studio Infinity Plus Two in January 2021.

The Italian Distribution operating sector revenues decreased by 52.6% (from Euro 6,185 thousand down to Euro 2,932 thousand), impacted by the continuing decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Cost of sales decreased by Euro 3,632 thousand – a 10.6% decrease – following a decrease in purchases of products intended for resale for Euro 9,787 thousand and partially offset by higher royalties for Euro 2,673 thousand. The inventories decreased by Euro 1,907 thousand, in line with the retail distribution revenues trend.

Gross profit increased by Euro 22,091 thousand.

Other income amounted to Euro 2,294 thousand, increased by Euro 908 thousand, due to a greater impact of video games productions made by the Group's development studios. It almost entirely consisted of the capitalisation of in-house work on the development of video games to be launched soon. In particular, during the reporting period, these activities included the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd..

Operating costs decreased by Euro 2,453 thousand (- 12.6%), due to lower advertising expenditure, and partially offset by higher labour costs.

Gross operating margin / EBITDA for the quarter has been Euro 35,605 thousand corresponding to 43.2% of the gross consolidated revenues, considerably growing by Euro 25,452 thousand from the Euro 10,153 thousand realized in the previous year.

Amortization and depreciation increased by Euro 10,261 thousand compared to December 31st, 2019 due to higher costs associated with the amortization of an incremental number of intellectual properties published by the Group.

The significant growth of the digital revenue portion in respect of total sales pushed the EBIT to quintuple, up to Euro 19,916 thousand compared to Euro 4,049 thousand as at December 31st, 2019. Digital sales, in fact, show better profitability rates due to a shorter value chain, less operational complexity and better payment conditions by the customers. The EBIT stood at 24.2% of the consolidated gross revenues for the half year.

The net financial income was positive for Euro 2,237 thousand, against the negative Euro 400 thousand achieved in the previous year.

Profit before taxation for the period ended December 31st, 2020 amounted to Euro 22,153 thousand, an increase of Euro 18,504 thousand compared to profit before taxation of Euro 3,649 thousand as at December 31st, 2019.

Net profit for the period amounted to Euro 15,850 thousand compared to Euro 1,938 thousand as at December 31st, 2019.

Net profit attributable to the Shareholders of the Group was Euro 15,890 thousand.

Basic profit per share and diluted profit per share were respectively Euro 1.11 and Euro 1.09 compared to the Euro 0.14 profit per share as at December 31st, 2019.

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

6. CONSOLIDATED FINANCIAL POSITION AT DECEMBER 31ST, 2020

	Euro thousand	December 31 st , 2020	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,865	8,837	28	0.3%
2	Investment property	0	0	0	0.0%
3	Intangible assets	47,569	33,248	14,321	43.1%
4	Equity investments	10,634	5,488	5,146	93.8%
5	Non-current receivables and other assets	3,511	6,744	(3,233)	-47.9%
6	Deferred tax assets	3,356	3,482	(126)	-3.6%
7	Non-current financial activities	18,846	17,251	1,595	9.2%
	Total non current assets	92,781	75,050	17,731	23.6%
	Current assets				
8	Inventories	7,474	7,989	(515)	-6.4%
9	Trade receivables	29,816	28,168	1,648	5.9%
10	Tax receivables	1,795	3,100	(1,305)	-42.1%
11	Other current assets	23,051	32,816	(9,765)	-29.8%
12	Cash and cash equivalent	12,867	8,527	4,340	50.9%
13	Other financial assets	0	0	0	0.0%
	Total current assets	75,003	80,600	(5,597)	-6.9%
	TOTAL ASSETS	167,784	155,650	12,134	7.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,712)	(20,960)	(752)	3.6%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(66,046)	(52,288)	(13,758)	26.3%
	Equity attributable to Parent Company	(93,462)	(78,952)	(14,510)	18.4%
	Equity attributable to minority shareholders	(939)	(979)	40	-4.1%
	Total Net equity	(94,401)	(79,931)	(14,470)	18.1%
	Non-current liabilities				
18	Employee benefits	(694)	(659)	(35)	5.3%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(4,975)	(6,369)	1,394	-21.9%
	Total non-current liabilities	(5,750)	(7,578)	1,828	-24.1%
	Current liabilities				
22	Trade payables	(41,502)	(41,140)	(362)	0.9%
23	Taxes payables	(8,912)	(5,473)	(3,439)	62.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,903)	(4,721)	(182)	3.9%
26	Current financial liabilities	(12,316)	(16,807)	4,491	-26.7%
	Total net working capital	(67,633)	(68,141)	508	-0.7%
	TOTAL LIABILITIES	(73,383)	(75,719)	2,336	-3.1%
	TOTAL NET EQUITY AND LIABILITIES	(167,784)	(155,650)	(12,134)	7.8%

Non-current assets increased by Euro 17,731 thousand. Intangible assets increased by Euro 14,321 thousand due to investments in new IPs and multi-years rights held by the Group, net of the amortization for the period. Equity investments increased by Euro 5,146 thousand due to further purchases of Starbreeze AB shares as described in the Significant Events during the Period section of the Report. Non-current receivables and other assets decreased by Euro 3,233 thousand following the collection of the USD 10 million receivable deriving from the sale of Pipeworks Inc. which at June 30th, 2020 had a maturity of more than twelve months but was fully collected in advance in October 2020.

Current assets decreased by Euro 5,597 thousand mainly due to lower other current assets for Euro 9,765 thousand following the above-mentioned collection of the receivable deriving from the sale of Pipeworks Inc. and partially offset by higher Cash and cash equivalents for Euro 4,340 thousand.

Non-current liabilities decreased by Euro 1,828 thousand, while current liabilities decreased by Euro 508 thousand.

The following table contains details of the Group's net financial position at December 31st, 2020 together with comparative figures at June 30th, 2020:

	Euro thousand	December 31st, 2020	June 30th, 2020	Change	
12	Cash and cash equivalents	12,867	8,527	4,340	50.9%
13	Other current financial assets	0	0	0	n.m.
26	Current financial liabilities	(12,316)	(16,807)	4,491	-26.7%
	Current net financial position	551	(8,280)	8,831	n.m.
7	Non-current financial assets	18,846	17,251	1,595	9.3%
21	Non-current financial liabilities	(4,975)	(6,369)	1,394	-21.9%
	Non-current net financial position	13,871	10,882	2,989	27.5%
	Total net financial position	14,422	2,602	11,820	n.m.

The net financial position amounted to Euro 14,422 thousand, significantly improved compared to Euro 2,602 thousand as at June 30th, 2020. Excluding the IFRS 16 effect, the net financial position was positive for Euro 20 million.

7. SEGMENT REPORTING

Premium Games

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Premium Games					
		December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	74,739	101.7%	58,043	109.1%	16,696	28.8%
2	Revenue adjustments	(1,243)	-1.7%	(4,822)	-9.1%	3,579	-74.2%
3	Net revenue	73,496	100.0%	53,221	100.0%	20,275	38.1%
4	Purchase of products for resale	(1,427)	-1.9%	(8,824)	-16.6%	7,397	-83.8%
5	Purchase of services for resale	(4,589)	-6.2%	(2,824)	-5.3%	(1,765)	62.5%
6	Royalties	(21,213)	-28.9%	(18,492)	-34.7%	(2,721)	14.7%
7	Changes in inventories of finished products	(488)	-0.7%	1,843	3.5%	(2,331)	n.m.
8	Total cost of sales	(27,717)	-37.7%	(28,297)	-53.2%	580	-2.0%
9	Gross profit (3+8)	45,779	62.3%	24,924	46.8%	20,855	83.7%
10	Other income	1,212	1.6%	302	0.6%	910	n.m.
11	Cost of services	(4,089)	-5.6%	(6,816)	-12.8%	2,727	-40.0%
12	Lease and rental charges	(42)	-0.1%	(28)	-0.1%	(14)	51.9%
13	Labour costs	(6,025)	-8.2%	(5,237)	-9.8%	(788)	15.0%
14	Other operating costs	(169)	-0.2%	(227)	-0.4%	58	-25.4%
15	Total operating costs	(10,325)	-14.0%	(12,308)	-23.1%	1,983	-16.1%
16	Gross operating margin (EBITDA) (9+10+15)	36,666	49.9%	12,918	24.3%	23,748	n.m.
17	Depreciation and amortisation	(14,790)	-20.1%	(3,997)	-7.5%	(10,793)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(226)	-0.3%	(767)	-1.4%	541	-70.5%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	187	0.4%	(187)	n.m.
21	Total non-monetary income and operating costs	(15,016)	-20.4%	(4,577)	-8.6%	(10,439)	n.m.
22	Operating margin (EBIT) (16+21)	21,650	29.5%	8,341	15.7%	13,309	n.m.

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

The Premium Games operating segment represents 91% of the consolidated gross revenues and significantly increased the gross revenues of the period by Euro 16,696 thousand and net revenues, up by Euro 20,275 thousand, as a result of the sales of Death Stranding, the Steam version of Control, the

Ghostrunner video game, but also the on-going performance of Assetto Corsa and PAYDAY2. Revenues from Other products, which represent the digital sales of products launched in previous years, showed a continuous growth by 16.3%.

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

Euro thousand	December 31st, 2020	December 31st, 2019	Change	
Death Stranding	23,192	0	23,192	n.m.
Control	16,039	23,908	(7,869)	-32.9%
Assetto Corsa	8,969	3,516	5,453	n.m.
Ghostrunner	6,872	0	6,872	n.m.
Terraria	4,377	7,318	(2,941)	-40.2%
Bloodstained	3,293	8,559	(5,266)	-61.5%
PAYDAY2	2,278	1,968	310	15.8%
Other products	8,801	7,567	1,234	16.3%
Retail products	918	5,207	(4,289)	-82.4%
Premium games total gross revenues	74,739	58,043	16,696	28.8%

A breakdown of revenue by type is provided below:

Euro Thousand	December 31st, 2020	December 31st, 2019	Change	
Retail distribution revenue	6,012	24,646	(18,634)	-75.6%
Digital distribution revenue	65,882	29,274	36,608	n.m.
Sub-licensing revenue	2,843	3,896	(1,053)	-27.0%
Revenue from services	2	227	(225)	-99.1%
Total Premium Games revenue	74,739	58,043	16,696	28.8%

Retail distribution revenue decreased by Euro 18,634 thousand in the period, dropping from the 43% of the previous period to the actual 8% on total revenues. Digital distribution amounted to Euro 36,608 thousand, from 50% to 88% of the total revenue of the operating sector.

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

Digital distribution revenue for the period ended December 31st, 2020 may be broken down by console type as follows:

Euro Thousand	December 31st, 2020	December 31st, 2019	Change	
Sony Playstation	9,478	9,703	(225)	-2.3%
Microsoft Xbox	5,955	5,473	482	8.8%
Nintendo Switch	2,858	3,239	(381)	-11.8%
Total console	18,291	18,415	(124)	-0.7%
Personal Computer	43,566	9,029	34,537	n.m.
Mobile	4,025	1,830	2,195	n.m.
Total digital distribution revenue	65,882	29,274	36,608	n.m.

In line with the gross revenue trend, net revenue amounted to Euro 73,496 thousand, increased by 38.1% compared to December 31st, 2019, because of fewer revenue adjustments that are typical of the retail distribution.

The total cost of sales of the Premium Games operating segment has decreased by Euro 580 thousand, due to lower purchases of products for resale for Euro 7,397 thousand and partially offset by higher royalties for Euro 2,721 thousand and lower Changes in inventories of finished products for Euro 2,331 thousand.

Gross profit increased by Euro 20,855 thousand.

Other income amounted at Euro 1,212 thousand and consists almost entirely of capitalized costs for in-house development of video games.

Operating costs decreased by Euro 1,983 thousand because of lower advertising expenditure, and partially offset by higher labour costs for Euro 788 thousand.

Gross operating margin / EBITDA increased by Euro 23,748 thousand. It represented 49.9% of net revenue compared to 24.3% in the previous period.

Depreciation and amortisation increased by Euro 10,793 thousand compared to December 31st, 2019 due to higher costs associated with the amortisation of an incremental number of intellectual properties published by the Group.

Operating margin / EBIT amounted to Euro 21,650 thousand, increased by Euro 13,309 thousand compared to Euro 8,341 thousand at December 31st, 2019, and represents 29.5% of net revenues. Digital sales show better profitability rates due to a shorter value chain, less operational complexity and better payment conditions by the customers; this has led to profitability rates much higher than in the past and in line with what was recorded in the second half of the previous year.

Free to Play

Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Free to Play					
		December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	4,483	100.0%	3,338	100.0%	1,145	34.3%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	4,483	100.0%	3,338	100.0%	1,145	34.3%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(1,030)	-23.0%	(1,100)	-32.9%	70	-6.4%
6	Royalties	(152)	-3.4%	(189)	-5.7%	37	-19.7%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(1,182)	-26.4%	(1,289)	-38.6%	107	-8.3%
9	Gross profit (3+8)	3,301	73.6%	2,049	61.4%	1,252	61.1%
10	Other income	1,063	23.7%	1,035	31.0%	28	2.8%
11	Costs for services	(100)	-2.2%	(137)	-4.1%	37	-26.6%
12	Lease and rental costs	(11)	-0.2%	(10)	-0.3%	(1)	11.3%
13	Labour costs	(2,230)	-49.7%	(2,166)	-64.9%	(64)	3.0%
14	Other operating costs	(47)	-1.0%	(42)	-1.3%	(5)	10.4%
15	Total operating costs	(2,388)	-53.3%	(2,355)	-70.6%	(33)	1.4%
16	Gross operating margin (EBITDA) (9+10+15)	1,976	44.1%	729	21.8%	1,247	n.m.
17	Depreciation and amortisation	(63)	-1.4%	(624)	-18.7%	561	-90.0%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(346)	-10.4%	346	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(63)	-1.4%	(970)	-29.1%	907	-93.5%
22	Operating margin (EBIT) (16+21)	1,913	42.7%	(241)	-7.2%	2,154	n.m.

The Free to Play operating segment revenues showed a 34.3% increase, from Euro 3,338 thousand to Euro 4,483 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter. This game became part of the Group's IP portfolio as a result of the acquisition of the Australian studio Infinity Plus Two in January 2021.

Euro thousand	December 31st, 2020	December 31st, 2019	Change	
Gems of War	3,288	2,595	693	26.7%
Battle Islands	477	423	54	12.8%
Prominence Poker	469	290	179	61.7%
Hawken 2	165	0	165	n.m.
Other products	84	30	54	n.m.
Free to Play Total revenues	4,483	3,338	1,145	34.3%

During the half year, the intellectual property of Prominence Poker was sold for USD 265 thousand. As a result of a sub-licensing contract, the Group generated Euro 165 thousand in revenues for the Hawken 2 video game, although its launch is expected at the end of the current year.

Purchases of services for resale have decreased by Euro 70 thousand because of lesser expenditure on quality assurance activities and only partially offset by higher hosting costs. Details are provided below:

Euro thousand	December 31st, 2020	December 31st, 2019	Change
Live support	617	682	(65)
Quality assurance	12	76	(64)
Hosting	305	252	53
Other	96	90	6
Total purchase of services for resale	1,030	1,100	(70)

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

Other income increased by Euro 28 thousand compared to December 31st, 2019. It mainly comprises the internal development costs incurred by the Group for the development of the future Free to Play version of the Hawken series video game whose launch is scheduled for the last quarter of the year.

Operating costs amounted to Euro 2,388 thousand, slightly increased compared to Euro 2,355 thousand of the previous year. This is due to a Euro 64 thousand increase in labour costs that is partially offset by a Euro 37 thousand decrease in cost of services.

Gross operating margin/EBITDA amounted to Euro 1,976 thousand and increased by Euro 1,247 thousand compared to December 31st, 2019.

Depreciation and amortisation decreased by Euro 561 thousand due to completion of the amortisation period of several products.

The operating margin/EBIT of the operating segment amounted to Euro 1,913 thousand, an improvement of Euro 2,154 thousand on the operating loss of Euro 241 thousand registered in the previous fiscal year.

Italian Distribution

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Italian Distribution					
		December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	2,932	107.1%	6,185	109.6%	(3,253)	-52.6%
2	Revenue adjustments	(194)	-7.1%	(543)	-9.6%	349	-64.3%
3	Net revenue	2,738	100.0%	5,642	100.0%	(2,904)	-51.5%
4	Purchases of products for resale	(1,623)	-59.3%	(4,013)	-71.1%	2,390	-59.6%
5	Purchases of services for resale	0	0.0%	(116)	-2.1%	116	n.m.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(27)	-1.0%	(451)	-8.0%	424	-93.9%
8	Total cost of sales	(1,650)	-60.3%	(4,580)	-81.2%	2,930	-64.0%
9	Gross profit (3+8)	1,088	39.7%	1,062	18.8%	26	2.5%
10	Other income	0	0.0%	0	0.0%	0	n.m.
11	Costs for services	(409)	-14.9%	(859)	-15.2%	450	-52.3%
12	Lease and rental costs	(15)	-0.5%	(14)	-0.3%	(1)	0.5%
13	Labour costs	(602)	-22.0%	(691)	-12.2%	89	-12.9%
14	Other operating costs	(86)	-3.1%	(102)	-1.8%	16	-15.7%
15	Total operating costs	(1,112)	-40.6%	(1,666)	-29.5%	554	-33.2%
16	Gross operating margin (EBITDA) (9+10+15)	(24)	-0.9%	(604)	-10.7%	580	n.m.
17	Depreciation and amortisation	(79)	-2.9%	(85)	-1.5%	6	-6.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(32)	-0.6%	32	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(79)	-2.9%	(117)	-2.1%	38	-32.2%
22	Operating margin (EBIT) (16+21)	(103)	-3.8%	(721)	-12.8%	618	-85.7%

The Italian Distribution operating sector revenues decreased by 52.6% (from Euro 6,185 thousand down to Euro 2,932 thousand), impacted by the continuing decline retail distribution and accelerated by the effects of the COVID-19 pandemic.

Gross revenue is analysed by type as follows:

Euro thousand	December 31 st , 2020	December 31 st , 2019	Variazioni	
Distribution of video games for consoles	1,672	4,855	(3,183)	-65.6%
Distribution of trading cards	1,209	931	278	29.9%
Distribution of other products and services	51	399	(348)	-87.2%
Italian Distribution total gross revenue	2,932	6,185	(3,253)	-52.6%

Compared to the console video games distribution (down by 65.6%), the trading cards distribution revenue increased by 29.9%.

Cost of sales amounted to Euro 1,650 thousand, down by Euro 2,930 thousand compared to December 31st, 2019 due to the decrease in purchase of products for resale in line with the decrease in sales of the operating sector.

Operating costs amounted to Euro 1,112 thousand and have decreased by Euro 554 thousand compared to Euro 1,666 thousand registered at December 31st, 2019. As a result, the gross operating margin/EBITDA is negative for Euro 24 thousand (an improvement of Euro 580 thousand compared to the previous period) while the operating margin/EBIT is negative for Euro 103 thousand, increased by Euro 618 thousand compared to December 31st, 2019.

Other Activities

Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Other Activities					
		December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	227	100.0%	284	100.0%	(57)	-20.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	227	100.0%	284	100.0%	(57)	-20.0%
4	Purchases of products for resale	0	0.2%	0	0.1%	(0)	0.0%
5	Purchases of services for resale	(2)	-0.7%	(6)	-2.1%	4	-71.8%
6	Royalties	(3)	-1.2%	(14)	-4.8%	11	66.6%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(5)	-2.2%	(20)	-7.1%	15	-75.2%
9	Gross profit (3+8)	222	97.8%	264	92.9%	(42)	-15.8%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(68)	-29.8%	(89)	-31.2%	21	-23.6%
12	Lease and rental costs	(0)	-0.1%	(1)	-0.2%	1	-66.6%
13	Labour costs	(152)	-66.8%	(153)	-53.7%	1	-0.5%
14	Other operating costs	(21)	-9.4%	(20)	-6.9%	(1)	8.4%
15	Total operating costs	(241)	-106.1%	(263)	-92.4%	22	-8.2%
16	Gross operating margin (EBITDA) (9+10+15)	(19)	-8.3%	1	0.2%	(20)	n.m.
17	Depreciation and amortisation	(45)	-19.9%	(52)	-18.4%	7	-13.3%
18	Allocation to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(45)	-19.9%	(52)	-18.4%	7	-13.3%
22	Operating margin (EBIT) (16+21)	(64)	-28.2%	(51)	-17.9%	(13)	26.4%

In the reporting period, the revenue of the Other Activities operating segment decreased by Euro 57 thousand from Euro 284 thousand to Euro 227 thousand, because, contrary to the previous year, Digital Bros Game Academy S.r.l. courses for the new academic year only started in October 2020.

Operating costs have decreased by Euro 22 thousand because of lower costs for services.

There is an operating loss of Euro 64 thousand, increased compared to the negative EBIT of Euro 31 thousand registered at December 31st, 2019.

Holding

Reclassified P&L highlights

	Consolidated amounts in Euro thousand	Holding					
		December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	19	0.0%	49	0.0%	(30)	-61.5%
11	Costs for services	(710)	0.0%	(854)	0.0%	144	-16.9%
12	Lease and rental costs	(65)	0.0%	(88)	0.0%	23	-26.1%
13	Labour costs	(1,951)	0.0%	(1,766)	0.0%	(185)	10.5%
14	Other operating costs	(287)	0.0%	(232)	0.0%	(55)	23.7%
15	Total operating costs	(3,013)	0.0%	(2,940)	0.0%	(73)	2.5%
16	Gross operating margin (EBITDA) (9+10+15)	(2,994)	0.0%	(2,891)	0.0%	(103)	3.6%
17	Depreciation and amortisation	(423)	0.0%	(381)	0.0%	(42)	11.0%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(63)	0.0%	(24)	0.0%	(39)	n.m.
20	Reversal of impairment adjustments	0	0.0%	17	0.0%	(17)	0.0%
21	Total non-monetary operating costs	(486)	0.0%	(388)	0.0%	(98)	25.3%
22	Operating margin (EBIT) (16+21)	(3,480)	0.0%	(3,279)	0.0%	(201)	6.1%

Operating costs amounted to Euro 3,013 thousand, increased by Euro 73 thousand compared to December 31st, 2019.

Operating margin/EBIT was negative for Euro 3,480 thousand compared to a negative figure of Euro 3,279 thousand at December 31st, 2019.

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

All intercompany and related party transactions entered into by Group companies are conducted at arm's length.

Intercompany transactions

The main intercompany transactions regard the sale of video games by 505 Games S.p.A. to local distribution companies in Europe.

505 Games S.p.A. invoices royalties to U.S. subsidiary 505 Games (US) Inc. for products distributed on American markets.

505 Games Ltd. and 505 Games (US) Inc. bill 505 Games S.p.A. for personnel costs and certain general expenses relating to employees involved in production and international marketing for the Premium Games operating segment.

505 Games Interactive Inc. bills 505 Games S.p.A. for personnel costs and general costs relating to employees involved in product management for the Premium Games operating segment.

505 Mobile (US) Inc. bills 505 Mobile S.r.l. and 505 Games S.p.A. for personnel costs and general costs relating to employees involved in production and marketing for the Free to Play operating segment.

Prior to its acquisition, DR Studios Ltd. was already party to development and live support contracts for several video games with 505 Games S.p.A. and 505 Mobile S.r.l.; these contracts have remained unchanged. New development contracts signed after the business consolidation have been regulated by a framework agreement providing for the chargeback of direct project costs incurred plus a percentage markup.

Digital Bros China Ltd, Digital Bros Asia Pacific Ltd. and 505 Games Japan K.K. bill 505 Games S.p.A. for costs relating to their business development activities on Asian markets.

Prior to its acquisition, Kunos Simulazioni S.r.l. was already party to a contract with subsidiary 505 Games S.p.A. for development of the Assetto Corsa video game; the contract has remained unchanged.

Prior to its acquisition, AvantGarden S.r.l. was already party to a contract with subsidiary 505 Games S.p.A. for development of the Rebound video game; the contract has remained unchanged.

Digital Bros S.p.A., 505 Games Ltd., 505 Games France, 505 Games Spain Slu and 505 Games GmbH bill 505 Games S.p.A. an amount equal to 15% of digital revenue generated in their respective countries in recognition of the indirect marketing and public relations services performed by the local companies but not directly attributable to individual products.

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

Digital Bros S.p.A. invoices 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 leasing the property located in Via Labus, Milan, the subsidiary's operational headquarters.

Digital Bros S.p.A. invoices AvantGarden S.r.l. for the cost of leasing the property located in Via Tortona, Milan, the subsidiary's operational headquarters.

505 Games S.p.A. charges U.S. company 505 Games US for the cost of coordinating the acquisition of games and the cost of administrative, financial, legal and IT services incurred on its behalf.

Digital Bros S.p.A. granted a loan to Rasplata B.V. which accrues quarterly charged interests.

Other minor transactions regarding administrative, financial, legal and general services are usually carried out by Digital Bros S.p.A. on behalf of other Group companies. The parent company also operates a 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 the parent company Digital Bros S.p.A. in accordance with domestic tax group arrangements.

When preparing the condensed consolidated financial statements for the six months ended December 31st, 2020, the impact of intercompany transactions on the results and financial position was eliminated in full.

Transactions with other related parties

Related party transactions regard:

- legal advisory services provided by director Dario Treves;
- property leases by Matov Imm. S.r.l. to the parent company and to subsidiary 505 Games France S.a.s.;
- property leases by Matov LLC to subsidiary 505 Games (US) Inc.;

Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante.

The effects of related party transactions on profit or loss and on the financial position are disclosed in paragraph 9 of the Notes.

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.

9. TREASURY SHARES

Pursuant to Art. 2428(2)(3) of the Italian Civil Code, it is hereby disclosed that, at December 31st, 2020, 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.

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

Reference should be made to the Directors' Report accompanying the Consolidated Financial Statements for the year ended 30 June 30th, 2020 for details of the management of operational risks, financial risks and financial instruments as there were no significant changes during the period ended December 31st, 2020.

11. CONTINGENT ASSETS AND LIABILITIES

The sale of rights to PAYDAY2 by the Group to Starbreeze in May 2016 gave the Group the chance to earn up to a maximum of USD 40 million to be computed as 33% of the net revenue that Starbreeze shall realise on sales of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent activity as in the prior fiscal year and therefore no amount has been recorded in the financial statement.

12. SUBSEQUENT EVENTS

- On January 7th, 2021, the Group acquired 100% of Infinity Interactive Pty. and Infinity Interactive Two Pty., the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and are responsible for their development. The transaction was carried out through the subsidiary 505 Games Australia Pty., recently established by the Group. The total fixed consideration amounts 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 on: 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 financial year ending June 30th, 2023 and the Group expects to lifetime revenues in excess of Euro 30 million.

13. OUTLOOK

During the second half of the fiscal year the Premium segment will launch the video game Control on Sony PlayStation 5 and Microsoft XboX S.

The Free-to-Play operating segment will market worldwide numerous new products starting from the third quarter with the launches of Pocket Pioneers and Puzzle Quest 3, while the new version of the video game Hawken will be available starting from the fourth quarter of the current fiscal year.

Driven by the continuous launch of new products together with the continuous sales of already released titles, revenues will continue to grow albeit at a lower rate than that seen in the previous fiscal year.

The performance above the expectations of the first half drove the operating margins (EBIT) to the same level of the entire previous fiscal year. The profit margins will persist in the second half, but in part affected by the increase of marketing costs to support the launch of new Free-to-Play products and by incremental personnel costs due to the Australian acquisition and a greater number of resources needed to manage increasing volumes and a growing number of internal development studios.

Following the global market's positive forecasts, the Group continues to reinvest much of the free cash flow generated in the acquisition and development of new intellectual properties and intends to keep high investment levels also in the future. As of December 31st, 2020, the Group is investing in 21 new intellectual properties for approximately Euro 83 million, without considering the costs for internal studios currently developing new videogames.

The on-going investments together with future acquisitions of intellectual properties are expected to take the Group to an incremental level of revenues compared to the actual. Starting 2024, numerous new productions will be released, including the second version of Assetto Corsa, created by the internal studio Kunos Simulazioni, as well as several other intellectual properties that will be communicated close to their respective launch dates.

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

14. OTHER INFORMATION

EMPLOYEES

The following table contains analysis of the number of employees at December 31st, 2020 with comparative figures at December 31st, 2019:

Category	December 31 st , 2020	December 31 st , 2019	Change
Managers	7	7	0
Office workers	208	185	23
Blue-collar workers and apprentices	6	5	1
Total employees	221	197	24

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

The following table contains details of the number of employees of non-Italian companies at December 31st, 2020 with comparative figures at December 31st, 2019:

Category	December 31 st , 2020	December 31 st , 2019	Change
Managers	2	2	0
Office workers	129	126	3
Total employees outside Italy	131	128	3

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

Category	Average no in 2021	Average no in 2020	Change
Managers	7	7	0
Office workers	208	185	23
Blue-collar workers and apprentices	6	5	1
Total employees	221	197	24

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

Category	Average no in 2021	Average no in 2020	Change
Managers	2	2	0
Office workers	129	123	6
Total employees outside Italy	131	125	6

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

ENVIRONMENT

At December 31st, 2020, there were no environment



Condensed consolidated financial statements at December 31st, 2020

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated statement of financial position at December 31st, 2020

	Euro Thousand	December 31 st , 2020	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,865	8,837	28	0.3%
2	Investment property	0	0	0	0.0%
3	Intangible assets	47,569	33,248	14,321	43.1%
4	Equity investments	10,634	5,488	5,146	93.8%
5	Non-current receivables and other assets	3,511	6,744	(3,233)	-47.9%
6	Deferred tax assets	3,356	3,482	(126)	-3.6%
7	Non-current financial activities	18,846	17,251	1,595	9.2%
	Total non current assets	92,781	75,050	17,731	23.6%
	Current assets				
8	Inventories	7,474	7,989	(515)	-6.4%
9	Trade receivables	29,816	28,168	1,648	5.9%
10	Tax receivables	1,795	3,100	(1,305)	-42.1%
11	Other current assets	23,051	32,816	(9,765)	-29.8%
12	Cash and cash equivalent	12,867	8,527	4,340	50.9%
13	Other financial assets	0	0	0	0.0%
	Total current assets	75,003	80,600	(5,597)	-6.9%
	TOTAL ASSETS	167,784	155,650	12,134	7.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,712)	(20,960)	(752)	3.6%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(66,046)	(52,288)	(13,758)	26.3%
	Equity attributable to Parent Company	(93,462)	(78,952)	(14,510)	18.4%
	Equity attributable to minority shareholders	(939)	(979)	40	-4.1%
	Total Net equity	(94,401)	(79,931)	(14,470)	18.1%
	Non-current liabilities				
18	Employee benefits	(694)	(659)	(35)	5.3%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(4,975)	(6,369)	1,394	-21.9%
	Total non-current liabilities	(5,750)	(7,578)	1,828	-24.1%
	Current liabilities				
22	Trade payables	(41,502)	(41,140)	(362)	0.9%
23	Taxes payables	(8,912)	(5,473)	(3,439)	62.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,903)	(4,721)	(182)	3.9%
26	Current financial liabilities	(12,316)	(16,807)	4,491	-26.7%
	Total net working capital	(67,633)	(68,141)	508	-0.7%
	TOTAL LIABILITIES	(73,383)	(75,719)	2,336	-3.1%
	TOTAL NET EQUITY AND LIABILITIES	(167,784)	(155,650)	(12,134)	7.8%

Digital Bros Group
Consolidated income statement at December 31st, 2020

	Euro Thousand	December 31 st , 2020		December 31 st , 2019		Change	
1	Gross revenue	82,381	101.8%	67,850	108.6%	14,531	21.4%
2	Revenue adjustments	(1,437)	-1.8%	(5,365)	-8.6%	3,928	-73.2%
3	Net revenue	80,944	100.0%	62,485	100.0%	18,459	29.5%
4	Purchase of products for resale	(3,050)	-3.8%	(12,837)	-20.5%	9,787	-76.2%
5	Purchase of services for resale	(5,621)	-6.9%	(4,046)	-6.5%	(1,575)	38.9%
6	Royalties	(21,368)	-26.4%	(18,695)	-29.9%	(2,673)	14.3%
7	Changes in inventories of finished products	(515)	-0.6%	1,392	2.2%	(1,907)	n.m.
8	Total cost of sales	(30,554)	-37.7%	(34,186)	-54.7%	3,632	-10.6%
9	Gross profit (3+8)	50,390	62.3%	28,299	45.3%	22,091	78.1%
10	Other income	2,294	2.8%	1,386	2.2%	908	65.6%
11	Costs for services	(5,376)	-6.6%	(8,755)	-14.0%	3,379	-38.6%
12	Rent and Leasing	(133)	-0.2%	(141)	-0.2%	8	-5.4%
13	Payroll costs	(10,960)	-13.5%	(10,013)	-16.0%	(947)	9.5%
14	Other operating costs	(610)	-0.8%	(623)	-1.0%	13	-2.1%
15	Total operating costs	(17,079)	-21.1%	(19,532)	-31.3%	2,453	-12.6%
16	Gross operating margin (EBITDA) (9+10+15)	35,605	44.0%	10,153	16.2%	25,452	n.m.
17	Depreciation and amortisation	(15,400)	-19.0%	(5,139)	-8.2%	(10,261)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(289)	-0.4%	(1,169)	-1.9%	880	-75.2%
20	Impairment reversal	0	0.0%	204	0.3%	(204)	n.m.
21	Total depreciation, amortization and impairment	(15,689)	-19.4%	(6,104)	-9.8%	(9,585)	n.m.
22	Operating margin (EBIT) (16+21)	19,916	24.6%	4,049	6.5%	15,867	n.m.
23	Interest and finance income	4,594	5.7%	1,540	2.5%	3,054	n.m.
24	Interest expense and finance costs	(2,357)	-2.9%	(1,940)	-3.1%	(417)	21.5%
25	Net interest income/(expense)	2,237	2.8%	(400)	-0.6%	2,637	n.m.
26	Profit/ (loss) before tax (22+25)	22,153	27.4%	3,649	5.8%	18,504	n.m.
27	Current tax	(6,800)	-8.4%	(1,086)	-1.7%	(5,714)	n.m.
28	Deferred tax	497	0.6%	(625)	-1.0%	1,122	n.m.
29	Total taxes	(6,303)	-7.8%	(1,711)	-2.7%	(4,592)	n.m.
30	Net profit/loss	15,850	19.6%	1,938	3.1%	13,912	n.m.
	attributable to the shareholders of the Group	15,890	19.6%	1,938	3.1%	13,952	n.m.
	attributable to minority shareholders	(40)	0.0%	0	0.0%	(40)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	1.11		0.14		0.97	n.m.
34	Diluted earnings per share (in Euro)	1.09		0.14		0.95	n.m.

Digital Bros Group**Consolidated statement of comprehensive income at December 31st, 2020**

Euro Thousand	December 31st, 2020	December 31st, 2019	Change
Profit (Loss) for the period (A)	15,850	1,938	13,912
Items that will not be subsequently recycled through profit or loss (B)	0	0	0
Actuarial gain (loss)	(11)	9	(20)
Income tax relating to actuarial gain (loss)	3	(2)	5
Exchange differences on translation of foreign operations	(529)	345	(874)
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of financial assets	1,480	225	1,255
Tax effect regarding fair value measurement of financial assets	(355)	(54)	(301)
Items that will subsequently be recycled through profit or loss (C)	588	523	65
Total other comprehensive income D= (B)+(C)	588	523	65
Total comprehensive income (loss) (A)+(D)	16,438	2,461	13,977
Attributable to:			
Shareholders of the Group	16,478	2,461	13,977
Minority shareholders	(40)	0	(40)

Digital Bros Group
Consolidated cash flow statement at December 31st, 2020

	Euro Thousand	December 31st, 2020	December 31st, 2019
A.	Opening net cash/debt	8,527	4,767
B.	Cash flows from operating activities		
	Profit (loss) for the period	15,850	1,938
	<i>Depreciation, amortisation and non-monetary costs:</i>		
	Provisions and impairment losses	(284)	1,169
	Amortisation of intangible assets	14,495	4,242
	Depreciation of property, plant and equipment	905	897
	Net change in advance taxes	126	600
	Net change in employee benefit provisions	35	(1)
	Other non-monetary changes in shareholders' equity	759	688
	SUBTOTAL B.	31,886	9,533
C.	Change in net working capital		
	Inventories	515	(1,392)
	Trade receivables	(1,627)	11,628
	Current tax assets	1,305	(276)
	Other current assets	10,028	(3,242)
	Trade payables	362	10,467
	Current tax liabilities	3,439	4,621
	Current provisions	0	(856)
	Other current liabilities	182	1,930
	Other non-current liabilities	(469)	20
	Non-current receivables and other assets	3,233	(276)
	SUBTOTAL C.	16,968	22,624
D.	Cash flows from investing activities		
	Net payments for intangible assets	(28,816)	(14,819)
	Net payments for property, plant and equipment	(933)	(6,764)
	Net payments for non-current financial assets	(5,146)	(185)
	SUBTOTAL D.	(34,895)	(21,768)
E.	Cash flows from financing activities		
	Capital increases	0	0
	Changes in financial liabilities	(5,885)	(6,217)
	Changes in financial assets	(1,595)	1,908
	SUBTOTAL E.	(7,480)	(4,309)
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)	4,340	6,080
H.	Closing net cash/debt (A+G)	12,867	10,847

Digital Bros Group

Consolidated statement of changes in equity

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2019	5,704	18,486	1,141	1,367	(1,350)	1,579	21,223	0	38,811	(1,513)	37,298	64,225	0	64,225
Allocation of profit for the year							0		(1,513)	1,513	0	0	0	0
Other changes					(20)	165	145			20	20	165	0	165
Comprehensive income (loss)					345	178	523			1,938	1,938	2,461	0	2,461
Total on December 31st, 2019	5,704	18,486	1,141	1,367	(1,025)	1,922	21,891	0	37,298	1,958	39,256	66,851	0	66,851
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of profit for the year							0		14,990	(14,990)	0	0	0	0
Dividend distribution									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						164	164		7		7	171		171
Comprehensive income (loss)					(529)	1,117	588			15,890	15,890	16,478	(40)	16,438
Total on December 31st, 2020	5,704	18,486	1,141	1,367	(1,945)	2,663	21,712	0	50,156	15,890	66,046	93,462	939	94,401

Digital Bros Group

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

	Euro thousand	December 31 st , 2020		December 31 st , 2019	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	82,381	0	67,850	0
2	Revenue adjustments	(1,437)	0	(5,365)	0
3	Net revenue	80,944	0	62,485	0
4	Purchase of products for resale	(3,050)	0	(12,837)	0
5	Purchase of services for resale	(5,621)	0	(4,046)	0
6	Royalties	(21,368)	0	(18,695)	0
7	Changes in inventories of finished products	(515)	0	1,392	0
8	Total cost of sales	(30,554)	0	(34,186)	0
9	Gross profit (3+8)	50,390	0	28,299	0
10	Other income	2,294	0	1,386	27
11	Costs for services	(5,376)	(191)	(8,755)	(144)
12	Rent and Leasing	(133)	(23)	(141)	(40)
13	Payroll costs	(10,960)	0	(10,013)	0
14	Other operating costs	(610)	0	(623)	0
15	Total operating costs	(17,079)	(214)	(19,532)	(184)
16	Gross operating margin (EBITDA) (9+10+15)	35,605	(214)	10,153	(157)
17	Depreciation and amortisation	(15,400)	(521)	(5,139)	(521)
18	Provisions	0	0	0	0
19	Asset impairment charge	(289)	0	(1,169)	0
20	Impairment reversal	0	0	204	0
21	Total depreciation, amortization and impairment	(15,689)	(521)	(6,104)	(521)
22	Operating margin (EBIT) (16+21)	19,916	(735)	4,049	(678)
23	Interest and finance income	4,594	0	1,540	0
24	Interest expense and finance costs	(2,357)	(37)	(1,940)	(24)
25	Net interest income/(expense)	2,237	(37)	(400)	(24)
26	Profit/ (loss) before tax (22+25)	22,153	(772)	3,649	(702)
27	Current tax	(6,800)	0	(1,086)	0
28	Deferred tax	497	0	(625)	0
29	Total taxes	(6,303)	0	(1,711)	0
30	Net profit/loss (26+29)	15,850	(772)	1,938	(702)

Digital Bros Group

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

	Euro Thousand	December 31 st , 2020		June 30 th , 2020	
		Total	Of which with related parties	Total	Of which with related parties
	Non-current Assets				
1	Property, plant and equipment	8,865	0	8,837	0
2	Investment property	0	0	0	0
3	Intangible assets	47,569	0	33,248	0
4	Equity investments	10,634	0	5,488	0
5	Non-current receivables and other assets	3,511	756	6,744	767
6	Deferred tax assets	3,356	0	3,482	0
7	Non-current financial activities	18,846	0	17,251	0
	Total non current assets	92,781	756	75,050	767
	Current assets				
8	Inventories	7,474	0	7,989	0
9	Trade receivables	29,816	0	28,168	0
10	Tax receivables	1,795	0	3,100	0
11	Other current assets	23,051	0	32,816	0
12	Cash and cash equivalent	12,867	0	8,527	0
13	Other financial assets	0	0	0	0
	Total current assets	75,003	0	80,600	0
	TOTAL ASSETS	167,784	756	155,650	767
	Capital and reserves				
14	Share capital	(5,704)	0	(5,704)	0
15	Reserves	(21,712)	0	(20,960)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(66,046)	0	(52,288)	0
	Equity attributable to Parent Company	(93,462)	0	(78,952)	0
	Equity attributable to minority shareholders	(939)	0	(979)	0
	Total Net equity	(94,401)	0	(79,931)	0
	Non-current liabilities				
18	Employee benefits	(694)	0	(659)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	0	0	(469)	0
21	Non-current financial liabilities	(4,975)	(4,008)	(6,369)	(3,889)
	Total non-current liabilities	(5,750)	(4,008)	(7,578)	(3,889)
	Current liabilities				
22	Trade payables	(41,502)	(145)	(41,140)	(88)
23	Taxes payables	(8,912)	0	(5,473)	0
24	Short term provisions	0	0	0	0
25	Other current liabilities	(4,903)	0	(4,721)	0
26	Current financial liabilities	(12,316)	(1,005)	(16,807)	(803)
	Total net working capital	(67,633)	(1,150)	(68,141)	(891)
	TOTAL LIABILITIES	(73,383)	(5,158)	(75,719)	(4,780)
	TOTAL NET EQUITY AND LIABILITIES	(167,784)	(5,158)	(155,650)	(4,780)

Digital Bros Group
Consolidated statement of profit or loss prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	December 31 st , 2020		December 31 st , 2019	
		Total	Of which non- recurring	Total	Of which non- recurring
1	Gross revenue	82,381	0	67,850	0
2	Revenue adjustments	(1,437)	0	(5,365)	0
3	Net revenue	80,944	0	62,485	0
4	Purchase of products for resale	(3,050)	0	(12,837)	0
5	Purchase of services for resale	(5,621)	0	(4,046)	0
6	Royalties	(21,368)	0	(18,695)	0
7	Changes in inventories of finished products	(515)	0	1,392	0
8	Total cost of sales	(30,554)	0	(34,186)	0
9	Gross profit (3+8)	50,390	0	28,299	0
10	Other income	2,294	0	1,386	0
11	Costs for services	(5,376)	0	(8,755)	0
12	Rent and Leasing	(133)	0	(141)	0
13	Payroll costs	(10,960)	0	(10,013)	0
14	Other operating costs	(610)	0	(623)	0
15	Total operating costs	(17,079)	0	(19,532)	0
16	Gross operating margin (EBITDA) (9+10+15)	35,605	0	10,153	0
17	Depreciation and amortisation	(15,400)	0	(5,139)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(289)	0	(1,169)	(594)
20	Impairment reversal	0	0	204	0
21	Total depreciation, amortization and impairment	(15,689)	0	(6,104)	(594)
22	Operating margin (EBIT) (16+21)	19,916	0	4,049	(594)
23	Interest and finance income	4,594	0	1,540	0
24	Interest expense and finance costs	(2,357)	0	(1,940)	(580)
25	Net interest income/(expense)	2,237	0	(400)	(580)
26	Profit/ (loss) before tax (22+25)	22,153	0	3,649	(1,174)
27	Current tax	(6,800)	0	(1,086)	(224)
28	Deferred tax	497	0	(625)	0
29	Total taxes	(6,303)	0	(1,711)	(224)
30	Net profit/loss (26+29)	15,850	0	1,938	(1,398)



Notes to the condensed consolidated financial statements at December 31st, 2020

1. INTRODUCTORY NOTE

Digital Bros S.p.A. Half Year Financial Report for the six months period ended December 31st, 2020 was approved by the Board of Directors of March 9th, 2021 which authorized its dissemination through the March 9th, 2021 press release reporting the main items of the financial report.

The half-year consolidated financial report includes the condensed consolidated financial statements prepared in accordance with the International Accounting Standards (IFRS) applicable from July 1st, 2020 as adopted by the European Union and in particular, these condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard IAS 34 relating to interim financial report.

Therefore, it does not include all the disclosures required for annual financial statements and should thus be read together with the Group's consolidated financial statements for the year ended June 30th, 2020.

The condensed half-year consolidated financial statements of the Digital Bros Group have been prepared on a going concern basis. In fact, the Group has assessed that there are no significant uncertainties regarding the going concern.

For details of form and content and other general information, as well as the use of estimates, reference should be made to the notes to the consolidated financial statements for the year ended June 30th, 2020.

New accounting standards

In application of the European Regulation n. 1606 of July 19th, 2002, the principles adopted do not consider the standards and interpretations published by the IASB and the IFRIC as of December 31st, 2020, but not yet endorsed by the European Union at that date.

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

The accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union that must be adopted in the financial statements for the annual reporting period commencing on July 1st, 2020 are indicated below:

- On October 31st, 2018, the IASB published the document “**Definition of Material (Amendments to IAS 1 and IAS 8)**”. The document introduced a change to the definition of “material” contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The objective of the amendment is to render the definition of “material” more specific and it introduced the concept of “*obscured information*” alongside the concepts of omitted or misstated information already present in the two standards amended. The amendment clarifies that information is “*obscured*” when it is described in such a way as to produce for the primary users of financial statements an effect similar to that which would have

been produced had the information been omitted or misstated. The adoption of this amendment did not have any effects on the Group's financial statements;

- On March 29th, 2018, the IASB published an amendment to the “***References to the Conceptual Framework in IFRS Standards***”. The amendment is applicable for periods commencing on or after January 1st, 2020 but early application is allowed. The Conceptual Framework establishes fundamental concepts for financial disclosures and guides the Board in the development of IFRS. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses with the development of accounting principles when no IFRS is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards. The adoption of this amendment did not have any effects on the Group's financial statements;
- On September 26th, 2019, the IASB published the amendment called “***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***”. This document amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS - 7 - *Financial Instruments: Disclosures*. In more detail, the amendment modifies some of the requirements for application of hedge accounting, introducing temporary exceptions thereto, in order to reduce the impact of uncertainty over IBOR reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide, in their financial statements, additional information on their hedging relationships that are directly affected by the uncertainty caused by the reform and to which the above exceptions apply. The adoption of this amendment did not have any effects on the Group's financial statements;
- On October 22nd, 2018, the IASB published the document “***Definition of a Business (Amendments to IFRS 3)***”. The document provides certain clarification on the definition of a business for the purposes of the proper application of IFRS 3. In more detail, the amendment clarifies that while a business normally produces an output, it is not strictly necessary for the identification of a business if there is an integrated set of activities/processes and assets. However, in order to satisfy the definition of a business, an integrated set of activities/processes and assets shall include, at the very least, an input and a substantive process which, together, make a significant contribution towards the ability to create outputs. Accordingly, the IASB has replaced the term “ability to create outputs” with “ability to contribute towards the creation of outputs” in order to clarify that a business may exist even without the presence of all of the inputs and processes necessary to create an output. The amendment also introduced a concentration test – optional – that can be used to exclude the presence of a business if the price paid substantially relates to a single asset or group of assets. The amendments apply to all business combinations and asset acquisitions after January 1st, 2020, but early application is permitted. The adoption of this amendment did not have any effects on the Group's financial statements;

- 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 income statement 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 Group’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 July 1st, 2020:

The accounting standards, amendments and interpretations published by the IASB and endorsed by the European Union to be mandatory adopted in the financial statements for the year beginning July 1st, 2021 and not adopted early by the Group as at July 1st, 2020 are stated below:

- 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 make it possible to extend the temporary exemption from the application of IFRS 9 until January 1st, 2023 for insurance. These changes will come into force on January 1st, 2021. The directors do not expect a significant effect on the Group’s financial statements from the adoption of this amendment;
- 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 changes will enter into force on July 1st, 2021.

The directors do not expect a significant effect in the Group’s financial communications subsequent to the adoption of these accounting standards, amendments and interpretations.

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

As of the consolidated 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 aims to clarify how to classify debts and other short or long-term liabilities. The changes come into force starting January 1st, 2023; however, early application is permitted. The directors do not expect a significant effect on the Group’s consolidated financial statements from the adoption of this amendment;

- 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 income statement.
 - ***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 Group’s consolidated financial statements from the adoption of these amendments.

2. CONSOLIDATION METHODS

Subsidiaries

Subsidiaries are companies over which the Group exercises control. Control exists when the Group has the power, directly or indirectly, to influence the financial and operating policies of a subsidiary in such a way as to obtain benefits from its operations. The financial statements of subsidiaries are included in the condensed consolidated financial statements from the date control is obtained until the date control ceases to exist.

The financial statements of subsidiaries used for the consolidation are prepared as of the same reporting date and adjusted from local GAAP to comply with the accounting standards applied by the Group.

Investments in associated companies are initially recognized at acquisition cost and subsequently measured using the equity method.

Translation of foreign currency financial statements

The Group's reporting currency is the Euro which is also the functional currency of the parent company. As at the reporting date, the financial statements of foreign companies with a functional currency other than the Euro are translated into the reporting currency as follows:

- assets and liabilities are translated using the exchange rate in force at the consolidated reporting date;
- profit or loss items are translated using the average exchange rate for the period;
- equity items are translated at historical exchange rates.

Exchange differences arising from the translation process are recognized directly in equity and reported in the translation reserve which forms part of equity reserves.

Transactions eliminated during the consolidation process

When preparing the condensed consolidated financial statements for the period ended December 31st, 2020, all intragroup assets, liabilities, income and expenses relating to transactions between Group companies were eliminated, as were unrealized profits and losses on intragroup transactions.

Scope of consolidation

The tables below provide details of companies consolidated on a line-by-line basis and using the equity method. The respective stock capital is shown in local currency.

Line-by-line consolidation method:

Name	Operational Headquarters	Country	Capital	% held directly or indirectly
133 W Broadway	Eugene	USA	\$ 100,000	100%
Avantgarden S.r.l.	Milan	Italy	€ 100,000	100%
Digital Bros S.p.A.	Milan	Italy	€ 5,704,334.80	Parent company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	€ 100,000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	€ 100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	€ 300,000	100%
Digital Bros Holdings Ltd.	Milton Keynes	U.K.	£ 100,000	100%
DR Studios Ltd.	Milton Keynes	U.K.	£ 60,826	100%
Game Entertainment S.r.l.	Milan	Italy	€ 100,000	100%
505 Games S.p.A.	Milan	Italy	€ 10,000,000	100%
505 Games Australia Pty	Melbourne	Australia	\$ 100,000	100%
505 Games France S.a.s.	Franchiseville	France	€ 100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€ 50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Japan K.K.	Tokyo	Japan	¥ 6,000,000	100%
505 Games Ltd.	Milton Keynes	U.K.	£ 100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	€ 100,000	100%
Game Network S.r.l.in liquidation	Milan	Italy	€ 10,000	100%
Game Service S.r.l.	Milan	Italy	€ 50,000	100%
Hawken Entertainment Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Hook S.r.l.	Milan	Italy	€ 100,000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	€ 10,000	100%
505 Mobile S.r.l.	Milan	Italy	€ 100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Rasplata B.V.	Amsterdam	Netherlands	€ 1,750	60%
Seekhana Ltd.	Milton Keynes	U.K.	£ 18,500	60%
Supernova Games Studio S.r.l.	Milan	Italy	€ 100,000	100%

Equity consolidation method:

Name	Operational Headquarters	Country	Capital	% held directly or indirectly
MSE & DB SI	Tudela	Spain	€ 10,000	50%

3. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As at December 31st, 2020 the Group holds a 50% stake in the Spanish associate MSE & DB S.L. for a book value of Euro 5 thousand.

4. RECONCILIATION OF RESULT FOR THE YEAR AND EQUITY OF PARENT COMPANY TO THOSE OF THE GROUP

The following table provides a reconciliation of the result for the year and equity as reported by parent company Digital Bros S.p.A. to those reported by the Group:

Euro thousand	Profit (Loss) for the period		Equity	
	December 31 st , 2020	December 31 st , 2019	December 31 st , 2020	December 31 st , 2019
Profit for the period and equity of Digital Bros S.p.A.	8,948	2,675	55,158	47,068
Profit for the period and equity of the subsidiaries	14,860	2,120	69,691	58,805
Carrying amount of equity investments	0	0	(30,866)	(30,666)
Consolidation adjustments:				
Impairment of investments in subsidiaries	0	0	446	3,294
Elimination of intercompany profits	(154)	(135)	(1,832)	(1,678)
Dividends	(7,500)	(2,500)	0	0
Other adjustments	(304)	(222)	1,804	2,108
Total consolidation adjustments	(7,958)	(2,857)	418	3,724
Profit for the period and equity of the Group	15,850	1,938	94,401	79,931

Details are provided below of consolidation adjustments at December 31st, 2020 and 2019 and for the periods then ended:

Euro thousand	Profit (Loss) for the period		Equity	
	December 31 st , 2020	December 31 st , 2019	December 31 st , 2020	June 30 th , 2020
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	0	0	0	35
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	0	0	0	93
Impairment of 505 Games' investment in 505 Mobile S.r.l.	0	0	0	1,296
Impairment of Digital Bros S.p.A.'s investment in 133 W Broadway Inc.	0	0	446	317
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	0	0	0	1,553
Total impairment of investments in subsidiaries	0	0	446	3,294
Elimination of unrealized profit in inventory	125	(63)	(228)	(353)
Elimination of margin on internal processing contracts	(279)	(72)	(1,604)	(1,325)
Total elimination of intercompany profits	(154)	(135)	(1,832)	(1,678)
Dividends from Kunos Simulazioni S.r.l.	(2,500)	(2,500)	0	0
Dividends from 505 Games S.p.A.	(5,000)	0	0	0
Total dividends	(7,500)	(2,500)	0	0
Amortisation/Allocation of acquisition price of Kunos S.r.l. net of tax effect	(281)	(249)	767	1,048
Allocation of acquisition price of Rasplata B.V. net of tax effect	0	0	1,011	1,011
Application of IFRS 9	(21)	142	(344)	(323)
Other	(2)	(115)	370	372
Total other adjustments	(304)	(222)	1,804	3,724
Total consolidation adjustments	(7,958)	(2,857)	418	(607)

5. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position at December 31st, 2020 is set out below together with comparative figures at 30 June 30th, 2020:

	Euro thousand	December 31 st , 2020	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,865	8,837	28	0.3%
2	Investment property	0	0	0	0.0%
3	Intangible assets	47,569	33,248	14,321	43.1%
4	Equity investments	10,634	5,488	5,146	93.8%
5	Non-current receivables and other assets	3,511	6,744	(3,233)	-47.9%
6	Deferred tax assets	3,356	3,482	(126)	-3.6%
7	Non-current financial activities	18,846	17,251	1,595	9.2%
	Total non current assets	92,781	75,050	17,731	23.6%
	Current assets				
8	Inventories	7,474	7,989	(515)	-6.4%
9	Trade receivables	29,816	28,168	1,648	5.9%
10	Tax receivables	1,795	3,100	(1,305)	-42.1%
11	Other current assets	23,051	32,816	(9,765)	-29.8%
12	Cash and cash equivalent	12,867	8,527	4,340	50.9%
13	Other financial assets	0	0	0	0.0%
	Total current assets	75,003	80,600	(5,597)	-6.9%
	TOTAL ASSETS	167,784	155,650	12,134	7.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,712)	(20,960)	(752)	3.6%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(66,046)	(52,288)	(13,758)	26.3%
	Equity attributable to Parent Company	(93,462)	(78,952)	(14,510)	18.4%
	Equity attributable to minority shareholders	(939)	(979)	40	-4.1%
	Total Net equity	(94,401)	(79,931)	(14,470)	18.1%
	Non-current liabilities				
18	Employee benefits	(694)	(659)	(35)	5.3%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(4,975)	(6,369)	1,394	-21.9%
	Total non-current liabilities	(5,750)	(7,578)	1,828	-24.1%
	Current liabilities				
22	Trade payables	(41,502)	(41,140)	(362)	0.9%
23	Taxes payables	(8,912)	(5,473)	(3,439)	62.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,903)	(4,721)	(182)	3.9%
26	Current financial liabilities	(12,316)	(16,807)	4,491	-26.7%
	Total net working capital	(67,633)	(68,141)	508	-0.7%
	TOTAL LIABILITIES	(73,383)	(75,719)	2,336	-3.1%
	TOTAL NET EQUITY AND LIABILITIES	(167,784)	(155,650)	(12,134)	7.8%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment have increased from Euro 8,837 thousand to Euro 8,865 thousand, due to the half year additions net of depreciation for the period.

The following tables show movements in the current and previous reporting periods:

Euro Thousands	July 1st, 2020	Additions	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	December 31st, 2020
Industrial buildings	7,257	829	0	0	(686)	0	7,400
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	493	57	0	0	(102)	0	448
Other assets	452	62	(46)	(15)	(117)	46	382
Total	8,837	948	(46)	(15)	(905)	46	8,865

Euro Thousands	July 1st, 2019	Additions	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	December 31st, 2019
Industrial buildings	2,033	6,381	0	0	(650)	0	7,764
Land	632	0	0	0	0	0	635
Indust. and comm. equipment	543	139	0	0	(129)	0	553
Other assets	373	229	(102)	15	(118)	102	499
Total	3,584	6,749	(102)	15	(897)	102	9,451

Industrial buildings increased by Euro 829 thousand as a result of application of the new IFRS 16 to the renewal of the rental contract of the US subsidiaries' headquarters.

Land includes the land on which the warehouse in Trezzano sul Naviglio stands; it is valued at Euro 635 thousand.

Additions for the period to industrial and commercial equipment amounted to Euro 57 thousand and mainly related to office furniture and automation equipment. Meanwhile, additions of Euro 62 thousand to other assets regard the purchase of one car under finance leases.

3. Intangible assets

Intangible assets have increased from Euro 33,248 thousand to Euro 47,569 thousand. All of the intangible assets recognized by the Group have finite useful lives.

The following tables show movements in the first half of the current reporting period and the previous reporting period:

	July 1st, 2020	Add.	Disp.	Recl.	Impairment adj.	Translation differences	Amort'n	December 31st, 2020
Euro Thousands								
Concessions and licenses	11,212	144	0	22,393	0	(54)	(14,103)	19,592
Trademarks and sim. rights	1,455	0	0	652	0	0	(388)	1,719
Other assets	34	0	0	0	0	0	(4)	30
Assets in progress	20,547	28,726	0	(23,045)	0	0	0	26,228
Total	33,248	28,870	0	0	0	(54)	(14,495)	47,569

	July 1st, 2019	Add.	Disp.	Recl.	Impairment adj.	Translation differences	Amort'n	December 31st, 2019
Euro Thousands								
Concessions and licenses	8,369	6,486	0	0	(93)	12	(3,893)	10,881
Trademarks and sim. rights	1,736	0	0	0	0	0	(346)	1,390
Other assets	25	0	0	0	0	0	(3)	22
Assets in progress	8,211	9,127	(806)	0	(426)	0	0	16,106
Total	18,341	15,613	(806)	0	(519)	12	(4,242)	28,399

Assets in progress includes the costs incurred by the Group to purchase intellectual property from third parties and the costs incurred by DR Studios Ltd., 505 Mobile US, Kunos Simulazioni S.r.l. and AvantGarden S.r.l. in relation to contracts for the development of videogames for other Group companies that had not yet been completed at the reporting date.

Capex on intangible assets during the period is shown below, together with comparative figures for the first half of the previous year:

Euro thousand	December 31st, 2020	December 31st, 2019
Premium Games user rights	30	6,350
Investment on development of management systems	114	136
Total capex on concessions and licences	144	6,486
Internal development contracts in progress	1,591	3,774
Assets in progress	27,135	5,353
Total additions to assets in progress	28,726	9,127
Total capex on intangible assets	28,870	15,613

4. Investments

The investments in associated companies held by the Group at December 31st, 2020 and June 30th, 2020 are as follows:

Euro thousand	December 31st, 2020	June 30th, 2020	Change
MSE&DB SI	5	0	5
Total investments in associated companies	5	0	5
Starbreeze AB A shares	6,493	3,676	2,817
Starbreeze AB B shares	2,702	1,363	1,339
Unity Software Inc.	1,152	167	985
Noobz from Poland S.A.	282	282	0
Total other investments	10,629	5,488	5,141
Total investments	10,634	5,488	5,146

Movements during the period on investments in associated companies are described in the Half Year Report.

The increase in Other investments is due to:

- Purchase/subscription of 35,063,338 Starbreeze A shares and 15,156,381 Starbreeze 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 B shares (listed on Nasdaq Stockholm), with allocation to an equity reserve of the difference between the carrying amount and the fair value at December 31st, 2020 as they are financial instruments classified as held to collect and sell, and positive for Euro 495 thousand;
- fair value measurement of the 9,211 Unity Software Inc. shares (listed on Nasdaq Composite Index), with allocation to an equity reserve of the difference between the carrying amount and the fair value at December 31st, 2020 as they are financial instruments classified as held to collect and sell, and positive for Euro 985 thousand;

5. Non-current receivables and other assets

Non-current receivables and other assets amounted to Euro 3,511 thousand and decreased by Euro 3,233 thousand compared to June 30th, 2020:

They mainly include a receivable of Euro 2,679 thousand from Starbreeze AB that was purchased from the company Smilegate Holdings. The receivable has a nominal amount of around USD 16.3 million and was purchased for consideration of Euro 100 thousand. As at December 31st, 2020, the amount has been restated at the positive amortised cost of Euro 1,547 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 residual part relates to security deposits for contractual obligations and is detailed below:

Euro thousand	December 31st, 2020	June 30th, 2020	Variazioni
Receivable for sale of Pipeworks Inc.	0	4,770	(4,770)
Receivable from Starbreeze AB	2,679	1,132	1,547
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	192	202	(10)
Guarantee deposits – utilities	5	5	0
Total non-current receivables and other assets	3,511	6,744	(3,233)

The receivable for the sale of Pipeworks Inc. relating to the portion of the total receivable of USD 10 million deriving from the sale of the American subsidiary which at June 30th, 2020 had a maturity of more than twelve months, was fully collected in October 2020, in advance of the contractual deadline.

6. Deferred tax assets

Deferred tax assets are calculated on tax loss carryforwards and temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax basis. They have been measured at the tax rates expected to apply to the period when the asset is 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. At December 31st, 2020, the balance stood at Euro 3,356 thousand and decreased by Euro 126 thousand compared to June 30th, 2020.

The following table contains a breakdown of the Group's deferred tax assets between Italian companies, non-Italian companies and consolidation adjustments:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Italian companies	1,323	1,675	(352)
Non-Italian companies	1,809	1,732	77
Consolidation adjustments	224	75	149
Total deferred tax assets	3,356	3,482	(126)

CURRENT ASSETS

8. Inventories

Inventories consist of finished products for resale. The following table contains a breakdown of inventories by distribution channel:

Euro Thousand	December 31 st , 2020	June 30 th , 2020	Change
Italian Distribution inventories	4,695	4,722	(27)
Premium Games inventories	2,779	3,267	(488)
Total Inventories	7,474	7,989	(515)

Inventories have decreased by Euro 515 thousand from Euro 7,989 thousand at June 30th, 2020 to Euro 7,474 thousand at December 31st, 2020, in line with the decrease in retail distribution revenues.

9. Trade receivables

Changes during the period in trade receivables were as follows:

Euro Thousand	December 31 st , 2020	June 30 th , 2020	Change
Receivables from customers - Italy	1,919	2,473	(554)
Receivables from customers - EU	4,365	2,752	1,613
Receivables from customers - Rest of the world	24,396	23,786	610
Total receivables from customers	30,680	29,011	1,669
Provision for doubtful debts	(864)	(843)	(21)
Total trade receivables	29,816	28,168	1,648

Receivables from customers totaled Euro 29,816 thousand at December 31st, 2020. This represented an increase of Euro 1,648 thousand compared to the June 30th, 2020 balance of Euro 28,168 thousand.

Receivables from customers are stated net of an estimate of potential credit notes to be issued by the Group for price repositioning or returns.

The provision for doubtful debts has increased by Euro 21 thousand from Euro 843 thousand at June 30th, 2020 to Euro 864 thousand at December 31st, 2020. The bad debt provision is estimated based on both a detailed analysis of each balance in order to assess customers' ability to pay and application of the new IFRS 9.

10. Tax Receivables

Tax receivables are analyzed as follows:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Receivables under domestic tax group arrangement	0	1,766	(1,766)
VAT receivable	580	694	(114)
Tax credit for foreign tax withholdings	896	114	782
IRES refund for IRAP deductibility	119	119	0
Other tax receivables	200	407	(207)
Total tax receivables	1,795	3,100	(1,305)

Tax receivables have decreased by Euro 1,305 thousand from Euro 3,100 thousand at June 30th, 2020 to Euro 1,795 thousand at December 31st, 2020. The decrease in Receivables under the domestic tax group arrangement is the result of the higher taxable income for the year of the Italian companies which led to the offsetting of tax assets, while the increase in the tax credit for foreign tax withholding relates to deductions suffered by subsidiary 505 Games S.p.A. on royalties income.

11. Other current assets

Other current assets consist of advances paid to suppliers, employees and agents. They decreased from Euro 32,816 thousand at June 30th, 2020 to Euro 23,051 thousand at December 31st, 2020. They are analyzed as follows:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Receivables for video game user licenses	8,649	10,371	(1,722)
Receivables for video game development operating costs	11,642	14,651	(3,009)
Receivable for sale of Pipeworks Inc.	0	4,770	(4,770)
Advances to suppliers	2,436	2,686	(250)
Other receivables	324	338	(14)
Total other current assets	23,051	32,816	(9,765)

Receivables for video game user licenses consist of advances paid for licenses not yet exploited or completely exploited as at the reporting date. They decreased by Euro 1,722 thousand over the period to stand at Euro 8,649 thousand.

Receivables for video game development operating costs, amounting to Euro 11,642 thousand, include expenses incurred in advance, specifically in relation to video game programming services, quality assurance and other operating costs.

The amount in question is analyzed as follows:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Programming	8,594	11,729	(3,135)
Quality assurance	2,213	2,307	(94)
Other operating costs	835	615	220
Total receivables for video game development operating costs	11,642	14,651	(3,009)

The change in the receivable for the sale of Pipeworks Inc. relates to the collection of the short-term portion of the total receivable of USD 10 million deriving from the sale of the American subsidiary.

Advances to suppliers accounts for the recording of Euro 1,670 thousand in relation to the portion of withholding taxes subject to the agreement with the Italian Tax Authorities that the expects to be able to recover from suppliers.

NET EQUITY

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

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,350)	1,579	21,223	0	38,811	(1,513)	37,298	64,225	0	64,225
Allocation of profit for the year							0		14,990	(14,990)	0	0	0	0
Dividend distribution									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						164	164		7		7	171		171
Comprehensive income (loss)					(529)	1,117	588			15,890	15,890	16,478	(40)	16,438
Total on December 31st, 2020	5,704	18,486	1,141	1,367	(1,945)	2,663	21,712	0	50,156	15,890	66,046	93,462	939	94,401

14. Share capital

Share capital at December 31st, 2020 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 5,704,334.80. No other shares of any nature are in issue. There are no rights, liens or restrictions associated with the ordinary shares.

15. Reserves

The change in Other reserves includes Euro 164 thousand to restate the stock option reserve, Euro 1,125 thousand (positive) to restate the reserve for fair value measurement of financial assets and Euro 8 thousand (negative) to restate the actuarial reserve.

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

NON-CURRENT LIABILITIES

18. Employee benefits

“Employee benefits” reflects the actuarial value of the Group’s liability towards employees, as calculated by an independent actuary. It has increased by Euro 35 thousand compared to prior year.

The IAS 19 actuarial measurement at December 31st, 2020 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 the Italian companies' reporting date headcount of 90 employees.

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

- annual rate of interest of 0.53%;
- 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 Thousand	December 31st, 2020	December 31st, 2019
Provision for employee termination indemnities at July 1st, 2020	659	573
Utilization of provision for leavers	(9)	(8)
Allocated during period	145	111
Restatement for supplementary pension schemes	(113)	(94)
Restatement for actuarial measurement	12	(10)
Provision for employee termination indemnities at December 31st, 2020	694	572

The Group is not party to any supplementary pension plans.

19. Non-current provisions

These consist entirely of the agents' termination indemnity provision. The balance of Euro 81 thousand at December 31st, 2020 is unchanged compared to June 30th, 2020.

20. Other non-current payables and liabilities

At December 31st, 2020, 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

22. Trade payables

Trade payables amounted to Euro 41,502 thousand at December 31st, 2020 and increased by Euro 362 thousand compared to June 30th, 2020. They were mostly payable to publishers for purchases of finished products and to developers for royalties. Details are provided below:

Euro Thousand	December 31 st , 2020	June 30 th , 2020	Change
Trade payables – Italy	(3,131)	(3,119)	(12)
Trade payables – EU	(18,988)	(21,050)	2,062
Trade payables – Rest of world	(19,383)	(16,971)	(2,412)
Total trade payables	(41,502)	(41,140)	(362)

23. Tax payables

Tax payables have increased by Euro 3,439 thousand from Euro 5,473 thousand at June 30th, 2020 to Euro 8,912 thousand at December 31st, 2020. The balance is detailed as follows:

Euro Thousand	December 31 st , 2020	June 30 th , 2020	Change
Taxes on income	(4,681)	(569)	(4,112)
VAT payable	(120)	(226)	106
Other tax payables	(4,111)	(4,678)	567
Total tax payables	(8,912)	(5,473)	(3,439)

The increase on Taxes on income is the effect of the higher tax base for the half year of Italian companies.

24. Current provisions

At December 31st, 2020, there were no current provisions.

25. Other current liabilities

Other current liabilities amount to Euro 4,903 thousand and have increased by Euro 182 thousand compared to June 30th, 2020. Details are provided below:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Amounts due to social security institutions	(448)	(448)	0
Amounts due to employees	(846)	(988)	142
Amounts due to contract staff	(45)	(42)	(3)
Other payables	(3,564)	(3,243)	(321)
Total other current liabilities	(4,903)	(4,721)	(182)

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 14th monthly salaries and amounts accrued for the portion of variable remuneration relating to the reporting period.

Other payables mainly include advance payments received by 505 Games S.p.A. from several customers (Euro 2,591 thousand), especially in relation to sub-licensing contracts for certain countries where the Group does not have a direct presence and revenue recognition is deferred to the moment the product is launched on the market.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position at December 31st, 2020 together with comparative figures at June 30th, 2020:

	Euro thousand	December 31st, 2020	June 30th, 2020	Change
12	Cash and cash equivalents	12,867	8,527	4,340
13	Other current financial assets	0	0	0
26	Current financial liabilities	(12,316)	(16,807)	4,491
	Current net financial position	551	(8,280)	8,831
7	Non-current financial assets	18,846	17,251	1,595
21	Non-current financial liabilities	(4,975)	(6,369)	1,394
	Non-current net financial position	13,871	10,882	2,989
	Total net financial position	14,422	2,602	11,820

The net financial position amounted to Euro 14,422 thousand, significantly improved compared to Euro 2,602 thousand as at June 30th, 2020. Excluding the IFRS 16 effect, the net financial position amounted to Euro 20 million.

The decrease in net debt is mainly due to a Euro 4,491 thousand decrease in Current financial liabilities and a Euro 4,340 thousand increase in Cash and cash equivalents.

Current net financial position

The current net financial position is analyzed as follows:

	Euro Thousand	December 31st, 2020	June 30th, 2020	Change
12	Cash and cash equivalents	12,867	8,527	4,340
13	Other current financial assets	0	0	0
26	Current financial liabilities	(12,316)	(16,807)	4,491
	Current net financial position	551	(8,280)	8,831

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 12,867 thousand at December 31st, 2020, an increase of Euro 4,340 thousand compared to June 30th, 2020. They are unrestricted and consist entirely of current account deposits accessible on demand.

26. 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 12,316 thousand.

Details are as follows:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Bank borrowing – advances on invoices and notes	0	(547)	547
Instalment loans due within a year	(1,000)	(5,153)	4,153
Other current financial liabilities	(11,316)	(11,107)	(209)
Total current bank borrowing	(12,316)	(16,807)	4,491

Instalment loans amounting to Euro 1,000 thousand comprise the portion with a maturity within 12 months of a loan totaling Euro 2 million granted by Intesa SanPaolo 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.

Other current financial liabilities are detailed as follows:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Advances on trade receivables factored without recourse	(14)	(21)	7
Lease instalments due within a year	(68)	(63)	(5)
Lease liabilities	(1,234)	(1,023)	(211)
Liability to Smilegate Holdings	(10,000)	(10,000)	0
Total current financial liabilities	(11,316)	(11,107)	(209)

The increase in Lease liabilities is the effect of the application of the IFRS 16 accounting standard to the renewal of the rental contract of the US subsidiaries' headquarters, already accounted for in the Property, Plant and Equipment paragraph.

The liability of Euro 10 million towards Smilegate Holdings represents the portion of the purchase price of the assets held by said Korean company in Starbreeze AB paid on February 23rd, 2021, as described in the Half Year Report under Significant Events during the Period.

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 Half Year Report. The Euro 1,595 thousand increase compared to June 30th, 2020 is due to the fair value measurement.

21. Non-current financial liabilities

Non-current financial liabilities include instalment loans due after more than a year and other non-current financial liabilities for a total of Euro 4,975 thousand. Details are provided below:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Instalment loans due after more than a year	(504)	(1,906)	1,402
Other non-current financial liabilities	(4,471)	(4,463)	(8)
Total non-current financial liabilities / bank borrowing	(4,975)	(6,369)	(1,394)

At December 31st, 2020, non-current bank borrowing included Euro 504 thousand representing the non-current portion of the loan granted by Intesa SanPaolo S.p.A. to Digital Bros S.p.A., as described above.

Other non-current financial liabilities amount to Euro 4,471 thousand. They include Euro 154 thousand of lease repayments due after more than a year and Euro 4,317 thousand due to application of the IFRS 16 accounting standard.

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 19 thousand while those due after more than a year total Euro 32 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 34 thousand. There is a variable rate of interest of 2.26%;

- a finance lease agreement entered into with BMW Group Segment Financial Services for the purchase of a motor vehicle. The 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 lease expires on November 11th, 2023. Lease instalments due within a year amount to Euro 5 thousand while those due after more than a year total Euro 11 thousand. There is a variable rate of interest of 5.85%;
- a finance lease agreement entered into with BMW Group Segment Financial Services for the purchase of a motor vehicle. The 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 lease expires on November 11th, 2023. Lease instalments due within a year amount to Euro 4 thousand while those due after more than a year total Euro 11 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 34 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 12 thousand while those due after more than a year total Euro 32 thousand. There is a variable rate of interest of 2.48%.

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

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Within 1 year	1,302	1,086	216
1-5 years	3,264	2,931	333
More than 5 years	1,207	1,532	(325)
Total	5,773	5,549	224

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

	Euro thousand	December 31st, 2020	June 30th, 2020	Change	
A.	Cash	3	5	(2)	-40.0%
B.	Cash equivalents (details)	12,864	8,522	4,342	50.9%
C.	Liquidity (A) + (B)	12,867	8,527	4,340	50.9%
D.	Current financial receivables	0	0	0	0.0%
E.	Current bank borrowing	0	547	(547)	-100.0%
F.	Current portion of non-current debt	1,000	5,153	(4,153)	-80.6%
G.	Other current financial liabilities	11,316	11,107	209	1.9%
H.	Current financial indebtedness (E)+(F)+(G)	12,316	16,807	(4,491)	-26.7%
I.	Net current financial indebtedness (H) – (D) – (C)	(551)	(8,971)	8,420	-93.9%
J.	Non-current bank borrowing	504	1,906	(1,402)	-73.6%
K.	Other non-current financial liabilities	4,471	4,463	8	0.2%
L.	Non-current financial indebtedness (J) + (K)	4,975	6,369	(1,394)	-21.9%
M.	Net financial indebtedness (I) + (L)	4,424	(2,602)	7,026	n.m.

COMMITMENTS AND RISKS

The following table reports the Group's commitments:

Euro Thousand	December 31st, 2020	June 30th, 2020	Change
Commitments for undersigned contracts	57,484	48,042	9,442
Commitments for subscription of capital of Starbreeze	0	2,395	(2,395)

Commitments made undersigned contracts relate to future expenses for the Group in relation to licenses and user rights to video games not yet completed or for which production had not yet begun at the reporting date.

The commitment to subscribe a share capital increase by Starbreeze AB has been finalized in September 2020.

6. ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period ended December 31st, 2020. It does not include the Holding operating segment as it does not generate revenue:

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Total
1	Gross revenue	4,483	74,739	2,932	227	82,381
2	Revenue adjustments	0	(1,243)	(194)	0	(1,437)
3	Total net revenue	4,483	73,496	2,738	227	80,944

At December 31st, 2019, the breakdown was as follows:

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Total
1	Gross revenue	3,338	58,043	6,185	284	67,850
2	Revenue adjustments	0	(4,822)	(543)	0	(5,365)
3	Total net revenue	3,338	53,221	5,642	284	62,485

Comments on the net revenue can be found in the Half Year Report.

25. Net financial income / (expenses)

This item may be analysed as follows:

	Euro thousand	December 31st, 2020	December 31st, 2019	Change	%
23	Interest and financial income	4,594	1,540	3,054	n.m.
24	Interest and financial expenses	(2,357)	(1,940)	(417)	21.5%
25	Net financial income / (expenses)	2,237	(400)	2,637	n.m.

The net financial income was positive for Euro 2,237 thousand compared to the negative Euro 400 thousand registered in the previous year. This is the result of a Euro 3,054 thousand increase in interest and financial income and a Euro 417 thousand increase in interest and financial expenses.

Interest and financial income may be analysed as follows:

Euro thousand	December 31st, 2020	December 31st, 2019	Change	%
Financial income	2,499	661	1,838	n.m.
Exchange gains	2,089	876	1,213	n.m.
Other	6	3	3	100.0%
Total interest and financial income	4,594	1,540	3,054	n.m.

Interest and financial income increased by Euro 3,054 thousand because of a Euro 1,838 thousand rise in financial income and higher exchange gains for Euro 1,213 thousand. Financial income includes Euro 1,548 thousand due to the restatement of the around USD 16.3 million loan receivable from Starbreeze as acquired

for consideration of Euro 100 thousand and Euro 795 thousand fair value measurement of the convertible bond issued by Starbreeze.

Interest and financial expenses amounted to Euro 2,357 thousand. They increased by Euro 417 thousand compared to December 31st, 2019, mainly because of exchange losses for Euro 1,374 thousand. As at December 31st, 2019 the item included Euro 580 thousand following 505 Games S.p.A. conciliation agreement with the Italian Tax Authorities.

Interest and financial expenses are analysed in detail as follows:

Euro thousand	December 31st, 2020	December 31st, 2019	Change	%
Interest expenses on current accounts and trade finance	(60)	(170)	110	-64.7%
Interest expenses to tax authorities	0	(587)	587	n.m.
Interest expenses on loans and leases	(119)	(229)	110	-47.9%
Factoring interest expenses	(1)	(5)	4	-80.0%
Total interest expenses on sources of finance	(181)	(991)	810	-47.9%
Exchange losses	(2,176)	(802)	(1,374)	n.m.
Equity valuation of investments	0	(147)	147	n.m.
Total interest expenses	(2,357)	(1,940)	(417)	21.5%

29. Taxation

Current and deferred taxes at December 31st, 2020 are detailed below:

Euro thousand	December 31st, 2020	December 31st, 2019	Change	%
Current taxes	(6,800)	(1,086)	(5,714)	n.m.
Deferred taxes	497	(625)	1,122	n.m.
Total taxes	(6,303)	(1,711)	(4,592)	n.m.

The increase in Current taxes is in line with the Group's operating results during the period.

7. NON-RECURRING INCOME AND EXPENSES

In accordance with Consob Resolution 15519 of July 27th, 2006, non-recurring income and expenses shall be presented separately in the statement of profit or loss. They are generated by transactions or events that, by their nature, do not occur on a regular basis during ordinary operating activities. During the reporting period, the Group did not record any non-recurring income and expenses.

8. INFORMATION BY OPERATING SEGMENT

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

The Group is organized into five operating segments:

- Premium Games;
- Free to Play;
- Italian Distribution;
- Other Activities;
- Holding.

The Directors monitor the results of each operating segment separately in order to decide how to allocate resources and verify results. Financial income and expenses (including loan income and expenses) and income tax are managed at Group level and are not allocated to the operating segments.

The results by operating segment for the periods ended December 31st, 2020 and December 31st, 2019 are set out below.

Consolidated statement of profit and loss by operating segment for the period ended December 31st, 2020

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	4,483	74,739	2,932	227	0	82,381
2	Revenue adjustments	0	(1,243)	(194)	0	0	(1,437)
3	Net revenue	4,483	73,496	2,738	227	0	80,944
4	Purchase of products for resale	0	(1,427)	(1,623)	0	0	(3,050)
5	Purchase of services for resale	(1,030)	(4,589)	0	(2)	0	(5,621)
6	Royalties	(152)	(21,213)	0	(3)	0	(21,368)
7	Changes in inventories of finished products	0	(488)	(27)	0	0	(515)
8	Total cost of sales	(1,182)	(27,717)	(1,650)	(5)	0	(30,554)
9	Gross profit (3+8)	3,301	45,779	1,088	222	0	50,390
10	Other income	1,063	1,212	0	0	19	2,294
11	Costs for services	(100)	(4,089)	(409)	(68)	(710)	(5,376)
12	Rent and Leasing	(11)	(42)	(15)	(0)	(65)	(133)
13	Payroll costs	(2,230)	(6,025)	(602)	(152)	(1,951)	(10,960)
14	Other operating costs	(47)	(169)	(86)	(21)	(287)	(610)
15	Total operating costs	(2,388)	(10,325)	(1,112)	(241)	(3,013)	(17,079)
16	Gross operating margin (EBITDA) (9+10+15)	1,976	36,666	(24)	(19)	(2,994)	35,605
17	Depreciation and amortisation	(63)	(14,790)	(79)	(45)	(423)	(15,400)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	(226)	0	0	(63)	(289)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(63)	(15,016)	(79)	(45)	(486)	(15,689)
22	Operating margin (EBIT) (16+21)	1,913	21,650	(103)	(64)	(3,480)	19,916

Consolidated statement of profit and loss by operating segment for the period ended December 31st, 2019

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	3,338	58,043	6,185	284	0	67,850
2	Revenue adjustments	0	(4,822)	(543)	0	0	(5,365)
3	Net revenue	3,338	53,221	5,642	284	0	62,485
4	Purchase of products for resale	0	(8,824)	(4,013)	0	0	(12,837)
5	Purchase of services for resale	(1,100)	(2,824)	(116)	(6)	0	(4,046)
6	Royalties	(189)	(18,492)	0	(14)	0	(18,695)
7	Changes in inventories of finished products	0	1,843	(451)	0	0	1,392
8	Total cost of sales	(1,289)	(28,297)	(4,580)	(20)	0	(34,186)
9	Gross profit (3+8)	2,049	24,924	1,062	264	0	28,299
10	Other income	1,035	302	0	0	49	1,386
11	Costs for services	(137)	(6,816)	(859)	(89)	(854)	(8,755)
12	Rent and Leasing	(10)	(28)	(14)	(1)	(88)	(141)
13	Payroll costs	(2,166)	(5,237)	(691)	(153)	(1,766)	(10,013)
14	Other operating costs	(42)	(227)	(102)	(20)	(232)	(623)
15	Total operating costs	(2,355)	(12,308)	(1,666)	(263)	(2,940)	(19,532)
16	Gross operating margin (EBITDA) (9+10+15)	729	12,918	(604)	1	(2,891)	10,153
17	Depreciation and amortisation	(624)	(3,997)	(85)	(52)	(381)	(5,139)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(346)	(767)	(32)	0	(24)	(1,169)
20	Impairment reversal	0	187	0	0	17	204
21	Total depreciation, amortization and impairment	(970)	(4,577)	(117)	(52)	(388)	(6,104)
22	Operating margin (EBIT) (16+21)	(241)	8,341	(721)	(51)	(3,279)	4,049

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

Video games not produced directly by development companies owned by the Group are normally acquired under exclusive licence and with international exploitation rights valid for several years. The brand name used for publication on a global scale is 505 Games.

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

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

During the period, the Group completed the acquisition of two new companies: 100% of the quota capital of AvantGarden S.r.l., originally Ovosonico S.r.l., of which the Group already held 49%; and 60% of Dutch company Rasplata B.V.. AvantGarden S.r.l. is an Italian videogame developer with a team of around 20 people while the Dutch company holds the rights to an intellectual property currently under development.

Hook S.r.l. and Supernova Games Studio S.r.l. were incorporated during the reporting period. Hook S.r.l. will become the Group's publisher for premium video games with development budgets lower than 505 Games', but with a potential for success due to the innovative nature of the idea or the speed of execution. Supernova Games Studio S.r.l. will become a new video game production studio based in Milan. During the half year, MSE & DB S.L., an equal joint venture under the Spanish law set up with a development studio in order to jointly create a new intellectual property, was also established.

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

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

During the reporting period, the Australian 505 Games Pty Ltd. was incorporated. In January 2021 the subsidiary acquired 100% of Infinity Interactive Pty. and Infinity Interactive Two Pty, the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and are responsible for their development.

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

Italian Distribution: consists of the distribution of video games purchased from international publishers.

This business is conducted by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l. which distributes trading cards.

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

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

Information by geographical area

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

Euro thousand	December 31st, 2020		December 31st, 2019		Change	
Europe	14,876	18%	13,955	21%	921	6.6%
Americas	57,534	70%	37,690	56%	19,844	52.7%
Rest of the world	6,812	8%	9,736	14%	(2,924)	-30.0%
Total foreign revenue	79,222	96%	61,381	90%	17,841	29.1%
Italy	3,159	4%	6,469	10%	(3,311)	-51.2%
Total consolidated gross revenue	82,381	100%	67,850	100%	14,530	21.4%

Foreign revenue represented 96% of consolidated gross revenue compared to 90% in the previous year and increased by Euro 19,878 thousand compared to December 31st, 2019.

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

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 76,776 thousand i.e. 94% of total foreign revenue.

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

Euro thousand	December 31st, 2020		December 31st, 2019		Change	
Free to Play	4,483	6%	3,338	5%	1,145	34.3%
Premium Games	74,739	94%	58,043	95%	16,696	28.8%
Total gross foreign revenue	79,222	100%	61,381	100%	17,841	29.1%

9. RELATED PARTY TRANSACTIONS

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

Intercompany transactions

Intercompany transactions have already been described in section 8 of the Half Year Report.

Other related parties

Other related party transactions regard:

- legal advisory services provided by director Dario Treves;
- property leases by Matov Imm. S.r.l. to the parent company and to subsidiary 505 Games France S.a.s.;
- property leases by Matov LLC to subsidiary 505 Games (US) Inc.;

Both Matov Imm. S.r.l. and Matov LLC are owned by the CEOs Abramo and Raffaele Galante.

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

Euro Thousand	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(145)	0	0	(191)
Matov Imm. S.r.l.	0	635	0	(4,184)	0	(368)
Matov LLC	0	121	0	(829)	0	(213)
Total	0	756	(145)	(5,013)	0	(772)

Euro Thousand	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Ovosonico S.r.l.	0	210	0	0	27	0
Dario Treves	0	0	(14)	0	0	(144)
Matov Imm. S.r.l.	0	635	(3)	(4,770)	0	(368)
Matov LLC	0	132	0	(423)	0	(217)
Total	0	977	(17)	(5,193)	27	(729)

The operations carried out with Ovosonico S.r.l. are no longer accounted for, because, on March 3rd, 2020 the Parent Company acquired 100% of Ovosonico S.r.l. (later renamed AvantGarden S.r.l.) which since that date has been fully consolidated.

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.

505 Games (US) Inc.'s financial receivable from Matov LLC relates to a guarantee deposit paid for the rental of office premises in Calabasas, California, where several US subsidiaries are based.

The financial liabilities towards Matov Imm. S.r.l. and Matov LLC are the result of application of IFRS 16.

During the period, Digital Bros S.p.A. paid Matov Imm S.r.l. rent totaling Euro 691 thousand for its Milan office premises.

The rent paid by 505 Games France S.as. to Matov Imm S.r.l. for the offices in Francheville amounted to Euro 19 thousand for the year.

In November 2013, a lease agreement was entered into between the subsidiary 505 Games (US) Inc. and Matov LLC, a related party owned by the Galante family; the lease was renewed in November 2020. The transaction was governed by the "Procedure for related party transactions" adopted by Digital Bros S.p.A. pursuant to Consob Regulation 17221 of March 12th, 2010 and provides for an annual lease charge of USD 493 thousand.

Tax consolidation

Following the introduction of the consolidated taxation regime into the Italian tax system, parent company Digital Bros S.p.A. has elected for consolidated taxation in a tax group 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. and AvantGarden S.r.l.. Membership of a domestic tax group has made it necessary to prepare an implementing regulation to govern intercompany transactions to ensure there are arrangements prejudicial to any of the participating companies.

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.

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

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 – December 31st, 2020. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group for the period ended December 31st, 2020:
 - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 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 Half 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, March 9th, 2021

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Manager

Stefano Salbe