



Digital Bros S.p.A. financial statements as of June 30th, 2022

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT number IT095

Share capital: Euro 6,024,334.80 of which Euro 5,704,334.80 subscribed
Milan Companies House No. 290680-Vol. 7394 Chamber of Commerce number 1302132

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

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

Index

Directors' Report	4
1. The videogames market	4
2. Alternative performance ratios.....	6
3. Seasonality effects.....	6
4. Significant events during the reporting period	7
5. Profit and loss statement for the period ended June 30 th , 2022	10
6. Balance sheet as of June 30 th , 2022.....	12
7. Financial ratios	13
8. Intercompany and related party transactions and atypical/unusual transactions	14
9. Treasury shares.....	14
10. Research and development.....	15
11. Operational risks, financial risks and financial instruments.....	15
12. Contingent assets and liabilities	17
13. Subsequent events	17
14. Business outlook	17
15. Other information.....	18
Digital Bros S.p.A. Financial statements as of June 30th, 2022.....	19
Balance sheet as of June 30 th , 2022	20
Profit and loss statement for the period ended June 30 th , 2022	21
Comprehensive income statement as of June 30 th , 2022	22
Cash flow statement as of June 30 th , 2022	23
Statement of changes in equity as of June 30 th , 2022	24
Profit and loss statement for the period ended June 30 th , 2022 prepared in accordance with Consob resolution no. 15519 of July 27 th , 2006	25
Balance sheet as of June 30 th , 2022 prepared in accordance with Consob resolution no. 15519 of July 27 th , 2006	26
Profit and loss statement for the period ended June 30 th , 2022 prepared in accordance with Consob resolution no. 15519 of July 27 th , 2006	27
Notes to Digital Bros S.p.A. Financial statements as of June 30th, 2022.....	28
1. Content and other general information.....	29
2. Accounting policies.....	32
3. Discretionary items and significant estimates	50
4. Balance sheet as of June 30 th , 2022.....	52
5. Profit and loss statement for the period ended June 30 th , 2022	71
6. Financial instruments and financial risk management (IFRS 7)	76

7. Non-recurring income and expenses	84
8. Contingent assets and liabilities	84
9. Related party transactions	85
10. Atypical or unusual transactions	86
11. Other information	87
12. Share ownership structure (pursuant to article 123-bis of the T.U.F.)	88
13. Assets revaluation	89
14. Loans granted to executives and supervisory bodies	89
15. Audit fees	89
16. Allocation of net profit for the year.....	89
Statement pursuant to art. 154- bis (5) of the T.U.F.	90

DIRECTORS' REPORT

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

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

Analysis of revenue by geographical area can be found in the Notes to Digital Bros S.p.A. Financial Statements.

1. THE VIDEOGAMES MARKET

The video games market represents one of the most important segments 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 personal computers and traditional consoles (Sony, Microsoft and Nintendo), but has expanded to mobile phones and tablet devices. High speed connectivity, fiber optic networks and smart phones have made video games increasingly diversified, sophisticated and interactive and have expanded the gaming population to adults and women. Streaming gaming is also becoming increasingly popular.

The video games market follows the continuous technological evolution of consoles. At the launch of a new console, as it happened in the reporting period, the prices of the hardware and the related video games are high and relatively low quantities are sold. Across their lifecycle, console and video game prices gradually decline, while the volumes and the video games quality increase.

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



The COVID-19 pandemic further accelerated the decline of the video games retail distribution being replaced by digital distribution.

Developers

Developers are the creators and programmers of a video game, usually based on an original idea, a successful brand, a movie, sports simulations etc.. It is becoming very common for a highly popular video game to be turned into a movie, TV series etc..

Even if developers sometimes retain the intellectual property, they often assign the rights to an international video game publisher for a contractually defined period of time. Therefore, publishers are

key in the value chain: they are essential to the completion of the video game, in building and fostering the video game community and its international distribution through their direct or indirect commercial networks.

The developer can directly publish and market the video game. In such a scenario, the financial and operational risks for the developer increase significantly.

Publishers

The publisher is responsible for the launch of the video game, defines the global commercial policy and assumes all the risks related. Publishers usually finance the video game development process and often acquire the video game intellectual property on a permanent basis.

Console manufacturers

The console manufacturer designs and manufactures the hardware through which the video game is played. Sony produces the Sony PlayStation, Microsoft the Microsoft Xbox and Nintendo the Nintendo Switch. In case of physical distribution, the console manufacturer reproduces the physical disk on behalf of the publishers. The console manufacturer also operates as a video game publisher.

Distributors

The role of the distributor is losing importance as a result of the digital transition. In the future, retail distribution will be concentrated on a limited number of specialized operators.

Retailers

Retailers may be international retail chains specialized in the sale of video games, independent shops or web sites that sell directly to the public.

Console manufacturers have created 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 video games, the value chain involves a lower number of players, as illustrated below:



The main marketplaces on which console video games are sold are Sony's PlayStation Store, Microsoft's Xbox Live and Nintendo's eShop. Steam is the global leader in the digital distribution of video games for personal computers. The US company Epic launched Epic Games Store, a new marketplace for PC games.

The digitalization of the market has led both Microsoft (with Microsoft Xbox Game Pass) and Sony (with Sony PlayStation Now) to create digital platforms on which players can access the full library of video games by paying a subscription fee. Revenues are recognized to publishers based on the utilization of their video games. More recently Amazon has set up a similar platform, Luna, while Apple has launched Apple Arcade, a platform dedicated to mobile video games.

Digital distribution has extended the lifecycle of a single video game. The availability of a video game is no longer limited to its launch period as happened in the retail channel. The product remains available on the different marketplaces for a longer period, generating a continuous flow of sales significantly influenced by promotional campaigns. A video game life cycle can also be extended through the release of additional episodes and functions (the so-called DLC, or Downloadable Contents).

Free to Play video games are available to the public in digital format only. The marketplaces used are the App Store for iPhone and iPad, the PlayStore for Android for Western markets and a large number of different marketplaces for Far Eastern markets. Some Free to Play video games are also available on Sony PlayStation Store, Microsoft's Xbox Live, Steam and Epic Store.

2. ALTERNATIVE PERFORMANCE RATIOS

Since different fiscal years, the Group continuously utilizes some performance ratios to simplify the comprehension of the consolidated profit and loss statement and balance sheet.

The following ratios are directly reported in the profit and loss statement:

- Gross profit, being the difference between net revenue and total cost of sales;
- EBITDA, being the difference between gross profit, other income and total operating cost plus other income;
- EBIT, being the difference between EBITDA and total depreciation, amortization and impairment adjustments.

The balance sheet ratio net financial position is detailed in section 4 of the Notes.

The definitions of the ratios used by the Group, as they are not defined by any accounting standard, may not be homogeneous with those adopted by other companies and therefore comparable with them. A reconciliation between the Director's Report and the profit and loss statement is not needed, because they are used on a consistent base.

3. SEASONALITY EFFECTS

Market seasonality is influenced by the launch of highly anticipated and popular products. The launch of a successful video game in a certain period may create significant revenue increases between quarters. In fact, the sale of these products is concentrated in the first few days from the release.

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

4. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The most significant events during the period were as follows:

- on October 27th, 2021, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2020-2021, a dividend distribution of Euro 0.18 per share and appointed Ernest & Young S.p.A. as the new auditor for the 2022-2030 period, until the approval of the Financial Statements as of June 30th, 2030;
- on November 30th, 2021, the Group announced the agreement between 505 Games S.p.A. and MercurySteam Entertainment S.L. for the co-publishing and development on a new video game for multiplatform release. The intellectual property of the video game is co-owned by Digital Bros and MercurySteam Entertainment through the joint-venture MSE & DB S.L. set up under the Spanish Law. The initial development investment amounts to Euro 27 million;
- on June 17th, 2022, the Group announced the acquisition of 100% of D3 Go!, the American publisher of the video games "Puzzle Quest: The Legend Returns" and other video games including spin-offs of the Puzzle Quest series, intellectual property owned by Digital Bros following the acquisition of Infinity Plus Two Pty. in January 2021. The acquisition has been finalized on July 1st, 2022.

Relations with Starbreeze AB and Starbreeze AB shareholders

During the reporting period, no particular changes in the relations with the Swedish company Starbreeze occurred.

In recent years, Digital Bros Group and Starbreeze AB Group have entered multiple different transactions, summarized below:

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze AB against a payment of USD 30 million and an earn-out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3. As of June 30th, 2022, the earn-out was not accounted for and has been considered a contingent asset;
- 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. In November 2018, Starbreeze AB launched the PC version of the video game, but the related sales were lower than expected. The subsidiary 505 Games S.p.A. had paid USD 4.8 million for the development of such video game. On February 27th, 2019, Skybound terminated the license contract for OVERKILL's The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze AB for the development and publishing of the console version;
- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze AB A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

The OVERKILL's The Walking Dead unsuccess created financial problems to Starbreeze AB, enforcing the company and five subsidiaries to demand the Swedish District Court for admission to a restructuring plan. The Swedish Court approved the restructuring request which was later extended several times until December 3rd, 2019. On December 6th, 2019, Starbreeze AB successfully completed the corporate restructuring process, proposing a payment plan to its creditors.

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB A shares held by Swedish company Varvte AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition;
- 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 20 million as of June 30th, 2022) issued by Starbreeze AB for a total of Euro 16.9 million. The full conversion of the bond would lead to the issue of 131,933,742 new Starbreeze AB B shares. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze AB in September 2020. Should it not be fully or even partially converted, the bond will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - b) a receivable of around USD 20 million for a consideration of Euro 100 thousand. This credit falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - c) 3,601,083 Starbreeze AB A shares and 6,018,948 Starbreeze AB B shares for a total amount of Euro 2.2 million.

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

In order to keep its interest in the share capital and its 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 AB. This share issue was finalized in September 2020.

As of June 30th, 2022, also as a result of other purchases, the Group holds 61,758,625 Starbreeze AB A shares and 24,890,329 Starbreeze AB B shares representing 11.96% of share capital and 28.92% of voting rights.

Despite the on-going contractual relations and the equity interest held in the Swedish company, Digital Bros S.p.A. does not believe to have any influence over Starbreeze AB. Accordingly, it decided to keep the classification of the investment under other investments as in the previous reporting periods. Digital

Bros S.p.A. will reclassify the investment in its financial statement, should the circumstances evolve as a result of substantial changes in the relations between the two groups.

COVID-19

The Group adopted remote working arrangements, following the outbreak of the COVID-19 pandemic and the Italian Ministerial guidelines issued from March 2020, later modified several times, in order to guarantee the health and safety of its employees and collaborators. The majority of its employees and collaborators in Italy and abroad may efficiently work from home. Since November, a partial return to the office, limited to certain offices, started. From an operational perspective, the remote working arrangements did not have a significant impact on the main areas of operations of the Group.

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

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

In terms of video game development, carried out by teams all around the world, the remote working arrangements created production delays. These delays were more evident on large development teams and products close to launch when teams are normally required to cooperate to a greater extent.

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

5. PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30TH, 2022

The following table sets out the Company's results as of June 30th, 2022 together with comparative figures as of June 30th, 2021:

	Euro thousand	June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	9,235	100.0%	9,569	103.0%	(334)	-3.5%
2	Revenue adjustments	0	0.0%	(281)	-3.0%	281	-100.0%
3	Net revenue	9,235	100.0%	9,288	100.0%	(53)	-0.6%
4	Purchase of products for resale	(4,340)	-47.0%	(2,428)	-26.1%	(1,912)	78.7%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	1,399	15.1%	(493)	-5.3%	1,892	n.m.
8	Total cost of sales	(2,941)	-31.8%	(2,921)	-31.5%	(20)	0.7%
9	Gross profit (3+8)	6,294	68.2%	6,367	68.5%	(73)	-1.2%
10	Other income	168	1.8%	174	1.9%	(6)	-3.3%
11	Costs for services	(2,170)	-23.5%	(2,362)	-25.4%	192	-8.1%
12	Rent and leasing	(155)	-1.7%	(134)	-1.4%	(21)	15.2%
13	Payroll costs	(5,763)	-62.4%	(5,459)	-58.8%	(304)	5.6%
14	Other operating costs	(500)	-5.4%	(570)	-6.1%	70	-12.3%
15	Total operating costs	(8,588)	-93.0%	(8,525)	-91.8%	(63)	0.7%
16	Gross operating margin (EBITDA) (9+10+15)	(2,126)	-23.0%	(1,984)	-21.4%	(142)	7.2%
17	Depreciation and amortization	(908)	-9.8%	(941)	-10.1%	33	-3.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(615)	-6.7%	(79)	-0.8%	(536)	n.m.
20	Impairment reversal	87	0.9%	0	0.0%	87	n.m.
21	Total depreciation, amortization and impairment adjustments	(1,436)	-15.6%	(1,020)	-11.0%	(416)	40.8%
22	Operating margin (EBIT) (16+21)	(3,562)	-38.6%	(3,004)	-32.3%	(558)	18.6%
23	Interest and financial income	13,520	146.4%	13,719	147.7%	(199)	-1.5%
24	Interest and financial expanses	(1,984)	-21.5%	(1,575)	-17.0%	(409)	26.0%
25	Net interest income/(expenses)	11,536	124.9%	12,144	130.7%	(608)	-5.0%
26	Profit/ (loss) before tax (22+25)	7,974	86.4%	9,140	98.4%	(1,166)	-12.8%
27	Current tax	(818)	-8.9%	(644)	-6.9%	(174)	26.9%
28	Deferred tax	169	1.8%	(63)	-0.7%	232	n.m.
29	Total taxes	(649)	-7.0%	(707)	-7.6%	58	n.m.
30	Net profit/loss (26+29)	7,325	79.3%	8,433	90.8%	(1,108)	-13.1%

Total gross revenue decreased by 3.5% from Euro 9,569 thousand in the prior fiscal year to Euro 9,235 thousand as of June 30th, 2022, due to the continuous decline of retail distribution and accelerated by the effects of the COVID-19 pandemic. Gross revenue is analyzed as follows:

Euro thousand	June 30th, 2022	June 30th, 2021	Change	%
Revenue from video games for consoles	1,338	2,421	(1,083)	-44.7%
Revenue from trading cards	2,543	1,994	549	27.5%
Revenue from other products and services	5,354	5,154	200	3.9%
Total gross revenue	9,235	9,569	(334)	-3.5%

Revenue from other products and services are generated under the Company's contract with other Group companies for the provision of administration, management control, human resources management and business development services.

During the reporting period, the subsidiary Game Entertainment S.r.l. returned all its trading cards inventories for Euro 2,454 thousand to the Company. Therefore, costs for the purchase of products destined for resale increased by Euro 1,912 thousand (+78.7%) and inventories increased from Euro 1,494 thousand as of June 30th, 2021 to Euro 2,893 thousand as of June 30th, 2022.

Operating costs amounted to Euro 8,588 thousand, increasing by Euro 63 thousand due to higher payroll costs for Euro 304 thousand and partially offset by lower costs for services for Euro 192 thousand. Payroll costs increase followed the overall wages increase and the increase of the 2021-2027 Medium-Long Term Monetary Incentives Plan portion due for the reporting period following the increase of the consolidated net operating margin which constitutes the base for the calculation of said portion..

EBITDA amounted to negative Euro 2,126 thousand increased by Euro 142 thousand compared to negative Euro 1,984 as of June 30th, 2021 due to higher asset impairment changes.

Total Depreciation, amortization and impairment adjustments increased from Euro 1,020 thousand in the prior fiscal year to Euro 1,436 thousand in the current reporting period due to higher due asset impairment changes.

EBIT increased from negative Euro 3,004 thousand in the prior fiscal year to negative Euro 3,562 thousand as of June 30th, 2021.

Net interest income was positive for Euro 11,536 thousand compared to Euro 12,144 thousand in the prior fiscal year due to lower interest and financial expenses for Euro 409 thousand.

Profit before tax decreased to Euro 7,974 thousand against Euro 9,140 thousand as of June 30th, 2021. Net profit amounted to Euro 7,325 thousand against a Euro 8,433 thousand net profit in the prior fiscal year.

6. BALANCE SHEET AS OF JUNE 30TH, 2022

The following table sets out the Company's balance sheet as of June 30th, 2022 together with comparative figures as of June 30th, 2021:

	Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	5,802	6,576	(774)	-11.8%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	166	163	3	2.0%
4	Equity investments	25,825	29,416	(3,591)	-12.2%
5	Non-current receivables and other assets	9,367	4,868	4,499	92.4%
6	Deferred tax assets	1,061	31	1,030	n.s.
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	60,478	59,894	584	1.0%
	Current assets				
8	Inventories	2,893	1,494	1,399	93.6%
9	Trade receivables	547	893	(346)	-38.7%
10	Receivables from subsidiaries	32,206	27,094	5,112	18.9%
11	Tax receivables	776	590	186	31.6%
12	Other current assets	506	524	(18)	-3.5%
13	Cash and cash equivalent	384	1,038	(654)	-63.0%
14	Other current financial assets	28	0	28	n.s.
	Total current assets	37,340	31,633	5,707	18.0%
	TOTAL ASSETS	97,818	91,527	6,291	6.9%
	Capital and reserves				
15	Share capital	(5,705)	(5,704)	(1)	0.0%
16	Reserves	(20,968)	(22,865)	1,897	-8.3%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(31,530)	(26,772)	(4,758)	17.8%
	Total net equity	(58,203)	(55,341)	(2,862)	5.2%
	Non-current liabilities				
19	Employee benefits	(346)	(391)	45	-11.4%
20	Non-current provisions	(81)	(81)	0	0.1%
21	Other non-current payables and liabilities	0	(505)	505	n.s.
22	Non-current financial liabilities	(4,795)	(7,549)	2,754	-36.5%
	Total non-current liabilities	(5,222)	(8,526)	3,304	-38.8%
	Current liabilities				
23	Trade payables	(1,955)	(1,444)	(511)	35.3%
24	Payables to subsidiaries	(28,105)	(16,437)	(11,668)	71.0%
25	Taxes payables	(295)	(5,421)	5,126	-94.6%
26	Short term provisions	0	0	0	0.0%
27	Other current liabilities	(1,280)	(957)	(323)	33.8%
28	Current financial liabilities	(2,758)	(3,401)	643	-18.9%
	Total current liabilities	(34,393)	(27,660)	(6,733)	24.3%
	TOTAL LIABILITIES	(39,615)	(36,186)	(3,429)	9.5%
	TOTAL NET EQUITY AND LIABILITIES	(97,818)	(91,527)	(6,291)	6.9%

The following table contains a breakdown of the net financial position with comparative figures as of June 30th, 2021:

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
13	Cash and cash equivalents	384	1,038	(654)	-63.0%
14	Other current financial assets	28	0	28	n.m.
28	Current financial liabilities	(2,758)	(3,401)	643	-18.9%
	Current net financial position	(2,346)	(2,363)	17	-0.7%
7	Non-current financial assets	18,257	18,840	(583)	-3.1%
22	Non-current financial liabilities	(4,795)	(7,549)	2,754	-36.5%
	Non-current net financial position	13,462	11,291	2,171	19.2%
	Total net financial position	11,116	8,928	2,188	24.5%

The net financial position prepared in accordance with the Guidelines on disclosure requirements under the Prospectus Regulation issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed in the Notes to Digital Bros S.p.A. financial statements as of June 30th, 2022.

The net financial position amounted to Euro 11,116 thousand, significantly improved compared to Euro 8,928 thousand as of June 30th, 2021. Net of the IFRS 16 effect, the net financial position amounted to positive Euro 14,345 thousand as of June 30th, 2022 compared to Euro 12,715 thousand as of June 30th, 2021.

7. FINANCIAL RATIOS

Key financial ratios are reported below:

Profitability ratio:	June 30th, 2022	June 30th, 2021
ROE (Net profit / Net equity)	12,59%	15,24%
ROI (Operating margin / Total assets)	-3,64%	-3,28%
ROS (Operating margin / Gross profit)	-38,20%	-31,39%

Structure ratio:	June 30th, 2022	June 30th, 2021
Net working capital ratio (Current assets / Total assets)	38.17%	34.56%
Current ratio (Current assets / Current liabilities)	94.26%	87.42%
Quick ratio (Cash and cash equivalents and Other current financial assets / Current liabilities)	1.04%	2.87%

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

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

Digital Bros S.p.A. charged 505 Games S.p.A. direct costs and based on a percentage of the holding company's total cost, for the coordination of the acquisition of video games and for financial, legal, logistics and IT services.

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

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

Digital Bros S.p.A. granted a loan to Rasplata B.V. with quarterly interests.

Other minor transactions regarding 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 the transfer of receivables. These accounts were interest free.

Italian Group companies transferred tax receivables and payables to the Parent Company Digital Bros S.p.A. in accordance with domestic tax group arrangements.

Transactions with other related parties

Related party transactions referred to:

- legal advisory services provided by Executive Director Dario Treves;
- property leased by Matov Imm. S.r.l. to Digital Bros S.p.A.. Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante.

Atypical transactions

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

9. TREASURY SHARES

At June 30th, 2022, Digital Bros S.p.A. did not hold any treasury shares and did not carry out any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2)(3) of the Italian Civil Code.

10. RESEARCH AND DEVELOPMENT

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

11. OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Company has a risk identification process that involves the Board of Directors together with the first-level organisational structures in coordination meetings held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the Executive Director in charge of internal control, who is part of the coordination meetings. Each risk is summarized in a report that provides a description of the risk, a detailed gross risk rating based on a probability/impact matrix, the mitigating factors and/or the internal process implemented to reduce and monitor the risk. All the process above allows the determination of the individual net risk rating. The Control and Risk Committee and the Board of Statutory Auditors reviewed the risk matrix prepared by the Executive Director in charge of internal control.

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

The two Chief Executives Officers jointly assess the completeness of the risk matrix and the net risk ratings. The Board of Statutory Auditors supervises the process.

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

Operational risks

Dependence on key personnel represents Digital Bros S.p.A. most significant operational risk. The Company's success depends on the performance of certain key individuals who have made an important contribution to its development and have acquired valuable experience in the games industry.

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

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

Management of financial risks and financial instruments

The main financial instruments used by the Company are:

- Bank overdrafts;
- Sight and short-term bank deposits;
- Import financing;
- Export financing;

- Commercial credit lines (factoring of trade receivables and advances on notes);
- Finance leases.

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

Credit facilities granted to the Company and utilized as of June 30th, 2022 are as follows:

Euro thousands	Facility	Utilized	Available
Bank overdrafts	1,200	0	1,200
Import financing	7,250	0	7,250
Advances on invoices and cash orders subject to collection	4,250	0	4,250
Factoring	1,000	12	988
Medium-term loans	4,191	4,191	0
Total	17,891	4,203	13,688

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

The Company seeks to maintain a balance between short-term and medium/long-term financial instruments in line with its forecast. The Company's core business, the sale and marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines of credit often dedicated to the individual investment, including finance leases.

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

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

- interest rate risk;
- liquidity risk.

Interest rate risk

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

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

The level of debt is low or next to zero and the interest rate risk is further mitigated by the implementation of a short-term cash flow procedure. The Company has subscribed one option for a notional value of Euro 1,375 thousand to cover changes in interest rates on the Euro 1,375 thousand loan granted by UniCredit S.p.A. on January 28th, 2021.

Liquidity risk

The liquidity risk relates to problems in accessing the credit market.

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

The mitigating factors that can reduce this risk are:

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

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

12. CONTINGENT ASSETS AND LIABILITIES

At June 30th, 2022 – as of June 30th, 2021 – there were no contingent assets or liabilities.

13. SUBSEQUENT EVENTS

No significant event, even in relation to external geopolitical factors, occurred after the end of the period.

14. BUSINESS OUTLOOK

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

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

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

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

15.OTHER INFORMATION

EMPLOYEES

The following table contains analysis of the number of employees as of June 30th, 2022 with comparative figures as of June 30th, 2021:

Category	June 30 th , 2022	June 30 th , 2021	Change
Managers	5	5	0
Office workers	31	35	(4)
Blue-collar workers and apprentices	4	5	(1)
Total employees	40	45	(5)

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

Category	Average no in 2022	Average no in 2021	Change
Managers	5	5	0
Office workers	33	35	(2)
Blue-collar workers and apprentices	4	5	(1)
Total employees	42	45	(3)

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

ENVIRONMENTAL ISSUES

The video game industry has a negligible impact on the environment, as its activities are mainly digital.

Most of the products are sold through digital marketplaces and the Group aims to progressively reduce sales in physical stores. Although the environmental impact is considered very low, the Group actively monitors any solutions that may reduce the environmental impacts of the Group's activities to date and in the future.

The Group updates obsolete equipment as much as possible and recycles all components correctly. The Group stores everything in a digital format and prints documents only if required by the Law or if the scope of a specific task requires it. Consumables such as printer toners and similar waste are returned to the supplier for correct recycling. The Group is committed to replace travel with digital communications (i.e. video conferencing) to improve sustainability both from an environmental and a cost reduction standpoint.



**Digital Bros S.p.A. financial statements
as of June 30th, 2022**

FINANCIAL STATEMENTS**Digital Bros S.p.A****Balance sheet as of June 30th, 2022**

	Euro thousand	June 30th, 2022	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	5,802	6,576	(774)	-11.8%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	166	163	3	2.0%
4	Equity investments	25,825	29,416	(3,591)	-12.2%
5	Non-current receivables and other assets	9,367	4,868	4,499	92.4%
6	Deferred tax assets	1,061	31	1,030	n.s.
7	Non-current financial activities	18,257	18,840	(583)	-3.1%
	Total non-current assets	60,478	59,894	584	1.0%
	Current assets				
8	Inventories	2,893	1,494	1,399	93.6%
9	Trade receivables	547	893	(346)	-38.7%
10	Receivables from subsidiaries	32,206	27,094	5,112	18.9%
11	Tax receivables	776	590	186	31.6%
12	Other current assets	506	524	(18)	-3.5%
13	Cash and cash equivalent	384	1,038	(654)	-63.0%
14	Other current financial assets	28	0	28	n.s.
	Total current assets	37,340	31,633	5,707	18.0%
	TOTAL ASSETS	97,818	91,527	6,291	6.9%
	Capital and reserves				
15	Share capital	(5,705)	(5,704)	(1)	0.0%
16	Reserves	(20,968)	(22,865)	1,897	-8.3%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(31,530)	(26,772)	(4,758)	17.8%
	Total net equity	(58,203)	(55,341)	(2,862)	5.2%
	Non-current liabilities				
19	Employee benefits	(346)	(391)	45	-11.4%
20	Non-current provisions	(81)	(81)	0	0.1%
21	Other non-current payables and liabilities	0	(505)	505	n.s.
22	Non-current financial liabilities	(4,795)	(7,549)	2,754	-36.5%
	Total non-current liabilities	(5,222)	(8,526)	3,304	-38.8%
	Current liabilities				
23	Trade payables	(1,955)	(1,444)	(511)	35.3%
24	Payables to subsidiaries	(28,105)	(16,437)	(11,668)	71.0%
25	Taxes payables	(295)	(5,421)	5,126	-94.6%
26	Short term provisions	0	0	0	0.0%
27	Other current liabilities	(1,280)	(957)	(323)	33.8%
28	Current financial liabilities	(2,758)	(3,401)	643	-18.9%
	Total current liabilities	(34,393)	(27,660)	(6,733)	24.3%
	TOTAL LIABILITIES	(39,615)	(36,186)	(3,429)	9.5%
	TOTAL NET EQUITY AND LIABILITIES	(97,818)	(91,527)	(6,291)	6.9%

Profit and loss statement for the period ended June 30th, 2022

	Euro thousand	June 30 th , 2022		June 30 th , 2021		Change	
1	Gross revenue	9,235	100.0%	9,569	103.0%	(334)	-3.5%
2	Revenue adjustments	0	0.0%	(281)	-3.0%	281	-100.0%
3	Net revenue	9,235	100.0%	9,288	100.0%	(53)	-0.6%
4	Purchase of products for resale	(4,340)	-47.0%	(2,428)	-26.1%	(1,912)	78.7%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	1,399	15.1%	(493)	-5.3%	1,892	n.m.
8	Total cost of sales	(2,941)	-31.8%	(2,921)	-31.5%	(20)	0.7%
9	Gross profit (3+8)	6,294	68.2%	6,367	68.5%	(73)	-1.2%
10	Other income	168	1.8%	174	1.9%	(6)	-3.3%
11	Costs for services	(2,170)	-23.5%	(2,362)	-25.4%	192	-8.1%
12	Rent and leasing	(155)	-1.7%	(134)	-1.4%	(21)	15.2%
13	Payroll costs	(5,763)	-62.4%	(5,459)	-58.8%	(304)	5.6%
14	Other operating costs	(500)	-5.4%	(570)	-6.1%	70	-12.3%
15	Total operating costs	(8,588)	-93.0%	(8,525)	-91.8%	(63)	0.7%
16	Gross operating margin (EBITDA) (9+10+15)	(2,126)	-23.0%	(1,984)	-21.4%	(142)	7.2%
17	Depreciation and amortization	(908)	-9.8%	(941)	-10.1%	33	-3.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(615)	-6.7%	(79)	-0.8%	(536)	n.m.
20	Impairment reversal	87	0.9%	0	0.0%	87	n.m.
21	Total depreciation, amortization and impairment adjustments	(1,436)	-15.6%	(1,020)	-11.0%	(416)	40.8%
22	Operating margin (EBIT) (16+21)	(3,562)	-38.6%	(3,004)	-32.3%	(558)	18.6%
23	Interest and financial income	13,520	146.4%	13,719	147.7%	(199)	-1.5%
24	Interest and financial expenses	(1,984)	-21.5%	(1,575)	-17.0%	(409)	26.0%
25	Net interest income/(expenses)	11,536	124.9%	12,144	130.7%	(608)	-5.0%
26	Profit/ (loss) before tax (22+25)	7,974	86.4%	9,140	98.4%	(1,166)	-12.8%
27	Current tax	(818)	-8.9%	(644)	-6.9%	(174)	26.9%
28	Deferred tax	169	1.8%	(63)	-0.7%	232	n.m.
29	Total taxes	(649)	-7.0%	(707)	-7.6%	58	n.m.
30	Net profit/loss (26+29)	7,325	79.3%	8,433	90.8%	(1,108)	-13.1%

Comprehensive income statement as of June 30th, 2022

Euro thousand	June 30 th , 2022	June 30 th , 2021	Change
Profit (loss) for the period (A)	7,325	8,433	(1,108)
Items that will not be subsequently reclassified to profit or loss (B)	0	0	0
Actuarial gain (loss)	39	1	38
Income tax relating to the actuarial gain (loss)	(9)	0	(9)
Fair value measurement of shares held to collect and sell	(3,653)	2,170	(5,823)
Tax effect of fair value measurement of shares held to collect and sell	877	(521)	1,398
Fair value measurement of financial instruments	21	0	21
Tax effect of fair value measurement of financial instruments	(5)	0	(5)
Items that will subsequently be recycled through profit and loss (C)	(2,730)	1,650	(4,380)
Total other comprehensive income D= (B)+(C)	(2,730)	1,650	(4,380)
Total comprehensive income (loss) (A)+(D)	4,595	10,083	(5,488)

Cash flow statement as of June 30th, 2022

	Euro thousand	June 30 th , 2022	June 30 th , 2021
A. Opening net cash/debt		1,038	858
B. Cash flows from operating activities			
Profit (loss) for the period		7,325	8,433
<i>Depreciation, amortization and non-monetary costs:</i>			
Provisions and impairment losses		602	79
Amortization of intangible assets		100	132
Depreciation of property, plant and equipment		808	809
Net change in deferred tax assets		(1,030)	582
Net change in other provisions		0	0
Net change in employee benefit provisions		(45)	(38)
Net change in other non-current liabilities		(1,897)	1,979
SUBTOTAL B.		5,863	11,976
C. Change in net working capital			
Inventories		(1,399)	493
Trade receivables		281	973
Receivables due from subsidiaries		(5,112)	(12,639)
Tax receivables		(186)	1,631
Other current assets		18	4,777
Trade payables		511	(582)
Payables to subsidiaries		11,668	2,791
Current tax liabilities		(5,126)	5,262
Current provisions		116	0
Other current liabilities		323	(248)
Other non-current liabilities		(505)	36
Non-current receivables and other assets		(4,499)	1,611
SUBTOTAL C.		(3,910)	4,105
D. Cash flows from investing activities			
Net investment in intangible assets		(103)	(99)
Net investment in property, plant and equipment		(34)	(112)
Net investment in non-current financial assets		2,938	(5,797)
SUBTOTAL D.		2,801	(6,008)
E. Cash flows from financing activities			
Proceeds from capital increases		1	0
Change in financial liabilities		(3,397)	(6,165)
Change in financial assets		555	(1,589)
SUBTOTAL E.		(2,841)	(7,754)
F. Changes in consolidated equity			
Dividends paid		(2,567)	(2,139)
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		0	0
SUBTOTAL F.		(2,567)	(2,139)
G. Cash flow for the period (B+C+D+E+F)		(654)	180
H. Closing net cash/debt (A+G)		384	1,038

Digital Bros S.p.A.

Statement of changes in equity as of June 30th, 2022

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)
Total on July 1st, 2020	5,704	18,486	1,141	(142)	(91)	1,492	20,886	0	20,751	(273)	20,478	47,068
Allocation of previous year result							0		(273)	273	0	0
Dividend paid							0		(2,139)		(2,139)	(2,139)
Other changes						329	329				0	329
Comprehensive income (loss)					1	1,649	1,650			8,433	8,433	10,083
Total on June 30th, 2021	5,704	18,486	1,141	(142)	(90)	3,470	22,865	0	18,339	8,433	26,772	55,341
Total on July 1st, 2021	5,704	18,486	1,141	(142)	(90)	3,470	22,865	0	18,339	8,433	26,772	55,341
Share capital increase	1	21					21				0	22
Allocation of profit for the year							0		8,433	(8,433)	0	0
Dividend paid							0		(2,567)		(2,567)	(2,567)
Other changes						812	812				0	812
Comprehensive income (loss)					30	(2,760)	(2,730)			7,325	7,325	4,595
Total on June 30th, 2022	5,705	18,507	1,141	(142)	(60)	1,522	20,968	0	24,205	7,325	31,530	58,203

^{A)} not available;

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

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

Digital Bros S.p.A.

Profit and loss statement for the period ended June 30th, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	9,235	0	9,569	0
2	Revenue adjustments	0	0	(281)	0
3	Net revenue	9,235	0	9,288	0
4	Purchase of products for resale	(4,340)	0	(2,428)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	1,399	0	(493)	0
8	Total cost of sales	(2,941)	0	(2,921)	0
9	Gross profit (3+8)	6,294	0	6,367	0
10	Other income	168	0	174	0
11	Costs for services	(2,170)	(394)	(2,362)	(472)
12	Rent and leasing	(155)	(83)	(134)	(100)
13	Payroll costs	(5,763)	0	(5,459)	0
14	Other operating costs	(500)	0	(570)	0
15	Total operating costs	(8,588)	(477)	(8,525)	(477)
16	Gross operating margin (EBITDA) (9+10+15)	(2,126)	(477)	(1,984)	(477)
17	Depreciation and amortization	(908)	(576)	(941)	(576)
18	Provisions	0	0	0	0
19	Asset impairment charge	(615)	0	(79)	0
20	Impairment reversal	87	0	0	0
21	Total depreciation, amortization and Impairment adjustments	(1,436)	(576)	(1,020)	(576)
22	Operating margin (EBIT) (16+21)	(3,562)	(1,053)	(3,004)	(1,053)
23	Interest and finance income	13,520	0	13,719	0
24	Interest expense and finance costs	(1,984)	(66)	(1,575)	(57)
25	Net interest income/(expense)	11,536	(66)	12,144	(66)
26	Profit/ (loss) before tax (22+25)	7,974	(1,119)	9,140	(1,119)
27	Current tax	(818)	0	(644)	0
28	Deferred tax	169	0	(63)	0
29	Total taxes	(649)	0	(707)	0
30	Net profit/loss (26+29)	7,325	(1,119)	8,433	(1,119)

Balance sheet as of June 30th, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
	Non-current assets	Total	Of which with related parties	Total	Of which with related parties
1	Property, plant and equipment	5,802	0	6,576	0
2	Investment properties	0	0	0	0
3	Intangible assets	166	0	163	0
4	Equity investments	25,825	0	29,416	0
5	Non-current receivables and other assets	9,367	635	4,868	635
6	Deferred tax assets	1,061	0	31	0
7	Non-current financial assets	18,257	0	18,840	0
	Total non-current assets	60,478	635	59,894	635
	Current assets				
8	Inventories	2,893	0	1,494	0
9	Trade receivables	547	0	893	0
10	Receivables from subsidiaries	32,206	0	27,094	0
11	Tax receivables	776	0	590	0
12	Other current assets	506	0	524	0
13	Cash and cash equivalent	384	0	1,038	0
14	Other current financial assets	28	0	0	0
	Total current assets	37,340	0	31,633	0
	TOTAL ASSETS	97,818	635	91,527	635
	Capital and reserves				
15	Share capital	(5,705)	0	(5,704)	0
16	Reserves	(20,968)	0	(22,865)	0
17	Treasury shares	0	0	0	0
18	Retained earnings	(31,530)	0	(26,772)	0
	Total net equity	(58,203)	0	(55,341)	0
	Non-current liabilities				
19	Employee benefits	(346)	0	(391)	0
20	Non-current provisions	(81)	0	(81)	0
21	Other non-current payables and liabilities	0	0	(505)	0
22	Non-current financial liabilities	(4,795)	(1,680)	(7,549)	(3,238)
	Total non-current liabilities	(5,222)	(1,680)	(8,526)	(3,238)
	Current liabilities				
23	Trade payables	(1,955)	(327)	(1,444)	(124)
24	Payables to subsidiaries	(28,105)	0	(16,437)	0
25	Taxes payables	(295)	0	(5,421)	0
26	Short term provisions	(0)	0	(0)	0
27	Other current liabilities	(1,280)	0	(957)	0
28	Current financial liabilities	(2,758)	(549)	(3,401)	(549)
	Total current liabilities	(34,393)	(876)	(27,660)	(673)
	TOTAL LIABILITIES	(39,615)	(2,556)	(36,186)	(3,911)
	TOTAL NET EQUITY AND LIABILITIES	(97,818)	(2,556)	(91,527)	(3,911)

Profit and loss statement for the period ended June 30th, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	June 30 th , 2022		June 30 th , 2021	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	9,235	0	9,569	0
2	Revenue adjustments	0	0	(281)	0
3	Net revenue	9,235	0	9,288	0
4	Purchase of products for resale	(4,340)	0	(2,428)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in inventories of finished products	1,399	0	(493)	0
8	Total cost of sales	(2,941)	0	(2,921)	0
9	Gross profit (3+8)	6,294	0	6,367	0
10	Other income	168	0	174	0
11	Costs for services	(2,170)	0	(2,362)	0
12	Rent and leasing	(155)	0	(134)	0
13	Payroll costs	(5,763)	0	(5,459)	0
14	Other operating costs	(500)	0	(570)	0
15	Total operating costs	(8,588)	0	(8,525)	0
16	Gross operating margin (EBITDA) (9+10+15)	(2,126)	0	(1,984)	0
17	Depreciation and amortization	(908)	0	(941)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(615)	0	(79)	0
20	Impairment reversal	87	0	0	0
21	Total depreciation, amortization and impairment adjustments	(1,436)	0	(1,020)	0
22	Operating margin (EBIT) (16+21)	(3,562)	0	(3,004)	0
23	Interest and finance income	13,520	0	13,719	0
24	Interest expense and finance costs	(1,984)	0	(1,575)	0
25	Net interest income/(expense)	11,536	0	12,144	0
26	Profit/ (loss) before tax (22+25)	7,974	0	9,140	0
27	Current tax	(818)	0	(644)	0
28	Deferred tax	169	0	(63)	0
29	Total taxes	(649)	0	(707)	0
30	Net profit/loss (26+29)	7,325	0	8,433	0



Notes to Digital Bros S.p.A. financial statements as of June 30th, 2022

1. CONTENT AND OTHER GENERAL INFORMATION

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

Digital Bros S.p.A. financial statements as of June 30th, 2022 have been prepared on a going concern basis. The Company has concluded that the risks and uncertainties to which it is exposed, as described in the Directors' Report, do not create any uncertainty as to its ability to operate as a going concern. The Company will continue to monitor the effects of the spread of the COVID-19 pandemic which, for now, has had no effect on its ability to operate as a going concern. The Company will adopt appropriate mitigation measures, as necessary, and will report to the market on any issues not already considered to a sufficient degree.

Accounting standards adopted and declaration of compliance with IAS/IFRS

Digital Bros S.p.A. financial statements as of June 30th, 2022 have been prepared in accordance with Art. 154-ter of Legislative Decree 58 of February 24th, 1998 as subsequently amended. They have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as based on the text published in the Official Journal of the European Union. The term "IFRS" encompasses International Accounting Standards (IAS) still in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). All amounts included in Digital Bros S.p.A. financial statements as of June 30th, 2022 are stated in Euro thousands, unless otherwise specified.

Reporting format

Digital Bros S.p.A. financial statements as of June 30th, 2022 have been prepared in accordance with IAS/IFRS and with the related interpretations (SIC/IFRIC) endorsed by the European Commission as of the reporting date.

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

The financial statements comprise:

- balance sheet as of June 30th, 2022 with comparative figures as of June 30th, 2021 (the annual reporting date for the previous consolidated financial statements);
- profit and loss statement for the period ended June 30th, 2022 with comparative figures as of June 30th, 2021;
- comprehensive income statement as of June 30th, 2022 with comparative figures as of June 30th, 2021;
- cash flow statement as of June 30th, 2022 with comparative figures as of June 30th, 2021;
- statement of changes in equity as of June 30th, 2022 with comparative figures as of June 30th, 2021.

The left-hand column of the balance sheet indicates the number of the relevant note.

The components of the balance sheet have been allocated to the following five categories:

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

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

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

Equity consists of share capital, reserves and retained earnings (profit for the fiscal year plus prior fiscal year profits not allocated to specific reserves by the Shareholders General Meeting).

Non-current liabilities comprise provisions not expected to be used within twelve months as well as post-employment benefits, especially the provision for employee termination indemnities, and, in general, payables that fall due after June 30th, 2022.

Current liabilities include liabilities falling due by June 30th, 2022, mainly trade payables, tax liabilities and current financial liabilities.

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

The left-hand column of the statement of profit and loss indicates the number of the relevant note.

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

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

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

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

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

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

The statement of changes in equity has been prepared in accordance with International Financial Reporting Standards and shows changes between July 1st, 2020 and June 30th, 2022.

2. ACCOUNTING POLICIES

Digital Bros S.p.A. financial statements as of June 30th, 2022 have been prepared in accordance with the International Financial Reporting Standards and their interpretations in force at that date.

The financial statements have been prepared on the basis of the Company's accounting records as of June 30th, 2022.

The measurement criteria used to prepare the Company's financial statements as of June 30th, 2022 are consistent with those used to prepare the financial statements as of June 30th, 2021, except as described below for the new standards applied from July 1st, 2021.

Property, plant and equipment

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

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

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

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

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

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

The book value of an element of property, plant and equipment and any significant component initially recognized is eliminated at the time of disposal (i.e. on the date on which the purchaser obtains control) or when no future economic benefit is expected from its use or disposal. The profit / loss that emerges at the time of the derecognition of the asset (calculated as the difference between the net book value of the asset and the consideration received) is recognized in the profit and loss statement when the item is eliminated from the accounts

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each year-end and, where appropriate, corrected prospectively.

Right of use for leased assets

The right of use for leased assets is recorded as assets on the effective date of the leasing contract, or the date on which a lessor makes the underlying asset available to the lessee. In some circumstances, the lease agreement may contain different components and consequently the effective date must be determined for each individual lease component.

This item is initially valued at cost and includes the present value of the Liability for leased assets, payments for leases made before or on the effective date of the contract and any other initial direct cost. The item can subsequently be further adjusted in order to reflect any restatements of assets / liabilities for leased assets.

The right of use for leased assets is amortized systematically in each fiscal year at the lesser of the contractual duration and the residual useful life of the underlying asset.

Typically, the leasing contracts signed by the Company do not provide for the transfer of ownership of the underlying asset and therefore amortization is carried out over the contractual term. Amortization starts at the date of the lease.

The asset is correspondingly written down should there be a loss in value determined according to the criteria described in the principle of onerous contracts, regardless of the amortization already accounted for.

Intangible assets

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

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

The amortization rates applied are as follows:

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

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

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

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

An intangible asset is eliminated at the time of disposal (i.e., on the date on which the buyer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss resulting from the elimination of the asset (calculated as the difference between the net consideration for the disposal and the book value of the asset) is included in the profit and loss statement.

Equity investments

Equity investments in subsidiaries are recognized at cost and adjusted for impairment.

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

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

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

Under this method, investments in associated companies are initially recognized at cost. The financial statements include the Company share of the profits or losses of the associated companies as recognized using the equity method until the date on which significant influence ends. An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of the financial and management policies of the associated company without having control or joint control.

In accordance with IFRS 9, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are measured at fair value, except in situations where fair value cannot be reliably determined: in such cases, the cost method is adopted. The changes in fair value are recognized in the comprehensive income statement (fair value through other comprehensive income - FVOCI) and without reclassification to the income statement of the profits or losses realized and according to the irrevocable faculty exercised by the company, and without reclassification of the profits or losses realized.

Impairment of assets

IAS 36 requires intangible assets, property, plant and equipment and investments in associated companies and other entities to be tested for impairment based on discounted future cash flows.

Accordingly, at least once a year, the Company tests the recoverability of the carrying amount of the above assets. If an impairment loss is identified, the recoverable amount of the asset is estimated in order to determine the extent of the adjustment required. The Company estimates the recoverable amount of the cash-generating unit to which the asset belongs when it is not possible to estimate the recoverable amount of an individual asset.

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

An impairment loss is recognised if the recoverable amount is less than carrying amount. If impairment is subsequently reduced or reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment adjustment been recognised. This is except for goodwill in relation to which impairment adjustments cannot be reversed. A reversal of an impairment adjustment is recognised immediately in profit and loss.

Inventories

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

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

Receivables and payables

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

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

Payables are stated at nominal amount.

Factoring of trade receivables

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

Employee benefits

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

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

In accordance with the amendment to IAS 19, actuarial gains and losses are recognised in the comprehensive income statement as items that will not be subsequently reclassified to profit or loss and in equity under other reserves.

Other long-term employee benefits

The valuation of other long-term benefits does not generally present the same degree of uncertainty as the valuation of post-employment benefits. For this reason, IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting required for post-employment benefits, this method does not recognize revaluations in the other components of the comprehensive income statement.

For other long-term employee benefits, an entity shall recognize the net total of the retirement cost in profit or loss.

Current and non-current provisions

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

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

Financial assets and liabilities

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

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

Current financial assets and securities are recognised based on their trading date and, upon initial

recognition.

Initial measurement

Upon initial recognition, financial assets are classified, as appropriate, based on the subsequent measurement methods, i.e. at amortized cost, at fair value recognized in the OCI comprehensive income statement and at fair value recognized in the profit and loss statement. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them. With the exception of trade receivables which do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially values a financial asset at its fair value plus, in the case of a financial asset that is not at fair value, value recognized in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are valued at the transaction price.

Subsequent evaluation

For the purposes of subsequent valuation, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recognized in the comprehensive income statement (“OCI”) with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recognized in the comprehensive income statement (“OCI”) without reversal of accumulated profits and losses at the time of elimination (equity instruments);
- Financial asset at fair value through profit or loss.

Financial assets measured at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently valued using the criterion of effective interest and are subject to impairment. Gains and losses are recognized in the profit and loss statement when the asset is eliminated, modified or revalued.

Financial assets measured at fair value through OCI (debt instruments)

For assets from debt instruments measured at fair value through OCI, interest income, changes for exchange differences and losses in value, together with write-backs, are recognized in the profit and loss statement and are calculated in the same way as financial assets measured at amortized cost. The remaining variations of fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognized in OCI, it is reclassified in the profit and loss statement.

Investments in equity instruments

Upon initial recognition, the Group can irrevocably choose to classify its own equity investments as equity instruments recognized at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 “Instruments Financials: Presentation” and are not held for trading. The classification is determined for every single instrument.

Profit and losses on these financial assets are never reversed to the profit and loss statement. Dividends are recognized as other revenues in the profit and loss statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the activity financial, in which case such profits are recognized in OCI. Equity instruments registered at fair value recognized in OCI are not subject to impairment test.

Financial assets measured at fair value through profit and loss

Financial instruments measured at fair value through profit and loss are recognized in the prospectus of the balance sheet at fair value and the net changes in fair value recognized in the profit and loss statement for the fiscal year.

Cancellation

Investments in financial assets can be derecognized (derecognition process) only when the contractual rights to receive the financial flows deriving from the investments have expired (e.g. final repayment of subscribed bonds) or when the Company transfers the financial asset and all the risks and benefits associated with it.

Financial liabilities include financial payables as well as other financial liabilities, including liabilities deriving from the market value valuation of derivative instruments, if negative.

Initial measurement

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss or at amortized cost.

All financial liabilities are initially recognized at fair value to which they are added when they are to be valued at amortized cost, the transaction costs directly attributable to them.

Subsequent evaluation

For the purposes of subsequent valuation, financial liabilities are classified into two categories:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities measured at amortized cost (financing and loans).

Financial liabilities measured at fair value through profit or loss

Liabilities held for trading are all those assumed with the intent of extinguishing or transferring them in the short term. This category includes derivative financial instruments subscribed by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9.

Profit or losses on liabilities held for trading are recognized in the profit and loss statement for the fiscal year.

Financial liabilities measured at amortized cost (financing and loans)

This is the most relevant category for the Group. After the initial recognition, the loans they are valued

with the amortized cost criterion using the effective interest rate method. The profits and losses are recognized in the income statement when the liability is extinguished, as well as through the depreciation process.

The amortized cost is calculated by noting the discount or premium on the acquisition and the fees or costs that they are an integral part of the effective interest rate. Amortization at the effective interest rate is included in the financial charges in the profit and loss statement.

Cancellation

A financial liability is canceled when the obligation underlying the liability is extinguished, canceled or fulfilled. Where an existing financial liability was replaced by another of the same lender, under substantially different terms, or the terms of an existing liability substantially modified, such exchange or modification is treated as a cancellation accounting of the original liability, accompanied by the recognition of a new liability, with registration in the profit loss statement for the fiscal year of any differences between the book values.

Fair value

Fair value represents the consideration for which an asset could be exchanged or that should be paid to transfer the liability (exit price) in a free transaction between informed and independent parties. In the case of stocks traded on regulated markets, the fair value is determined with reference at the market price recorded (bid price) at the end of trading on the closing date of the period.

If the market price is not available, the fair value of the financial instruments is measured with the more appropriate valuation techniques, such as, for example, the analysis of discounted cash flows carried out with market information available at the closing date of the period.

Purchases or sales settled according to market prices are recognized according to the trade date which corresponds to the date on which the Group undertakes to buy or sell the asset. In case the fair value cannot be reliably determined, the financial asset is valued at cost, with indication in the explanatory notes of its type and related reasons.

Derivative financial instruments

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

IFRS 9 requires that income and expenses resulting from hedges be recognised as adjustments to the initial carrying amount of the hedged non-financial items (basis adjustments). Moreover, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments in terms of IAS 1 Presentation of Financial Statements. Hedging income and losses subject to basis

adjustments are classified as amounts that will not subsequently be recycled through profit (loss) for the year or in other items of comprehensive income. This is consistent with the practice followed by the Group prior to adoption of IFRS 9.

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

When option contracts are used to hedge highly probable, planned operations, the Group designates only the intrinsic value of the options as a hedging instrument. Under IAS 39, changes in the fair value of the time value of the option (the part not designated) were immediately recorded in profit (loss) for the period. Under IFRS 9, changes in the time value of options relating to the hedged item are recognised as other items of comprehensive income and accumulated in the hedging reserve in equity. Amounts accumulated in equity are either recycled in profit (loss) for the period when the hedged item affects profit (loss) for the period or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting treatment relating to the non-designated time value of an option be applied retrospectively. This applies solely to hedging relationships that existed as at July 1st, 2018.

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

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

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

Treasury shares

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

Leased assets liabilities

The Group recognizes the leased assets liability on the effective date of the leasing contract.

The liability for leased assets corresponds to the present value of the minimum payments due for the leasing and unpaid at the effective date, inclusive of those determined on the basis of an index or rate (initially assessed using the index or rate on the date of the contract), as well as any penalties provided for in the event that the duration of the leasing contract (“Lease term”) provides for the option for the exercise of early termination of the leasing contract and the exercise of the same is estimated reasonably certain. The present value is determined using the implicit interest rate of the lease.

The liability for leased assets is subsequently increased by the interest accruing on it liabilities and less payments made for the lease.

Revenue

The IFRS 15 – Revenue from Contracts with Customers standard establishes a new revenue recognition model providing for:

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

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

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

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

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

consideration is allocated to the various services based on their fair value.

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

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

Costs

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

Advertising costs are recognized upon receipt of the service.

Cost of sales

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

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

Dividends received

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

Interest income and expenses

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

Current tax

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

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

Deferred tax

Deferred tax is calculated in accordance with the balance sheet liability method. It is calculated on all temporary differences between the accounting and tax value of an asset or liability, with the exception of

non-deductible goodwill and differences deriving from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Deferred tax assets on tax losses and unused tax credits available for carry forward are recognized to the extent of the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are computed using the tax rates expected to be in force when the temporary differences are likely to be realized or reversed. Unrecognized deferred taxes are reviewed at each profit and loss statement date and are recognized to the extent of the likelihood of earning enough future taxable income to be recovered. The deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable, in the respective legal systems of the countries in which the Group operates, in the years in which it is foreseen that the temporary differences will be realized or settled.

Deferred taxes relating to items recognized outside the profit and loss statement are also recognized as of outside the statement of profit and loss and, therefore, in the shareholders' equity or in the comprehensive income statement, consistent with the element to which they refer.

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

Earnings per share

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

Foreign currency transactions

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

Share-based payments - Payment transactions settled with equity instruments

Group employees (including executives) receive part of their remuneration through shares, therefore employees provide services in exchange for shares ("transactions settled with equity instruments"). The cost of transactions settled with equity instruments is determined by fair value at the date in which the assignment is made using an appropriate evaluation method.

This cost, together with the corresponding increase in shareholders' equity, is recognized under payroll costs for the period in which the conditions relating to the achievement of objectives and / or the provision of the service. The cumulative costs recognized for these transactions on the closing date of each exercise up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest. The cost or revenue in the profit and loss statement for the fiscal year represents the change in the accumulated cost recorded at the beginning and at the end of the fiscal year.

The terms of service or performance are not taken into consideration when defining the fair value of the plan at the grant date. However, the possible fulfilment of said conditions is considered when defining the best estimate of the number of capital instruments that will vest. Market conditions are reflected in the fair value at the grant date. Any other condition linked to the plan, which does not involve a service obligation, is not considered as a vesting condition. The non-vesting conditions are reflected in the fair value of the plan e involve the immediate accounting of the cost of the plan unless there are also some conditions of service or performance.

No cost is recognized for rights that do not accrue as per unfulfilled performance and / or service conditions. When the rights include a market condition or a condition of non-vesting, these are treated as if they had vested regardless of the fact that the market conditions or other non-vesting conditions to which they are subject are respected or not, it being understood that all other performance and / or service conditions must be met.

If the conditions of the plan are changed, the minimum cost to be recognized is the fair value at the date of assignment in the absence of the modification of the plan itself, on the assumption that the original conditions of the plan are satisfied. In addition, a cost is recognized for each modification that involves an increase in fair value total payment plan, or that is in any case favourable for employees; this cost is valued with the reference to the modification date. When a plan is cancelled by the entity or the counterparty, any remaining element of the plan's fair value is immediately charged to the income statement.

The effect of the dilution of the options not yet exercised is reflected in the calculation of the profit dilution per share.

New accounting standards

Accounting standards, amendments and IFRS interpretations applied from July 1st, 2021

The accounting standards, amendments and IFRS interpretations adopted by the Group in the financial statements for the annual reporting period commencing on July 1st, 2021 are indicated below:

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide for the temporary easing of the requirements with reference to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative essentially risk-free rate (Risk Free Rate - RFR). The amendments include the following practical expedients:
 - a practical expedient that makes it possible to consider and deal with contractual changes, or changes in cash flows that are directly required by the reform, as changes in a variable interest rate, equivalent to a movement in an interest rate in the market;
 - allow the changes, required by the IBOR reform, to be made to the documentation for the designation of the hedging relationship without the hedging relationship having to be discontinued;

- provides temporary relief for entities from having to comply with separate identification requirements when an RFR is designated as hedging a risk component.

These amendments had no impact on the Group's first half financial results. The Group plans to use the aforementioned expedients whenever applicable.

- Amendment to IFRS 16 Covid-19 Related Rent Concessions beyond June 30th, 2021. On May 28th, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the IFRS 16 requirements on the effects accounting of the contractual changes for the reductions in lease payments granted by the lessors that are a direct consequence of the COVID-19 pandemic. According to the amendment, the lessee may choose not to assess the lease fee reductions as contractual changes, and therefore not report them as such in the scope of IFRS 16. The changes were supposed to be applicable until June 30th, 2021, but as the impact of the COVID-19 pandemic continues, on March 31st, 2021, the IASB extended the period of application up to June 30th, 2022. The amendments apply to financial years starting April 1st, 2021 onwards. However, the Group has not received concessions on lease payments related to COVID-19, but plans to apply the amendment should the case occur within the permitted application period;
- in June 2020 the IASB extended the temporary exemption from the application of IFRS 9 - Amendments to IFRS 4 Insurance Contracts. In particular, the amendments to IFRS 4 extend to 2023 the expiry of the temporary exemption from the application of IFRS 9 in order to align the date of entry into force of IFRS 9 with the new IFRS 17 and thus remedy the accounting consequences, which could occur in the event of the entry into force of the two standards on different dates.

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 as of June 30th, 2022

- in May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new comprehensive standard relating to insurance contracts that covers the detection and measurement, presentation and disclosure. The IFRS 17 will replace the IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation characteristics. To this end, limited exceptions will apply. IFRS 17 general objective is to present a more useful and consistent accounting model for insurance contracts. In contrast to the provisions of IFRS 4 which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

- the variable fee approach: a specific adaptation for contracts with direct participation features;
- the award allocation approach: a simplified approach mainly dedicated to short-term contracts.

IFRS 17 will be in force for the financial years starting January 1st, 2023 onwards and will require the presentation of comparative balances. Early application is permitted, in which case the entity must have also adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or earlier. This principle does not apply to the Group;

- in January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements necessary for classifying liabilities as current or non-current. The changes clarify:
 - what is meant by the right to postpone the deadline;
 - that the right of postponement must exist at the end of the financial year;
 - the classification is not impacted by the probability with which the entity will exercise its right of subordination;
 - the expiry of the liability have no impact on its classification only if an implicit derivative in a convertible liability is itself an equity instrument;

The amendments will be effective for the financial years starting January 1st, 2023 onwards and must be applied retrospectively. The Group is currently evaluating the impact that the changes will have on the current situation and should it become necessary to renegotiate existing loan agreements;

- in May 2020, the IASB published the amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard. The Board also added an exception to the IFRS 3 valuation principles to avoid the risk of potential “next day” losses or gains arising from contingent liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. The Board also clarified that the existing guidance in IFRS 3 for potential assets will not be impacted by the update of the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments will be effective for the financial years starting January 1st, 2022 and will apply prospectively;
- in May 2020, the IASB published Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any revenue from the sale of products sold in the period in which this activity is brought to the place or conditions necessary for it to be able to operate in the manner for which it was designed by the management. Instead, an entity records the revenues from the sale of these products and the costs of producing these products in the statement of profit and loss. The amendment will be effective for financial years starting January 1st, 2022 onwards and must be

applied retrospectively to the Property, plant and equipment made available for use on or after the start date of the period prior to the period in which the entity applies this change for the first time. The Group does not expect any material impacts from these changes;

- in May 2020, the IASB published amendments to IAS 37 to specify which costs must be considered while assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach called “*directly related cost approach*”. Costs that refer directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the contract. The amendments will be effective for the financial years starting January 1st, 2022 onwards. The Group will apply these changes to contracts for which it has not yet satisfied all its obligations at the beginning of the year in which it will apply these changes for the first time;
- as part of the 2018-2020 annual IFRS standards improvement process, the IASB has published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to account for the accumulated translation differences based on the amounts accounted for by the parent company, considering the date of transition to IFRS by the parent. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16 (a) of IFRS 1. The amendment will be effective for financial years starting January 1st, 2022 onwards and early application is permitted;
- as part of the 2018-2020 annual IFRS standards improvements process, the IASB published an amendment to IFRS 9. This amendment clarifies that the fees that an entity includes in the assessment whereas the conditions of a new or modified financial liability are substantially different with respect to the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies this amendment to financial liabilities that are changed or exchanged after the date of the first financial year in which the entity applies the amendment for the first time. The amendment will be effective for the financial years starting on January 1st, 2022 onwards and early application is permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged subsequently or on the date of the first financial year in which this amendment is applied for the first time. The Group does not expect any material impact from these changes;
- as part of the 2018-2020 annual IFRS standards improvements process, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements provided for in paragraph 22 of IAS 41 and referring to the exclusion of cash flows for taxes when the fair value of an asset is measured within the scope of IAS 41. The amendment applies to an entity fair value measurement. The amendment will be effective for the financial years starting on January 1st, 2022 onwards and early application is permitted. The Group does not expect any material impact from these changes;

- in February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting principles and correction of errors. In addition, they clarify how entities use measurement and input techniques to develop accounting estimates. The amendments are effective for financial years starting January 1st, 2023 onwards and apply to changes in accounting principles and changes in accounting estimates that occur starting from the beginning of that period or subsequently. Early application is permitted provided its disclosure. The Group does not expect any significant impact from these changes;
- in February 2021, the IASB issued amendments to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidelines and examples to help entities apply materiality judgments to disclosure on standards accounting. The amendments aim to replace the obligation for entities to provide their own “significant” accounting policies with the obligation to disclose their “relevant” accounting policies; in addition, guidelines are added on how entities apply the concept of relevance in making decisions regarding disclosure on accounting principles. The amendments to IAS 1 are applicable starting from financial years starting January 1st, 2023 onwards and early application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on applying the definition of material to the disclosure of accounting policies, an effective date is not required for such amendments. The Group is currently evaluating the impact of the changes to determine the effect they will have on the disclosure on the Group’s accounting standards;
- in May 2021, the IASB issued amendments to IAS 12 Income taxes: Deferred taxes relating to assets and liabilities deriving from a single transaction. The amendments restricted the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, upon initial recognition, give rise to equal temporary differences taxable and deductible. The amendments were issued in response to an IFRIC recommendation. Research conducted by the Committee indicated that views differed as to whether the recognition exemption applied to transactions, such as leases, that lead to the recognition of an asset and a liability. These differing views have led entities to account for deferred taxes on such transactions in different ways, reducing the comparability of their balance sheets. The Board expects that the amendments will reduce the diversity in reporting and align the accounting for deferred taxes on such transactions with the general principle of IAS 12 of recognizing deferred taxes for temporary differences. An entity applies changes to transactions that occur at the beginning or after the beginning of the first comparative period presented. Furthermore, at the beginning of the first comparative period presented, it recognizes the deferred taxes for all temporary differences relating to leasing and disposal obligations and recognizes the cumulative effect of the initial application of the changes as an adjustment to the opening balance of the profits brought to new (or other components of equity, as the case may be) on that date. The amendment will be effective for the financial years starting on January 1st, 2023 onwards and early application is permitted. At December 31st, 2021, the amendment is yet to be approved by the European Union;

- In December 2021, the International Accounting Standards Board (IASB) issued the initial application of IFRS 17 and IFRS 9 - Comparative information (amendment to IFRS 17). The amendment is a transition option relating to comparative information on financial assets presented upon first-time application of IFRS 17. The amendment aims at helping entities avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for users. The IFRS 17, which incorporates the amendment, is effective starting from financial years starting January 1st, 2023. The Group does not expect any material impact from these changes.

3. DISCRETIONARY ITEMS AND SIGNIFICANT ESTIMATES

Discretionary judgment

The preparation of Digital Bros S.p.A. financial statements as of June 30th, 2022 and the notes attached requires the use of discretionary judgment in order to make estimates and assumptions with an effect on the carrying amount of assets and liabilities recognized in the financial statements and on disclosures relating to contingent assets and liabilities as at the reporting date. These judgements are made on the basis of short- and medium/long-term forecasts that are continuously updated and approved by the Board of Directors prior to all financial reports approval.

The estimates are based on the current available information. They are periodically reviewed, and the effects are reflected in the profit and loss when needed. The actual results effectively realized may be different, even significantly, from the estimated due to changes in the factors considered. Estimates are used, in particular, to recognize provisions for doubtful accounts and inventories, depreciation and amortization, equity investments, asset impairment, employee benefits, deferred taxes and other provisions and allowances.

The main sources of uncertainty when making estimates regards the recoverable amount of equity investments, inventory impairment, employee benefits and deferred tax estimates.

Recoverable amount of equity investments

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

Inventories

The Company estimates inventories on a quarterly basis, considering the rapid obsolescence of video games. Impairment adjustments may be recorded in relation to individual products whose market value is lower than their historical cost. In order to make these estimates, the Company uses revenue forecasts, as periodically produced by the sales department. Some differences are identified on a cumulative basis and are recognized in profit and loss in the period.

Employee benefits

The estimate of the employee severances requires an assessment of the future cash outflows that may result from the of employees' voluntary and involuntary departure, in relation to their seniority and the revaluation rates these benefits provided by the Italian Law.

The TFR (employee termination severance) was significantly changed during the year ended on June

30th, 2006. Estimating the liability remains complex because a residual portion of indemnities has remained with the Company. The Company makes its estimate with assistance from an actuary in order to determine the necessary parameters.

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

Deferred tax

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

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

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

4. BALANCE SHEET AS OF JUNE 30TH, 2022

Digital Bros S.p.A. balance sheet as of June 30th, 2022 is set out below together with comparative figures as of June 30th, 2021:

	Euro thousand	June 30 th , 2022	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	5,802	6,576	(774)	-11.8%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	166	163	3	2.0%
4	Equity investments	25,825	29,416	(3,591)	-12.2%
5	Non-current receivables and other assets	9,367	4,868	4,499	92.4%
6	Deferred tax assets	1,061	31	1,030	n.m.
7	Non-current financial assets	18,257	18,840	(583)	-3.1%
	Total non-current assets	60,478	59,894	584	1.0%
	Current assets				
8	Inventories	2,893	1,494	1,399	93.6%
9	Trade receivables	547	893	(346)	-38.7%
10	Receivables from subsidiaries	32,206	27,094	5,112	18.9%
11	Tax receivables	776	590	186	31.6%
12	Other current assets	506	524	(18)	-3.5%
13	Cash and cash equivalent	384	1,038	(654)	-63.0%
14	Other current financial assets	28	0	28	n.m.
	Total current assets	37,340	31,633	5,707	18.0%
	TOTAL ASSETS	97,818	91,527	6,291	6.9%
	Capital and reserves				
15	Share capital	(5,705)	(5,704)	(1)	0.0%
16	Reserves	(20,968)	(22,865)	1,897	-8.3%
17	Treasury shares	0	0	0	0.0%
18	Retained earnings	(31,530)	(26,772)	(4,758)	17.8%
	Total net equity	(58,203)	(55,341)	(2,862)	5.2%
	Non-current liabilities				
19	Employee benefits	(346)	(391)	45	-11.4%
20	Non-current provisions	(81)	(81)	0	0.1%
21	Other non-current payables and liabilities	0	(505)	505	n.m.
22	Non-current financial liabilities	(4,795)	(7,549)	2,754	-36.5%
	Total non-current liabilities	(5,222)	(8,526)	3,304	-38.8%
	Current liabilities				
22	Trade payables	(1,955)	(1,444)	(511)	35.3%
23	Payables to subsidiaries	(28,105)	(16,437)	(11,668)	71.0%
24	Taxes payables	(295)	(5,421)	5,126	-94.6%
25	Short term provisions	0	0	0	0.0%
26	Other current liabilities	(1,280)	(957)	(323)	33.8%
27	Current financial liabilities	(2,758)	(3,401)	643	-18.9%
	Total net working capital	(34,393)	(27,660)	(6,733)	24.3%
	TOTAL LIABILITIES	(39,615)	(36,186)	(3,429)	9.5%
	TOTAL NET EQUITY AND LIABILITIES	(97,818)	(91,527)	(6,291)	6.9%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment decreased from Euro 6,576 thousand to Euro 5,902 thousand:

Euro thousands	July 1 st , 2021	Investments	Disposals	Deprec'n	Use of accum. dep'n	June 30 th , 2022
Industrial buildings	5,575	0	0	(679)	0	4,896
Land	635	0	0	0	0	635
Plant and equipment	142	34	0	(45)	0	131
Other assets	224	0	0	(84)	0	140
Leasehold improvements	0	0	0	0	0	0
Total	6,576	34	0	(808)	0	5,802

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

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

Industrial building as of June 30th, 2022 included:

Euro thousand	
Trezzano sul Naviglio warehouse	1,360
Via Labus (Milan) offices	371
Application of IFRS 16 to Via Tortona (Milan) offices	3,165
Total	4,896

Investments for the period to industrial and commercial equipment amounted to Euro 34 thousand and mainly related to office furniture and office automation equipment.

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

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

Euro thousands	July 1st, 2021	Investments	Disposals	June 30th, 2022
Industrial buildings	8,160	0	0	8,160
Land	635	0	0	635
Plant and equipment	2,362	34	0	2,396
Other assets	1,522	0	0	1,522
Leasehold improvements	317	0	0	317
Total	12,996	34	0	13,030

Accumulated depreciation

Euro thousands	July 1st, 2021	Investments	Disposals	June 30th, 2022
Industrial buildings	(2,585)	(679)	0	(3,264)
Land	0	0	0	0
Plant and equipment	(2,220)	(45)	0	(2,265)
Other assets	(1,298)	(84)	0	(1,382)
Leasehold improvements	(317)	0	0	(317)
Total	(6,420)	(808)	0	(7,228)

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

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

Accumulated depreciation

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

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

3. Intangible assets

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

Intangible assets increased by Euro 3 thousand due to Euro 100 thousand amortization. The following table shows movements for the current reporting period and the previous reporting period by asset:

Euro thousands	July 1 st , 2021	Investments	Disposals	Amort'n	June 30 th , 2022
Concessions and licenses	138	103	0	(93)	148
Trademarks and similar rights	5	0	0	(1)	4
Other intangible assets	20	0	0	(6)	14
Total	163	103	0	(100)	166

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

Concessions and licenses increased by Euro 103 thousand over the reporting period mainly because of expenditure on ERP systems.

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

Current reporting period

Gross amount of intangible assets

Euro thousands	July 1 st , 2021	Investments	Disposals	June 30 th , 2022
Concessions and licenses	3,037	103	0	3,140
Trademarks and similar rights	1,612	0	0	1,612
Other intangible assets	106	0	0	107
Total	4,755	103	0	4,858

Accumulated amortization

Euro thousands	July 1 st , 2021	Investments	Disposals	June 30 th , 2022
Concessions and licenses	(2,993)	(93)	0	(3,086)
Trademarks and similar rights	(1,513)	(1)	0	(1,514)
Other intangible assets	(86)	(6)	0	(92)
Total	(4,592)	(100)	0	(4,692)

Previous reporting period

Gross amount of intangible assets

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

Accumulated amortization

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

4. Equity investments

Equity investments amounted to Euro 25,825 thousand, decreasing by Euro 3,591 thousand compared to the prior fiscal year.

The following table contains details of equity investments as of June 30th, 2022, together with comparatives as of June 30th, 2021:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
505 Games S.p.A.	10,100	10,100	0
Game Service S.r.l.	0	85	(85)
Digital Bros Game Academy S.r.l.	(116)	207	(323)
Game Network S.r.l.	(40)	(40)	0
Digital Bros Game China	100	100	0
Digital Bros Holdings Ltd.	125	125	0
133 W Broadway Inc.	0	(228)	228
Kunos Simulazioni S.r.l.	4,676	4,676	0
Digital Bros Asia Pacific Ltd.	100	100	0
Rasplata BV	2,008	2,008	0
AvantGarden S.r.l.	495	495	0
Seekhana Ltd.	291	503	(212)
Supernova Games Studios S.r.l.	100	100	0
Chrysalide Jeux et Divertissement Inc.	0	0	0
Ingame Studios a.s.	480	0	480
Total subsidiaries	18,319	18,231	88
Starbreeze AB – A Shares	5,180	7,635	(2,455)
Starbreeze AB – B Shares	1,926	3,097	(1,171)
Investment in Unity Software Inc.	0	171	(171)
Investment in Noobz PL Sp.	391	282	109
Investment in Artactive S.A.	9	0	9
Total other equity investments	7,506	11,185	(3,679)
Total equity investments	25,825	29,416	(3,591)

Digital Bros Game Academy's, Game Network S.r.l.'s and Seekhana Ltd.'s book values are net of the provisions for impairment losses of equity investments. Respectively, they amounted to Euro 416 thousand, Euro 50 thousand and Euro 214 thousand.

Changes in subsidiaries during the fiscal year consisted of:

- completion of Game Service S.r.l liquidation process;
- decrease in the value of the investment in Digital Bros Game Academy S.r.l. due to the accounting of Euro 323 thousand following the value decrease of the investment;
- completion of 133 W Broadway Inc. liquidation process;

- decrease in the value of the investment in Seekhana Ltd. due to the accounting of Euro 212 thousand following the value decrease of the investment;
- purchase of 60% of the capital of the Czech company Ingame Studios a.s. for Euro 480 thousand.

The increase in other investments is due to:

- Euro 2,455 thousand and Euro 1,171 thousand decreases respectively relating to the fair value of the 61,758,625 Starbreeze AB A shares and the 24,890,329 Starbreeze AB B shares (listed on Nasdaq Stockholm), with allocation to an equity reserve of the difference between the carrying amount and the fair value as of June 30th, 2022 as they are financial instruments classified in OCI, and negative for Euro 3,626 thousand;
- Euro 171 thousand decrease resulting from the sale of 1,860 of Unity Software Inc. shares (listed on Nasdaq Composite Index) for Euro 220 thousand realizing a capital gain of Euro 187 thousand;
- Euro 282 thousand increase relating to the fair value of the 70,000 Unity Software Inc. shares (listed on the Warsaw Stock Exchange New Connect segment), with allocation to an equity reserve of the difference between the carrying amount and the fair value as of June 30th, 2022 as they are financial instruments classified in OCI, and positive for Euro 109 thousand;
- the subscription of a 40% stake in the Polish company Artactive s.a. for a book value of Euro 9 thousand.

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

Name	Location	Carrying amount (a)	Capital (b)	Pro-rata share of equity (c)	Result for the year	Change d=c-a
505 Games S.p.A.	Milan	10,100	10,000	59,811	18,851	49,711
Digital Bros Game Academy S.r.l.	Milan	(116)	300	(116)	(268)	0
Game Network S.r.l.	Milan	(40)	10	(25)	16	15
Digital Bros China (Shenzhen) Ltd.	Shenzhen	100	100	144	15	44
Digital Bros Holdings Ltd.	Milton Keynes	125	125	106	(1)	(19)
Kunos Simulazioni S.r.l.	Rome	4,676	10	38,375	7,592	33,699
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	100	100	167	23	67
AvantGarden S.r.l.	Milan	495	100	306	(144)	(189)
Supernova Games Studios S.r.l.	Milan	100	100	28	70	(72)
Rasplata BV	Amsterdam	2,008	2	614	(370)	(1,394)
Seekhana Ltd.	Milton Keynes	291	840	436	(149)	145
Chrysalide Jeux et Divertissement Inc.	Québec City	0	0	656	832	656
Ingame Studios a.s.	Brno	480	410	803	274	323
Total subsidiaries		18,319				

All the subsidiaries are 100% owned, except for Rasplata B.V., Ingame Studios a.s. and Seekhana Ltd. which are controlled with a 60% stake and Chrysalide Jeux et Divertissement Inc. with a 75% stake.

No impairment adjustment has been made to the investment in Avantgarden S.r.l., Supernova Games Studios S.r.l. and Rasplata B.V. as their medium/long-term business plans forecast no permanent impairment.

No impairment indicators have been identified for the other equity investments, as they show positive economic and financial trends and future prospects aligned with current results.

5. Non-current receivables and other assets

Non-current receivables and other assets amounted to Euro 9,367 thousand, increasing by Euro 4,499 thousand compared to June 30th, 2021:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Receivable from Starbreeze AB	8,726	4,227	4,499
Guarantee deposit – rental of offices in Via Tortona, Milan	635	635	0
Other guarantee deposits	6	6	0
Total non-current receivables and other assets	9,367	4,868	4,499

As of June 30th, 2022, they included the Euro 8,726 thousand receivable from Starbreeze AB purchased from Smilegate Holdings for a consideration of Euro 100 thousand with a nominal amount of around USD 20 million. The value at June 30th, 2022 has been restated and Euro 3,095 thousand has been recognized as financial income and adjusted to the exchange rate at the end of the fiscal year for Euro 1,405 thousand. The receivable is part of Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed with the Swedish District Court, but not later than December 2024.

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

6. Deferred tax assets

As of June 30th, 2022, deferred tax assets amounted to Euro 1,061 thousand, increasing by Euro 1,030 thousand compared to June 30th, 2021. The balance included IRES deferred tax for Euro 1,056 thousand and IRAP deferred tax for Euro 5 thousand.

The most significant change related to the adjustment to fair value with recognition in equity reserve of the difference between the book value and the market value at June 30th, 2022 of the Starbreeze AB shares held by the Company.

Deferred tax assets are calculated on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax basis and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The rate applied for IRES purposes was 24%. The following table provides details of temporary differences as of June 30th, 2022 and June 30th, 2021:

Description	Temporary differences as of June 30 th , 2021	Changes in temporary differences in the year	Temporary differences as of June 30 th , 2022
Taxed provision for bad debts	648	61	709
Directors' emoluments not relating to period	322	635	957
TFR/Employee termination indemnity	100	(40)	60
Inventory obsolescence provision	94	0	94
Reserve for write-down of securities	(1,112)	3,654	2,542
Reserve for application of IFRS 9	5	0	5
Other	54	(19)	35
Total	111	4,291	4,402

The following table shows the calculation of deferred tax assets for IRES purposes as of June 30th, 2022:

Description	Temporary differences as of June 30 th , 2022	Deferred tax assets for IRES purposes as of June 30 th , 2022 (a)
Taxed provision for bad debts	709	170
Directors' emoluments not relating to period	957	230
TFR/Employee termination indemnity	60	14
Inventory obsolescence provision	94	23
Reserve for write-down of securities	2,542	610
Reserve for application of IFRS 9	5	1
Other	35	8
Total	4,402	1,056

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

CURRENT ASSETS

At June 30th, 2022, the Company had no receivables or payables with a residual duration of more than five years and no payables were secured on the Company's assets. Exchange rate fluctuation since the reporting date has not had any significant effect. Moreover, there were no receivables or payables linked to repurchase agreements.

The following table contains a geographical breakdown of the items included in total current assets as of June 30th, 2022:

	Euro thousands	Italy	EU	Non-EU	Total
8	Inventories	2,893	0	0	2,893
9	Trade receivables	538	9	0	547
10	Receivables from subsidiaries	12,750	15,547	3,909	32,206
11	Tax receivables	776	0	0	776
12	Other current assets	506	0	0	506
13	Cash and cash equivalents	384	0	0	1,038
14	Other financial assets	28	0	0	28
	Total current assets	17,875	15,556	3,909	37,340

8. Inventories

Inventories was made by finished products for resale. Inventories increased by Euro 1,399 thousand, from Euro 1,494 thousand to Euro 2,893 thousand as of June 30th, 2022, following the complete return of the trading card stock by the subsidiary Game Entertainment S.r.l. for Euro 2,454 thousand. Details below:

Euro thousand	June 30th, 2022	June 30th, 2021	Change
Video games	1,303	1,326	(23)
Trading cards	1,589	168	1,421
Total inventories	2,892	1,494	1,398

9. Trade receivables

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

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Trade receivables - Italy	1,392	1,635	(243)
Trade receivables - EU	9	14	(5)
Trade receivables - Rest of the world	0	0	0
Provision for doubtful accounts	(854)	(756)	(98)
Total trade receivables	547	893	(347)

As of June 30th, 2022, total trade receivables amounted to Euro 547 thousand, a decrease of Euro 347 thousand compared to Euro 893 thousand as of June 30th, 2021. The Company's trade receivables are primarily due from Italian customers. The balance is stated net of the provision for doubtful accounts.

Trade receivables are stated net of an estimate of credit notes that the Company expects to issue for price repositioning or returns.

The provision for doubtful accounts amounted to Euro 854 thousand, increasing by Euro 98 thousand as of June 30th, 2021. The provision is assessed based on a detailed analysis of each trade receivable balance in order to assess its recoverability and on the application of IFRS 9.

The following table contains a breakdown of trade receivables as of June 30th, 2022 by due date, together with comparative figures as of June 30th, 2021. All figures are stated net of the provision for doubtful accounts:

Euro thousands	June 30th, 2022	% on total	June 30th, 2021	% on total
Current	349	64%	687	77%
0 - 30 days overdue	69	13%	94	11%
30 - 60 days overdue	4	1%	0	0%
60 - 90 days overdue	7	1%	2	0%
> 90 days overdue	118	21%	110	12%
Total trade receivables	547	100%	893	100%

10. Receivables from subsidiaries

Receivables from subsidiaries amounted to Euro 32,206 thousand, increasing by Euro 5,112 thousand compared to June 30th, 2021.

Receivables from subsidiaries as of June 30th, 2022 and as of June 30th, 2021 are analyzed as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Rasplata B.V.	15,403	6,944	8,459
505 Games S.p.A.	12,366	11,185	1,181
505 Games Australia Pty Ltd.	3,909	1,522	2,387
Game Network S.r.l.	259	454	(195)
505 Games France S.a.s.	144	13	131
Digital Bros Game Academy S.r.l.	58	0	58
505 Games Japan KK	45	29	16
Avantgarden S.r.l.	16	460	(444)
505 Mobile S.r.l.	6	2,412	(2,406)
Game Entertainment S.r.l.	0	2,825	(2,825)
Kunos Simulazioni S.r.l.	0	464	(464)
Game Service S.r.l.	0	353	(353)
133 W Broadway Inc.	0	248	(248)
Chrysalide Jeux et Divertissement Inc.	0	166	(166)
Supernova Games Studios S.r.l.	0	19	(19)
Total receivables from subsidiaries	32,206	27,094	5,112

The most significant increases related for Euro 8,459 thousand to Rasplata B.V. due to the loan granted to the Dutch subsidiary currently developing a video game that will be available next fiscal year, and for Euro 2,387 thousand to 505 Games Australia Pty Ltd. due to the earn-out to be paid in connection with the acquisition of the Infinity Plus Two Pty. And Infinite Interactive Pty..

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

11. Tax receivables

As of June 30th, 2022, tax receivables amounted to Euro 776 thousand, increasing by Euro 186 thousand compared to Euro 590 thousand as of June 30th, 2021.

Tax receivables as of June 30th, 2022 and as of June 30th, 2021 are analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Receivable under domestic tax group consolidation	248	0	248
VAT receivable	347	421	(74)
Other receivables	181	169	12
Total tax receivables	776	590	186

The increase in the receivable under the domestic tax group arrangement is due to higher advances paid compared to actually calculated debt for the period.

12. Other current assets

Other current assets decreased from Euro 524 thousand as of June 30th, 2021 to Euro 506 thousand as of June 30th, 2022. The balance may be analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Insurance refunds receivable	1	1	0
Receivables from suppliers	359	337	22
Advances to employees	124	107	17
Other receivables	22	79	(57)
Total other current assets	506	524	(18)

SHAREHOLDERS' EQUITY

The shareholders' equity as of June 30th, 2022 was analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Share capital	5,705	5,704	1
Legal reserve	1,141	1,141	0
Share premium reserve	18,507	18,486	21
IFRS adoption reserve	(142)	(142)	0
Reserve for actuarial gains and losses	(60)	(90)	30
Reserve for measurement of securities	(1,915)	845	(2,760)
Stock option reserve	3,437	2,625	812
Retained earnings	24,900	19,034	5,866
Application of IFRS 9	(695)	(695)	0
Profit/(loss) for the year	7,325	8,433	(1,108)
Total shareholders' equity	58,203	55,341	2,862

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

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Opening equity	55,341	47,068	8,273
Share capital increase	1	0	1
Share premium reserve increase	21	0	21
Distribution of dividends	(2,567)	(2,139)	(428)
Change in treasury shares	0	0	0
Actuarial gains (losses)	30	1	29
Change in reserve for measurement of securities	(2,776)	1,649	(4,425)
Change in reserve for financial instruments	16	0	16
Stock option reserve	812	329	483
Other changes	0	0	0
Profit/(loss) for the year	7,325	8,433	(1,108)
Closing equity	58,203	55,341	2,862

Share capital as of June 30th, 2022 increased by Euro 1 thousand compared to June 30th, 2021 and is divided into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,705 thousand.

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

The Euro 812 thousand increase in the Stock option plan reserve regarded the amount relating to the period for the “Stock option plan 2016-2026”. The plan rules are available on the Company website.

Digital Bros S.p.A. has approved a stock option plan for the period 2016-2026, providing for a maximum distribution of 800,000 options. On January 20th, 2017 and May 12th, 2017, the Board of Directors approved the assignment of 744,000 options with an exercise price of Euro 10.61 and of 56,000 options with an exercise price of Euro 12.95. All the options will expire on June 30th, 2026.

As of June 30th, 2022, the options in place are 722,900 following the resignations of some beneficiaries in previous years and the exercise of 2,100 options during the reporting period.

Digital Bros S.p.A. applies the vesting conditions by adjusting the total number of outstanding options based on the estimate of those that will actually vest. The options assessed at June 30th, 2022 are no. 640,264 for a stock option reserve of Euro 3,436 thousand.

Number of options	ESOP 2016 - 2026
January 1st, 2017	-
Assigned (2017)	800,000
Expired	-
Resignation	(75,000)
Exercised	(2,100)
Number of options as of June 30th, 2022	722,900
Vesting conditions	(82,636)
Number of outstanding options assessed at June 30th, 2022	640,264

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

At the date of approval of the financial statements, no dividends had already been approved but not yet paid.

The Company has not issued any shares with dividend rights, convertible bonds, or securities of a similar nature.

NON-CURRENT LIABILITIES

19. Employee benefits

Employee benefits reflected the actuarial value at the closing date of the Group's liability to employees, as calculated by an independent actuary. It increased by Euro 45 thousand compared to the prior fiscal year.

The IAS 19 actuarial measurement as of June 30th, 2022 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. The use of a discount rate based on the Iboxx Corporate AA index would not create 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 dismissal, resignation, disability, death or retirement and in the event of requests for advances;
- discounting of each probable payment to net present value.

The estimate is based on Digital Bros S.p.A.'s reporting date headcount of 40 employees.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2022 were as follows:

- annual interest rate of 3.65%;
- annual increase in remuneration rate of 3.075%;
- annual inflation rate of 2.10%.

The economic and financial parameters used in the actuarial calculation as of June 30th, 2021 were as follows:

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

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

Euro thousands	June 30th, 2022	June 30th, 2021
Provision for employee termination indemnities as of July 1st, 2021	391	429
Employees transferred to 505 Games S.p.A.	0	(32)
Utilization of provision for payments to leavers	(9)	(5)
Provision of the period	78	139
Measurement of supplementary pension schemes	(74)	(139)
Actuarial measurement	(40)	(1)
Provisions for employee termination indemnities as of June 30th, 2022	346	391

The Company does not have in place any supplementary pension plans.

20. Non-current provisions

Non-current provisions were entirely made of the sales representatives' termination indemnity provision. The balance of Euro 81 thousand as of June 30th, 2022 is unchanged compared to June 30th, 2021.

21. Other non-current payables and liabilities

As of June 30th, 2022 there are no non-current payables and liabilities. The balance as of June 30th, 2021 related to the debt for the 2021-2027 Medium-Long Term Monetary Incentives Plan that has been classified as a current liability as the portion of the debt matured as of June 30th, 2022 will be settled within forty five days from the approval of the financial statements at June 30th, 2022 by the Shareholders' Meeting.

CURRENT LIABILITIES

The following table contains a geographical breakdown of the items included in total current liabilities as of June 30th, 2022:

	Euro thousands	Italy	Other EU	NON-EU	Total
23	Trade payables	(1,765)	(179)	(11)	(1,955)
24	Payables to subsidiaries	(8,378)	(4,555)	(15,172)	(28,105)
25	Tax payables	(295)	0	0	(295)
26	Current provisions	(0)	0	0	(0)
27	Other current liabilities	(1,280)	0	0	(1,280)
28	Current financial liabilities	(2,758)	0	0	(3,401)
	Total current liabilities	(14,476)	(4,734)	(15,183)	(34,393)

23. Trade payables

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

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Trade payables – Italy	(1,765)	(1,174)	(591)
Trade payables – EU	(179)	(255)	76
Trade payables – Rest of world	(11)	(15)	4
Total trade payables	(1,955)	(1,444)	(511)

24. Payables to subsidiaries

Payables to subsidiaries amounted to Euro 28,105 thousand, increasing by Euro 11,668 thousand compared to the prior fiscal year. They are analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Kunos Simulazioni S.r.l.	(8,153)	0	(8,153)
505 Games Ltd.	(7,560)	(6,330)	(1,230)
DR Studios Ltd.	(2,911)	(2,271)	(640)
505 games (US) Inc.	(2,477)	(1,213)	(1,264)
505 Games GmbH	(2,422)	(3,084)	662
505 Games Iberia Slu	(2,133)	(1,770)	(363)
505 Games Mobile (US)	(1,131)	(767)	(364)
505 Games Interactive	(617)	(454)	(163)
Hawken Entertainment Inc.	(188)	(140)	(48)
Digital Bros Holdings Ltd.	(166)	0	(166)
Digital Bros Asia Pacific (HK) Ltd.	(106)	(107)	1
Hook S.r.l.	(105)	(104)	(1)
Digital Bros China (Shenzhen) Ltd.	(57)	(77)	20
Chrysalide Jeux et Divertissement Inc.	(44)	(74)	30
Supernova Games Studios S.r.l.	(33)	0	(33)
Digital Bros Game Academy S.r.l.	(2)	0	(2)
505 Games S.p.A.	0	(46)	46
Total	(28,105)	(16,437)	(11,668)

The most significant increase was towards Kunos Simulations S.r.l. as a result of the invoices issued to 505 Games S.p.A. and settled through the correspondent current accounts used by Digital Bros S.p.A. for the centralized management of the Group's financial resources.

25. Tax payables

Tax payables decreased by Euro 5,126 thousand from Euro 5,421 thousand as of June 30th, 2021 to Euro 295 thousand as of June 30th, 2022. They mainly included the debt for the national tax consolidation for Euro 5,104 thousand.

26. Current provisions

As of June 30th, 2022, there were no current provisions as in the previous reporting period.

27. Other current liabilities

Other current liabilities increased by Euro 323 thousand from Euro 957 thousand as of June 30th, 2021 to Euro 1,280 thousand as of June 30th, 2022. Details are provided below:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Amounts due to social security institutions	(202)	(234)	32
Amounts due to employees	(1,021)	(659)	(362)
Amounts due to contract staff	(40)	(40)	0
Other payables	(17)	(24)	7
Total other current liabilities	(1,280)	(957)	(323)

Amounts due to employees included the holiday accrual at the end of the reporting period, the amounts accrued for the deferred portion of short term bonuses, and the liability relating to the 2021-2027 Medium-Long Term Monetary Incentives Plan for the past two fiscal years.

NET FINANCIAL POSITION

The Company's net financial position as of June 30th, 2022 is analyzed in detail below. Comparative figures as of June 30th, 2021 are also provided:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	
13	Cash and cash equivalents	384	1,038	(654)	-63.0%
14	Other current financial assets	28	0	28	n.m.
28	Current financial liabilities	(2,758)	(3,401)	643	-18.9%
	Current net financial position	(2,346)	(2,363)	17	-0.7%
7	Non-current financial assets	18,257	18,840	(583)	-3.1%
22	Non-current financial liabilities	(4,795)	(7,549)	2,754	-36.5%
	Non-current net financial position	13,462	11,291	2,171	19.2%
	Total net financial position	11,116	8,928	2,188	24.5%

The net financial position prepared in accordance with the Guidelines on disclosure requirements under the Prospectus Regulation issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed below.

The net financial position amounted to Euro 11,116 thousand, significantly improved compared to Euro 8,928 thousand as of June 30th, 2021. Net of the IFRS 16 effect, the net financial position amounted to positive Euro 14,345 thousand as of June 30th, 2022 compared to Euro 12,715 thousand as of June 30th, 2021.

Current net financial position

The current net financial position is analyzed as follows:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change
13	Cash and cash equivalents	384	1,038	(654)
14	Other current financial assets	28	0	28
28	Current financial liabilities	(2,758)	(3,401)	643
	Current net financial position	(2,346)	(2,363)	17

13. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 384 thousand as of June 30th, 2022, a decrease of Euro 654 thousand compared to June 30th, 2021. They have no encumbrances and consist entirely of current account deposits available on demand.

14. Other current financial assets

Other current financial assets as of June 30th, 2022 amounted to Euro 28 thousand and consisted of the market value at the fiscal year end, in accordance with the provisions of hedge accounting, of the option contract subscribed by the Company for a notional value of Euro 1,375 thousand to hedge interest rates changes on the loan granted by UniCredit S.p.A.. Details below.

28. Current financial liabilities

Total current financial liabilities were made by loans due within a year and other current financial liabilities for a total amount of Euro 2,758 thousand. Details are as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Instalment loans due within a year	(2,128)	(2,777)	649
Other current financial liabilities	(630)	(624)	(6)
Total current financial liabilities	(2,758)	(3,401)	643

Instalment loans amounting to Euro 2,128 thousand comprised the portion with a maturity within 12 months of:

- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the thirty-six months loan agreement provides for principal repayments in twelve quarterly instalments in arrears between 29/04/2021 and 29/01/2024; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.35 basis points;
- a Euro 1,375 thousand financial loan granted by UniCredit S.p.A. to Digital Bros S.p.A. on 28/01/2021 to consolidate existing credit lines for a total of Euro 200 thousand and to develop and implement new investments for the remaining Euro 1,175 thousand. The loan provides for a pre-amortization period starting from the initial date and until 31/01/2022 during which Digital Bros will pay quarterly installments of interest only, and a quarterly capital repayment period between 30/04/2022 and 31/01/2025; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 basis points. Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to hedge the interest rates changes for the duration of the loan by paying Euro 14 thousand. As of June 30th, 2022 the fair value was positive for Euro 28 thousand.

Total other current financial liabilities are detailed as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Pro soluto advances	(12)	(8)	(4)
Lease instalments due within a year	(69)	(67)	(2)
Lease contracts liabilities	(549)	(549)	0
Total current financial liabilities	(630)	(624)	(6)

7. Non-current financial assets

Non-current financial assets consisted 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 Directors' Report. It decreased by Euro 583 thousand compared to June 30th, 2021.

22. Non-current financial liabilities

Non-current financial liabilities included loans due after more than a year and other non-current financial liabilities for a total of Euro 4,795 thousand. Details are provided below:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Loans due after more than a year	(2,063)	(4,191)	2,128
Other non-current financial liabilities	(2,732)	(3,358)	626
Total non-current financial liabilities	(4,795)	(7,549)	2,754

As of June 30th, 2022, loans due after more than a year amounted to Euro 2,063 thousand representing the non-current portion of the loans granted to Digital Bros S.p.A. described above.

Lending institution	Issue date	Total amount of the loan	Amount due over 12 months
UniCredit S.p.A.	28/01/2021	1,375	802
Intesa SanPaolo S.p.A.	29/01/2021	5,000	1,261
Total loans due after more than a year		6,375	2,063

Other non-current financial liabilities amounted to Euro 2,732 thousand. They included Euro 50 thousand of lease repayments due after more than a year and Euro 2,682 thousand due to application of the IFRS 16 accounting standard.

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

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Within 1 year	618	616	2
1-5 years	2,410	2,441	(31)
More than 5 years	322	917	(595)
Total	3,350	3,974	(573)

For information purposes only, the following table reports the net financial position in accordance with the Guidelines on disclosure requirements pursuant to the regulation on the prospectus issued by ESMA (European Securities and Markets Authority) on March 4th, 2021:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	
A.	Cash	384	1,038	(654)	-63.0%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	384	1,038	(654)	n.m.
E.	Current financial debt (included debt instrument, but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	2,758	3,401	(643)	-18.9%
G.	Current financial indebtedness (E + F)	2,758	3,401	(643)	-18.9%
H.	Net current financial indebtedness (G - D)	2,374	2,363	11	0.4%
I.	Non-current financial liabilities (excluding current portion and debt instruments)	4,794	7,549	(2,755)	-36.5%
J.	Debt instruments	0	0	0	0.0%
K.	Non-current trade and other payables	0	0	0	0.0%
L.	Non-current financial indebtedness (I + J + K)	4,794	7,549	(2,755)	-36.5%
M.	Total financial indebtedness (H + L)	7,168	9,912	(2,744)	-27.7%

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations relating to credit mandates decreased by Euro 6,569 thousand, from Euro 27,954 thousand as of June 30th, 2021 to Euro 21,385 thousand as of June 30th, 2022. The decrease is due to lower guarantees in favor of 505 Games U.S..

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

Euro thousands	June 30th, 2022	June 30th, 2021	Change
UniCredit credit mandate to 505 Games S.p.A.	12,385	12,385	0
Intesa SanPaolo credit mandate to 505 Games S.p.A.	6,500	6,500	0
Intesa SanPaolo credit mandate to other Group's companies	1,500	8,069	(6,569)
Monte dei Paschi credit mandate to 505 Mobile S.r.l.	1,000	1,000	0
Total	21,385	27,954	(6,569)

5. PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30TH, 2022

3. Net revenue

Total net revenue decreased from Euro 9,288 thousand in the prior fiscal year to Euro 9,235 thousand in the year ended June 30th, 2022:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	
Gross sales – Italy	9,210	9,523	(313)	-3.3%
Gross sales – Other countries	25	46	(21)	-45.7%
Total gross revenue	9,235	9,569	(334)	-3.5%
Total revenue adjustments	0	(281)	281	n.m.
Total net revenue	9,235	9,288	(53)	-0.6%

Gross revenue may be analyzed by geographical area as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	
Gross revenue – Italy	9,210	9,523	(313)	-3.3%
Gross revenue – EU	25	46	(21)	-45.7%
Total gross revenue	9,235	9,569	(334)	-3.5%

8. Cost of sales

Cost of sales is analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	%
Purchases of products for resale	(4,340)	(2,428)	(1,912)	78.7%
Change in inventories of finished products	1,399	(493)	1.891	n.m.
Total cost of sales	(2,941)	(2,921)	(20)	0.7%

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

10. Other income

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

11. Costs for services

Costs for services are detailed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	%
Advertising, marketing, trade fairs and exhibitions	(176)	(205)	29	-13.9%
Transport and freight	(55)	(84)	29	-34.5%
Sub-total: sales related services	(231)	(289)	58	-20.2%
Sundry insurance	(49)	(63)	14	-22.3%
Legal and notary consultancy fees	(1,126)	(1,460)	334	-22.9%
Postage and telegraph	(83)	(74)	(9)	12.3%
Travel and subsistence costs	(115)	(37)	(78)	n.m.
Utilities	(160)	(77)	(83)	n.m.
Maintenance	(70)	(67)	(3)	4.7%
Statutory Auditors' fees	(74)	(74)	0	0.0%
Sub-total: general services	(1,677)	(1,852)	175	-9.4%
Intercompany services	(262)	(221)	(41)	18.6%
Total costs for services	(2,170)	(2,362)	192	-8.1%

Costs for services amounted to Euro 2,170 thousand, a decrease of Euro 192 thousand compared to June 30th, 2021 mainly because of lower legal and notary consultancy fees for Euro 334 thousand. The balance was partially offset by higher travel and subsistence costs and higher utilities costs following the return to the office after the COVID-19 pandemic.

12. Lease and rental costs

Lease and rental costs amounted to Euro 155 thousand compared to Euro 192 thousand as of June 30th, 2021. As of June 30th, 2022 the item included Euro 100 thousand of expenses relating to the rental of the Company's offices and Euro 55 thousand of lease costs for cars and warehouse equipment that do not fall within the scope of application of IFRS 16 because of their modest amount or the short residual duration of the lease.

13. Payroll costs

Payroll costs totalled Euro 5,763 thousand and decreased by Euro 304 thousand compared to the prior fiscal year. They included the Directors' fees approved by the Shareholders' Meeting, amounts paid to temporary workers and contract staff and the cost of cars assigned to employees. Details below:

Euro thousands	June 30th, 2022	June 30th, 2021	Change	%
Wages and salaries	(2,377)	(2,797)	420	-15.0%
Social contributions	(866)	(933)	67	-7.2%
Employee termination indemnity	(147)	(140)	(7)	5.3%
Stock option plan	(812)	(330)	(482)	n.m.
Directors' fees	(1,493)	(1,190)	(303)	25.5%
Agents' commission	(4)	(6)	2	-27.9%
Other payroll costs	(64)	(63)	(1)	1.8%
Total payroll costs	(5,763)	(5,459)	(304)	5.6%

Payroll costs include wages and salaries, social contributions and the employee termination indemnity. They decreased by Euro 480 thousand compared to the previous fiscal year:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	%
Wages and salaries	(2,377)	(2,797)	420	-15.0%
Social contributions	(866)	(933)	67	-7.2%
Employee termination indemnity	(147)	(140)	(7)	5.3%
Total payroll costs	(3,390)	(3,870)	480	-12.4%
Average number of employees	42	45	(3)	-6.7%
Average cost per employee	(81)	(86)	5	-6.1%

The average cost per employee decreased by 12.4% due to the Executive Directors failure to fully achieve the short-term objectives for the period.

A breakdown of the Group's workforce by employee category as of June 30th, 2022 is provided in the Directors' Report.

14. Other operating costs

Total other operating costs amounted to Euro 500 thousand, a 12.3% decrease due to lower sundry bank charges for Euro 42 thousand.

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

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	%
Purchases of sundry materials	(27)	(37)	10	-26.5%
General & administrative costs	(414)	(430)	16	-3.6%
Entertainment expenses	(12)	(14)	2	-14.5%
Sundry bank charges	(47)	(89)	42	-46.8%
Total other operating costs	(500)	(570)	70	-12.3%

21. Depreciation, amortization and impairment adjustments

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change	%
Depreciation and amortisation	(908)	(941)	33	-3.5%
Asset impairment change	(615)	(79)	(536)	n.m.
Impairment reversal	87	0	87	n.m.
Total depreciation, amortization and impairment adjustments	(1,436)	(1,020)	(416)	40.8%

Total depreciation, amortization and impairment adjustments amounted to Euro 1,436 thousand, increasing by Euro 416 thousand from Euro 1,020 thousand as of June 30th, 2021, due to higher asset impairment change for Euro 536 thousand. Asset impairment change as of 30th, 2022 and June 30th, 2021 are analyzed as follows:

Euro thousands	June 30 th , 2022	June 30 th , 2021	Change
Impairment adjustment to investment in Digital Bros Game Academy S.r.l.	(323)	0	(323)
Impairment adjustment to investment in Seekhana Ltd.	(214)	0	(214)
Impairment adjustment to investment in 133 W Broadway Inc.	(14)	0	(14)
Impairment adjustment to investment in Game Network S.r.l.	0	(16)	16
Impairment adjustment to trade receivables	(64)	0	(64)
Impairment adjustment to financial assets	0	(63)	63
Total asset impairment change	(615)	(79)	536

25. Net financial income / (expenses)

Net financial income totaled Euro 11,536 thousand compared to Euro 12,144 thousand in the prior fiscal year. The caption may be analyzed as follows:

	Euro thousands	June 30th, 2022	June 30th, 2021	Change	%
23	Interest and financial income	13,520	13,719	(199)	-1.5%
24	Interest and financial expenses	(1,984)	(1,575)	(409)	26.0%
25	Net interest and financial income	11,536	12,144	(608)	-5.0%

Interest and financial income may be analyzed as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change	%
Dividends from subsidiaries	7,500	7,500	0	0.0%
Interests income on bank accounts	2	0	2	0.0%
Other interest and financial income	4,083	4,857	(774)	-15.9%
Currency exchange gains	1,935	1,362	573	42.0%
Total interest and financial income	13,520	13,719	(199)	-1.4%

As of June 30th, 2022, dividends were received from 505 Games S.p.A. and Kunos Simulazioni S.r.l..

Financial income included Euro 3,096 thousand due to the restatement of the around USD 20 million loan receivable from Starbreeze AB as acquired for consideration of Euro 100 thousand and Euro 383 thousand fair value measurement of the convertible bond issued by Starbreeze AB, and the Euro 189 thousand capital gain realized on the sale of Unity Software Inc.'s shares.

Interest and financial expenses are analyzed in detail as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change	%
Interest expenses on bank accounts	(11)	(28)	16	-59.1%
Interest expenses to tax authorities	(76)	0	(76)	n.m.
Interest expenses on loans and leases	(106)	(100)	(6)	5.6%
Factoring interest expenses	(0)	(1)	1	-75.3%
Interest expenses on derivative products	(7)	(1)	(6)	n.m.
Total interest expenses on sources of finance	(200)	(129)	(71)	54.9%
Currency exchange losses	(1,784)	(1,446)	(337)	23.3%
Total interest and financial expenses	(1,984)	(1,575)	(408)	25.9%

Interest and financial expenses amounted to Euro 1,984 thousand, increasing by Euro 408 thousand, due to higher currency exchanges losses.

29. Total taxes

Current and deferred taxes as of June 30th, 2022 are detailed below:

Euro thousands	June 30th, 2022	June 30th, 2021	Change	%
Current taxes	(818)	(644)	(173)	26.9%
Deferred taxes	169	(63)	232	n.m.
Total taxes	(649)	(707)	58	n.m.

IRES for the year was determined as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Taxable income for IRES	2,042	1,858	183
IRES rate	24.0%	24.0%	
IRES for the period	(490)	(446)	(44)
Prior fiscal year taxes	(140)	0	(140)
IRES for the period	(630)	(446)	(184)

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

Euro thousands	June 30th, 2022		June 30th, 2021	
Company profit before taxation	7,974		9,140	
IRES rate	24.0%		24.0%	
Theoretical taxation	(1,914)	-24.0%	(2,194)	-24.0%
Tax effect of non-deductible costs	1,592	20%	1,689	18%
Tax effect of utilization of tax loss carryforwards	0	0%	0	0%
Net tax effect of reversal of deferred tax assets not included in items above	(168)		58	
Prior fiscal year taxation	(140)		0	
Taxes on income for the year and effective tax rate	(630)	-7.9%	(446)	-4.9%

IRAP for the year was determined as follows:

Euro thousands	June 30th, 2022	June 30th, 2021	Change
Taxable income for IRAP purposes	3,375	3,554	(179)
IRAP rate	5.57%	5.57%	0
IRAP for the period	(188)	(198)	10
IRAP relating to prior fiscal year	0	0	0
IRAP for the period	(188)	(198)	10

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

Euro thousands	June 30th, 2022		June 30th, 2021	
Operating margin/EBIT of the Company	5,365		(2,927)	
IRAP rate	5.57%		5.6%	
Theoretical IRAP	(299)	-5.57%	163	-5.6%
Tax effect of non-deductible costs	111	2.1%	(382)	13.0%
Net tax effect of reversal of deferred tax assets not included in items above	0		21	
Tax on income for the period and effective tax rate	(188)	-3.5%	(198)	6.8%

Since July 1st, 2020, Digital Bros S.p.A falls within the scope of application of the 5.57% IRAP rate for industrial holding companies.

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

The main financial instruments used by the Company are:

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

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

The credit facilities available to the Company, together with utilization as of June 30th, 2022, are detailed below:

Euro thousands	Facility	Utilized	Headroom
Bank current account overdrafts	1,200	0	1,200
Import finance	7,250	0	7,250
Advances on invoices and notes	4,250	0	4,250
Factoring	1,000	12	988
Medium-term financing	4,191	4,191	0
Total	17,891	4,203	13,688

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

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

Financial instruments: Digital Bros S.p.A. balance sheet as of June 30th, 2022

Category of financial assets in terms of IFRS 9

Financial instruments – Assets as of June 30th, 2022 (in Euro thousands)	FVTPL	Assets at amortized cost	FVTOCI	Carrying amount as of June 30th, 2022	Notes
Non-current receivables and other assets	-	9,367	-	9,367	5
Non-current financial assets	18,257	-	-	18,257	7
Trade receivables	-	547	-	547	9
Receivables from subsidiaries	-	32,206	-	32,206	10
Other current assets	-	506	-	506	12
Cash and cash equivalents	-	384	-	384	13
Other current financial assets	-	28	-	28	26
Total	18,257	43,048	-	61,295	

Category of financial liabilities in terms of IFRS 9

Financial instruments – Liabilities as of June 30th, 2021 (in Euro thousands)	FVTPL	Liabilities at amortized cost	FVTOCI	Carrying amount as of June 30th, 2022	Notes
Other non-current liabilities	-	0	-	0	21
Non-current financial liabilities	-	4,795	-	4,795	22
Trade payables	-	1,444	-	1,444	23
Payables to subsidiaries	-	1,955	-	1,955	24
Other current liabilities	-	1,280	-	1,280	27
Current financial liabilities	-	2,758	-	2,758	28
Total	-	12,232	-	12,232	

Financial instruments: Digital Bros S.p.A. balance sheet as of June 30th, 2021

Category of financial assets in terms of IFRS 9

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

Category of financial liabilities in terms of IFRS 9

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

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

- interest rate risk;
- liquidity risk.

Interest rate risk

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

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

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

- the availability of a range of short-term credit lines which enable the Company to borrow at the most favorable terms and conditions;
- the financial structure which varies significantly based on video game market seasonality and which shows constant improvement in the medium/long-term trend;
- the implementation of a short-term cash flow procedure that constantly monitors the short-term borrowing trend and allows preventive action to be taken when interest rates are expected to rise. The Company has subscribed one option for a notional value of Euro 1,375 thousand to cover changes in interest rates on the Euro 1,375 thousand loan granted by UniCredit S.p.A. on January 28th, 2021.

Liquidity risk

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

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

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

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

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

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

Financial liabilities as of June 30th, 2022 (in Euro thousands)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Notes
Non-current financial liabilities	4,795		2,346	929	595	603	322	4,795	22
Current financial liabilities	2,758	2,758						2,758	28
Total	7,553	2,758	2,346	929	595	603	322	7,553	

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

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

Fair value of financial assets and liabilities and calculation models used

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

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

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

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

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

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

Euro thousands	Carrying amount as of June 30 th , 2022	Mark to Market	Mark to Model	Total Fair Value	Notes
		Fair Value	Fair Value		
Other non-current financial assets	18,257		18,257	18,257	7
Cash and cash equivalents	384	384		384	13
Other financial assets	28	28		28	
Non-current financial liabilities	4,795	4,795		4,795	22
Current financial liabilities	2,758	2,758		2,758	28

Euro thousands	Carrying amount as of June 30 th , 2021	Mark to Market	Mark to Model	Total Fair Value	Notes
		Fair Value	Fair Value		
Other non-current financial assets	18,840		18,840	18,840	7
Cash and cash equivalents	1,038	1,038		1,038	13
Non-current financial liabilities	7,549	7,549		7,549	22
Current financial liabilities	3,401	3,401		3,401	28

Fair value hierarchy

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

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

The Company uses various measurement and valuation models to determine the fair value of financial instruments. The following table contains a summary of such financial instruments as of June 30th, 2022 and as of June 30th, 2021:

Carrying amount as of June 30 th , 2022	Instrument	Level 1	Level 2	Level 3	Total	Note
Investments	Listed shares	7,497			7,497	4
Non-current financial assets	Bonds		18,257		18,257	7

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

7. NON-RECURRING INCOME AND EXPENSES

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

8. CONTINGENT ASSETS AND LIABILITIES

At June 30th, 2022 – as of June 30th, 2021 – there were no contingent assets and liabilities.

9. RELATED PARTY TRANSACTIONS

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

Transactions between Digital Bros and subsidiaries

Commercial and financial transactions between Digital Bros S.p.A. and other Group companies as of June 30th, 2022 took place on an arm's length basis. The following table provides a summary of year end balances and transactions in the year, together with the prior year comparatives:

Euro thousands	Receivables		Payables		Revenue	Costs
	Trade	Financial	Trade	Financial		
Rasplata B.V.	0	15,403	0	0	417	0
505 Games S.p.A.	0	12,366	0	0	5,217	167
505 Games Australia Pty Ltd.	0	3,909	0	0	0	0
Game Network S.r.l.	0	259	0	0	0	0
505 Games France S.a.s.	0	144	0	0	0	0
Digital Bros Game Academy S.r.l.	0	58	0	0	61	1
505 Games Japan KK	0	45	0	0	0	0
Avantgarden S.r.l.	0	16	0	0	47	0
505 Mobile S.r.l.	0	6	0	0	0	0
Game Entertainment S.r.l.	0	0	0	(166)	0	2,454
Kunos Simulazioni S.r.l.	0	0	0	(8,153)	0	0
505 Games Ltd.	0	0	0	(7,560)	0	9
DR Studios Ltd.	0	0	0	(2,911)	0	0
505 Games (US) Inc.	0	0	0	(2,477)	0	36
505 Games GmbH	0	0	0	(2,422)	0	0
505 Games Iberia Slu	0	0	0	(2,133)	0	0
505 Games Mobile (US)	0	0	0	(1,131)	0	0
505 Games Interactive	0	0	0	(617)	0	0
Hawken Entertainment Inc.	0	0	0	(188)	0	0
Digital Bros Holdings Ltd.	0	0	0	(106)	0	0
Digital Bros Asia Pacific (HK) Ltd.	0	0	0	(105)	0	0
Hook S.r.l.	0	0	0	(57)	0	0
Digital Bros China (Shenzhen) Ltd.	0	0	0	(44)	0	0
Chrysalide Jeux et Divertissement Inc.	0	0	0	(33)	0	0
Supernova Games Studios S.r.l.	0	0	0	(2)	0	0
Total	0	32,206	0	(28,105)	5,742	2,667

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

Other related parties

Other related party transactions refer to:

- legal advisory services provided by Executive Director Dario Treves;

- property leased by Matov Imm. S.r.l. to Digital Bros S.p.A.. Matov Imm. S.r.l. is owned by Abramo and Raffaele Galante.

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

Euro thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(327)	0	6	(472)
Matov Imm. S.r.l.	0	635	0	(2,229)	0	(733)
Total as of June 30th, 2022	0	635	(327)	(2,229)	0	(1,039)

Other related party transactions as of June 30th, 2021 were as follows:

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

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

Tax consolidation

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

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

10. ATYPICAL OR UNUSUAL TRANSACTIONS

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

11. OTHER INFORMATION

INCOME FROM EQUITY INVESTMENTS OTHER THAN DIVIDENDS

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

DIRECTORS' FEES

The fees paid to members of the Board of Directors amounted to Euro 1,097 thousand.

STATUTORY AUDITORS' FEES

The fees paid to members of the Board of Statutory Auditors amounted to Euro 71 thousand.

FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

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

SHAREHOLDER LOANS WITH SUBORDINATION CLAUSES

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

CAPITAL EARMARKED FOR A SPECIFIC USE

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

LOANS EARMARKED FOR A SPECIFIC USE

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

OFF-BALANCE SHEET AGREEMENTS

There are no off-balance sheet agreements.

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

SHARE CAPITAL STRUCTURE

As of June 30th, 2022, share capital consisted of 14,262,937 issued and wholly paid ordinary shares with a par value of Euro 0.4 each. The Company has not issued different classes of shares or other financial instruments entitling the holder to subscribe to newly issued shares. On January 11th, 2017, Digital Bros Group Shareholders' Meeting approved the 2016-2026 Stock Option Plan. As of June 30th, 2022, 218,000 options had already vested, 2,100 of which have been converted.

RESTRICTIONS ON THE TRANSFER OF SECURITIES

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

SECURITIES CARRYING SPECIAL RIGHTS

No securities granting special rights of control have been issued.

EMPLOYEE SHARE OWNERSHIP: EXERCISE OF VOTING RIGHTS

There are no employee share ownership schemes.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

SHAREHOLDERS AGREEMENTS

There are no shareholders agreements in place.

APPOINTMENT AND REPLACEMENT OF DIRECTORS AND BY-LAW AMENDMENTS

Please see the Corporate Governance Report available in the Governance / Corporate Governance Report section at www.digitalbros.com.

AUTHORIZATION TO INCREASE SHARE CAPITAL AND/OR PURCHASE TREASURY SHARES

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

CHANGE OF CONTROL CLAUSES

There are no change of control clauses.

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

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

13. ASSETS REVALUATION

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

14. LOANS GRANTED TO EXECUTIVES AND SUPERVISORY BODIES

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

15. AUDIT FEES

It is hereby disclosed that external auditors, EY S.p.A., received fees of Euro 104 thousand as of June 30th, 2022, pursuant to Art. 149- *duodecies* of the Issuers Regulation. See the attachment in the Notes to the Consolidated Financial Statements for further information.

16. ALLOCATION OF NET PROFIT FOR THE YEAR

A net profit of Euro 7,325 thousand is reported as of June 30th, 2022. The Board of Directors recommends that the Shareholders' Meeting approves the distribution of a dividend of Euro 0.18 per share, for a total of around Euro 2,568 thousand, to allocate Euro 42 thousand to the legal reserve and to keep Euro 4,757 thousand as retained earnings.

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

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

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the Digital Bros S.p.A. financial statements for the period July 1st, 2021 – June 30th, 2022. No significant issues have arisen.

We also confirm that:

1. Digital Bros S.p.A. financial statements for the period ended June 30th, 2022:
 - 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;
2. the Directors' Report 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. is exposed.

Milan, September 22nd, 2022

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe