



First Half Financial Report at December 31st, 2021

(1st semester of the financial year 2021/2022)

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT Number and Tax Number 09554160151

Share capital: Euro 6,024,334.80 of which Euro 5,704,334.80 subscribed

Milan Companies House No. 290680-Vol. 7394 Chamber of Commerce 1302132

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

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

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Board of Directors and Governance Structure

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

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

⁽²⁾ Lead Independent Director

Control and Risk Committee

Sylvia Anna Bartyan
Susanna Pedretti
Laura Soifer (Chairman)

Remuneration Committee

Sylvia Anna Bartyan
Susanna Pedretti (Chairman)
Laura Soifer

Board of Statutory Auditors

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

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

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

On August 7th, 2007, the Board of Directors appointed Executive Director Stefano Salbe as Financial Reporting Manager pursuant to Art. 154 bis of Legislative Decree 58/98 with appropriate powers.

Auditors**EY S.p.A.**

On October 27th, 2021, the Shareholders' Meeting appointed EY S.p.A., Via Meravigli 12, Milan as corporate auditors until the approval of the financial statements as at June 30th, 2030.

Other information

The publication of Digital Bros Group's First Half Financial Report at December 31st, 2021 was authorized by the resolution of the Board of Directors on March 08th, 2022.

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

FIRST HALF REPORT

1. GROUP ORGANIZATION

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

The Group is organized into five operational business segments:

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

Video games developed by external studios are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights. The label used for worldwide publishing is 505 Games. A minor video games label, Hook S.r.l., publishes lower-budget projects

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which controls 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. 505 Games Interactive (US) Inc. provides production services on behalf of 505 Games S.p.A. The progressive digitalization of the market and the consequent centralization of sales limited the French, German and Spanish subsidiaries' operations to local marketing and PR activities.

The following companies are also included within the Premium Games segment:

- the Italian company Kunos Simulazioni S.r.l., which develops and publishes the Assetto Corsa video games;
- the Dutch company Rasplata B.V. (60%) that owns an intellectual property currently under development;
- the Czech company Ingame Studios a.s. (60%), a Brno-based studio developing the video game based on the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., an Italian development studio with a team of around eleven people;
- the Italian company Supernova Games Studios. Based in Milan, the studio was incorporated during the previous fiscal year;
- the Canadian company Chrysalide Jeux et Divertissement Inc. incorporated in June 2021. The company (75% of which is held by the Group) is currently prototyping a brand-new video game.

In the previous year, MSE & DB S.L., a joint venture under the Spanish law, was set up with the development studio Mercury Steam S.l. in order to jointly create a new intellectual property.

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

Worldwide Free to Play publishing is operated by 505 Mobile S.r.l., together with the U.S. company 505 Mobile (US) Inc. (which provides consulting services to Group companies) and the UK company DR Studios Ltd. which is a developer of Free to Play video games and Hawken Entertainment Inc..

The Australian 505 Games Pty Ltd. was incorporated during the previous fiscal year. In January 2021 it acquired 100% of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of the Puzzle Quest and Gems of War video games and provide continuous support to the video games.

The label used for publishing on a worldwide basis is 505 Games Mobile.

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

The operations are run by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l..

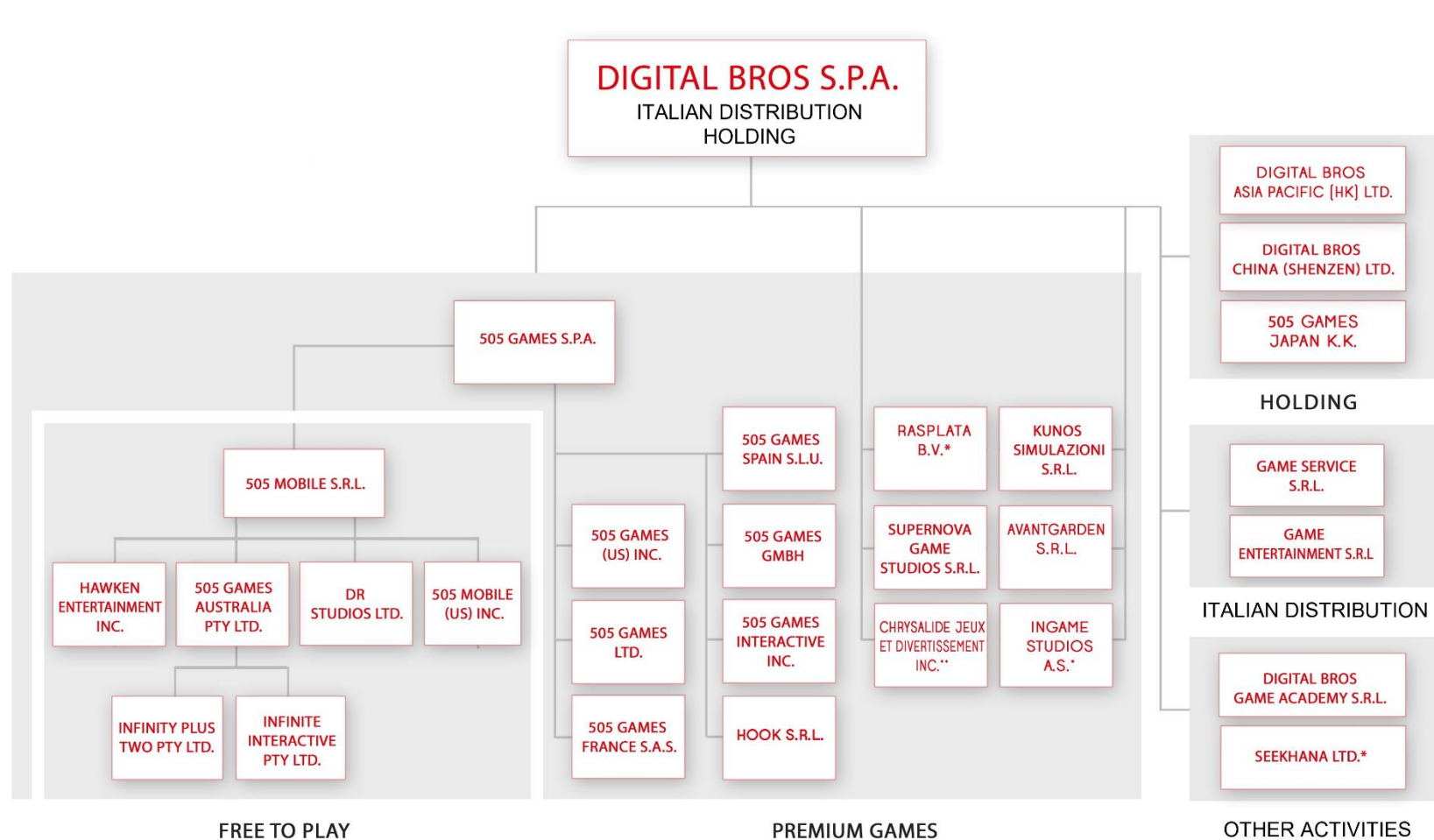
Other Activities: the operating segment considers all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses The Group also holds a 60% stake in the UK company Seekhana Ltd..

Holding: this includes all the corporate functions provided by Digital Bros S.p.A. in finance, management control and business development activities. The holding company has also been supported by Digital Bros China Ltd., Digital Bros Asia Pacific (HK) Ltd and 505 Games Japan K.K. which have operated as business developers for the Asian markets. Digital Bros Holdings Ltd. has been inactive during the period.

All the companies mentioned above 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.

The organization chart at December 31st, 2021 was as follows:

GROUP STRUCTURE AT DECEMBER 31ST, 2021



(*) INVESTMENT AT 60%

(**) INVESTMENT AT 75%

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

Company	Address	Activities
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Chrysalide Jeux et Divertissement Inc. ⁽²⁾	252 Rue Christophe Colomb Est, Québec, Canada	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
Digital Bros Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	Offices
Digital Bros China (Shenzhen) Ltd.	Wang Hai Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	Via Tortona, 37 Milan	Offices
505 Games Australia Pty Ltd.	153 Park Street, South Melbourne, Victoria, Australia	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. in liquidation	Via Tortona, 37 Milan	Offices
Game Service S.r.l.	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona, 37 Milan	Offices
Ingame Studios a.s. ⁽¹⁾	Moravské náměstí 249/8, Brno, Czech Republic	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
Infinity Plus Two Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
Infinite Interactive Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
505 Mobile S.r.l.	Via Tortona, 37 Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. ⁽¹⁾	Churchill-laan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. ⁽¹⁾	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Supernova Games Studios S.r.l.	Via Tortona, 37 Milan	Offices

(1) 60% consolidated.

(2) 75% consolidated.

Rasplata B.V., Seekhana Ltd. and Ingame Studios a.s. (60% investments) as well as Chrysalide Jeux et Divertissement Inc. (75% investment) have been consolidated line-by-line with a separate recognition of the non-controlling interests.

During the previous fiscal year, MSE & DB S.L., a share joint venture under the Spanish law was set up with the development studio MercurySteam Entertainment.. During the period, Artractive S.A., a company in which the Group holds a 40% stake, was incorporated under the Polish law. Artactive S.A. is currently developing a new video game for 505 Games S.p.A.. Both companies are consolidated with the net equity method.

The dissolution of 133 W Broadway Inc. was completed during the period.

2. VIDEO GAMES 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. Low-cost fiber connectivity availability, 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. Cloud gaming is also becoming increasingly popular.

The video games market follows the continuous technological evolution of consoles. At the launch of the console, 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 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 increasingly common for a highly popular video game to be used 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 limited period of time defined contractually. Therefore, publishers play a key role in the value chain: they are essential to the completion of the video game, the building of a community around it and its international distribution through their direct or indirect commercial network.

In case of an exclusively digital distribution, 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, fixes the global pricing and defines the commercial and marketing policy, designs the packaging 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 on 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 shall reproduce 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 more and more importance as a result of the digital transition. In the future, retail distribution will be concentrated on a limited number of operators.

Retailers

The retailer is the physical place where the consumer buys the video game. 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, after the success of Fortnite (owned by the same Epic).

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

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 PlayStation Store, Microsoft's Xbox Live, Steam and Epic Store.

Digital distribution has significantly extended the lifecycle of individual video games. The availability of a game is no longer limited to its launch period as it happens 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 seasonal 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).

3. PERFORMANCE INDICATORS

The Group uses some indicators, with continuity and uniformity of representation since different fiscal years, in order to facilitate the comprehension of the consolidated profit and loss and balance sheet,

The following indicators are directly showed in the profit and loss statement:

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

The main indicator used is the net financial position, as detailed in the specific section of the notes. The definitions of the indicators used by the Group, as they do not derive directly from the accounting standards applied, may not be homogeneous with those adopted by other companies and therefore comparable with them. Reconciliations between the results indicators illustrated in the First Half Report and the full year report are not needed because consistency.

4. 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 can lead to significant revenue increases between quarters. In fact, the sale of these products is concentrated in the first few days from the release.

The publishing of video games on digital marketplaces has partially reduced the volatility of the publisher's results between quarters. Digital distribution revenues are recognized when the consumer purchases a video game on the marketplace. This occurs gradually and it is not concentrated in the days immediately after the launch, differently from the traditional retail distribution whose revenues are recognized upon consignment of the product to the distributor/retailer, regardless of when the final sales to end consumer effectively occur.

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

Free to Play video games revenues are less influenced by seasonality than Premium video games. Free to Play video games show constant revenue growth over time with some exception for the most anticipated Free to Play titles. Unlike Premium video games, Free to Play promotions are more weekly-based and therefore, do not create volatility across quarters.

The financial position is closely 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.

5. SIGNIFICANT EVENTS OF 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 €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 at 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 videogame for multiplatform release. The intellectual property (IP) of the 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.

Relations with Starbreeze AB and Starbreeze AB shareholders

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

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

- in May 2016, the Group sold back its rights of PAYDAY2 to Starbreeze AB against a payment of USD 30 million and an earn out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3;
- in April 2015, the two groups signed a contract for the development and publishing of the console version of a video game inspired by the TV Series The Walking Dead. The contract provided a development budget of USD 10 million. As at September 30th, 2020, the subsidiary 505 Games S.p.A. had paid USD 4.8 million for the development of such video game. In November 2018, Starbreeze AB launched the PC version of the video game, but the related sales were lower than expected. On February 27th, 2019, Skybound terminated the license contract for The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze AB for the development and publishing of the console version;
- since November 2018, Digital Bros has acquired 6,369,061 Starbreeze AB STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

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

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB STAR A shares held by Swedish company Varvtre 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 19.7 million) 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 STAR 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;
 - b) a loan receivable of around USD 16.3 million (around Euro 14.8 million) for consideration of Euro 100 thousand. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - c) 3,601,083 Starbreeze AB STAR A shares and 6,018,948 Starbreeze AB STAR B shares for a total amount of Euro 2.2 million.

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

In order to maintain unchanged its stake 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.

At December 31st, 2021, also as a result of other purchases, the Group holds 61,758,625 Starbreeze AB STAR A shares and 24,890,329 Starbreeze AB STAR B shares representing 11.96% of share capital and 28.91% of voting rights.

Despite the on-going contractual relations and the equity interest held in the Swedish company, the Group does not believe to have any influence over Starbreeze AB. Accordingly, it decided to keep 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 Ministerial guidelines issued from March 2020, later modified several times, in order to guarantee the health and safety of its employees and collaborators. The majority of its employees and collaborators in Italy and abroad may efficiently work from home. These arrangements will be in place until the end of March 2022. 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 discounted 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 development teams situated all around the world, the remote working arrangements led to production delays. These delays were most evident on large development teams and products close to launch when teams are normally required to cooperate to a greater extent.

The digitalization of the market was further accelerated because consumers were unable to access retail stores and the Group's revenues were largely generated on digital marketplaces which enabled a significant increase in the operating margins caused by significant savings in terms of manufacturing and logistics costs.

6. CONSOLIDATED STATEMENT OF PROFIT AND LOSS AT DECEMBER 31ST, 2021

	Euro thousand	December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	55,518	100.3%	82,381	101.8%	(26,863)	-32.6%
2	Revenue adjustments	(193)	-0.3%	(1,437)	-1.8%	1,244	-86.6%
3	Net revenue	55,325	100.0%	80,944	100.0%	(25,619)	-31.7%
4	Purchase of products for resale	(2,804)	-5.1%	(3,050)	-3.8%	246	-8.1%
5	Purchase of services for resale	(2,958)	-5.3%	(5,621)	-6.9%	2,663	-47.4%
6	Royalties	(13,693)	-24.8%	(21,368)	-26.4%	7,675	-35.9%
7	Changes in inventories of finished products	(714)	-1.3%	(515)	-0.6%	(199)	38.6%
8	Total cost of sales	(20,169)	-36.5%	(30,554)	-37.7%	10,385	-34.0%
9	Gross profit (3+8)	35,156	63.5%	50,390	62.3%	(15,234)	-30.2%
10	Other income	5,155	9.3%	2,294	2.8%	2,861	n.m.
11	Costs for services	(4,205)	-7.6%	(5,376)	-6.6%	1,171	-21.8%
12	Rent and Leasing	(233)	-0.4%	(133)	-0.2%	(100)	74.8%
13	Payroll costs	(15,502)	-28.0%	(10,960)	-13.5%	(4,542)	41.4%
14	Other operating costs	(654)	-1.2%	(610)	-0.8%	(44)	7.3%
15	Total operating costs	(20,594)	-37.2%	(17,079)	-21.1%	(3,515)	20.6%
16	Gross operating margin (EBITDA) (9+10+15)	19,717	35.6%	35,605	44.0%	(15,888)	-44.6%
17	Depreciation and amortization	(7,591)	-13.7%	(15,400)	-19.0%	7,809	-50.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(58)	-0.1%	(289)	-0.4%	231	-79.9%
20	Impairment reversal	158	0.3%	0	0.0%	158	n.m.
21	Total depreciation, amortization and impairment	(7,491)	-13.5%	(15,689)	-19.4%	8,198	-52.3%
22	Operating margin (EBIT) (16+21)	12,226	22.1%	19,916	24.6%	(7,690)	-38.6%
23	Interest and finance income	3,846	7.0%	4,594	5.7%	(747)	-16.3%
24	Interest expense and finance costs	(1,346)	-2.4%	(2,357)	-2.9%	1,011	-42.9%
25	Net interest income/(expense)	2,500	4.5%	2,237	2.8%	263	11.8%
26	Profit/ (loss) before tax (22+25)	14,726	26.6%	22,153	27.4%	(7,427)	-33.5%
27	Current tax	(4,569)	-8.3%	(6,800)	-8.4%	2,231	-32.8%
28	Deferred tax	233	0.4%	497	0.6%	(264)	-53.0%
29	Total taxes	(4,336)	-7.8%	(6,303)	-7.8%	1,967	-31.2%
30	Net profit/loss	10,390	18.8%	15,850	19.6%	(5,460)	-34.4%
	attributable to the shareholders of the Parent Company	10,625	19.2%	15,890	19.6%	(5,265)	-33.1%
	attributable to non-controlling interests	(235)	-0.4%	(40)	0.0%	(195)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	0.75		1.11		(0.36)	-33.1%
34	Diluted earnings per share (in Euro)	0.72		1.09		(0.37)	-34.4%

Revenue for the first half amounted to Euro 55,518 thousand, decreasing by 32.6% compared to the previous fiscal year, when the best-selling video game Death Stranding and the Steam version of Control were initially launched.

Without any significant new releases, the first half year revenue were a mix of different but existing back catalogue products. The best-seller videogame was the evergreen Assetto Corsa, intellectual property owned by the Group, which realized Euro 9 million during the period. Back catalogue sales grew by 35%, increasing by Euro 6,908 thousand compared to the previous fiscal year.

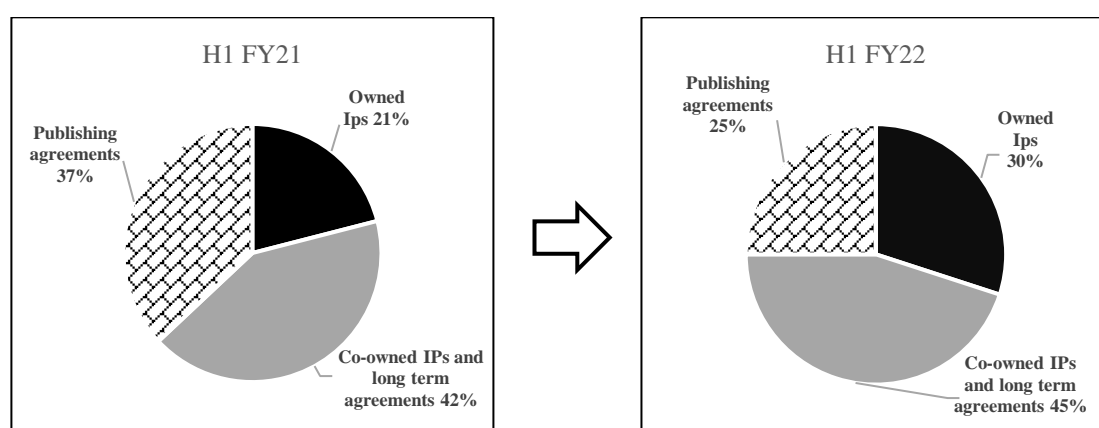
Revenue from international markets were 95% of the total revenues in the period and digital revenue were 85% of the total.

A breakdown by operating segment for the period ended December 31st, 2021 compared to the period ended December 31st, 2020 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2022	2021	Change		2022	2021	Change	
Premium Games	49,348	74,739	(25,391)	-34.0%	49,263	73,496	(24,233)	-33.0%
Free to Play	3,670	4,483	(813)	-18.1%	3,670	4,483	(813)	-18.1%
Italian Distribution	2,189	2,932	(743)	-25.3%	2,081	2,738	(657)	-24.0%
Other projects	311	227	84	37.1%	311	227	84	37.1%
Total gross revenues	55,518	82,381	(26,863)	-32.6%	55,325	80,944	(25,619)	-31.7%

The Premium Games operating segment represents 89% of the gross revenue.

Video games developed by the internal studios and intellectual properties fully owned by the Group accounted for 30% of the total revenue in the period. 45% of revenue came from the co-owned intellectual properties and long-term agreements (more than ten years). A breakdown of Premium Games revenue by the type of rights held by the Group at December 31st, 2021 is provided below with comparative figures at December 31st, 2020:



The Free to Play operating segment showed a 18.1% decrease from Euro 4,483 thousand at December 31st, 2020 to Euro 3,670 thousand. The main Free to Play product global release of the current year, Puzzle Quest 3, will occur in March 2022.

The Italian Distribution operating sector revenue decreased by 25.3% (from Euro 2,932 thousand down to Euro 2,189 thousand), due to the continuous decline of retail distribution in the market and accelerated by the effects of the COVID-19 pandemic.

Cost of sales decreased by Euro 10,385 thousand minus 34%, while gross profit decreased from Euro 50,390 thousand to Euro 35,156 thousand (-30.2%).

Other income amounted to Euro 5,155 thousand, increased by Euro 2,861 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games. During the reporting period, these activities included:

- the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd.;
- the development of the Free to Play video game Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd.;
- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently in pre-production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

Operating costs amounted to Euro 20,594 thousand, increased by 20.6% compared to the previous year. Payroll costs grew by Euro 4,542 thousand following the acquisition and the incorporation of several new internal development studios that have significantly increased the Group's workforce. Cost of services decreased by Euro 1,171 thousand in sync with the revenue trend.

Gross operating margin (EBITDA) realized in the first half of the year was Euro 19,717 thousand corresponding to 35.6% of the consolidated net revenue, a decrease of Euro 15,888 thousand compared to the Euro 35,605 thousand realized in the previous year.

Depreciation and amortization decreased by Euro 7,809 thousand in sync with the revenue trend.

EBIT amounted to Euro 12,226 thousand decreasing by Euro 7,690 thousand compared to Euro 19,916 thousand as at December 31st, 2020. The EBIT margin was 22.1% of the consolidated gross revenue for the period.

Net income was positive for Euro 2,500 thousand, compared to the positive Euro 2,237 thousand realized in the previous year.

Profit before tax for the period ended December 31st, 2021 amounted to Euro 14,726 thousand, a decrease of Euro 7,427 thousand compared to profit before tax of Euro 22,153 thousand as at December 31st, 2020.

Net profit for the period amounted to Euro 10,390 thousand compared to Euro 15,850 thousand as at December 31st, 2020.

Net profit attributable to the Group shareholders was Euro 10,625 thousand.

Basic profit per share and diluted profit per share were respectively Euro 0.75 and Euro 0.72 compared to the Euro 1.11 and Euro 1.09 profit per share as at December 31st, 2020.

The net results attributable to non-controlling interests reflected the 40% held by the minority shareholders of the Dutch company Rasplata B.V., the 40% of the English company Seekhana Ltd., the 40% of the Czech Ingame Studios a.s. and the 25% of the Canadian company Chrysalide Jeux et Divertissement Inc. It amounted to negative Euro 235 thousand.

7. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31ST, 2021

	Euro thousand	December 31 st , 2021	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	9,141	8,198	943	11.5%
2	Investment property	0	0	0	0.0%
3	Intangible assets	85,132	66,776	18,356	27.5%
4	Equity investments	8,835	11,190	(2,355)	-21.0%
5	Non-current receivables and other assets	6,663	5,089	1,574	30.9%
6	Deferred tax assets	12,892	11,644	1,248	10.7%
7	Non-current financial activities	19,253	18,840	413	2.2%
	Total non-current assets	141,916	121,737	20,179	16.6%
	Current assets				
8	Inventories	4,994	5,708	(714)	-12.5%
9	Trade receivables	19,273	18,283	990	5.4%
10	Tax receivables	2,100	1,500	600	40.0%
11	Other current assets	19,600	19,279	321	1.7%
12	Cash and cash equivalent	28,052	35,509	(7,457)	-21.0%
13	Other financial assets	0	0	0	0.0%
	Total current assets	74,019	80,279	(6,260)	-7.8%
	TOTAL ASSETS	215,935	202,016	13,919	6.9%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,870)	(23,016)	1,146	-5.0%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(90,239)	(82,181)	(8,058)	9.8%
	Equity attributable to the shareholders of the Parent Company	(117,813)	(110,901)	(6,912)	6.2%
	Equity attributable to non-controlling interests	(1,078)	(890)	(188)	21.1%
	Total net equity	(118,891)	(111,791)	(7,100)	6.4%
	Non-current liabilities				
18	Employee benefits	(771)	(719)	(52)	7.2%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(4,491)	(5,415)	924	-17.1%
21	Non-current financial liabilities	(18,844)	(11,694)	(7,150)	61.1%
	Total non-current liabilities	(24,187)	(17,909)	(6,278)	35.1%
	Current liabilities				
22	Trade payables	(40,427)	(47,193)	6,766	-14.3%
23	Taxes payables	(13,031)	(10,782)	(2,249)	20.9%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(9,166)	(9,932)	766	-7.7%
26	Current financial liabilities	(10,233)	(4,409)	(5,824)	n.m.
	Total current liabilities	(72,857)	(72,316)	(541)	0.7%
	TOTAL LIABILITIES	(97,044)	(90,225)	(6,819)	7.6%
	TOTAL NET EQUITY AND LIABILITIES	(215,935)	(202,016)	(13,919)	6.9%

Total non-current assets increased by Euro 20,179 thousand. Intangible assets increased by Euro 18,356 thousand, net of the depreciation for the period, due to the significant investment plan implemented by the Group in order to achieve its growth objectives.

Total current assets decreased by Euro 6,260 thousand mainly due to lower cash and cash equivalents for Euro 7,457 thousand and a significant decrease in Inventories for Euro 714 thousand.

Total non-current liabilities increased by Euro 6,278 thousand because of a new medium-long term loan, while total current liabilities increased by Euro 541 thousand.

The following table contains details of the Group's net financial position at December 31st, 2021 together with comparative figures at June 30th, 2021:

	Euro thousand	December 31st, 2021	June 30th, 2021	Change	
12	Cash and cash equivalents	28,052	35,509	(7,457)	-21.0%
13	Other current financial assets	0	0	0	n.m.
26	Current financial liabilities	(10,233)	(4,409)	(5,824)	n.m.
	Current net financial position	17,819	31,100	(13,281)	-42.7%
7	Non-current financial assets	19,253	18,840	413	2.2%
21	Non-current financial liabilities	(18,844)	(11,694)	(7,150)	61.1%
	Non-current net financial position	409	7,146	(6,737)	-94.3%
	Total net financial position	18,228	38,246	(20,018)	-52.3%

The net financial position prepared in accordance with the Guidelines on disclosure requirements pursuant to the regulation on the table issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed in the Notes to the Condensed Consolidated Financial Statements at December 31st, 2021.

The net financial position amounted to Euro 18,228 thousand, compared to Euro 38,246 thousand as at June 30th, 2021, decreasing, by Euro 20,018 thousand in line with expectations. Net of the IFRS 16 effect, the net financial position amounted to Euro 23.5 million.

8. PERFORMANCE INDEX

Some performance indicators are reported below:

Profitability indicators:	December 31st, 2021	December 31st, 2020
ROE (Net profit / Net equity)	9.0%	14.3%
ROI (Operating margin / Total assets)	5.7%	9.9%
ROS (Operating margin / Gross revenue)	22.0%	24.2%

Structure indicators:	December 31st, 2021	December 31st, 2020
Investment flexibility (Current assets / Total assets)	34.3%	39.7%
Current ratio (Total current assets / Current liabilities)	101.6%	111.0%
Quick ratio (Cash and cash equivalent and other current financial assets / current liabilities)	38.5%	49.1%

9. SEGMENT REPORTING

Premium Games

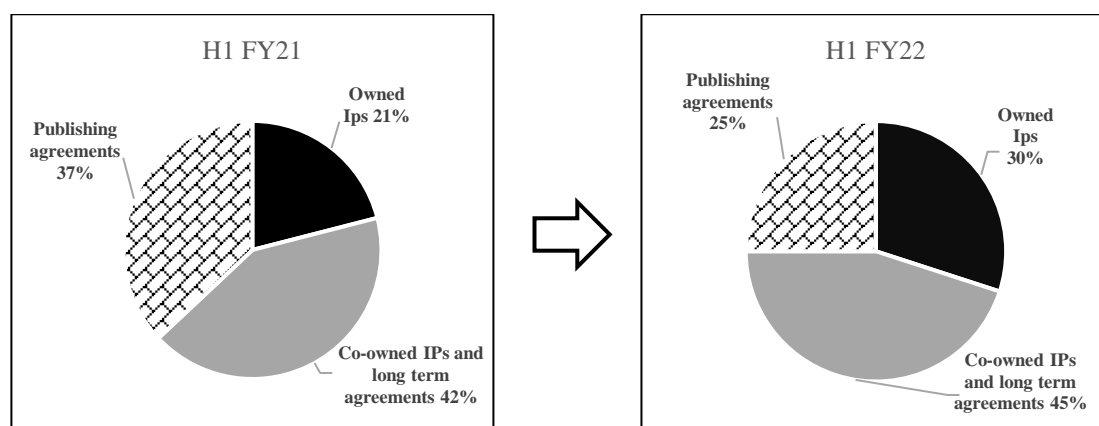
	Consolidated amounts in Euro thousand	Premium Games					
		December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	49,348	100.2%	74,739	101.7%	(25,391)	-34.0%
2	Revenue adjustments	(85)	-0.2%	(1,243)	-1.7%	1,158	-93.2%
3	Net revenue	49,263	100.0%	73,496	100.0%	(24,233)	-33.0%
4	Purchases of products for resale	(1,599)	-3.2%	(1,427)	-1.9%	(172)	12.1%
5	Purchases of services for resale	(2,614)	-5.3%	(4,589)	-6.2%	1,975	-43.0%
6	Royalties	(13,633)	-27.7%	(21,213)	-28.9%	7,580	-35.7%
7	Changes in inventories of finished products	(504)	-1.0%	(488)	-0.7%	(16)	3.3%
8	Total cost of sales	(18,350)	-37.2%	(27,717)	-37.7%	9,367	-33.8%
9	Gross profit (3+8)	30,913	62.8%	45,779	62.3%	(14,866)	-32.5%
10	Other income	3,099	6.3%	1,212	1.6%	1,887	n.m.
11	Costs for services	(2,696)	-5.5%	(4,089)	-5.6%	1,393	-34.1%
12	Lease and rental costs	(93)	-0.2%	(42)	-0.1%	(51)	n.m.
13	Payroll costs	(8,478)	-17.2%	(6,025)	-8.2%	(2,453)	40.7%
14	Other operating costs	(207)	-0.4%	(169)	-0.2%	(38)	22.4%
15	Total operating costs	(11,474)	-23.3%	(10,325)	-14.0%	(1,149)	11.1%
16	Gross operating margin (EBITDA) (9+10+15)	22,538	45.7%	36,666	49.9%	(14,128)	-38.5%
17	Depreciation and amortization	(6,174)	-12.5%	(14,790)	-20.1%	8,616	-58.3%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(226)	-0.3%	226	n.m.
20	Reversal of impairment adjustments and non-monetary income	5	0.0%	0	0.0%	5	n.m.
21	Total non-monetary operating income and costs	(6,169)	-12.5%	(15,016)	-20.4%	8,847	-58.9%
22	Operating margin (EBIT) (16+21)	16,369	33.2%	21,650	29.5%	(5,281)	-24.4%

Revenue for the first half amounted to Euro 49,348 thousand, decreasing by 34% compared to the previous fiscal year, when the best-selling video game Death Stranding and the Steam version of Control were initially launched.

Without any significant new releases, the first half revenue were a mix of different but existing back catalogue products. The best-seller videogame was the evergreen Assetto Corsa, intellectual property owned by the Group, which realized Euro 9 million during the period. Back catalogue sales grew by 35%, increasing by Euro 6,908 thousand compared to the previous fiscal year.

The Premium Games operating segment represents 89% of the gross revenue.

Video games developed by the internal studios and intellectual properties fully owned by the Group accounted for 30% of the total revenue in the period. 45% of revenue came from the co-owned intellectual properties and long-term agreements (more than ten years). A breakdown of Premium Games revenue by the type of rights held by the Group at December 31st, 2021 is provided below with comparative figures at December 31st, 2020:



A breakdown of revenue by type is provided below:

Euro thousand	December 31 st , 2021	December 31 st , 2020	Change	
Retail distribution revenue	4,506	6,012	(1,506)	-25.0%
Digital distribution revenue	43,578	65,882	(22,304)	-33.9%
Sub-licensing revenue	1,264	2,843	(1,579)	-55.5%
Revenue from services	0	2	(2)	n.m.
Total Premium Games revenue	49,348	74,739	(25,391)	-34.0%

Digital distribution revenues amounted to 88% of the operating segment gross revenues, in sync with last year first half.

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

Digital distribution revenue for the period ended December 31st, 2021 was broken down by console type as follows:

Euro thousand	December 31 st , 2021	December 31 st , 2020	Change	
Sony Playstation	8,026	9,478	(1,452)	-15.3%
Microsoft XboX	4,195	5,955	(1,760)	-29.6%
Nintendo Switch	2,390	2,858	(468)	-16.4%
Total console	14,611	18,291	(3,680)	-20.1%
Personal Computer	24,380	43,566	(19,186)	-44.0%
Mobile	4,587	4,025	562	14.0%
Total digital distribution revenue	43,578	65,882	(22,304)	-33.9%

Net revenue amounted to Euro 49,263 thousand, in sync with the gross revenue. The significant Personal computer revenue decrease was related to the previous year first half sales of Death Stranding and Control exclusive of such a platform.

Premium Games total cost of sales decreased by Euro 9,367 thousand (-33.8%), due to lower royalties for Euro 7,580 thousand and lower purchase of services for resale for Euro 1,975 thousand. Inventories decreased by Euro 504 thousand.

Gross profit decreased by 32.5%, from Euro 45.779 thousand to Euro 30.913 thousand at December 31st, 2021.

Other income amounted to Euro 3,099 thousand, increased by Euro 1,887 thousand due to a higher impact video games productions. It mostly consisted of the capitalization of internal studios development of video games. During the reporting period, these activities included:

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently in pre-production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of a video game based on the intellectual property owned by Rasplata B.V. by the subsidiary Ingame Studios a.s..

Operating costs amounted to Euro 11,474 thousand, increased by 11.1% compared to the previous year. Payroll costs grew by Euro 4,542 thousand following the acquisition and the incorporation of several new internal development studios that have significantly increased the Group's workforce. Cost of services decreased by Euro 1,393 thousand due to lower advertisement expenditure.

Gross operating margin (EBITDA) decreased by Euro 14,128 thousand, from Euro 36,666 thousand to Euro 22,538 thousand. It represented 45.7% of net revenues.

Depreciation and amortization decreased by Euro 8,616 thousand.

Operating margin (EBIT) amounted to Euro 16,369 thousand, decreasing by Euro 5,281 thousand compared to Euro 21,650 thousand at December 31st, 2020, and represented 33.2% of net revenues compared to the 29.5% realized in the previous year.

Free to Play

	Consolidated amounts in Euro thousand	Free to Play					
		December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	3,670	100.0%	4,483	100.0%	(813)	-18.1%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	3,670	100.0%	4,483	100.0%	(813)	-18.1%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(344)	-9.4%	(1,030)	-23.0%	686	-66.6%
6	Royalties	(60)	-1.6%	(152)	-3.4%	92	-60.3%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(404)	-11.0%	(1,182)	-26.4%	778	-65.8%
9	Gross profit (3+8)	3,266	89.0%	3,301	73.6%	(35)	-1.1%
10	Other income	2,053	56.0%	1,063	23.7%	990	93.2%
11	Costs for services	(291)	-7.9%	(100)	-2.2%	(191)	n.m.
12	Lease and rental costs	(42)	-1.2%	(11)	-0.2%	(31)	n.m.
13	Payroll costs	(3,804)	-103.7%	(2,230)	-49.7%	(1,574)	70.6%
14	Other operating costs	(73)	-2.0%	(47)	-1.0%	(26)	56.8%
15	Total operating costs	(4,210)	-114.7%	(2,388)	-53.3%	(1,822)	76.3%
16	Gross operating margin (EBITDA) (9+10+15)	1,109	30.2%	1,976	44.1%	(867)	-43.9%
17	Depreciation and amortization	(897)	-24.4%	(63)	-1.4%	(834)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(897)	-24.4%	(63)	-1.4%	(834)	n.m.
22	Operating margin (EBIT) (16+21)	212	5.8%	1,913	42.7%	(1,701)	-88.9%

The Free to Play operating segment showed a 18.1% decrease from Euro 4,483 thousand at December 31st, 2020 to Euro 3,670 thousand. The main Free to Play product release of the current year, Puzzle Quest 3, will occur in March 2022.

A breakdown of gross revenue by video game in the Free to Play segment is provided below:

Euro thousand	December 31st, 2021	December 31st, 2020	Change	
Gems of War	2,977	3,288	(311)	-9.4%
Battle Islands	402	477	(75)	-15.7%
Other products	291	718	(427)	-59.5%
Free to Play total revenues	3,670	4,483	(813)	-18.1%

Gems of War realized Euro 2,977 thousand revenues. This game became part of the Group's intellectual properties portfolio as a result of the acquisition of the Australian studio Infinity Plus Two in January 2021.

Purchases of services for resale decreased by Euro 686 thousand because of lower expenditure on live support activities, following the acquisition of Infinity Plus Two Pty Ltd. that took place in the previous fiscal year. Since January 1st, 2021, the live support services performed by the Australian subsidiary were accounted as payroll costs. Details are provided below:

Euro thousand	December 31st, 2021	December 31st, 2020	Change
Live support	0	617	(617)
Quality assurance	29	12	17
Hosting	225	305	(80)
Other	90	96	(6)
Total purchase of services for resale	344	1,030	(686)

Other income increased by Euro 990 thousand compared to December 31st, 2020 due to an increased number of video games developed by the Group's internal studios, notably the future Free to Play version of Hawken developed by the subsidiary DR Studios Ltd. and Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd..

Operating costs amounted to Euro 4,210 thousand, increased by Euro 1,822 thousand compared to the previous year. Payroll costs grew by Euro 1,574 thousand following the acquisition of the Australian companies that have significantly increased the operating segment's workforce. Cost of services also increased by Euro 191 thousand due to the preliminary marketing activities in preparation of the release of Puzzle Quest 3.

Gross operating margin (EBITDA) amounted to Euro 1,109 thousand (30.2% of net revenues) decreasing by Euro 867 thousand compared to Euro 1,976 thousand at December 31st, 2020.

Depreciation and amortization amounted to Euro 897 thousand and included the amortization of the difference between the purchase price of the Australian companies and the related shareholder's equity for Euro 856 thousand.

The operating margin (EBIT) amounted to Euro 212 thousand, compared to Euro 1,913 thousand at December 31st, 2020.

Italian Distribution

Consolidated amounts in Euro thousand		Italian Distribution					
		December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	2,189	105.2%	2,932	107.1%	(743)	-25.3%
2	Revenue adjustments	(108)	-5.2%	(194)	-7.1%	86	-44.4%
3	Net revenue	2,081	100.0%	2,738	100.0%	(657)	-24.0%
4	Purchases of products for resale	(1,205)	-57.9%	(1,623)	-59.3%	418	-25.8%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(210)	-10.1%	(27)	-1.0%	(183)	n.m.
8	Total cost of sales	(1,415)	-68.0%	(1,650)	-60.3%	235	-14.2%
9	Gross profit (3+8)	666	32.0%	1,088	39.7%	(422)	-38.8%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(399)	-19.2%	(409)	-14.9%	10	-2.5%
12	Lease and rental costs	(12)	-0.6%	(15)	-0.5%	3	-18.2%
13	Payroll costs	(584)	-28.1%	(602)	-22.0%	18	-3.0%
14	Other operating costs	(48)	-2.3%	(86)	-3.1%	38	-44.4%
15	Total operating costs	(1,043)	-50.1%	(1,112)	-40.6%	69	-6.2%
16	Gross operating margin (EBITDA) (9+10+15)	(377)	-18.1%	(24)	-0.9%	(353)	n.m.
17	Depreciation and amortization	(71)	-3.4%	(79)	-2.9%	8	-10.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(53)	-2.6%	0	0.0%	(53)	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(124)	-6.0%	(79)	-2.9%	(45)	56.6%
22	Operating margin (EBIT) (16+21)	(501)	-24.1%	(103)	-3.8%	(398)	n.m.

The Italian Distribution operating sector revenue decreased by 25.3% (from Euro 2,932 thousand down to Euro 2,189 thousand), due to the continuous decline of retail distribution in the market and accelerated by the effects of the COVID-19 pandemic.

Gross revenue is analysed by type as follows:

Euro thousand	December 31 st , 2021	December 31 st , 2020	Change	
Distribution of video games for consoles	974	1,672	(698)	-41.7%
Distribution of trading cards	1,068	1,209	(141)	-11.7%
Distribution of other products and services	147	51	96	n.m.
Italian Distribution total gross revenue	2,189	2,932	(743)	-25.3%

The distribution of video games for consoles and of trading cards respectively decreased by 41.7% and 11.7%.

Total cost of sales amounted to Euro 1,415 thousand, down by Euro 235 thousand compared to December 31st, 2020 due to the decrease in purchase of products for resale in line with the decrease in the sales of the operating sector.

Total operating costs amounted to Euro 1,043 thousand, a 6.2% decrease compared to Euro 1,112 thousand registered at December 31st, 2020. As a result, the gross operating margin (EBITDA) was negative for Euro 377 thousand (negative Euro 24 thousand at December 31st, 2020). The operating margin (EBIT) was negative for Euro 501 thousand including a Euro 53 thousand provision for doubtful debts.

Other Activities

Consolidated amounts in Euro thousand		Other Activities					
		December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	311	100.0%	227	100.0%	84	36.7%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	311	100.0%	227	100.0%	84	36.7%
4	Purchases of products for resale	0	0.0%	0	0.2%	0	0.0%
5	Purchases of services for resale	0	0.0%	(2)	-0.7%	2	n.m.
6	Royalties	0	0.0%	(3)	-1.2%	3	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	(5)	-2.2%	5	n.m.
9	Gross profit (3+8)	311	100.0%	222	97.8%	89	39.7%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(144)	-46.4%	(68)	-29.8%	(76)	n.m.
12	Lease and rental costs	(2)	-0.6%	0	-0.1%	(2)	-66.6%
13	Payroll costs	(263)	-84.7%	(152)	-66.8%	(111)	73.3%
14	Other operating costs	(15)	-5.0%	(21)	-9.4%	6	-27.5%
15	Total operating costs	(424)	-136.3%	(241)	-106.1%	(183)	75.6%
16	Gross operating margin (EBITDA) (9+10+15)	(113)	-36.3%	(19)	-8.3%	(94)	n.m.
17	Depreciation and amortization	(24)	-7.8%	(45)	-19.9%	21	-46.4%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(24)	-7.8%	(45)	-19.9%	21	-46.4%
22	Operating margin (EBIT) (16+21)	(137)	-44.2%	(64)	-28.2%	(73)	n.m.

Other Activities revenues increased by Euro 84 thousand, from Euro 227 thousand at December 31st, 2020 to Euro 311 thousand in the period.

Total operating costs amounted to Euro 424 thousand, increasing by Euro 183 thousand compared to Euro 241 thousand at December 31st, 2020. Depreciation and amortization decreased by Euro 21 thousand.

The operating loss of Euro 137 thousand at the end of the first half, increased compared to the negative EBIT of Euro 64 thousand registered at December 31st, 2020.

Holding

	Consolidated amounts in Euro thousand	Holding					
		December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	3	0.0%	19	0.0%	(16)	-84.6%
11	Costs for services	(675)	0.0%	(710)	0.0%	35	-4.9%
12	Lease and rental costs	(84)	0.0%	(65)	0.0%	(19)	28.8%
13	Payroll costs	(2,373)	0.0%	(1,951)	0.0%	(422)	21.6%
14	Other operating costs	(311)	0.0%	(287)	0.0%	(24)	8.2%
15	Total operating costs	(3,443)	0.0%	(3,013)	0.0%	(430)	14.3%
16	Gross operating margin (EBITDA) (9+10+15)	(3,440)	0.0%	(2,994)	0.0%	(446)	14.9%
17	Depreciation and amortization	(425)	0.0%	(423)	0.0%	(2)	0.6%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(5)	0.0%	(63)	0.0%	58	n.m.
20	Reversal of impairment adjustments and non-monetary income	153	0.0%	0	0.0%	153	0.0%
21	Total non-monetary operating income and costs	(277)	0.0%	(486)	0.0%	209	-43.0%
22	Operating margin (EBIT) (16+21)	(3,717)	0.0%	(3,480)	0.0%	(237)	6.8%

Total operating costs amounted to Euro 3,443 thousand, increasing by Euro 430 thousand compared to December 31st, 2020, due to higher payroll costs following the increase in the Group's coordination activities and the portion of the long term incentive approved by the Shareholder's Meeting of June 15th, 2021, which was not included in the previous years.

Operating margin/EBIT was negative for Euro 3,717 thousand compared to a negative Euro 3,480 thousand at December 31st, 2020.

10. 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.

Intercompany transactions

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

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

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

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

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

Before DR Studios Ltd. was acquired, there were already development and live support contracts for several video games with 505 Games S.p.A. and 505 Mobile S.r.l. in place, which have remained unchanged. New development contracts signed after the business acquisition were regulated by a framework agreement providing the recharge of the direct project costs incurred plus a markup.

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

Before Kunos Simulazioni S.r.l. was acquired, there was already a contract with 505 Games S.p.A. in place for the development of the Assetto Corsa video game which has remained unchanged.

Before AvantGarden S.r.l. was acquired, there was already a contract with 505 Games S.p.A. in place for the development of the Rebound video game which has remained unchanged.

Before Infinity Plus Two Pty. Ltd. was acquired, there was already a contract with 505 Games S.p.A. in place for the development of several video games which has remained unchanged.

Before Ingame Studios a.s. was acquired, there was already a contract with Rasplata B.V. in place for the development of a new video game which has remained unchanged.

505 Games France, 505 Games Spain Slu and 505 Games GmbH recharged 505 Games S.p.A. the local marketing costs.

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

505 Games S.p.A. recharged U.S. company 505 Games US for the cost of coordinating the acquisition of games and the cost of administrative, financial, legal and IT services.

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.

The intercompany transactions effects on the results and financial position were fully eliminated in the consolidated financial statements at December 31st, 2021.

Transactions with other related parties

Related party transactions referred to:

- legal advisory services provided by the executive director Dario Treves; as well as the contract for a portion of the Via Tortona 37 headquarters leased to the Treves law firm;
- property leases by Matov Imm. S.r.l. to the parent company and to the subsidiary 505 Games France S.a.s.;
- property leases by Matov LLC to the subsidiary 505 Games (US) Inc..

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

The effects of related party transactions on profit or loss and on the financial position are disclosed in paragraph 8 of the Notes.

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 year.

11. TREASURY SHARES

At December 31st, 2021, Digital Bros S.p.A. did not hold any treasury shares and did not carry out any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2)(3) of the Italian Civil Code.

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

There were no significant changes during the period ended at December 31st, 2021. Please refer to the Full Year Report accompanying the Consolidated Financial Statements at June 30th, 2021 for details on the management of operational risks, financial risks and financial instruments.

13. CONTINGENT ASSETS AND LIABILITIES

The sale of rights to PAYDAY2 by the Group to Starbreeze AB occurred in May 2016 granted the Group the possibility to earn out maximum of USD 40 million to be calculated as 33% of the net revenue that Starbreeze AB will realize on the sales of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent asset as in the prior fiscal years and therefore no amount has been showed in the financial statement.

14. SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31ST, 2021

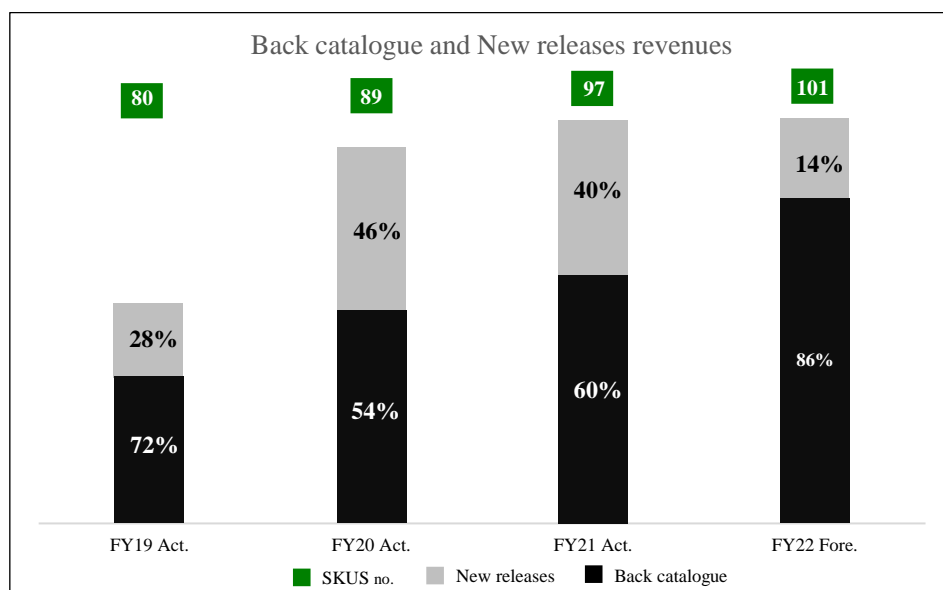
No significant event, even in relation to external factors, occurred after the end of the period.

15. BUSINESS OUTLOOK

The Group will invest over Euro 78 million in 22 intellectual properties developed by external studios. Further investments are conducted through the seven internal studios.

Most of the videogames currently under development will hit the market starting from the fiscal year 2023 onwards. In respect with the previous full fiscal year outlook, the Group expects a small drop in revenue without any significant launch of new products, but higher net operating margin (EBIT) thanks to the higher profitability of the back catalogue sales and fully owned intellectual properties.

A breakdown of back catalogue and new releases revenue expected for the full fiscal year is provided below with previous years comparisons:



In sync with the significant investments planned for the period, the net financial position, which was positive Euro 18 million at the end of the period, is expected to further decrease during the third quarter. Positive cash flow expected in the last quarter.

16. OTHER INFORMATION

EMPLOYEES

The following table reports analysis of the number of employees at December 31st, 2021 with comparative figures at December 31st, 2020:

Category	December 31 st , 2021	December 31 st , 2020	Change
Managers	13	7	6
Office workers	313	208	105
Blue-collar workers and apprentices	4	6	(2)
Total employees	330	221	109

The increase in the number of office workers was the effect of the acquisition of Infinity Plus Two Pty Ltd., Infinite Interactive Pty Ltd. and Ingame Studios a.s. and of the incorporation of Chrysalide Jeux et Divertissement Inc. and Supernova Games Studios S.r.l..

The following table details the number of employees of non-Italian companies at December 31st, 2021 with comparative figures at December 31st, 2020:

Category	December 31 st , 2021	December 31 st , 2020	Change
Managers	8	2	6
Office workers	229	129	100
Total employees outside Italy	237	131	106

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

Category	December 31 st , 2021	December 31 st , 2020	Change
Managers	13	7	6
Office workers	311	209	102
Blue-collar workers and apprentices	4	6	(2)
Total average employees	328	222	110

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

Category	December 31 st , 2021	December 31 st , 2020	Change
Managers	8	2	6
Office workers	228	129	99
Total average employees outside Italy	236	131	105

Employees of the Group's Italian companies are contracted under the current Confcommercio national collective employment agreement for the commercial, distribution and services sector. Employees of the three Italian studios - Kunos Simulazioni S.r.l., AvantGarden S.r.l. and Supernova Games Studios S.r.l. – are contracted under the national collective employment agreement for the mechanical industry.

ENVIRONMENT

The video game industry has a low 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 toner 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.



**Condensed consolidated financial statements at
December 31st, 2021**

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated statement of financial position at December 31st, 2021

	Euro thousand	December 31 st , 2021	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	9,141	8,198	943	11.5%
2	Investment property	0	0	0	0.0%
3	Intangible assets	85,132	66,776	18,356	27.5%
4	Equity investments	8,835	11,190	(2,355)	-21.0%
5	Non-current receivables and other assets	6,663	5,089	1,574	30.9%
6	Deferred tax assets	12,892	11,644	1,248	10.7%
7	Non-current financial activities	19,253	18,840	413	2.2%
	Total non-current assets	141,916	121,737	20,179	16.6%
	Current assets				
8	Inventories	4,994	5,708	(714)	-12.5%
9	Trade receivables	19,273	18,283	990	5.4%
10	Tax receivables	2,100	1,500	600	40.0%
11	Other current assets	19,600	19,279	321	1.7%
12	Cash and cash equivalent	28,052	35,509	(7,457)	-21.0%
13	Other financial assets	0	0	0	0.0%
	Total current assets	74,019	80,279	(6,260)	-7.8%
	TOTAL ASSETS	215,935	202,016	13,919	6.9%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,870)	(23,016)	1,146	-5.0%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(90,239)	(82,181)	(8,058)	9.8%
	Equity attributable to the shareholders of the Parent Company	(117,813)	(110,901)	(6,912)	6.2%
	Equity attributable to non-controlling interests	(1,078)	(890)	(188)	21.1%
	Total net equity	(118,891)	(111,791)	(7,100)	6.4%
	Non-current liabilities				
18	Employee benefits	(771)	(719)	(52)	7.2%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(4,491)	(5,415)	924	-17.1%
21	Non-current financial liabilities	(18,844)	(11,694)	(7,150)	61.1%
	Total non-current liabilities	(24,187)	(17,909)	(6,278)	35.1%
	Current liabilities				
22	Trade payables	(40,427)	(47,193)	6,766	-14.3%
23	Taxes payables	(13,031)	(10,782)	(2,249)	20.9%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(9,166)	(9,932)	766	-7.7%
26	Current financial liabilities	(10,233)	(4,409)	(5,824)	n.m.
	Total current liabilities	(72,857)	(72,316)	(541)	0.7%
	TOTAL LIABILITIES	(97,044)	(90,225)	(6,819)	7.6%
	TOTAL NET EQUITY AND LIABILITIES	(215,935)	(202,016)	(13,919)	6.9%

Digital Bros Group
Consolidated statement of profit and loss at December 31st, 2021

	Euro thousand	December 31 st , 2021		December 31 st , 2020		Change	
1	Gross revenue	55,518	100.3%	82,381	101.8%	(26,863)	-32.6%
2	Revenue adjustments	(193)	-0.3%	(1,437)	-1.8%	1,244	-86.6%
3	Net revenue	55,325	100.0%	80,944	100.0%	(25,619)	-31.7%
4	Purchase of products for resale	(2,804)	-5.1%	(3,050)	-3.8%	246	-8.1%
5	Purchase of services for resale	(2,958)	-5.3%	(5,621)	-6.9%	2,663	-47.4%
6	Royalties	(13,693)	-24.8%	(21,368)	-26.4%	7,675	-35.9%
7	Changes in inventories of finished products	(714)	-1.3%	(515)	-0.6%	(199)	38.6%
8	Total cost of sales	(20,169)	-36.5%	(30,554)	-37.7%	10,385	-34.0%
9	Gross profit (3+8)	35,156	63.5%	50,390	62.3%	(15,234)	-30.2%
10	Other income	5,155	9.3%	2,294	2.8%	2,861	n.m.
11	Costs for services	(4,205)	-7.6%	(5,376)	-6.6%	1,171	-21.8%
12	Rent and Leasing	(233)	-0.4%	(133)	-0.2%	(100)	74.8%
13	Payroll costs	(15,502)	-28.0%	(10,960)	-13.5%	(4,542)	41.4%
14	Other operating costs	(654)	-1.2%	(610)	-0.8%	(44)	7.3%
15	Total operating costs	(20,594)	-37.2%	(17,079)	-21.1%	(3,515)	20.6%
16	Gross operating margin (EBITDA) (9+10+15)	19,717	35.6%	35,605	44.0%	(15,888)	-44.6%
17	Depreciation and amortization	(7,591)	-13.7%	(15,400)	-19.0%	7,809	-50.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(58)	-0.1%	(289)	-0.4%	231	-79.9%
20	Impairment reversal	158	0.3%	0	0.0%	158	n.m.
21	Total depreciation, amortization and impairment	(7,491)	-13.5%	(15,689)	-19.4%	8,198	-52.3%
22	Operating margin (EBIT) (16+21)	12,226	22.1%	19,916	24.6%	(7,690)	-38.6%
23	Interest and finance income	3,846	7.0%	4,594	5.7%	(747)	-16.3%
24	Interest expense and finance costs	(1,346)	-2.4%	(2,357)	-2.9%	1,011	-42.9%
25	Net interest income/(expense)	2,500	4.5%	2,237	2.8%	263	11.8%
26	Profit/ (loss) before tax (22+25)	14,726	26.6%	22,153	27.4%	(7,427)	-33.5%
27	Current tax	(4,569)	-8.3%	(6,800)	-8.4%	2,231	-32.8%
28	Deferred tax	233	0.4%	497	0.6%	(264)	-53.0%
29	Total taxes	(4,336)	-7.8%	(6,303)	-7.8%	1,967	-31.2%
30	Net profit/loss	10,390	18.8%	15,850	19.6%	(5,460)	-34.4%
	attributable to the shareholders of the Parent Company	10,625	19.2%	15,890	19.6%	(5,265)	-33.1%
	attributable to non-controlling interests	(235)	-0.4%	(40)	0.0%	(195)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	0.75		1.11		(0.36)	-33.1%
34	Diluted earnings per share (in Euro)	0.72		1.09		(0.37)	-34.4%

Digital Bros Group

Consolidated statement of comprehensive income at December 31st, 2021

Euro thousand	December 31 st , 2021	December 31 st , 2020	Change
Profit (Loss) for the period (A)	10,390	15,850	(5,460)
Actuarial gain (loss)	(20)	(11)	(9)
Income tax relating to actuarial gain (loss)	5	3	2
Changes in the fair value	(2,331)	1,480	(3,811)
Tax effect regarding fair value measurement of financial assets	559	(355)	914
Items that will not be subsequently recycled through profit or loss (B)	(1,787)	1,117	(2,904)
Exchange differences on translation of foreign operations	476	(529)	1,005
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Items that will subsequently be recycled through profit or loss (C)	476	(529)	1,005
Total other comprehensive income D= (B)+(C)	(1,311)	588	(1,899)
Total comprehensive income (loss) (A)+(D)	9,079	16,438	(7,359)
Attributable to:			
Shareholders of the Parent Company	9,314	16,478	(7,164)
Non-controlling interests	(235)	(40)	(195)

Digital Bros Group
Consolidated cash flow statement at December 31st, 2021

	Euro thousand	December 31st, 2021	December 31st, 2020
A.	Opening net cash/debt	35,509	8,527
B.	Cash flows from operating activities		
	Profit (loss) for the period	10,390	15,850
	<i>Depreciation, amortization and non-monetary costs:</i>		
	Provisions and impairment losses	(58)	(284)
	Amortization of intangible assets	6,683	14,495
	Depreciation of property, plant and equipment	908	905
	Net change in tax advance	(1,248)	126
	Net change in employee benefit provisions	52	35
	Net change in other non-current liabilities	(723)	759
	SUBTOTAL B.	16,004	31,886
C.	Change in net working capital		
	Inventories	714	515
	Trade receivables	(937)	(1,627)
	Current tax assets	(600)	1,305
	Other current assets	(321)	10,028
	Trade payables	(6,766)	362
	Current tax liabilities	2,249	3,439
	Current provisions	(0)	0
	Other current liabilities	(766)	182
	Other non-current liabilities	(924)	(469)
	Non-current receivables and other assets	(1,574)	3,233
	SUBTOTAL C.	(8,925)	16,968
D.	Cash flows from investing activities		
	Net payments for intangible assets	(25,039)	(28,816)
	Net payments for property, plant and equipment	(1,851)	(933)
	Net payments for non-current financial assets	2,360	(5,146)
	SUBTOTAL D.	(24,530)	(34,895)
E.	Cash flows from financing activities		
	Capital increases	0	0
	Changes in financial liabilities	12,974	(5,885)
	Changes in financial assets	(413)	(1,595)
	SUBTOTAL E.	12,561	(7,480)
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)	(7,457)	4,340
H.	Closing net cash/debt (A+G)	28,052	12,867

Digital Bros Group

Consolidated statement of changes in equity at December 31st, 2021

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	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of previous year result							0		14,990	(14,990)	0	0	0	0
Dividend paid									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						164	164		7		7	171		171
Comprehensive income (loss)					(529)	1,117	588			15,890	15,890	16,478	(40)	16,438
Total on December 31st, 2020	5,704	18,486	1,141	1,367	(1,945)	2,663	21,712	0	50,156	15,890	66,046	93,462	939	94,401
Total on July 1st, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Allocation of previous year result							0		32,025	(32,025)	0	0	0	0
Dividend paid									(2,567)		(2,567)	(2,567)		(2,567)
Other changes						165	165				0	165	423	588
Comprehensive income (loss)					476	(1,787)	(1,311)			10,625	10,625	9,314	(235)	9,079
Total on December 31st, 2021	5,704	18,486	1,141	1,367	(863)	1,739	21,870	0	79,614	10,625	90,239	117,813	1,078	118,891

Digital Bros Group

Consolidated statement of profit and loss at December 31st, 2021 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	December 31 st , 2021		December 31 st , 2020	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	55,518	6	82,381	0
2	Revenue adjustments	(193)	0	(1,437)	0
3	Net revenue	55,325	6	80,944	0
4	Purchase of products for resale	(2,804)	0	(3,050)	0
5	Purchase of services for resale	(2,958)	0	(5,621)	0
6	Royalties	(13,693)	0	(21,368)	0
7	Changes in inventories of finished products	(714)	0	(515)	0
8	Total cost of sales	(20,169)	0	(30,554)	0
9	Gross profit (3+8)	35,156	6	50,390	0
10	Other income	5,155	0	2,294	0
11	Costs for services	(4,205)	(180)	(5,376)	(191)
12	Rent and leasing	(233)	(52)	(133)	(23)
13	Payroll costs	(15,502)	0	(10,960)	0
14	Other operating costs	(654)	0	(610)	0
15	Total operating costs	(20,594)	(232)	(17,079)	(214)
16	Gross operating margin (EBITDA) (9+10+15)	19,717	(226)	35,605	(214)
17	Depreciation and amortization	(7,591)	(515)	(15,400)	(521)
18	Provisions	0	0	0	0
19	Asset impairment charge	(58)	0	(289)	0
20	Impairment reversal	158	0	0	0
21	Total depreciation, amortization and impairment	(7,491)	(515)	(15,689)	(521)
22	Operating margin (EBIT) (16+21)	12,226	(741)	19,916	(735)
23	Interest and finance income	3,846	0	1,540	0
24	Interest expense and finance costs	(1,346)	(39)	(2,357)	(37)
25	Net interest income/(expense)	2,500	(39)	2,237	(37)
26	Profit/ (loss) before tax (22+25)	14,726	(780)	22,153	(772)
27	Current tax	(4,569)	0	(6,800)	0
28	Deferred tax	233	0	497	0
29	Total taxes	(4,336)	0	(6,303)	0
30	Net profit (loss)	10,390	(780)	15,850	(772)

Digital Bros Group

Digital Bros Group

Consolidated financial statement at December 31st, 2021 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	December 31 st , 2021		June 30 th , 2021	
		Total	Of which with related parties	Total	Of which with related parties
	Non-current assets				
1	Property, plant and equipment	9,141	0	8,198	0
2	Investment property	0	0	0	0
3	Intangible assets	85,132	0	66,776	0
4	Equity investments	8,835	0	11,190	0
5	Non-current receivables and other assets	6,663	766	5,089	760
6	Deferred tax assets	12,892	0	11,644	0
7	Non-current financial activities	19,253	0	18,840	0
	Total non-current assets	141,916	766	121,737	760
	Current assets				
8	Inventories	4,994	0	5,708	0
9	Trade receivables	19,273	0	18,283	0
10	Tax receivables	2,100	0	1,500	0
11	Other current assets	19,600	0	19,279	0
12	Cash and cash equivalent	28,052	0	35,509	0
13	Other financial assets	0	0	0	0
	Total current assets	74,019	0	80,279	0
	TOTAL ASSETS	215,935	766	202,016	760
	Capital and reserves				
14	Share capital	(5,704)	0	(5,704)	0
15	Reserves	(21,870)	0	(23,016)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(90,239)	0	(82,181)	0
	Equity attributable to the shareholders of the Parent Company	(117,813)	0	(110,901)	0
	Equity attributable to non-controlling interests	(1,078)	0	(890)	0
	Total net equity	(118,891)	0	(111,791)	0
	Non-current liabilities				
18	Employee benefits	(771)	0	(719)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	(4,491)	0	(5,415)	0
21	Non-current financial liabilities	(18,844)	(2,989)	(11,694)	(3,509)
	Total non-current liabilities	(24,187)	(2,989)	(17,909)	(3,509)
	Current liabilities				
22	Trade payables	(40,427)	(69)	(47,193)	(124)
23	Taxes payables	(13,031)	0	(10,782)	0
24	Short term provisions	0	0	(0)	0
25	Other current liabilities	(9,166)	0	(9,932)	0
26	Current financial liabilities	(10,233)	(1,022)	(4,409)	(1,002)
	Total current liabilities	(72,857)	(1,091)	(72,316)	(1,126)
	TOTAL LIABILITIES	(97,044)	(4,080)	(90,225)	(4,635)
	TOTAL NET EQUITY AND LIABILITIES	(215,935)	(4,080)	(202,016)	(4,635)

Digital Bros Group

Consolidated statement of profit and loss at December 31st, 2021 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006

	Euro thousand	December 31 st , 2021		December 31 st , 2020	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	55,518	0	82,381	0
2	Revenue adjustments	(193)	0	(1,437)	0
3	Net revenue	55,325	0	80,944	0
4	Purchase of products for resale	(2,804)	0	(3,050)	0
5	Purchase of services for resale	(2,958)	0	(5,621)	0
6	Royalties	(13,693)	0	(21,368)	0
7	Changes in inventories of finished products	(714)	0	(515)	0
8	Total cost of sales	(20,169)	0	(30,554)	0
9	Gross profit (3+8)	35,156	0	50,390	0
10	Other income	5,155	0	2,294	0
11	Costs for services	(4,205)	0	(5,376)	0
12	Rent and leasing	(233)	0	(133)	0
13	Payroll costs	(15,502)	0	(10,960)	0
14	Other operating costs	(654)	0	(610)	0
15	Total operating costs	(20,594)	0	(17,079)	0
16	Gross operating margin (EBITDA) (9+10+15)	19,717	0	35,605	0
17	Depreciation and amortization	(7,591)	0	(15,400)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(58)	0	(289)	0
20	Impairment reversal	158	0	0	0
21	Total depreciation, amortization and impairment	(7,491)	0	(15,689)	0
22	Operating margin (EBIT) (16+21)	12,226	0	19,916	0
23	Interest and finance income	3,846	0	1,540	0
24	Interest expense and finance costs	(1,346)	0	(2,357)	0
25	Net interest income/(expense)	2,500	0	2,237	0
26	Profit/ (loss) before tax (22+25)	14,726	0	22,153	0
27	Current tax	(4,569)	0	(6,800)	0
28	Deferred tax	233	0	497	0
29	Total taxes	(4,336)	0	(6,303)	0
30	Net profit (loss)	10,390	0	15,850	0



Notes to the condensed consolidated financial statements at December 31st, 2021

1. INTRODUCTORY NOTE

Digital Bros S.p.A. First Half Financial Report at December 31st, 2021 was approved by the Board of Directors of March 8th, 2022 which also authorized the publication of the Report and the related press release.

The first half consolidated financial report includes the condensed consolidated financial statements prepared in accordance with the International Accounting Standards (IFRS) applicable from July 1st, 2021 as adopted by the European Union. The condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard IAS 34 relating to interim financial reports.

The report does not include all the disclosures required for full year financial statements and should be read in conjunction with the Group's Consolidated Financial Statements at June 30th, 2021.

Digital Bros Group First Half Financial Report at December 31st, 2021 has been prepared on a going concern basis. The Group has assessed no significant uncertainties about the going concern.

The content and other general information, as well as the use of estimates, are available in the notes to the consolidated financial statements for the year ended June 30th, 2021.

New accounting standards

In application of the European Regulation n. 1606 of July 19th, 2002, the principles adopted do not consider the standards and interpretations published by the IASB and the IFRIC as of December 31st, 2021, but not yet endorsed by the European Union at that date.

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

The accounting standards, amendments and 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 not yet endorsed by the European Union

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

- 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.

2. CONSOLIDATION

Subsidiaries

Subsidiaries are companies where the Group has the power, directly or indirectly, to influence the financial and operating policies in a way as to obtain benefits from its operations. The financial statements of subsidiaries are included in the condensed consolidated financial statements from when the control is effective until the moment when the control will not persist.

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

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

Translation of foreign currency financial statements

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

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

Exchange differences arising from the translation process are recognised directly in net equity and reported in the currency translation reserve which is part of equity reserves.

Transactions eliminated during the consolidation process

The condensed consolidated financial statements at December 31st, 2021 were prepared eliminating all intragroup assets, liabilities, income and expenses relating to transactions between Group companies, as unrealized profits and losses on intragroup transactions.

Scope of consolidation

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

Line-by-line consolidation method:

Name	Operational headquarters	Country	Share capital	% held directly or indirectly
Avantgarden S.r.l.	Milan	Italy	€ 100,000	100%
Chrysalide Jeux et Divertissement Inc.	Québec	Canada	0	75%
Digital Bros S.p.A.	Milan	Italy	€ 5,704,334.80	Parent company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	€ 100,000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	€ 100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	€ 300,000	100%
Digital Bros Holdings Ltd.	Milton Keynes	U.K.	£ 100,000	100%
DR Studios Ltd.	Milton Keynes	U.K.	£ 60,826	100%
Game Entertainment S.r.l.	Milan	Italy	€ 100,000	100%
505 Games S.p.A.	Milan	Italy	€ 10,000,000	100%
505 Games Australia Pty Ltd.	Melbourne	Australia	\$ 100,000	100%
505 Games France S.a.s.	Francheville	France	€ 100,000	100%
505 Games GmbH	Burglengenfeld	Germany	€ 50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Japan K.K.	Tokyo	Japan	¥ 6,000,000	100%
505 Games Ltd.	Milton Keynes	U.K.	£ 100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	€ 100,000	100%
Game Network S.r.l. - in liquidation	Milan	Italy	€ 10,000	100%
Game Service S.r.l.	Milan	Italy	€ 50,000	100%
Hawken Entertainment Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Hook S.r.l.	Milan	Italy	€ 100,000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	€ 10,000	100%
Infinity Plus Two Pty Ltd.	Melbourne	Australia	AUD \$ 100	100%
Infinite Interactive Pty Ltd.	Melbourne	Australia	AUD \$ 100	100%
Ingame Studios a.s.	Brno	Czech Republic	Kr 2.000.000	60%
505 Mobile S.r.l.	Milan	Italy	€ 100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	\$ 100,000	100%
Rasplata B.V.	Amsterdam	Netherlands	€ 1,750	60%
Seekhana Ltd.	Milton Keynes	U.K.	£ 18,500	60%
Supernova Games Studio S.r.l.	Milan	Italy	€ 100,000	100%

Equity consolidation method:

Name	Operational headquarters	Country	Share capital	% held directly or indirectly
MSE & DB SI	Tudela	Spain	€ 10,000	50%
Artractive s.a.	Kraków	Poland	zł 100.000	40%

3. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As at December 31st, 2021 the Group held a 50% stake in the Spanish associate MSE & DB S.L. for a book value of Euro 5 thousand and a 40% stake in the Polish company Artactive s.a. for a book value of Euro 9 thousand.

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

The following table provides a reconciliation of the result for the first half and net equity as reported by Parent Company Digital Bros S.p.A. to those reported by the Group:

Euro thousand	Profit (Loss) for the period		Equity	
	December 31 st , 2021	December 31 st , 2020	December 31 st , 2021	December 31 st , 2020
Profit for the period and equity of Digital Bros S.p.A.	7,986	8,948	59,140	55,341
Profit for the period and equity of the subsidiaries	9,990	14,860	107,379	78,831
Carrying amount of equity investments	0	0	(34,944)	(34,499)
Consolidation adjustments:				
Impairment of investments in subsidiaries	0	0	143	462
Elimination of intercompany profits	719	(153)	(1,149)	(1,868)
Dividends	(7,500)	(7,500)	0	0
Other adjustments	(805)	(305)	(11,678)	13,524
Total consolidation adjustments	(7,586)	(7,958)	(12,684)	12,119
Profit for the period and equity of the Group	10,390	15,850	118,891	111,791

Details are provided below of consolidation adjustments at December 31st, 2021 and 2020 and for the periods then ended:

Euro thousand	Profit (Loss) for the period		Equity	
	December 31 st , 2021	December 31 st , 2020	December 31 st , 2021	June 30 th , 2021
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	0	0	51	51
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	0	0	92	92
Impairment of Digital Bros S.p.A.'s investment in 133 W Broadway Inc.	0	0	0	319
Total impairment of investments in subsidiaries	0	0	143	462
Elimination of unrealized profit in inventory	128	125	(53)	(181)
Elimination of margin on internal development contracts	591	(279)	(1,096)	(1,687)
Total elimination of intercompany profits	719	(154)	(1,149)	(1,868)
Dividends from Kunos Simulazioni S.r.l.	(2,500)	(2,500)	0	0
Dividends from 505 Games S.p.A.	(5,000)	(5,000)	0	0
Total dividends	(7,500)	(7,500)	0	0
Amortization of acquisition price of Kunos S.r.l. net of tax effect	(271)	(281)	216	487
Allocation of acquisition price of Rasplata B.V. net of tax effect	0	0	1,011	1,011
Allocation of acquisition of Australian companies, net of tax effect	(650)	0	5,206	5,856
Application of IFRS 9	3	(21)	(343)	(346)
Deferred tax effect of the appreciation of the Assetto Corsa brand	178	0	(17,613)	6,453
Other	(65)	(2)	(155)	63
Total other adjustments	(805)	(304)	(11,678)	13,525
Total consolidation adjustments	(7,586)	(7,958)	(12,684)	12,119

5. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AT DECEMBER 31ST, 2021

The consolidated statement of financial position at December 31st, 2021 is set out below together with comparative figures at June 30th, 2021:

	Euro thousand	December 31 st , 2021	June 30 th , 2021	Change	
	Non-current assets				
1	Property, plant and equipment	9,141	8,198	943	11.5%
2	Investment property	0	0	0	0.0%
3	Intangible assets	85,132	66,776	18,356	27.5%
4	Equity investments	8,835	11,190	(2,355)	-21.0%
5	Non-current receivables and other assets	6,663	5,089	1,574	30.9%
6	Deferred tax assets	12,892	11,644	1,248	10.7%
7	Non-current financial activities	19,253	18,840	413	2.2%
	Total non-current assets	141,916	121,737	20,179	16.6%
	Current assets				
8	Inventories	4,994	5,708	(714)	-12.5%
9	Trade receivables	19,273	18,283	990	5.4%
10	Tax receivables	2,100	1,500	600	40.0%
11	Other current assets	19,600	19,279	321	1.7%
12	Cash and cash equivalent	28,052	35,509	(7,457)	-21.0%
13	Other financial assets	0	0	0	0.0%
	Total current assets	74,019	80,279	(6,260)	-7.8%
	TOTAL ASSETS	215,935	202,016	13,919	6.9%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,870)	(23,016)	1,146	-5.0%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(90,239)	(82,181)	(8,058)	9.8%
	Equity attributable to the shareholders of the Parent Company	(117,813)	(110,901)	(6,912)	6.2%
	Equity attributable to non-controlling interests	(1,078)	(890)	(188)	21.1%
	Total net equity	(118,891)	(111,791)	(7,100)	6.4%
	Non-current liabilities				
18	Employee benefits	(771)	(719)	(52)	7.2%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(4,491)	(5,415)	924	-17.1%
21	Non-current financial liabilities	(18,844)	(11,694)	(7,150)	61.1%
	Total non-current liabilities	(24,187)	(17,909)	(6,278)	35.1%
	Current liabilities				
22	Trade payables	(40,427)	(47,193)	6,766	-14.3%
23	Taxes payables	(13,031)	(10,782)	(2,249)	20.9%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(9,166)	(9,932)	766	-7.7%
26	Current financial liabilities	(10,233)	(4,409)	(5,824)	n.m.
	Total current liabilities	(72,857)	(72,316)	(541)	0.7%
	TOTAL LIABILITIES	(97,044)	(90,225)	(6,819)	7.6%
	TOTAL NET EQUITY AND LIABILITIES	(215,935)	(202,016)	(13,919)	6.9%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment increased from Euro 8,198 thousand to Euro 9,141 thousand, due to the first half purchase net of depreciation for the period.

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

Euro thousands	July 1st, 2021	Additions	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	December 31st, 2021
Industrial buildings	6,719	1,029	0	12	(710)	0	7,050
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	523	718	(8)	0	(128)	8	1,113
Other assets	321	92	(46)	0	(70)	46	343
Total	8,198	1,839	(54)	12	(908)	54	9,141

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

Industrial buildings increased by Euro 1,029 thousand as a result of the application of the IFRS 16 to the rental contracts of Ingame Studios a.s., consolidated since July 1st, 2021, and of the Canadian Chrysalide Jeux et Divertissement Inc. which signed the lease agreement for the new offices during the month of July following the constitution in June 2021.

Land included the land where the logistic facilities are based in Trezzano sul Naviglio. It was valued at Euro 635 thousand.

Additions to Industrial and commercial equipment amounted to Euro 718 thousand respectively related for Euro 261 thousand and Euro 228 thousand to the office automation equipment of Chrysalide Jeux et Divertissement Inc. and Ingame Studios a.s.. The remaining Euro 229 thousand regarded the purchase of office automation equipment by other Group companies.

The additions of Euro 51 thousand to Other assets regarded the purchase of furniture for Chrysalide Jeux et Divertissement Inc.

3. Intangible assets

Intangible assets increased by Euro 18,356 thousand due to investments in new intellectual properties and multi-years rights held by the Group (net of the amortization for the period), as part of the significant investment plan undertaken by the Group to pursue its growth objectives.

Intangible assets increased from Euro 66,776 thousand to Euro 85,132 thousand. All of the intangible assets recognized by the Group have limited useful lives.

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

Euro thousands	July 1st, 2021	Add.	Disp.	Recl.	Translation differences	Amort'n	December 31st, 2021
Concessions and licenses	33,467	1,381	0	3,196	(4)	(6,288)	31,752
Trademarks and sim. rights	1,330	5	0	0	0	(389)	946
Other assets	34	5	0	0	0	(6)	33
Assets in development	31,945	23,652		(3,196)	0	0	52,401
Total	66,776	25,043	0	0	(4)	(6,683)	85,132

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

The assets in development included the costs incurred by the Group to purchase intellectual property from third parties and the internal cost for the development of video games by the Group's internal studios that had not yet been completed at the reporting date. Details below:

Euro thousand	December 31st, 2021
Dr Studios Ltd.	6,289
Infinity Plus Two Pty Ltd.	2,607
Ingame Studios a.s.	2,383
Kunos Simulazioni S.r.l.	1,583
Chrysalide Jeux et Divertissement Inc.	1,134
Avantgarden Games S.r.l.	668
Supernova Games S.r.l.	403
Total assets in development by internal studios	15,067

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

Euro thousand	December 31st, 2021	December 31st, 2020
Premium Games rights	1,009	30
Investment on development of management systems	371	114
Total additions on concessions and licences	1,381	144
Total additions on trademarks and other intangible assets	10	0
Internal development contracts in progress	2,992	1,591
Assets in progress	20,660	27,135
Total additions to assets in development	23,652	28,726
Total additions on intangible assets	25,043	28,870

4. Investments

Investments decreased by Euro 2,355 thousand due to the adjustment of the shares held in companies listed on regulated markets to market value at December 31st, 2021.

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

Euro thousand	December 31st, 2021	June 30th, 2021	Change
MSE&DB SI	6	5	1
Artactive S.A.	9	0	9
Total investments in associated companies	15	5	10
Starbreeze AB A shares	6,085	7,635	(1,550)
Starbreeze AB B shares	2,433	3,097	(664)
Unity Software Inc.	0	171	(171)
Noobz from Poland S.A.	302	282	20
Total other investments	8,820	11,185	(2,365)
Total investments	8,835	11,190	(2,355)

The movements during the period on investments in associated companies are described in the First Half Report.

The decrease in Other investments is due 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 at December 31st, 2021 as they are financial instruments classified as held to collect and sell, and negative for Euro 2,214 thousand;
- 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;
- the fair value of the 70,000 Unity Software Inc. shares (listed on the Warsaw Stock Exchange New Comet segment), with allocation to an equity reserve of the difference between the carrying amount and the fair value at December 31st, 2021 as they are financial instruments classified as held to collect and sell, and positive for Euro 20 thousand.

5. Non-current receivables and other assets

The total non-current receivables and other assets amounted to Euro 6,663 thousand and increased by Euro 1,574 thousand compared to June 30th, 2021:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Receivable from Starbreeze AB	5,774	4,227	1,547
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	249	222	27
Guarantee deposits – utilities	5	5	0
Total non-current receivables and other assets	6,663	5,089	1,574

As at December 31st, 2021, the receivable from Starbreeze AB (purchased from Smilegate Holdings) amounted to Euro 5,774 thousand. The receivable has a nominal amount of around USD 16.3 million and was purchased for a consideration of Euro 100 thousand. The amount has been restated and Euro 1,547 thousand has been recognized as financial income. The receivable was part of the Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed with the District Court in Sweden, but not later than December 2024.

The remaining part relates to security deposits for contractual obligations.

6. Deferred tax assets

Deferred tax assets are calculated on tax loss carryforwards and on temporary differences between the carrying value and the tax deduction period. They have been estimated at the tax rates expected in the period when the assets will be realized, or the difference will be settled. At December 31st, 2021, the balance was Euro 12,892 thousand, increased by Euro 1,248 thousand compared to June 30th, 2021.

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

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Italian companies	2,937	2,373	564
Non-Italian companies	4,087	3,484	603
Consolidation adjustments	5,868	5,787	81
Total deferred tax assets	12,892	11,644	1,248

The following table provides calculation details of the temporary differences of the Italian companies:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Provision for doubtful debts	648	648	0
Other liabilities	8,515	8,515	0
Actuarial differences	79	58	21
Costs not deducted in prior years	415	415	0
Tax loss carryforwards	396	396	0
Reserve for IFRS securities valuation	1,217	(1,113)	2,329
Taxable reserve for IFRS 9 application	5	5	0
Total differences	11,275	8,925	2,350
Tax rate	24.0%	24.0%	
Deferred tax assets for IRES	2,706	2,142	564
Deferred tax assets for IRAP	231	231	0
Total deferred tax assets of Italian companies	2,937	2,373	564

The deferred tax assets of the non-Italian subsidiaries are as follows:

Euro thousand	December 31st, 2021	June 30th, 2021
Deferred tax assets for losses of 505 Games Spain SI	17	17
Deferred tax assets for losses of the Australian subsidiaries	1,295	1,134
Deferred tax assets for temporary differences 505 Games (US) Inc.	2,142	2,141
Deferred tax assets for temporary differences of 505 Games Interactive	29	27
Deferred tax assets for temporary differences of 505 Games Mobile US	59	56
Deferred tax assets for temporary differences of Hawken Inc.	65	61
Deferred tax assets of Chrysalide Jeux et Divertissement Inc.	344	0
Deferred tax assets of Ingame Studios a.s.	53	0
Deferred tax assets for losses of Rasplata BV	83	47
Total deferred tax assets of non-Italian subsidiaries	4,087	3,483

Deferred tax assets of non-Italian subsidiaries related to temporary differences assuming their entire recoverability, based on the approved business plans and forecasts. It is expected that each subsidiary will generate enough future taxable income to enable the full recovery of the temporary differences.

CURRENT ASSETS

8. Inventories

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

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Italian Distribution inventories	3,564	3,774	(210)
Premium Games inventories	1,430	1,934	(504)
Total inventories	4,994	5,708	(714)

Total inventories decreased by Euro 714 thousand from Euro 5,708 thousand at June 30th, 2021 to Euro 4,994 thousand at December 31st, 2021, in line with the decrease in retail revenues.

9. Trade receivables

Trade receivables were as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Receivables from customers - Italy	2,227	1,671	556
Receivables from customers - EU	3,194	3,417	(223)
Receivables from customers - Rest of the world	14,730	14,020	710
Total receivables from customers	20,151	19,108	1,043
Provision for doubtful debts	(878)	(825)	(53)
Total trade receivables	19,273	18,283	990

Total trade receivables were Euro 19,273 thousand at December 31st, 2021, increased by Euro 990 thousand compared to the balance of Euro 18,283 thousand at June 30th, 2021. Total receivables from customer are reported net of the estimate of potential credit notes to be issued by the Group for price repositioning or returns.

The provision for doubtful debts increased by Euro 53 thousand from Euro 825 thousand at June 30th, 2021 to Euro 878 thousand at December 31st, 2021. The bad debt provision is estimated based on both a detailed analysis of each single creditor and the application of the IFRS 9.

10. Tax receivables

Total tax receivables are analyzed as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
VAT receivable	1,255	1,038	217
Tax credit for foreign tax withholdings	532	118	414
Other tax receivables	313	344	(31)
Total tax receivables	2,100	1,500	600

Total tax receivables increased by Euro 600 thousand, from Euro 1,500 thousand at June 30th, 2021 to Euro 2,100 thousand at December 31st, 2021 due to an increase of the withholding tax on royalties income.

11. Other current assets

Total other current assets were advances paid to suppliers, employees and sales representatives. They increased from Euro 19,279 thousand at June 30th, 2021 to Euro 19,600 thousand at December 31st, 2021.

The analysis was as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Receivables for video game user licenses	3,930	5,112	(1,182)
Advances for video game development operating costs	12,829	11,467	1,362
Advances to suppliers	2,705	2,359	346
Other receivables	136	341	(205)
Total other current assets	19,600	19,279	321

Receivables for video game user licenses were advances paid for licenses not yet exploited or completely exploited as at the reporting date. They decreased by Euro 1,182 thousand over the period to stand at Euro 3,930 thousand. The decrease was the estimated use of the period.

Advances for video game development operating costs amounted to Euro 12,829 thousand and included advances paid for video game programming services, quality assurance and other operating costs, detailed as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Programming	8,927	8,644	283
Quality assurance	2,510	1,904	606
Other operating costs	1,392	919	473
Total advances for video game development operating costs	12,829	11,467	1,362

NET EQUITY

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

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Allocation of previous year result							0		32,025	(32,025)	0	0	0	0
Dividend paid									(2,567)		(2,567)	(2,567)		(2,567)
Other changes						165	165				0	165	423	588
Comprehensive income (loss)					476	(1,787)	(1,311)			10,625	10,625	9,314	(235)	9,079
Total on December 31st, 2021	5,704	18,486	1,141	1,367	(863)	1,739	21,870	0	79,614	10,625	90,239	117,813	1,078	118,891

14. Share capital

The share capital at December 31st, 2021 remained unchanged compared to June 30th, 2021 and is split into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,704,334.80. No other shares of any nature were issued. There are no rights, liens or restrictions associated with the ordinary shares.

15. Reserves

The change in the reserves included Euro 165 thousand to adjust the stock option reserve, Euro 1,772 thousand (negative) to restate the reserve for fair value measurement of financial assets and Euro 15 thousand (negative) to adjust the actuarial reserve.

Equity reserves, other than those provided by the Law, do not have any specific function.

NON-CURRENT LIABILITIES

18. Employee benefits

Employee benefits reflected the actuarial value at the closing date of the Group's liability towards employees, as calculated by an independent actuary. It increased by Euro 52 thousand compared to the prior fiscal year.

The IAS 19 actuarial measurement at December 31st, 2021 was performed using a discount rate based on the Iboxx Corporate A 10y+ index, in line with the rate used at the previous reporting date. 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 closing date;
- calculation for each employee of the probable termination indemnity that the Company will have to pay in the event of the employee's leaving due to dismissal, resignation, disability, death or retirement and in the event of requests for advances;
- discounting of each probable payment to present value.

The estimate is based on the Italian companies' headcount of 93 employees at the reporting date.

The economic and financial parameters used in the actuarial calculation at December 31st, 2021 are as follows:

- annual rate of interest of 1.09%;
- annual rate of real increase in remuneration of 2.813%;
- annual rate of inflation of 1,75%.

The economic and financial parameters used in the actuarial calculation at December 31st, 2020 are as follows:

- annual rate of interest of 0.53%;
- annual rate of real increase in remuneration of 2.1%;
- annual rate of inflation of 0.80%.

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

Euro thousand	December 31st, 2021	December 31st, 2020
Provision for employee termination indemnities at July 1st, 2021	719	659
Use of provision for leaving employees	(30)	(9)
Provision of the period	181	145
Payments to pension schemes	(118)	(113)
Restatement for actuarial measurement	19	12
Provision for employee termination indemnities at December 31st, 2021	771	694

The Group did not put in place any supplementary pension plans.

19. Non-current provisions

Non-current provisions were entirely made of the sales representatives' termination indemnity provision. The balance of Euro 81 thousand at December 31st, 2021 remained unchanged compared to June 30th, 2021.

20. Other non-current payables and liabilities

At December 31st, 2021 other non-current payables and liabilities amounted to Euro 4,491 thousand and was the portion of the debt due after twelve months for the purchase of the Australian companies. The estimated cost for the 2021-2027 Medium-Long Term Monetary Incentives Plan has been classified as a Current liability as the portion of the debt matured at December 31st, 2021 was expected to be paid before the end of 2022.

CURRENT LIABILITIES

22. Trade payables

Total trade payables amounted to Euro 40,427 thousand at December 31st, 2021 and decreased by Euro 6,766 thousand compared to June 30th, 2021. They were mostly payable to developers for royalties. Details by geographical area are provided below:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Trade payables – Italy	(2,620)	(2,494)	(126)
Trade payables – EU	(12,549)	(17,507)	4,958
Trade payables – Rest of the world	(25,258)	(27,192)	1,934
Total trade payables	(40,427)	(47,193)	6,766

23. Tax payables

Total tax payables increased by Euro 2,249 thousand from Euro 10,782 thousand at June 30th, 2021 to Euro 13,031 thousand at December 31st, 2021. The balance is detailed as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Income taxes	(8,885)	(6,735)	(2,150)
VAT payables	(32)	0	(32)
Other tax payables	(4,114)	(4,047)	(67)
Total tax payables	(13,031)	(10,782)	(2,249)

Income taxes included a part of the residual debt relating to the fiscal year ended June 30th, 2021 and the estimated provision for the period.

24. Current provisions

At December 31st, 2021, there were no current provisions as in previous periods.

25. Other current liabilities

Total other current liabilities amounted to Euro 9,166 thousand and decreased by Euro 766 thousand compared to June 30th, 2021. Details are provided below:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Amounts due to social security institutions	(543)	(511)	(32)
Amounts due to employees	(2,615)	(1,558)	(1,057)
Amounts due to contractors	(27)	(43)	16
Other payables	(5,981)	(7,820)	1,839
Total other current liabilities	(9,166)	(9,932)	766

Amounts due to employees included the accrued holiday matured by the end of the reporting period, the amounts accrued for the deferred Italian payroll and the portion of short term bonuses, and the liability relating to the 2021-2027 Medium-Long Term Monetary Incentives Plan that will be paid before the end of December 2022.

Other payables included Euro 5,431 thousand advance payments received from several customers in relation to sub-licensing contracts of several intellectual properties owned by the Group. The decrease compared to June 30th, 2021 due to payment of a Euro 1,639 thousand portion of the purchase price of the Australian companies due was December 2021 as contractually provided.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position at December 31st, 2021 together with comparative figures at June 30th, 2021:

	Euro thousand	December 31st, 2021	June 30th, 2021	Change
12	Cash and cash equivalents	28,052	35,509	(7,457)
13	Other current financial assets	0	0	0
26	Current financial liabilities	(10,233)	(4,409)	(5,824)
	Current net financial position	17,819	31,100	(13,281)
7	Non-current financial assets	19,253	18,840	413
21	Non-current financial liabilities	(18,844)	(11,694)	(7,150)
	Non-current net financial position	409	7,146	(6,737)
	Total net financial position	18,228	38,246	(20,018)

The net financial position prepared in accordance with the Guidelines on disclosure requirements pursuant to the regulation on the table issued by ESMA (European Securities and Markets Authority) on March 4th, 2021 is disclosed in the Notes to the Condensed Consolidated Financial Statements at December 31st, 2021.

The net financial position amounted to Euro 18,228 thousand, decreasing by Euro 20,018 thousand compared to Euro 38,246 as at June 30th, 2021. Net of the IFRS 16 effect, the net financial position amounted to Euro 23.5 million.

Current net financial position

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 28,052 thousand at December 31st, 2021, a decrease of Euro 7,457 thousand compared to June 30th, 2021. They are free of any incongruences and may be immediately available.

26. Current financial liabilities

Current financial liabilities were made by advances on short-term loans and other current financial liabilities for a total amount of Euro 10,233 thousand.

Details are as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Financial loans due within a year	(8,511)	(3,110)	(5,401)
Other current financial liabilities	(1,722)	(1,299)	(423)
Total current financial liabilities	(10,233)	(4,409)	(5,824)

Financial loans amounted to Euro 8,511 thousand were the portion with a maturity within 12 months of:

- a Euro 2 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. to finance working capital and provide financial support; the loan agreement provides for repayments in eight quarterly instalments in arrears between 24/09/2020 and 24/06/2022; the loan carries interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.40 percentage points;
- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the 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 percentage 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 deferred 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 percentage 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. At December 31st, 2021 the fair value was positive for Euro 6 thousand;
- a Euro 4 million loan granted by UniCredit S.p.A. to 505 Games S.p.A. on 28/01/2021 to consolidate existing credit lines for a total of Euro 700 thousand and to develop and implement new investments for the remaining Euro 3,300 thousand. The loan provides for a pre-amortization phase starting from the disbursement date and until 31/01/2022 during which Digital Bros will pay quarterly deferred installments of interest only, and a quarterly capital repayment phase between 30/04/2022 and 31/01/2025; 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 percentage 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 40 thousand. At December 31st, 2021 the fair value of the option was positive for Euro 17 thousand;
- a Euro 15 million loan granted by UniCredit S.p.A. to 505 Games S.p.A. on 30/09/2021 to consolidate existing credit lines and working capital. The loan provides for a quarterly capital repayment phase between 31/12/2021 and 30/09/2024; the loan carries quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.85 percentage 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 entire duration of the loan, paying

Euro 70 thousand. At December 31st, 2021 the fair value of the option was positive for Euro 44 thousand.

Other current financial liabilities are detailed as follows:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Advances pro soluto	(20)	(8)	(12)
Lease instalments due within a year	(68)	(67)	(1)
Fair value of derivatives	(190)	0	(190)
Lease contract liabilities	(1,444)	(1,224)	(220)
Total other current financial liabilities	(1,722)	(1,299)	(423)

The fair value of derivatives related to the valuation at December 31st, 2021 of the two contracts signed with UniCredit S.p.A. to hedge the risks of the Yen exchange rates to which the Group is exposed for certain development contracts. Pursuant with the provisions of IAS 39, financial liabilities hedged by derivative instruments have been valued at fair value, in accordance with the provisions of hedge accounting.

Non-current net financial position

7. Non-current financial assets

Non-current financial assets amounted to Euro 19,253 thousand and consisted entirely of the fair value estimate of the convertible bond issued by Starbreeze AB with a nominal value of SEK 215 million and mature date in December 2024. The Euro 413 thousand increase compared to June 30th, 2021 is due to the current fair value assessment.

21. Non-current financial liabilities

Total non-current financial liabilities include financial loans due after twelve months and other non-current financial liabilities for a total of Euro 18,844 thousand. Details are provided below:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Loans due after more than a year	(14,879)	(7,858)	(7,021)
Other non-current financial liabilities	(3,965)	(3,836)	(129)
Total non-current financial liabilities	(18,844)	(11,694)	(7,150)

At December 31st, 2021, long term financial loans included Euro 14,879 thousand representing the non-current portion of the loans granted to Digital Bros S.p.A. described above.

Lending institution	Recipient	Issue date	Total amount of the loan	Amount due over 12 months
UniCredit S.p.A.	Digital Bros S.p.A.	28/01/2021	1,375	1,031
UniCredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	3,000
Intesa SanPaolo S.p.A.	Digital Bros S.p.A.	29/01/2021	5,000	2,098
UniCredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	8,750
Total loans due after more than a year			27,375	14,879

Other non-current financial liabilities amount to Euro 3,965 thousand. They include Euro 85 thousand of lease repayments due after twelve months and Euro 3,880 thousand due to application of the IFRS 16 accounting standard.

Lease liabilities regard:

- a finance lease agreement with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for an amount of Euro 84 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 8 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th, 2023. Lease instalments due within a year amount to Euro 20 thousand while those due after more than a year total Euro 12 thousand. There is a variable rate of interest of 2.26%;
- a finance lease agreement with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for an amount of Euro 89 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 9 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th, 2023. Lease instalments due within a year amount to Euro 21 thousand while those due after more than a year total Euro 13 thousand. There is a variable rate of interest of 2.26%;
- two finance lease agreements with BMW Group Segment Financial Services for the purchase of two motor vehicle. Each lease provides for an amount of Euro 22 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 2 thousand and a final purchase option of Euro 1 thousand. The finance leases expire on November 11th, 2023. The lease instalments due within a year amount to Euro 8 thousand for both contracts while those due after more than a year total Euro 14 thousand. There is a variable rate of interest of 5.85%;
- a finance lease agreement with Volkswagen Bank for the purchase of a motor vehicle. The lease provides for an amount of Euro 58 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 12 thousand and a final purchase option of Euro 21 thousand. The finance lease expires on December 15th, 2024. Lease instalments due within a year amount to Euro 6 thousand while those due after more than a year total Euro 27 thousand. There is a variable rate of interest of 3.99%;

- a finance lease agreement with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for an amount of Euro 55 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 6 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on June 1st, 2025. Lease instalments due within a year amount to Euro 13 thousand while those due after more than a year total Euro 19 thousand. There is a variable rate of interest of 2.48%.

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

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Within 1 year	1,512	1,291	221
1-5 years	3,357	2,919	438
More than 5 years	608	917	(309)
Total	5,477	5,127	350

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 thousand	December 31st, 2021	June 30th, 2021	Change	
A.	Cash	28,052	35,509	(7,457)	-21.0%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	28,052	35,509	(7,457)	-21.0%
E.	Current financial debt (included debt instruments, but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	10,233	4,409	5,824	n.m.
G.	Current financial indebtedness (E + F)	10,233	4,409	5,824	n.m.
H.	Net current financial indebtedness (G - D)	(17,819)	(31,099)	13,280	-42.7%
I.	Non-current financial debt (excluding current portion and debt instruments)	18,844	11,694	7,150	61.1%
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)	18,844	11,694	7,150	61.1%
M.	Total financial indebtedness (H + L)	1,025	(19,405)	20,430	n.m.

COMMITMENTS AND RISKS

The following table reports the Group's commitments:

Euro thousand	December 31st, 2021	June 30th, 2021	Change
Commitments for undersigned contracts	78,801	76,514	2,287

Commitments are mostly formed by the future payments for development contracts signed at the closing date.

PROFIT AND LOSS

3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period ended December 31st, 2021. The Holding operating segment did not generate revenue:

	Euro thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Total
1	Gross revenue	3,670	49,348	2,189	311	55,518
2	Revenue adjustments	0	(85)	(108)	0	(193)
3	Total net revenue	3,670	49,263	2,081	311	55,325

At December 31st, 2020, the breakdown was as follows:

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

The total net revenue is commented in the First Half Report.

25. Net financial income / (expenses)

The analysis is as follows:

	Euro thousand	December 31 st , 2021	December 31 st , 2020	Change	%
23	Interest and financial income	3,846	4,594	(748)	-16.3%
24	Interest and financial expense	(1,346)	(2,357)	1,011	-42.9%
25	Net financial income / (expenses)	2,500	2,237	263	11.8%

The net financial income was positive for Euro 2,500 thousand compared to Euro 2,237 thousand registered in the previous year. This is the result of a Euro 1,011 thousand decrease in interest and financial expense, partially offset by a Euro 748 thousand decrease in interest and financial income.

Interest and financial income may be analysed as follows:

Euro thousand	December 31 st , 2021	December 31 st , 2020	Change	%
Financial income	2,406	2,499	(93)	-3.7%
Currency exchange gains	1,409	2,089	(680)	-32.6%
Other	31	6	25	n.m.
Total interest and financial income	3,846	4,594	(748)	-16.3%

Total interest and financial income decreased by Euro 748 thousand because of a Euro 680 thousand decrease in currency exchange gains. Financial income includes Euro 1,547 thousand due to the restatement of the around USD 16.3 million loan receivable from Starbreeze AB as.

Total interest expenses amounted to Euro 1,346 thousand. They decreased by Euro 1,011 thousand compared to December 31st, 2020, mainly due to lower currency exchange losses for Euro 1,124 thousand.

Interest and financial expenses are analysed in detail as follows:

Euro thousand	December 31st, 2021	December 31st, 2020	Change	%
Interest expenses on current accounts and trade finance	(13)	(60)	47	-78.3%
Interest expenses on derivative products	(190)	0	(190)	n.m.
Interest expenses on loans and leases	(91)	(119)	28	-23.5%
Factoring interest expenses	0	(1)	1	-80.0%
Total interest expenses on sources of finance	(294)	(181)	(113)	-23.5%
Currency exchange losses	(1,052)	(2,176)	1,124	-80.0%
Total interest expenses	(1,346)	(2,357)	1,011	-42.9%

29. Taxation

Total taxes at December 31st, 2021 are detailed below:

Euro thousand	December 31st, 2021	December 31st, 2020	Change	%
Current taxes	(4,569)	(6,800)	2,231	-32.8%
Deferred taxes	233	497	(264)	-53.0%
Total taxes	(4,336)	(6,303)	1,967	-31.2%

The decrease in Current taxes is in line with the Group's operating results during the period compared to the previous.

6. NON-RECURRING INCOME AND EXPENSES TABLE

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

7. INFORMATION BY OPERATING SEGMENT

Digital Bros Group develops, publishes, distributes and markets video games on an international scale. The Group is organized into five operating segments:

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

Directors monitor the results of each operating segment separately for the resource allocation and for assessing actual results. Financial income and expenses (including loan income and expenses) and income tax were left on a consolidated basis without allocation to the operating segments.

The results by operating segment at December 31st, 2021 and December 31st, 2020 are set out below. See the First Half Report for related comments.

Consolidated statement of profit and loss by operating segment at December 31st, 2021

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	3,670	49,348	2,189	311	0	55,518
2	Revenue adjustments	0	(85)	(108)	0	0	(193)
3	Net revenue	3,670	49,263	2,081	311	0	55,325
4	Purchase of products for resale	0	(1,599)	(1,205)	0	0	(2,804)
5	Purchase of services for resale	(344)	(2,614)	0	0	0	(2,958)
6	Royalties	(60)	(13,633)	0	0	0	(13,693)
7	Changes in inventories of finished products	0	(504)	(210)	0	0	(714)
8	Total cost of sales	(404)	(18,350)	(1,415)	0	0	(20,169)
9	Gross profit (3+8)	3,266	30,913	666	311	0	35,156
10	Other income	2,053	3,099	0	0	3	5,155
11	Costs for services	(291)	(2,696)	(399)	(144)	(675)	(4,205)
12	Rent and Leasing	(42)	(93)	(12)	(2)	(84)	(233)
13	Payroll costs	(3,804)	(8,478)	(584)	(263)	(2,373)	(15,502)
14	Other operating costs	(73)	(207)	(48)	(15)	(311)	(654)
15	Total operating costs	(4,210)	(11,474)	(1,043)	(424)	(3,443)	(20,594)
16	Gross operating margin (EBITDA) (9+10+15)	1,109	22,538	(377)	(113)	(3,440)	19,717
17	Depreciation and amortization	(897)	(6,174)	(71)	(24)	(425)	(7,591)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	(53)	0	(5)	(58)
20	Impairment reversal	0	5	0	0	153	158
21	Total depreciation, amortization and impairment	(897)	(6,169)	(124)	(24)	(277)	(7,491)
22	Operating margin (EBIT) (16+21)	212	16,369	(501)	(137)	(3,717)	12,226

Consolidated statement of profit and loss by operating segment at December 31st, 2020

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

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

Video games developed by external studios are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights. The label used for worldwide publishing is 505 Games. A minor video games label, Hook S.r.l., publishes lower-budget projects.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which controls 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. 505 Games Interactive (US) Inc. provides production services on behalf of 505 Games S.p.A. The progressive digitalization of the market and the consequent centralization of sales limited the French, German and Spanish subsidiaries' operations to local marketing and PR activities.

The following companies are also included within the Premium Games segment:

- the Italian company Kunos Simulazioni S.r.l., which develops and publishes the Assetto Corsa video games;
- the Dutch company Rasplata B.V. (60%) that owns an intellectual property currently under development;
- the Czech company Ingame Studios a.s. (60%), a Brno-based studio developing the video game based on the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., an Italian development studio with a team of around eleven people;
- the Italian company Supernova Games Studios. Based in Milan, the studio was incorporated during the previous fiscal year;
- the Canadian company Chrysalide Jeux et Divertissement Inc. incorporated in June 2021. The company (75% of which is held by the Group) is currently prototyping a brand-new video game.

In the previous year, MSE & DB S.L., a joint venture under the Spanish law, was set up with the development studio Mercury Steam S.l. in order to jointly create a new intellectual property.

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

Worldwide Free to Play publishing is operated by 505 Mobile S.r.l., together with the U.S. company 505 Mobile (US) Inc. (which provides consulting services to Group companies) and the UK company DR Studios Ltd. which is a developer of Free to Play video games and Hawken Entertainment Inc..

The Australian 505 Games Pty Ltd. was incorporated during the previous fiscal year. In January 2021 it acquired 100% of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of the Puzzle Quest and Gems of War video games and provide continuous support to the video games.

The label used for publishing on a worldwide basis is 505 Games Mobile.

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

The operations are run by the parent company, Digital Bros S.p.A., under the Halifax brand, and by the subsidiary Game Entertainment S.r.l..

Other Activities: the operating segment considers all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses The Group also holds a 60% stake in the UK company Seekhana Ltd..

Holding: this includes all the corporate functions provided by Digital Bros S.p.A. in finance, management control and business development activities. The holding company has also been supported by Digital Bros China Ltd., Digital Bros Asia Pacific (HK) Ltd and 505 Games Japan K.K. which have operated as business developers for the Asian markets. Digital Bros Holdings Ltd. has been inactive during the period.

Information by geographical area

Gross revenue broken down by geographical area is detailed below:

Euro thousand	December 31st, 20		December 31st, 20		Change	
Europe	8,4	15	14,8	18	(6,3)	-42.9
Americas	39,0	70	57,5	70	(18,4)	-32.1
Rest of the world	5,4	10	6,8	8	(1,3)	-19.8
Total foreign revenue	53,0	95	79,2	96	(26,2)	-33.1
Italy	2,5	5	3,1	4	(6)	-20.9
Total consolidated gross revenue	55,5	100	82,3	100	(26,8)	-32.6

Foreign revenue represented 95% of consolidated gross revenue in sync with the 96% in the previous year and decreased by Euro 26,204 thousand compared to December 31st, 2020.

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

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 49,348 thousand i.e., 93% of total foreign revenue.

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

Euro thousand	December 31st, 2021		December 31st, 2020		Change	
Free to Play	3,670	7%	4,483	6%	(813)	-18.1%
Premium Games	49,348	93%	74,739	94%	(25,391)	-34.0%
Total gross foreign revenue	53,018	100%	79,222	100%	(26,204)	-33.1%

8. RELATED PARTY TRANSACTIONS

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

Intercompany transactions

Intercompany transactions have already been described in section 10 of the First Half Report.

Other related parties

Other related party transactions were:

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

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

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

Euro thousand	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	0	0	(69)	0	6	(180)
Matov Imm. S.r.l.	0	635	0	(3,593)	0	(380)
Matov LLC	0	131	0	(418)	0	(226)
Total	0	766	(69)	(4,011)	6	(786)

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

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

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

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

During the period, Digital Bros S.p.A. paid Matov Imm S.r.l. rent totaling Euro 350 thousand for its Milan office premises.

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

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

Tax consolidation

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.

9. ATYPICAL OR UNUSUAL TRANSACTIONS

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

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

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

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period July 1st, 2021 – December 31st, 2021. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group at December 31st, 2021:
 - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19th, 2002;
 - b) reflect the accounting books and records;
 - c) give a true and fair view of the results and financial position of the issuer and of the entities included in the consolidation;
2. the First Half Report accompanying the consolidated financial statements includes a reliable analysis of the results, as well as a description of the main risks and uncertainties to which Digital Bros S.p.A. and the consolidated entities are exposed.

Milan, March 8th, 2022

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe