



Half year condensed financial statements as of December 31st, 2023

(First half of the fiscal year 2023/2024)

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy
VAT number 09554160151

Share Capital: Euro 6.024.334,80 of which Euro 5.706.014,80 subscribed
Milan Companies House no. 290680-Vol. 7394 Chamber of Commerce no. 1302132

This report is available on the Company's website www.digitalbros.com Investor Relations /
Financial Documents section

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

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE STRUCTURE

Board of Directors

Name	Office		Risk & Control Committee	Remuneration Committee	Nomination Committee
Carlotta Ilaria D'Ercole	Director	I	M	M	P
Abramo Galante	Chairman and CEO	E			
Davide Galante	Director	NE			
Raffaele Galante	CEO	E			
Susanna Pedretti	Director	I	M	P	M
Stefano Salbe ⁽¹⁾	Director	E			
Laura Soifer ⁽²⁾	Director	I	P	M	M
Dario Treves	Director	E			

Key:

E: Executive Director	P: President of the Committee
NE: Non-Executive Director	M: Member of the Committee
I: Independent Director	

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

⁽²⁾ Lead Independent Director

Board of Statutory Auditors

Name	Office
Maria Pia Maspes	Statutory auditor
Pietro Piccone Ferrarotti	Statutory auditor
Paolo Villa	Chairman
Andrea Serra	Substitute statutory auditor
Stefano Spiniello	Substitute statutory auditor

The Shareholders' Meeting held on October 27th, 2023 appointed the Board of Directors and the Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will expire on the Shareholders' Meeting which will approve the financial statements as of June 30th, 2026. On January 24th, 2024, the Group's Director Lidia Florean sadly passed away. The Board of Directors is now composed of eight members, pending the decision about the co-option of a new Board member.

On October 27th, 2023, the Shareholders' Meeting appointed Abramo Galante as Chairman of the Board of Directors. On November 9th, 2023, the Board of Directors appointed Abramo Galante and Raffaele Galante as Chief Executive Officers. The Chief Executive Officers received appropriate powers of attorney.

On August 7th, 2007, the Board of Directors appointed the 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., based in Via Meravigli 12, Milan, as auditors of the Group consolidated annual and half year financial statements and Digital Bros S.p.A. annual financial statements until the approval of the financial statements as of September 30th, 2030.

Other information

The publication of Digital Bros Group's Interim Report as of September 30th, 2023 was authorized by a resolution of the Board of Directors on November 9th, 2023.

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

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

The Group develops some video games through its internal studios. Video games developed by external studios are usually either acquired through an exclusive license or assigned to the Group with long-term worldwide rights.

The label used for worldwide publishing is 505 Games. A second label, Hook, publishes budget video games.

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which coordinates the operating segment, together with 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. Hook S.r.l. publishes budget videogames. 505 Games Interactive (US) Inc. provides consultancy services on behalf of 505 Games S.p.A..

The following studios are also incorporated in the Premium Games segment:

- the Italian company Kunos Simulazioni S.r.l., which developed and published the Assetto Corsa and the Assetto Corsa Competizione video games;
- the Czech company Ingame Studios a.s. a Brno-based studio acquired in charge of the development of Crime Boss: Rockay City. In July 2021 Digital Bros first acquired 60% of the company, while in July 2023 the Group finalized the acquisition of the remaining 40%;
- the Italian company Avantgarden S.r.l., a development studio based in Milan;
- the Italian company Supernova Games Studios S.r.l., a development studio based in Milan;
- the Canadian company Chrysalide Jeux et Divertissement Inc. (75% held by the Group) which is currently developing a brand-new video game.

A Spanish joint venture, MSE & DB S.L., was set up together with the development studio MercurySteam Entertainment S.L. in order to jointly create a new intellectual property.

Free to Play: main operations consist of the development and publishing of video games and/or applications that are available for free on digital marketplaces with in-app purchases features. Free to Play video games usually presents less technical complexity than Premium video 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 consultancy services to Group companies, the UK company DR Studios Ltd. which is the developer of Free to Play video games and Hawken Entertainment Inc..

In January 2021, the Australian company 505 Games Australia Pty Ltd. acquired 100% of the shares of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own the intellectual property of the video games Puzzle Quest and Gems of War and provide the live support to such products.

In July 2022, 505 Games Mobile S.r.l. acquired 100% of D3Publisher of America Inc., now 505 Go Inc., an American publisher of Free to Play video games, including spin-offs of the Puzzle Quest series.

The labels used for Free to Play worldwide publishing are 505 Mobile and 505Go!.

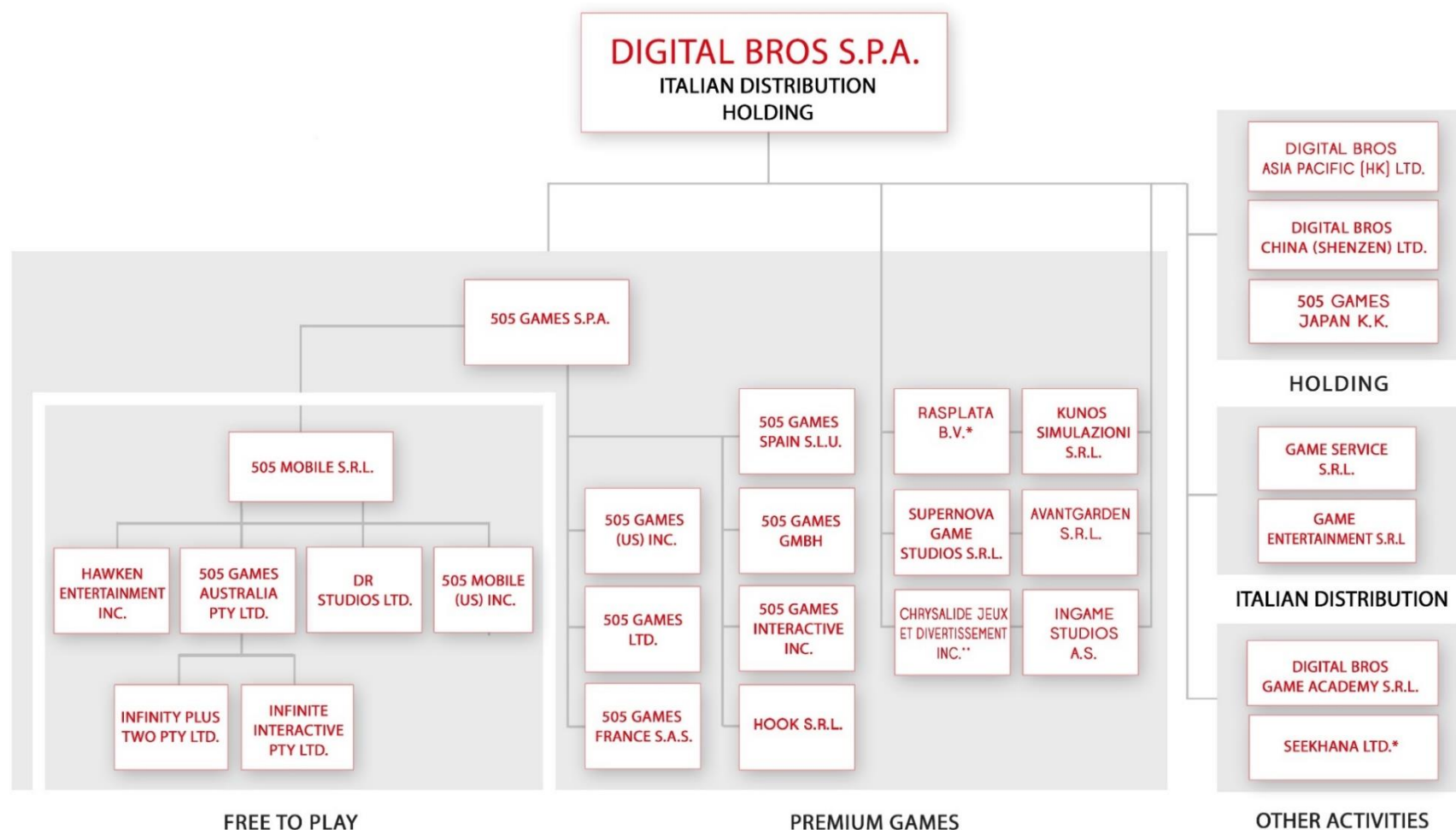
Italian Distribution: consists of the distribution in Italy of video games purchased from international publishers. The operations are run by the Parent Company, Digital Bros S.p.A., under the Halifax brand.

Other Activities: all Group's remaining activities are consolidated together for reporting purposes under the Other Activities operating segment. 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: includes all the corporate functions provided by Digital Bros S.p.A. in finance, control and business development activities. The holding company has 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. and Seekhana Ltd. which are controlled with a 60% interest and Chrysalide Jeux et Divertissement Inc. with a 75% interest.

The organization chart of the operating companies as of December 31st, 2023 was as follows:



[*] 60% INTEREST
 [**] 75% INTEREST

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

Company	Address	Activity
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Chrysalide Jeux et Divertissement Inc. ⁽²⁾	300 Rue Saint Paul – Bureau 410, Quebec City, Canada	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (Milan)	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.	403 Silbury Boulevard, 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.	333 Collins 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.	403 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
505 Go Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	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.	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.	333 Collins Street, Melbourne Victoria, Australia	Offices
Infinite Interactive Pty Ltd.	333 Collins Street, 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⁾	403 Silbury Boulevard, 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. and Seekhana Ltd. are held at 60%. Chrysalide Jeux et Divertissement Inc. is held at 75%. They have been incorporated into the consolidated financial statements through full consolidation method, acknowledging the proportion of net equity and operating results belonging to minority shareholders.

2. MAIN INTELLECTUAL PROPERTIES OWNED BY THE GROUP



First launched in 2014, Assetto Corsa is a car racing simulator, developed by the internal studio Kunos Simulazioni S.r.l..

Assetto Corsa faithfully recreates the performance and the driving experience of real cars, replicating tyre grip, aerodynamic impact, engine parameters as well as different weather conditions. Nearly one hundred cars are available to choose from, reproduced in collaboration with the most prestigious automotive manufacturers, and that can be driven on legendary circuits including Silverstone, Monza, Nürburgring-Nordschleife, Barcelona, Brands Hatch, Spa Francorchamps. All circuits are recreated using Laser Scan technology so that each bump, curb and slope is a perfect match to the real counterpart. Assetto Corsa can be played in fully customizable single player and multiplayer modes including quick races, race weekends and free practice sessions, qualifying session and race day.

Launched in 2018, Assetto Corsa Competizione is the official Blancpain GT World Challenge video game and the official video game of FIA Motorgames Esport Tournament.

The second version of Assetto Corsa is currently in development and its launch is scheduled for Summer 2024.

Since launch, the Assetto Corsa franchise has generated revenues exceeding Euro 128 million with over 10 million copies sold.



Developed by the Czech studio Ingame Studios S.r.l., Crime Boss: Rockay City is a first-person shooter video game, set in the thriving metropolis of Rockay City during the Nineties. Find a few familiar faces there too: from the charismatic Travis Baker (Michael Madsen) and his team (Michael Rooker, Kim Basinger, Danny Glover and Damion Poitier) to rival gang bosses (Danny Trejo and Vanilla Ice). Play as Baker as he builds his empire using strategy, cunning and a little fire power to carry out heists and take territory from rival gangs. Winning the turf war won't be easy though: rival gangs will try to take the city for themselves, and Sheriff Norris (Chuck Norris) will stop at nothing to bring all criminals to justice. Stealing everything from cash and drugs, through to priceless artifacts is more fun with accomplices: jump into the co-op multiplayer and take on thrilling hits and heists with up to four players.

Crime Boss: Rockay City launched exclusively on Epic on March 28th, 2023. Console versions were released in June 2023, while the PC version on Steam will launch in June 2024.



Developed by the Polish studio One More Level, Ghostrunner is a first-person cyberpunk action slasher videogame set in a grim dystopic future. Players assume the role of an android ninja ascending the Dharma Tower, an ominous neon tower built by the Architect, who died mysteriously years ago, and representing the last bastion of humanity, torn by violence, poverty, and class inequality. Players must fight their way to the top of the structure to bring down the tyrannical Keymaster and avert humanity's extinction.

Since its launch in October 2020, Ghostrunner became a successful title, selling over one million copies worldwide. The second version, Ghostrunner 2 launched during the second quarter of this fiscal year.



Developed by the Australian studio Infinity Plus Two acquired by the Group in January 2021, Gems of War is a Free to Play mash-up/puzzle/RPG video game first launched in 2014 and available on mobile, Steam, console and Nintendo Switch.

Embark on an epic journey across the realms Krystara where heroes can take on a world of adventure unlike any other: battle enemies matching gems to power and cast spells, and matching skulls to smite the enemies. Then take the spoils of war and forge a mighty empire.

Since its launch, Gems of War has generated revenues exceeding Euro 33 million.



Developed by the Australian studio Infinity Plus Two acquired by the Group in January 2021, Puzzle Quest 3 is an all-new instalment to the globally renowned puzzle-RPG franchise, first launched in 2007 and with successful spin-offs published by the newly acquired 505 Go Inc..

Puzzle Quest 3 is a Free to Play videogame available on mobile and Personal Computer. The console launched in Q4 of FY23.

The game's intellectual property is owned by Digital Bros Group and it is used for the videogame published by the American 505 Go!.

Intellectual properties co-owned by the group or for which the group holds licensing rights for more than ten years



Developed by the Japanese studio Rabbit & Bear Studios, Eiyuden Chronicle – Hundred Heroes is a new JRPG with a hybrid art style that mixes pixel art with a modern 3D world in which players can interact with over a hundred different characters and creatures, in magical realm of Allraan, a tapestry of nations with different cultures and values. By dint of sword, and by way of magical objects known as “rune-lenses,” the land’s history has been shaped by the alliances and aggressions of the humans, beastmen, elves, and desert people who live there. The Galdean Empire has edged out other nations and discovered a technology that amplifies the rune-lenses’ magic. Now, the Empire is scouring the continent for an artifact that will expand their power even further.

The development of Eiyuden Chronicle - Hundred Heroes has been partially funded through the largest Kickstarter crowdfunding of 2020, raising a total of JPY 482 million (approximately USD 4.6 million). The Group expects to generate over Euro 30 million lifetime revenues. In May 2022, the Group launched Eiyuden Chronicle – Rising, the prequel to Hundred Heroes with characters, items and features transferable to Hundred Heroes.

Eiyuden Chronicle – Hundred Heroes is scheduled to launch on all platforms on April 23rd, 2024. Its intellectual property is shared between the Group and the Japanese studio Rabbit & Bear.

3. THE 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 growth achieved by the video game industry during the pandemic created an overall optimism and most competitors entered into new productions, also increasing the average investment per game. In 2023, a record 50,000 new video games were launched within a very competitive marketplace, making it harder to meet the expected volume and revenue targets. Most players in the market had to reconsider their strategies in terms of portfolio investments and marketing spending to facing this competitive environment. As a result, an extensive number of layoffs, studios closures and the cancellation of new projects were announced starting from the second half of 2023, until today.

The market is constantly evolving and growing driven by the continuous technological upgrades. Gaming is no longer limited to personal computers and traditional consoles (Sony, Microsoft and Nintendo), but has expanded to mobile phones and tablet devices. High-speed connectivity, fiber optic networks and smart phones have made video games increasingly diversified, sophisticated and interactive and have expanded the gaming population to adults and women. Streaming gaming is also becoming increasingly popular.

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

Video games are sold through digital marketplaces, however highly popular and high-quality video games are also distributed through the traditional retail channels. 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 vastly common for a highly popular video game to be turned into a movie, TV series etc..

Even if developers sometimes retain the intellectual property, they often assign the rights to an international video game publisher for a contractually defined period of time. Therefore, publishers are key in the value chain: they are essential to the completion of the video game, in building and fostering the video game community and its international distribution through their direct or indirect commercial networks.

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

Publishers

The publisher is responsible for the launch of the video game, defines the global commercial policy, studies the product strategic positioning and 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 through which the video game is played. Sony produces the Sony PlayStation, Microsoft the Microsoft Xbox and Nintendo the Nintendo Switch. In case of physical distribution, the console manufacturer reproduces the physical disk on behalf of the publishers. The console manufacturer can also operate as a video game publisher.

Distributors

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

Retailers

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

Console manufacturers have created marketplaces where video games can be directly purchased in a digital format without involving a distributor or retailer. In this case, as for personal computers, smartphone and tablet video games, the value chain involves a lower number of players, as illustrated below:



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

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

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

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

4. ALTERNATIVE PERFORMANCE RATIOS

The Group relies on specific key performance ratios to simplify the comprehension of the consolidated profit and loss statement and balance sheet.

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

- Gross profit, being the difference between net revenue and total cost of sales;
- EBITDA, being the difference between gross profit, other income and total operating costs plus other income;

- EBIT, being the difference between EBITDA and total depreciation, amortization and impairment adjustments.

The balance sheet ratio net financial position is detailed in section 5 of the Explanatory Notes.

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

5. SEASONALITY EFFECTS

Market seasonality is influenced by the launch of highly anticipated and popular products. The launch of a successful video game in a certain period may create significant revenue increases between quarters, as sales are concentrated in the first few days from the release especially if supported by dedicated marketing campaigns.

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 from a 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 the shipment of the product to the distributor/retailer, regardless of when the final sale to the end consumer effectively occurs.

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

The significant reduction in physical distribution revenues as a percentage of total consolidated revenues resulted in a lower volatility of the financial position.

6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The significant events occurred during the reporting period are listed below:

- The Shareholders' Meeting held on October 27th, 2023 appointed the Board of Directors and the Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will expire on the Shareholders' Meeting which will approve the financial statements as of June 30th, 2026.
- On November 14th, 2023, having reconsidered the number of projects under development to adapt to the new competitive scenario, the Group announced an organizational review that represents a reduction of approximately 30% of its global workforce, predominantly within its development studios and, to a lesser extent, in its publishing units, both Premium and Free to Play.

Relationship with Starbreeze and Starbreeze shareholders

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

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze against a payment of USD 30 million and an earn-out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3. At the end of the reporting period, the earn-out was not accounted for and has been considered as a contingent asset;
- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

The OVERKILL's The Walking Dead unsucces created financial problems to Starbreeze, 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 successfully completed the restructuring process and presented a payment plan to its creditors.

In January and February 2020, the Group conducted the following transactions:

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze 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 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 approximately SEK 215 million issued by Starbreeze 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 STAR B shares, at the current conversion ratio. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share following the share capital increase conducted by Starbreeze in September 2020. Should it not be fully or even partially converted, the bond will be repaid based on the terms of payment approved by the Swedish District Court and no later than December 2024;
 - b) a receivable of around SEK 165 million for a consideration of Euro 100 thousand. This credit fell under the Starbreeze restructuring process and provided for repayment based on the terms of payment approved by the Swedish District Court and no later than December 2024;
 - c) 3,601,083 Starbreeze STAR A shares and 6,018,948 Starbreeze STAR B shares for a total amount of Euro 2.2 million.

On April 28th, 2023, Starbreeze announced a rights issue of approximately Swedish Kronor ("SEK") 450 million. Digital Bros Group has committed to:

1. underwrite the pro-rata share of the rights issue, corresponding to approximately SEK 54 million;
2. underwrite an incremental commitment for a maximum of SEK 100 million of unsubscribed rights, following the capital increase process;
3. convert the total outstanding convertible loan of approximately SEK 215 million held by Digital Bros in Starbreeze B shares within 30 days from the closing of the capital increase process and after having received the recalculation of the revised conversion price.

As part of the overall agreement, Starbreeze has committed to using the proceeds from the capital increase primarily for the payment of the credit of SEK 150 million to Digital Bros, originally amounting to SEK 165 million, and net of the effective use of the commitment described at point 2).

On July 3rd, 2023, the Group successfully received its credit of 150 million SEK. On the same date, 3.3 million multiple-vote Starbreeze A shares were subscribed (equivalent to approximately 2.5 million Swedish Kronor) as a result of the guarantee provided for the unsubscribed options.

On July 10th, 2023, the Company requested the conversion of approximately 29.5 million multiple-vote Starbreeze A shares into single-vote Starbreeze B shares. This process was carried out to reduce its voting stake, in order to comply with EU regulations on mandatory takeover bids and in response to conversion requests from other Starbreeze shareholders and to comply with EU regulations, while also weighing in the effects of subsequent conversion of convertible bonds.

On July 19th, 2023, the Company requested the full conversion of the convertible bond, into 148.3 million Starbreeze B shares.

As of March 13th, 2024, after additional conversions of multiple-vote shares into single-vote shares carried out by various shareholders, the Group now holds 87 million Starbreeze A shares and 223.4 million Starbreeze B shares. This accounts for 21% of the total capital and 38.8% of voting rights.

The Group assesses to have no significant influence over Starbreeze, considering its governance structure, and despite the ongoing contractual relationships and the stake held in the Swedish company. Consequently, it has recognized its shares as other investments, as it has in previous periods. Adjustments to this classification and valuation will be performed if any substantial changes in the relationship between the two groups will occur.

7. CONSOLIDATED PROFIT AND LOSS STATEMENT AT DECEMBER 31ST, 2023

Euro Thousand		December 31 st , 2023		December 31 st , 2022		Change	
1	Gross revenue	47,134	100.1%	59,837	100.1%	(12,703)	-21.2%
2	Revenue adjustments	(34)	-0.1%	(46)	-0.1%	12	-26.6%
3	Net revenue	47,100	100.0%	59,791	100.0%	(12,691)	-21.2%
4	Purchase of products for resale	(1,522)	-3.2%	(1,538)	-2.6%	16	-1.0%
5	Purchase of services for resale	(5,092)	-10.8%	(4,364)	-7.3%	(728)	16.7%
6	Royalties	(9,321)	-19.8%	(13,864)	-23.2%	4,543	-32.8%
7	Changes in inventories of finished products	80	0.2%	(422)	-0.7%	502	n.m.
8	Total cost of sales	(15,855)	-33.7%	(20,188)	-33.8%	4,333	-21.5%
9	Gross profit (3+8)	31,245	66.3%	39,603	66.2%	(8,358)	-21.1%
10	Other income	6,225	13.2%	7,971	13.3%	(1,746)	-21.9%
11	Costs for services	(5,973)	-12.7%	(7,343)	-12.3%	1,370	-18.7%
12	Rent and leasing	(250)	-0.5%	(309)	-0.5%	59	-19.1%
13	Payroll costs	(20,847)	-44.3%	(20,567)	-34.4%	(280)	1.4%
14	Other operating costs	(723)	-1.5%	(778)	-1.3%	55	-7.1%
15	Total operating costs	(27,793)	-59.0%	(28,997)	-48.5%	1,204	-4.2%
16	Gross operating margin (EBITDA) (9+10+15)	9,677	20.5%	18,577	31.1%	(8,900)	-47.9%
17	Depreciation and amortization	(14,443)	-30.7%	(7,463)	-12.5%	(6,980)	93.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(779)	-1.7%	(580)	-1.0%	(199)	34.4%
20	Impairment reversal	896	1.9%	813	1.4%	83	10.2%
21	Total depreciation, amortization and impairment adjustments	(14,326)	-30.4%	(7,230)	-12.1%	(7,096)	98.2%
22	Operating margin (EBIT) (16+21)	(4,649)	-9.9%	11,347	19.0%	(15,996)	n.m.
23	Interest and financial income	1,389	2.9%	7,535	12.6%	(6,146)	-81.6%
24	Interest and financial expenses	(2,568)	-5.5%	(3,728)	-6.2%	1,160	-31.1%
25	Net interest income/(expenses)	(1,179)	-2.5%	3,807	6.4%	(4,986)	n.m.
26	Profit/ (loss) before tax (22+25)	(5,828)	-12.4%	15,154	25.3%	(20,982)	n.m.
27	Current tax	425	0.9%	(4,247)	-7.1%	4,672	n.m.
28	Deferred tax	(1,017)	-2.2%	74	0.1%	(1,091)	n.m.
29	Total taxes	(592)	-1.3%	(4,173)	-7.0%	3,581	n.m.
30	Net profit/loss	(6,420)	-13.6%	10,981	18.4%	(17,401)	n.m.
	attributable to the shareholders of the Parent Company	(3,697)	-7.8%	11,291	18.9%	(14,988)	n.m.
	attributable to non-controlling interests	(2,723)	-5.8%	(310)	-0.5%	(2,413)	n.m.
	Earnings per share:						
33	Basic earnings per share (in Euro)	(0.26)		0.79		(1.05)	n.m.
34	Diluted earnings per share (in Euro)	(0.25)		0.77		(1.02)	n.m.

During the first half of the current fiscal year, Digital Bros implemented a strategic review of its operations in accordance with the latest market conditions, reviewing its pipeline and organizational structure accordingly. Releasing new games in the current market is more challenging than ever before, consumers are tending to play the same games for longer, rather than spending time on new and different gaming experiences, further attracting gamers to new releases requires greater investments in marketing than in the past.

Following the optimism resulting from the growth achieved across the whole video game industry during the pandemic, the Group implemented a significant investment plan, in line with most of its competitors. In 2023, a record number of new video games were launched within a very competitive marketplace, making it harder to meet the expected volume and revenue targets, requiring the Group to review its publishing strategy.

The review of the Group's pipeline was based upon the expected return on investment of each title, prioritizing high margin titles with greater revenue predictability, as well as owned Intellectual Properties to leverage on their long-term value creation for the Group. As a result, the Group reduced a number of lower budgets projects but also some larger budget titles with lower expected margins for the Group and with longer development periods, such as the new releases within the Control franchise.

Due to the reduction of the overall number of titles, the Group reduced its workforce accordingly. This reduction also reflects the lower number of staff required by the internal studios after the launch of Crime Boss Rockay City and Puzzle Quest 3, which have both transitioned to their live support phase.

The reorganization plan started in the second quarter of FY24, with some additional impact expected in Q3. The restructure will deliver improved profit margin for the Group within the fourth quarter of the current fiscal year and will ensure the long-term sustainability of the Group's structure.

The Group's total workforce went from 435 people as of June 30th, 2023, to 376 as of December 31st, 2023. The total cost of the restructuring plan as of December 31st, 2023, amounted to Euro 846 thousand, which is expected to be fully offset by the savings that the Group expects to achieve within the current fiscal year. At the end of February 2024, the total number of employees further decreased to 311.

The Group's revenue amounted to Euro 47.1 million, down by 21.2% compared to the same reporting period of FY23, when the total revenue amounted to Euro 59.8 million, with Ghostrunner 2 as the only new release of the reporting period.

The net revenue for the Premium Games operating sector as of December 31st, 2023 was at Euro 35.9 million, representing 76.1% of total revenue, compared with the 75.9% recorded in the first half of FY23. Such result was spread across several intellectual properties, with the outstanding performance of the different versions of Assetto Corsa. The franchise developed by the fully owned studio Kunos Simulazioni generated Euro 12.2 million revenue in the reporting period.

The revenue from international markets accounted for 96% of total net revenue, while digital sales amounted to 90% of the total net revenue.

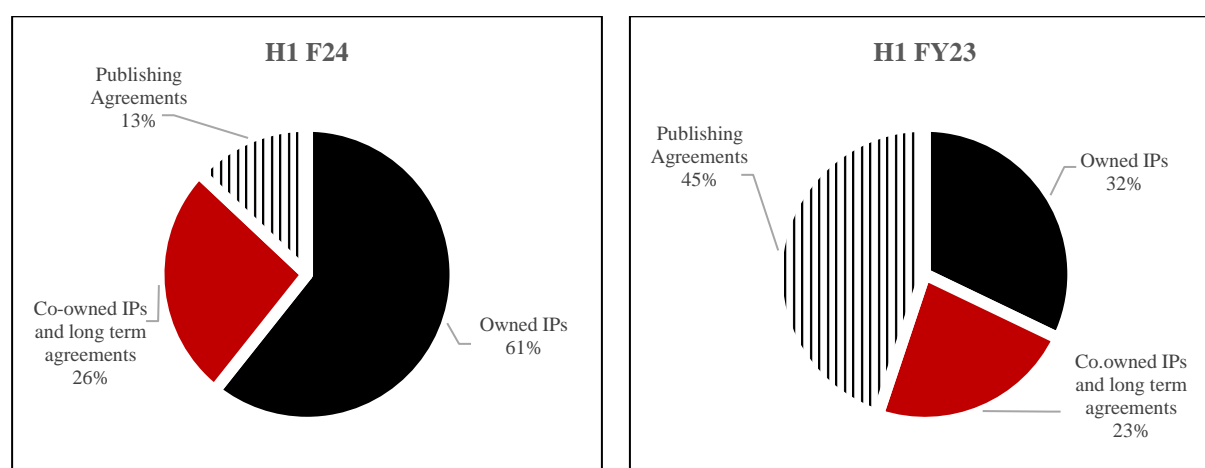
The breakdown of net revenue by operating segment for the period ended December 31st, 2023 compared to the period ended December 31st, 2022 is provided below:

Net revenue

Euro thousand	December 31 st . 2023	December 31 st . 2022	Change €	Change %
Premium Games	35,851	45,396	(9,545)	-21.0%
Free to Play	9,633	12,456	(2,823)	-22.7%
Italian Distribution	1,204	1,461	(257)	-17.6%
Other Activities	412	478	(66)	-13.8%
Total net revenue	47,100	59,791	(12,691)	-21.2%

Video games developed by the internal studios and based on fully owned intellectual properties (IPs) accounted for 61% of the total revenues for the operating segment from the 32% as of December 31st, 2022. This is in line with the ongoing transformation of the Group, with a strategy focusing on the owned IPs within its portfolio.

A breakdown of Premium Games revenue by the type of rights held by the Group as of December 31st, 2023 is provided below with comparative figures as of December 31st, 2022:



Net revenue for the Free to Play operating segment amounted to Euro 9,633 thousand, a 22.7% decrease from the Euro 12,456 thousand of September 31st, 2022.

The Italian Distribution revenue decreased by Euro 281 thousand, from Euro 1,507 thousand to Euro 1,226 thousand.

The total cost of sales amounted to Euro 15,855 thousand, a 21.5% decrease compared with the Euro 20,188 thousand of December 31st, 2022.

Gross profit decreased from Euro 39,603 thousand to Euro 31,245 thousand in the first six months of the current fiscal year.

Other income amounted to Euro 6,225 thousand, decreasing by Euro 1,746 thousand. The capitalization of internal studios development of video games included:

- the development the Free to Play game Hawken by the subsidiary DR Studios Ltd.;

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l, scheduled to launch in the next fiscal year;
- the development of a new video game. currently under production. by the subsidiary Chrysalide Jeux et Divertissement Inc..

The lower result of other income was due to the launch of Crime Boss: Rockay City by the subsidiary Ingame Studios, which was included in the same period of the previous fiscal year while it was still in the development phase.

The total operating costs amounted to Euro 27,793 thousand, decreasing from the Euro 28,997 thousand recorded in the first six months of the previous fiscal year. This item includes Euro 846 thousand, reflecting the restructuring costs for the period.

The gross operating margin (EBITDA) for the period amounted to Euro 9,677 thousand (Euro 10,523 thousand net of the non-current item), compared with the Euro 18,577 thousand realized as of December 31st, 2023.

Depreciation and amortization amounted to Euro 14,443 thousand, increasing by Euro 6,980 thousand, due to the launch of video games during the second half of the previous fiscal year.

The operating margin (EBIT) amounted to negative 4,649 thousand Euro, compared with the positive Euro 11,347 thousand of the first half of FY23.

The Net interest expense amounted to Euro 1,179 thousand compared to the net interest income of Euro 3,807 thousand realized in the first six months of the previous fiscal year. As of December 31st, 2022, this item included the fair value adjustment of the financial receivable purchased from Starbreeze, which was then fully collected on July 3rd, 2023.

The loss before tax for the period ended December 31st. 2023 amounted to Euro 5,828 thousand, compared to the Euro 15,154 thousand profit before tax as of December 31st, 2022.

The net loss for the period amounted to Euro 6,420 thousand, compared with the net profit of Euro 10,981 thousand as of December 31st, 2022, which is expected to be fully covered by the fiscal year-end. The net loss attributable to the Shareholders of the Parent Company amounted Euro 3,697 thousand.

The basic earnings per share and diluted earnings per share were negative for Euro 0.26 and Euro 0.25 respectively, compared to the positive Euro 0.79 and Euro 0.77 earnings per share as of December 31st. 2022.

The net loss attributable to non-controlling interests amounted to Euro 2,723 thousand, mainly increasing due to the loss recorded by the Dutch subsidiary Rasplata B.V..

8. CONSOLIDATED BALANCE SHEET AT DECEMBER 31ST, 2023

	Euro thousand	December 31, 2023	June 30, 2023	Change	
	Non-current assets				
1	Property, plant and equipment	8,641	9,613	(972)	-10.1%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	159,665	153,023	6,642	4.3%
4	Equity investments	13,562	11,400	2,162	19.0%
5	Non-current receivables and other assets	8,444	8,089	355	4.4%
6	Deferred tax assets	18,212	17,087	1,125	6.6%
7	Non-current financial activities	0	0	0	n.m.
	Total non-current assets	208,524	199,212	9,312	4.7%
	Current assets				
8	Inventories	3,435	3,355	80	2.4%
9	Trade receivables	13,174	14,104	(930)	-6.6%
10	Tax receivables	5,338	3,977	1,361	34.2%
11	Other current assets	9,783	23,790	(14,007)	-58.9%
12	Cash and cash equivalents	4,226	9,407	(5,181)	-55.1%
13	Other current financial assets	144	11,344	(11,200)	-98.7%
	Total current assets	36,100	65,977	(29,877)	-45.3%
	TOTAL ASSETS	244,624	265,189	(20,565)	-7.8%
	Shareholders' equity				
14	Share capital	(5,706)	(5,706)	0	0.0%
15	Reserves	(13,902)	(21,367)	7,465	-34.9%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(111,943)	(115,270)	3,327	-2.9%
	Equity attributable to the shareholders of the Parent Company	(131,551)	(142,343)	10,792	-7.6%
	Equity attributable to non-controlling interests	2,062	(1,375)	3,437	n.m.
	Total net equity	(129,489)	(143,718)	14,229	-9.9%
	Non-current liabilities				
18	Employee benefits	(978)	(911)	(67)	7.3%
19	Non-current provisions	(187)	(81)	(106)	0.0%
20	Other non-current payables and liabilities	(1,590)	(1,824)	234	-12.8%
21	Non-current financial liabilities	(6,191)	(11,285)	5,094	-45.1%
	Total non-current liabilities	(8,946)	(14,101)	5,155	-36.6%
	Current liabilities				
22	Trade payables	(47,776)	(46,837)	(939)	2.0%
23	Tax payables	(2,110)	(2,782)	672	-24.2%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(7,638)	(8,635)	997	-11.5%
26	Current financial liabilities	(48,665)	(49,116)	451	-0.9%
	Total current liabilities	(106,189)	(107,370)	1,181	-1.1%
	TOTAL LIABILITIES	(115,135)	(121,471)	6,336	-5.2%
	TOTAL NET EQUITY AND LIABILITIES	(244,624)	(265,189)	20,565	-7.8%

The total non-current assets increased by Euro 9,312 thousand, mainly due to the increase of intangible assets of Euro 6,642 thousand net of the depreciation of the period and as a result of the significant investment plan implemented by the Group after the pandemic period, now subject to revision. Equity investments increased by Euro 2,162 thousand, as detailed in paragraph 6 of this Report, “Relationship with Starbreeze and Starbreeze shareholders”.

The total current assets decreased by Euro 29,877 thousand compared to June 30th, 2022, mainly due to the lower amount of other current assets by Euro 14,007 thousand and the lower financial assets by Euro 11,200 thousand, following the collection of the receivables from Starbreeze AB and from the conversion of the bond loan from the Swedish developer.

The total non-current liabilities decreased by Euro 5,155 thousand compared to June 30th, 2023, while the total current liabilities decreased by Euro 1,181 thousand.

The following table details the Group’s net financial position as of December 31st, 2023 together with comparative figures as at June 30th, 2023:

Euro thousand		December 31, 2023	June 30, 2023	Change
12	Cash and cash equivalents	4,226	9,407	(5,181)
13	Other current financial assets	144	11,344	(11,200)
26	Current financial liabilities	(48,665)	(49,116)	451
	Current net financial position	(44,295)	(28,365)	(15,930)
7	Non-current financial assets	0	0	0
21	Non-current financial liabilities	(6,191)	(11,285)	5,094
	Non-current financial liabilities	(6,191)	(11,285)	5,094
	Total net financial position	(50,486)	(39,650)	(10,836)

The net financial debt is at Euro 50,486 thousand, in line with the previous quarter and better than forecasted. This represents a Euro 10,836 thousand increase with respect to the Euro 39,650 thousand as of December 31st, 2022, driven by the significant investment of the reporting period. Digital Bros will be able to manage its current liabilities generating the projected cash flow, which will also benefit from the corrective actions implemented by the Group (decrease in investment and reorganization plan).

The total net financial position, net of the IFRS16 effect, is negative at Euro 45,778 thousand.

9. FINANCIAL RATIOS

Key financial ratios are reported below:

Profitability ratios	December 31st 2023	December 31st 2022
ROE (Net profit / Net equity)	-2.8%	7.6%
ROI (Operating margin / Total assets)	-1.9%	4.2%
ROS (Operating margin / Gross profit)	-9.9%	19.0%

Structure ratios	December 31st 2023	December 31st 2022
Net working capital ratio (Current assets / Total assets)	14.8%	19.3%
Current ratio (Current assets / Current liabilities)	34.0%	53.6%
Quick ratio (Cash and cash equivalents and Other current assets / Current liabilities)	30.8%	49.7%

10. SEGMENT REPORTING

Premium Games

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Premium Games					
		December 31, 2023		December 31, 2022		Change	
1	Gross revenue	35,863	100.0%	45,396	100.0%	(9,533)	-21.0%
2	Revenue adjustments	(12)	0.0%	0	0.0%	(12)	n.m.
3	Net revenue	35,851	100.0%	45,396	100.0%	(9,545)	-21.0%
4	Purchase of products for resale	(565)	-1.6%	(459)	-1.0%	(106)	22.9%
5	Purchase of services for resale	(3,065)	-8.5%	(2,535)	-5.6%	(530)	20.9%
6	Royalties	(6,827)	-19.0%	(10,445)	-23.0%	3,618	-34.6%
7	Changes in inventories of finished products	57	0.2%	(239)	-0.5%	296	n.m.
8	Total cost of sales	(10,400)	-29.0%	(13,678)	-30.1%	3,278	-24.0%
9	Gross profit (3+8)	25,451	71.0%	31,718	69.9%	(6,267)	-19.8%
10	Other income	4,799	13.4%	6,085	13.4%	(1,286)	-21.1%
11	Costs for services	(3,205)	-8.9%	(4,206)	-9.3%	1,001	-23.8%
12	Rent and leasing	(57)	-0.2%	(45)	-0.1%	(12)	26.5%
13	Payroll costs	(12,714)	-35.5%	(11,887)	-26.2%	(827)	7.0%
14	Other operating costs	(403)	-1.1%	(445)	-0.6%	42	-9.5%
15	Total operating costs	(16,379)	-45.7%	(16,583)	-36.2%	204	-1.2%
16	Gross operating margin (EBITDA) (9+10+15)	13,871	38.7%	21,220	47.1%	(7,349)	-34.6%
17	Depreciation and amortization	(12,508)	-34.9%	(5,574)	-12.3%	(6,934)	124.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(779)	-2.2%	(565)	-1.2%	(214)	37.9%
20	Impairment reversal	889	2.5%	0	0.0%	889	0.0%
21	Total depreciation, amortization and impairment adjustments	(12,398)	-34.6%	(6,139)	-13.5%	(6,259)	n.m.
22	Operating margin (EBIT) (16+21)	1,473	4.1%	15,081	33.6%	(13,608)	-90.2%

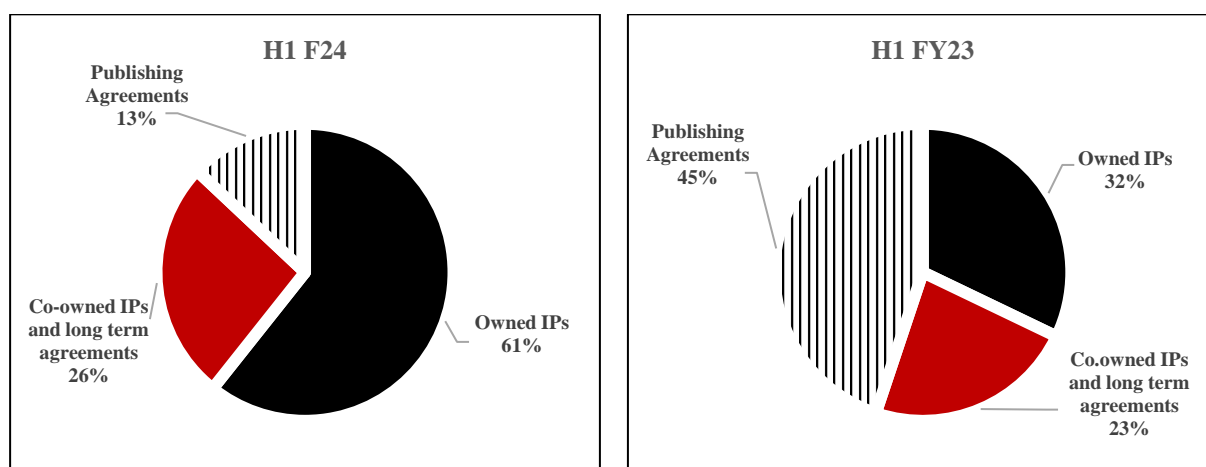
Releasing new games in the current market is more challenging than ever before, consumers are tending to play the same games for longer, rather than spending time on new and different gaming experiences, further attracting gamers to new releases requires greater investments in marketing than in the past. To reflect this, Digital Bros implemented a strategic review of its pipeline.

In the second half of the current fiscal year, the Group will launch sequels of previously successful games, as well as introducing new games coming from crowdfunding campaigns and backed by robust investments in marketing.

The Premium Games revenue as of December 31st, 2023, amounted to Euro 35,863 thousand, representing the 76.1% of the consolidated total revenues, compared to the 75.9% at December 31st, 2022. The revenue was spread across several back catalogue products, with the outstanding performance of the different versions of Assetto Corsa. The franchise developed by the fully owned studio Kunos Simulazioni generated Euro 12.2 million revenue in the reporting period.

Video games developed on Intellectual properties (IPs) owned by the Group accounted for 61% of the total revenue for the Premium Games operating segment, increasing from the 32% as of December 31st, 2022. This is in line with the ongoing transformation of the Group, with a strategy focused on the owned IPs within the portfolio.

A breakdown of Premium Games revenue by the type of rights held by the Group as of December 31st, 2023 is provided below with comparative figures as of December 31st, 2022:



A breakdown by type is provided below:

Euro thousand	December 31 st . 2023	December 31 st . 2022	Change	
Retail distribution revenue	2,031	1,568	463	29.5%
Digital distribution revenue	32,486	42,171	(9,685)	-23.0%
Sublicensing revenue	1,346	1,657	(311)	-18.8%
Total Premium Games revenue	35,863	45,396	(9,533)	-21.0%

Digital distribution revenue amounted to 91% of the operating segment net revenue.

Sub-licensing revenue reflected the sub-licensing of video game rights to publishers on markets where the Group does not operate directly. especially Far East markets. The revenue from the digital distribution for the period ended December 31st, 2023 may be broken down by console type as follows:

Euro thousand	December 31 st . 2023	December 31 st . 2022	Change	
Console	11,661	17,129	(5,468)	-31,9%
Personal Computer	18,666	23,070	(4,404)	-19,1%
Mobile	2,159	1,972	187	9,5%
Total digital distribution revenue	32,486	42,171	(9,685)	-23,0%

Net revenues were in line with the gross revenue trend.

The total cost of sales decreased by Euro 3,278 thousand, mainly due to lower royalties for Euro 3,618 thousand. The purchase of services for resale increased by Euro 530 thousand, because of the live support costs following the launch of the video game Crime Boss: Rockay City, which were not recorded in the previous fiscal year.

The gross profit amounted to Euro 25,451 thousand, decreasing by Euro 6,267 thousand compared to December 31st, 2022.

The other income amounted to Euro 4,799 thousand, decreasing by Euro 1,286 thousand. The capitalization of videogames developed by fully owned studios involved:

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l., scheduled to launch in the next fiscal year;
- the development of a new video game by the subsidiary Chrysalide Jeux et Divertissement Inc.

The lower amount of other income resulted from the launch of Crime Boss: Rockay City by Ingame Studios, which was classified in this line in the previous fiscal year while it was still in the development phase.

The total operating costs amounted to Euro 16,379 thousand, in line with the previous fiscal year. This is due to the decrease in the cost for services of Euro 1,001 thousand, partially offset by higher payroll costs by Euro 827 thousand, coming from the acquisitions and the establishment of internal development studios that increased the number of employees.

The gross operating margin (EBITDA) amounted to Euro 13,871 thousand, decreasing by Euro 7,426 thousand compared to Euro 21,297 thousand realized in the same reporting period of FY23.

Depreciation and amortization increased by Euro 6,934 thousand, due to the new games launched in the second half of FY23.

The operating margin (EBIT) amounted to Euro 1,473 thousand. compared to the Euro 15,081 thousand as of December 31st, 2022.

Free to Play

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Free to Play					
		December 31, 2023		December 31, 2022		Change	
1	Gross revenue	9,633	100.0%	12,456	100.0%	(2,823)	-22.7%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	9,633	100.0%	12,456	100.0%	(2,823)	-22.7%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(2,027)	-21.0%	(1,829)	-14.7%	(198)	10.8%
6	Royalties	(2,494)	-25.9%	(3,419)	-27.5%	925	-27.1%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(4,521)	-46.9%	(5,248)	-42.1%	727	-13.8%
9	Gross profit (3+8)	5,112	53.1%	7,208	57.9%	(2,096)	-29.1%
10	Other income	1,426	14.8%	1,886	15.1%	(460)	-24.4%
11	Costs for services	(1,432)	-14.9%	(1,685)	-13.5%	253	-15.0%
12	Rent and leasing	(70)	-0.7%	(122)	-1.0%	52	-42.5%
13	Payroll costs	(4,860)	-50.5%	(5,316)	-42.7%	456	-8.6%
14	Other operating costs	(55)	-0.6%	(102)	-0.8%	47	-46.0%
15	Total operating costs	(6,417)	-66.6%	(7,225)	-58.0%	808	-11.2%
16	Gross operating margin (EBITDA) (9+10+15)	121	1.3%	1,869	15.0%	(1,748)	-93.6%
17	Depreciation and amortization	(1,234)	-12.8%	(1,199)	-9.6%	(35)	2.9%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	813	6.5%	(813)	n.m.
21	Total depreciation, amortization and impairment adjustments	(1,234)	-12.8%	(386)	-3.1%	(848)	n.m.
22	Operating margin (EBIT) (16+21)	(1,113)	-11.6%	1,483	11.9%	(2,596)	n.m.

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

Euro thousand	December 31 st , 2023	December 31 st , 2022	Change	
505 Go Inc.	7,101	9,375	(2,274)	-24.3%
Gems of War	1,813	2,517	(704)	-28.0%
Puzzle Quest 3	445	166	279	168.1%
Other products	274	398	(124)	-31.2%
Total Free to Play revenue	9,633	12,456	(2,823)	-22.7%

The Free to Play revenue decreased by 22.7%, from the Euro 12,456 thousand as of December 31st, 2022 to the Euro 9,633 thousand as at December 31st 2023.

The revenue generated from video games distributed by the subsidiary 505 Go Inc. amounted to Euro 7,101 thousand, compared to the Euro 9,375 thousand generated in the first six months of the previous fiscal year.

Gems of War realized revenue for Euro 1,813 thousand. The game became part of the Group's intellectual properties portfolio following the acquisition of the Australian studio Infinity Plus Two in January 2021.

The total cost of sales decreased by Euro 727 thousand, driven by a contraction in the amount of royalties from 505 Go! Inc. videogames, partially offset by higher purchase of services for resale that amounted to Euro 198 thousand.

The other income decreased by Euro 460 thousand compared to December 30th, 2022, amounting to Euro 1,426 thousand, as a result of the video games developed by the Group's subsidiaries. The capitalization of own work resulting from videogame development carried out by fully owned studios mainly involved the development of the Free to Play videogame Hawken by the subsidiary DR Studios Ltd..

The total operating costs amounted to Euro 6,417 thousand, decreasing by Euro 808 thousand compared to the first six months of the previous fiscal year, as a result of lower payroll costs by Euro 456 thousand and lower cost for services by Euro 253 thousand, mainly related to fewer advertising activities.

The gross operating margin (EBITDA) amounted to Euro 121 thousand (1.3% of the net revenue) decreasing by Euro 1,748 thousand compared to Euro 1,869 thousand as of December 31st, 2022.

The depreciation and amortization as of December 31st, 2023 amounted to Euro 1,234 thousand, which included Euro 880 thousand related to the portion of the goodwill for the Australian companies attributable to the reporting period, which was allocated to the Puzzle Quest brand at the time of the first consolidation. The remaining part relates to the IFRS 16 application to the rental agreements for DR Studios Ltd. and for the Australian companies, as well as the depreciation of the Group's intellectual properties for the reporting period.

The operating margin (EBIT) amounted to negative Euro 1,113 thousand compared to positive Euro 1,483 thousand as of December 31st, 2022.

Italian Distribution

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Italian Distribution					
		December 31 st . 2023		December 31 st . 2022		Change	
1	Gross revenue	1,226	101.8%	1,507	103.1%	(281)	-18.6%
2	Revenue adjustments	(22)	-1.8%	(46)	-3.1%	24	-52.2%
3	Net revenue	1,204	100.0%	1,461	100.0%	(257)	-17.6%
4	Purchase of products for resale	(957)	-79.5%	(1,079)	-73.8%	122	-11.2%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	23	1.9%	(183)	-12.6%	206	n.m.
8	Total cost of sales	(934)	-77.6%	(1,262)	-86.4%	328	-26.0%
9	Gross profit (3+8)	270	22.4%	199	13.6%	71	35.9%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(116)	-9.6%	(142)	-9.7%	26	-18.1%
12	Rent and leasing	(7)	-0.6%	(7)	-0.5%	0	1.8%
13	Payroll costs	(574)	-47.7%	(425)	-29.1%	(149)	35.3%
14	Other operating costs	(25)	-2.1%	(31)	-2.1%	6	-18.2%
15	Total operating costs	(722)	-60.0%	(605)	-41.4%	(117)	19.4%
16	Gross operating margin (EBITDA) (9+10+15)	(452)	-37.6%	(406)	-27.8%	(46)	11.4%
17	Depreciation and amortization	(71)	-5.9%	(72)	-4.9%	1	-1.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(15)	-1.0%	15	0.0%
20	Impairment reversal	7	0.6%	0	0.0%	7	0.0%
21	Total depreciation, amortization and impairment adjustments	(64)	-5.3%	(87)	-6.0%	23	-27.1%
22	Operating margin (EBIT) (16+21)	(516)	-42.9%	(493)	-33.8%	(23)	4.6%

The gross revenue from the Italian Distribution operating segment decreased by Euro 281 thousand, amounting to Euro 1,226 thousand compared to Euro 1,507 thousand as of December 31st, 2022. Breakdown by revenue type is provided below:

Euro thousand	December 31 st . 2023	December 31 st . 2022	Change	
Distribution of console video games	287	447	(160)	-35.8%
Distribution of trading cards	939	1,054	(115)	-10.9%
Distribution of other products and services	0	6	(6)	n.m.
Total Italian Distribution revenue	1,226	1,507	(281)	-18.6%

The distribution of console video games decreased by Euro 160 thousand while the distribution of trading cards slightly increased by Euro 115 thousand.

The total cost of sales amounted to Euro 934 thousand, decreasing by Euro 328 thousand compared to December 31st, 2022.

The total operating costs amounted to Euro 722 thousand, increasing by Euro 117 thousand compared to December 31st, 2022, due to the reorganization costs. As a result, the gross operating margin (EBITDA) remains negative for Euro 452 thousand compared to negative Euro 406 thousand as of December 31st, 2022. The EBIT was negative for Euro 516 thousand compared to negative Euro 493 thousand as of December 30th, 2022.

Other Activities

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Other Activities					
		December 31 st . 2023		December 31 st . 2022		Change	
1	Gross revenue	412	100.0%	478	100.0%	(66)	-13.9%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	412	100.0%	478	100.0%	(66)	-13.9%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	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)	412	100.0%	478	100.0%	(66)	-13.9%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(146)	-35.5%	(302)	-63.1%	156	-51.5%
12	Rent and leasing	0	-0.1%	(3)	-0.6%	3	0.0%
13	Payroll costs	(332)	-80.6%	(272)	-56.8%	(60)	22.2%
14	Other operating costs	(18)	-4.5%	(15)	-3.2%	(3)	19.1%
15	Total operating costs	(496)	-120.5%	(592)	-123.7%	96	-16.2%
16	Gross operating margin (EBITDA) (9+10+15)	(84)	-20.5%	(114)	-23.7%	30	-25.8%
17	Depreciation and amortization	(183)	-44.5%	(173)	-36.3%	(10)	5.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment adjustments	(183)	-44.5%	(173)	-36.3%	(10)	5.7%
22	Operating margin (EBIT) (16+21)	(267)	-64.7%	(287)	-60.0%	20	-7.1%

The revenue for the Other Activities operating sector decreased by Euro 66 thousand, while the operating costs decreased by Euro 96 thousand. The EBITDA was negative for Euro 84 thousand, compared to the negative Euro 114 thousand as of December 30th, 2022. The net loss was at Euro 267 thousand, compared to the previous operating loss of Euro 287 thousand as of December 30th, 2022.

Holding

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Holding					
		December 31 st . 2023		December 31 st . 2022		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	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	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	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(1,074)	0.0%	(1,008)	0.0%	(66)	6.5%
12	Rent and leasing	(116)	0.0%	(132)	0.0%	16	-11.7%
13	Payroll costs	(2,367)	0.0%	(2,667)	0.0%	300	-11.3%
14	Other operating costs	(222)	0.0%	(262)	0.0%	40	-15.4%
15	Total operating costs	(3,779)	0.0%	(4,069)	0.0%	290	-7.1%
16	Gross operating margin (EBITDA) (9+10+15)	(3,779)	0.0%	(4,069)	0.0%	290	-7.1%
17	Depreciation and amortization	(447)	0.0%	(445)	0.0%	(2)	0.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment adjustments	(447)	0.0%	(445)	0.0%	(2)	0.7%
22	Operating margin (EBIT) (16+21)	(4,226)	0.0%	(4,514)	0.0%	288	-6.4%

The total operating costs amounted to Euro 3,779 thousand, decreasing by Euro 290 thousand, mainly due to lower payroll costs resulting from the fact that the objectives set out by the medium and long-term incentive plan for 2021-2027 were not met. The operating margin (EBIT) was negative at Euro 4,226 thousand, compared to the negative Euro 4,514 thousand as of December 31st, 2022.

11. INTERCOMPANY AND RELATED PARTY TRANSACTION 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 referred to 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. about the products distributed on American markets.

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

505 Games (US) charged 505 Mobile S.r.l. the portion of general costs related to employees in production and marketing for the Free to Play operating segment.

Before the acquisition of DR Studios Ltd., there were already development and live support contracts in place for several video games with 505 Games S.p.A. and 505 Mobile S.r.l., which 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. charged 505 Games S.p.A. costs relating to business development activities on Asian markets.

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

AvantGarden S.r.l., signed a contract with 505 Games S.p.A. for the development of a video game, consisting of direct project costs plus a markup.

Supernova Games Studios S.r.l. entered a contract with 505 Games S.p.A. for the development of a videogame, which provides for the recharge of the direct project costs incurred plus a markup.

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

Before the acquisition of Ingame Studios a.s., there was already a contract in place with Rasplata B.V. for the development of Crime Boss: Rockay City which remained unchanged.

Ingame Studios a.s. entered a contract with 505 Games S.p.A. for the development of a videogame, which provides for the recharge of the direct project costs incurred plus a markup

505 Games France, 505 Games Spain Slu and 505 Games GmbH charged 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. charged Digital Bros Game Academy S.r.l. the cost of administrative, financial, legal and IT services incurred on its behalf and for the rent of the property located in Via Labus, Milan, the subsidiary's operational headquarters.

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

505 Games S.p.A. charged 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.

Rasplata B.V. charges 505 Games S.p.A. for royalties related to the publishing of Crime Boss: Rockay City, pursuant to the relative publishing agreement.

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

Before the acquisition of 505 Go Inc., there was already a contract in place with Infinite Interactive Pty. for the licensing of Puzzle Quest which remained unchanged.

Other minor transactions regarding financial, legal and general services are usually conducted 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 are 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 as at December 31st, 2023.

Transactions with other related parties

Related party transactions referred to:

- legal advisory services provided by the Executive Director Dario Treves;

- property leased by Matov Imm. S.r.l. to the Parent Company and to the subsidiary 505 Games France S.a.s.;
- property leased 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 balance sheet 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 fiscal year.

12. TREASURY SHARES

As of December 31st, 2023, Digital Bros S.p.A. did not hold any treasury shares and did not conduct any transactions in treasury shares during the reporting period. pursuant to Art. 2428(2) (3) of the Italian Civil Code.

13. OPERATIONAL RISKS. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

For further details on the management of operational and financial risks and financial instruments, please refer to the Directors' Report accompanying the Consolidated financial statements as of June 30th, 2023 as there were no significant changes during the period ended at December 31st, 2023.

14. CONTINGENT ASSETS AND LIABILITIES

As part of the deal finalized in May 2016 for the transferring of PAYDAY 2 rights to Starbreeze AB, Digital Bros is entitled to potentially receive up to USD 40 million in the form of 33% of Starbreeze's net revenue from the net sales of PAYDAY 3. In March 2021, the Swedish company announced a publishing deal with a major international publisher for the global release of PAYDAY 3.

Digital Bros did not recognise any amount related to this transaction in this Report, since neither the amount nor the timing of the earn-out have been defined yet. This complies with the criteria set out by international accounting standards and in line with the approach adopted in the previous fiscal years.

15. SUBSEQUENT EVENTS

On February 28th, 2024, 505 Games S.p.A. entered into an agreement with Remedy Entertainment to revert all publishing, distribution and marketing rights of the Control franchise to the Finnish developer, for a total repayment of minimum Euro 15.7 million, with a potential minor premium. This amount corresponds to the investment made to date by 505 Games for the development of the video games Condor and Control 2. 505 Games will continue as the exclusive publisher of Control until December 31st, 2024, executing the existing sublicensing deals under their original terms.

16. BUSINESS OUTLOOK

The Group's release schedule for the second half of this fiscal year includes:

- the launch of the Season 2024 pack for Assetto Corsa Competizione on April 1st, 2024. The official video game for the Fanatec GT World Challenge championship will feature the iconic Nürburgring Nordscheifle circuit for the first time;
- the launch of the new video game Eiyuden Chronicle - Hundred Heroes on April 23rd, for consoles, PC and the Microsoft Game Pass subscription platform;
- the release of the Steam version of Crime Boss: Rockay City, in June 2024.

No significant launches are expected in the Free to Play operating segment, which achieved good levels of revenue and margin following the acquisition of 505 Go Inc.. The focus for this operating segment is on extending the lifecycle of existing games, by improving their features and functionality.

The positive business outlook for the second half of FY24 will allow Digital Bros to achieve increased revenue at fiscal year-end and EBIT margin in line with the levels achieved at the end of FY23, benefitting from the new releases and lower payroll costs, especially from the last quarter onwards. The new releases are expected to be launched well ahead of the fiscal year-end, allowing for better visibility of our full year revenue and margins, unlike last year.

The Group is decreasing its level of investment expected in the second half of the current fiscal year, especially after having reverted the rights related to the Control franchise in February. Such reduction, together with the expected increase in sales, should lead to a significant improvement of the net financial position. At the end of FY24, the net financial position is expected to be at the same level as of June 30th, 2023.

The Group has an earn-out agreement for 33% of PAYDAY3's net revenues, capped at 40 million US dollars. The game was developed by Starbreeze and released on September 21st, 2023. As of today, Digital Bros is unable to assess the timing and the amount it will receive. If the game overperforms to trigger the earn-out in part or in full, it would result in a significant improvement in the Group's financial performance.

17. OTHER INFORMATION

EMPLOYEES

The following table details the number of employees as of December 31st, 2023 with comparative figures as of December 31st, 2022:

Category	December 31 st , 2023	December 31 st , 2022	Change
Managers	14	14	0
Office workers	357	385	(28)
Blue-collar workers and apprentices	5	5	0
Total employees	376	404	(28)

The decrease in the number of employees reflects the organizational review announced in November 2023, which will represent a 30% reduction in the global workforce. The predominant portion of such reduction was concentrated within the Group studios, while the reduction in the publishing units was marginal.

The following table reports the number of employees of non-Italian companies as at December 31st, 2023 with comparative figures as at December 31st, 2022:

Category	December 31 st , 2023	December 31 st , 2022	Change
Managers	8	9	(1)
Office workers	255	286	(31)
Total employees outside Italy	263	295	(32)

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

Category	Average no. in 2024	Average no. in 2023	Change
Managers	14	14	0
Office workers	394	378	16
Blue-collar workers and apprentices	4	5	(1)
Total employees	412	397	15

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

Category	Average no. in 2024	Average no. in 2023	Change
Managers	8	9	(1)
Office workers	289	280	9
Total employees	297	289	8

The 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.

ENVIRONMENTAL ISSUES

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

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

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

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Half year condensed financial statements
as of December 31st, 2023

FINANCIAL STATEMENTS

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Consolidated balance sheet as of December 31st. 2023

Euro thousand		December 31 st . 2023	June 30 th . 2023
	Non-current assets		
1	Property, plant and equipment	8,641	9,613
2	Investment properties	0	0
3	Intangible assets	159,665	153,023
4	Equity investments	13,562	11,400
5	Non-current receivables and other assets	8,444	8,089
6	Deferred tax assets	18,212	17,087
7	Non-current financial activities	0	0
	Total non-current assets	208,524	199,212
	Current assets		
8	Inventories	3,435	3,355
9	Trade receivables	13,174	14,104
10	Tax receivables	5,134	3,977
11	Other current assets	9,987	23,790
12	Cash and cash equivalents	4,226	9,407
13	Other current financial assets	144	11,344
	Total current assets	36,100	65,977
	TOTAL ASSETS	244,624	265,189
	Shareholders' equity		
14	Share capital	(5,706)	(5,706)
15	Reserves	(13,902)	(21,367)
16	Treasury shares	0	0
17	Retained earnings	(111,943)	(115,270)
	Equity attributable to the shareholders of the Parent Company	(131,551)	(142,343)
	Equity attributable to non-controlling interests	2,062	(1,375)
	Total net equity	(129,489)	(143,718)
	Non-current liabilities		
18	Employee benefits	(978)	(911)
19	Non-current provisions	(187)	(81)
20	Other non-current payables and liabilities	(1,590)	(1,824)
21	Non-current financial liabilities	(6,191)	(11,285)
	Total non-current liabilities	(8,946)	(14,101)
	Current liabilities		
22	Trade payables	(47,776)	(46,837)
23	Tax payables	(2,110)	(2,782)
24	Short term provisions	0	0
25	Other current liabilities	(7,638)	(8,635)
26	Current financial liabilities	(48,665)	(49,116)
	Total current liabilities	(106,189)	(107,370)
	TOTAL LIABILITIES	(115,135)	(121,471)
	TOTAL NET EQUITY AND LIABILITIES	(244,624)	(265,189)

Consolidated profit and loss statement for the period ended December 31st. 2023

	Euro thousand	December 31st. 2023	December 31st. 2022
1	Gross revenue	47,134	59,837
2	Revenue adjustments	(34)	(46)
3	Net revenue	47,100	59,791
4	Purchase of products for resale	(1,522)	(1,538)
5	Purchase of services for resale	(5,092)	(4,364)
6	Royalties	(9,321)	(13,864)
7	Changes in inventories of finished products	80	(422)
8	Total cost of sales	(15,855)	(20,188)
9	Gross profit (3+8)	31,245	39,603
10	Other income	6,225	7,971
11	Costs for services	(5,973)	(7,343)
12	Rent and leasing	(250)	(309)
13	Payroll costs	(20,847)	(20,567)
14	Other operating costs	(723)	(778)
15	Total operating costs	(27,793)	(28,997)
16	Gross operating margin (EBITDA) (9+10+15)	9,677	18,577
17	Depreciation and amortization	(14,443)	(7,463)
18	Provisions	0	0
19	Asset impairment charge	(779)	(580)
20	Impairment reversal	896	813
21	Total depreciation. amortization and impairment adjustments	(14,326)	(7,230)
22	Operating margin (EBIT) (16+21)	(4,649)	11,347
23	Interest and financial income	1,389	7,535
24	Interest and financial expenses	(2,568)	(3,728)
25	Net interest income/(expenses)	(1,179)	3,807
26	Profit/ (loss) before tax (22+25)	(5,828)	15,154
27	Current tax	425	(4,247)
28	Deferred tax	(1,017)	74
29	Total taxes	(592)	(4,173)
30	Net profit/loss	(6,420)	10,981
	attributable to the shareholders of the Parent Company	(3,697)	11,291
	attributable to non-controlling interests	(2,723)	(310)
	Earnings per share:		
33	Basic earnings per share (in Euro)	(0.26)	0.79
34	Diluted earnings per share (in Euro)	(0.25)	0.77

Consolidated comprehensive income statement as of December 31st. 2023

Euro thousand	December 31st. 2023	December 31st. 2022
Profit (Loss) for the period (A)	(6,420)	10,981
Actuarial gain (loss)	(5)	(3)
Income tax relating to actuarial gain (loss)	1	1
Changes in the fair value	(9,234)	5,192
Tax effect regarding fair value measurement of financial assets	2,216	(1,246)
Items that will not be subsequently reclassified to profit or loss (B)	(7,022)	3,944
Exchange differences on translation of foreign operations	(521)	(649)
Items that will subsequently be reclassified to profit or loss (C)	(521)	(649)
Total other comprehensive income D= (B)+(C)	(7,543)	3,295
Total comprehensive income (loss) (A)+(D)	(13,963)	14,276
Attributable to:		
Shareholders of the Parent Company	(11,240)	14,586
Non-controlling interests	(2,723)	(310)

Changes in fair value reflected the changes in third party equity investments that were classified in the consolidated comprehensive income statement and not in the consolidated profit and loss statement.

Consolidated cash flow statement as at December 31st. 2023

Euro thousand		December 31 st . 2023	December 31 st . 2022
A.	Opening net cash/debt	9.407	10.961
B.	Cash flows from operating activities		
	Profit (loss) for the period	(6.420)	10.981
	<i>Depreciation, amortization and non-monetary costs:</i>		
	Provisions and impairment losses	779	580
	Amortization of intangible assets	13.097	6.118
	Depreciation of property, plant and equipment	1.346	1.345
	Net change in tax advance	(1.125)	(3.146)
	Net change in other provisions	106	0
	Net change in employee's severance pay	67	96
	Other non-monetary changes to the net equity	(7.809)	3.390
	SUBTOTAL B.	41	19.364
C.	Change in net working capital		
	Inventories	(80)	422
	Trade receivables	930	6.473
	Current tax assets	(1.361)	816
	Other current assets	14.007	(10)
	Trade payables	939	(3.859)
	Current tax liabilities	(672)	4.214
	Current provisions	0	0
	Other current liabilities	(997)	(402)
	Other non-current liabilities	(234)	2.668
	Non-current receivables and other assets	(355)	(3.435)
	SUBTOTAL C.	12.177	6.887
D.	Cash flows from investing activities		
	Net payments for intangible assets	(20.518)	(40.364)
	Net payments for property, plant and equipment	(374)	(1.515)
	Net payments for non-current financial assets	(2.162)	(5.043)
	Changes in financial assets	11.200	0
	SUBTOTAL D.	(11.854)	(46.922)
E.	Cash flows from financing activities		
	Capital increases	0	1
	Changes in financial liabilities	(5.545)	27.254
	Changes in financial assets	0	(3.956)
	SUBTOTAL E.	(5.545)	23.299
F.	Changes in consolidated equity		
	Dividends paid	0	(2.568)
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	0	0
	SUBTOTAL F.	0	(2.568)
G.	Cash flow for the period (B+C+D+E+F)	(5.181)	60
H.	Closing net cash/debt (A+G)	4.226	11.021

Consolidated statement of changes in equity as of December 31st. 2023

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	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 1, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		28,546	(28,546)	0	0	0	0
Dividend paid									(2,568)		(2,568)	(2,568)		(2,568)
Other changes						79	79		(5)		(5)	74		74
Comprehensive income (loss)					(649)	3,944	3,295			11,291	11,291	14,586	(310)	14,276
Total on December 31, 2022	5,706	18,528	1,141	1,367	(1,260)	5,649	25,425	0	105,587	11,291	116,878	148,009	1,113	149,122
Total on July 1st. 2023	5,706	18,528	1,141	1,367	(913)	1,244	21,367	0	105,587	9,683	115,270	142,343	1,375	143,718
Allocation of previous year result							0		9,683	(9,683)	0	0	0	0
Other changes						78	78		370		370	448	(714)	(266)
Comprehensive income (loss)					(521)	(7,022)	(7,543)			(3,697)	(3,697)	(11,240)	(2,723)	(13,963)
Total on December 31st. 2023	5,706	18,528	1,141	1,367	(1,434)	(5,700)	13,902	0	115,640	(3,697)	111,943	131,551	(2,062)	129,489

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Digital Bros
digital entertainment



**Half year condensed financial statements
as of December 31st, 2023**

EXPLANATORY NOTES



1. INTRODUCTORY NOTE

Digital Bros S.p.A. Half year condensed financial statements as of December 31st, 2023 was approved by the Board of Directors of March 13th, 2024 which also authorized the publication of the Report and the related press release.

The Half year condensed financial statements are prepared in accordance with the International Accounting Standards (IFRS) applicable from July 1st, 2022 as adopted by the European Union. This condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard IAS 34 relating to interim financial reports.

This report does not provide the information required for the year-end financial statements and should be read together with the Group's Consolidated financial statements as of June 30th, 2023.

Digital Bros Group's Half year condensed financial statements as of December 31st, 2023 has been prepared on a going concern basis. The Group has considered that no significant uncertainties occur, considering that the Group expects to recover the loss reported in the first half during the second part of the fiscal year, as detailed in the Directors' report.

Details about the content and other general information, as well as the use of estimates, are available in the notes to the consolidated financial statements as at June 30th, 2023.

Accounting standards, amendments and IFRS interpretations applied from July 1st, 2023

With regards to the application of the accounting standards used by Digital Bros Group, please refer to the consolidated financial statements as of June 30th, 2023, available on the corporate website.

In accordance with the EU Regulation, the accounting standards adopted by the Group do not take into account laws and interpretations published by IASB and IFRIC as of June 30th, 2023, that are still pending approval by the European Union.

Standards and interpretations that have been enacted but that have not come to force as of date of preparation of this document, will be adopted by the Group only once they will be effective.

IASB and IFRS IC Documents	Effective Date
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	01/01/2025
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)	01/01/2024
Non-current Liabilities with Covenants (issued on 31 October 2022)	01/01/2024
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	01/01/2024
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)	Immediately and 01/01/2023 for disclosures regarding annual reporting periods
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	01/01/2023

2. CONSOLIDATION CRITERIA

Subsidiaries

The companies subject to the Group's control have been consolidated. Such control consists in the Group's power to influence their financial and operating policies, directly or indirectly and in such a way as to obtain benefits to the Group's operations. The Group has control and influence if it has:

- the power over the subsidiary (or holds valid rights that give it the ability to direct and manage the relevant activities of the subsidiary);
- the exposure or rights to dividends deriving from the relationship with the subsidiary;
- the ability to exercise their power over the subsidiary to affect the amount of its returns.

It is presumed that the majority of voting rights enables control.

The closing financial statements of the subsidiaries are included in the consolidated financial statements starting from the date in which control is assumed and until such control ceases to exist.

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

The changes in the shareholding in a subsidiary that do not lead to a loss of control are recognized as equity.

If the Group loses control of a subsidiary, all related assets (including the goodwill), liabilities, minority interests and other components of equity are eliminated, while any profit or loss is recognized in the profit and loss statement. Equity will be then recognized at fair value.

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

Conversion of the financial statements in a foreign currency

The Group's reporting currency is the Euro, which is also the functional currency of the Parent Company. At the reporting date, the financial statements of foreign companies with a functional currency different from the Euro are subject to conversion according to the following guidelines:

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

Exchange differences arising from the conversion process are recognized directly in the comprehensive income statement and are shown in the conversion reserve portion of the shareholders' equity reserves. Upon disposal of a foreign company, the portion of the conversion reserve referring to that subsidiary is shown in the profit and loss statement.

The goodwill from the acquisition of a subsidiary with a functional currency different from the Euro ("foreign subsidiary") and the adjustments to the fair value of its assets and liabilities are accounted for as assets and

liabilities of the foreign subsidiary and therefore expressed in the functional currency of the foreign subsidiary, subsequently converted according to the exchange rate at the reporting period end.

Transactions eliminated on consolidation

When preparing the consolidated financial statements as of December 31st, 2023, all intercompany assets, liabilities, income and expenses relating to transactions within Group companies were eliminated, as unrealized profits and losses on intercompany transactions.

Scope of consolidation

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

Line-by-line consolidation method:

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
Avantgarden S.r.l.	Milan	Italy	Euro	100.000	100%
Chrysalide Jeux et Divertissement Inc.	Québec	Canada	Canadian Dollar	100	75%
Digital Bros S.p.A.	Milan	Italy	Euro	5.706.014.80	Parent Company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	Euro	100.000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	Euro	100.000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	Euro	300.000	100%
Digital Bros Holdings Ltd.	Milton Keynes	UK	Pound	100.000	100%
DR Studios Ltd.	Milton Keynes	UK	Pound	60.826	100%
Game Entertainment S.r.l.	Milan	Italy	Euro	100.000	100%
505 Games S.p.A.	Milan	Italy	Euro	10.000.000	100%
505 Games Australia Pty Ltd.	Melbourne	Australia	Australian Dollar	100.000	100%
505 Games France S.a.s.	Francheville	France	Euro	100.000	100%
505 Games GmbH	Burglengenfeld	Germany	Euro	50.000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	American Dollar	100.000	100%
505 Games Japan K.K.	Tokyo	Japan	YEN	6.000.000	100%
505 Games Ltd.	Milton Keynes	UK	Pound	100.000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	American Dollar	100.000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	Euro	100.000	100%
505 Go Inc.	Calabasas (CA)	USA	American Dollar	975.000	100%
Game Network S.r.l. (in liquidation)	Milan	Italy	Euro	10.000	100%
Hook S.r.l.	Milan	Italy	Euro	100.000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	Euro	10.000	100%

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
Infinity Plus Two Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Infinite Interactive Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Ingame Studios a.s.	Brno	Czech Republic	Koruna Česká	2.000.000	100%
505 Mobile S.r.l.	Milan	Italy	Euro	100.000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	American Dollar	100.000	100%
Rasplata B.V.	Amsterdam	Netherlands	Euro	1.750	60%
Seekhana Ltd.	Milton Keynes	UK	Pound	18.500	60%
Supernova Games Studio S.r.l.	Milan	Italy	Euro	100.000	100%

Equity consolidation method:

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
MSE & DB Sl	Tudela	Spain	Euro	10.000	50%
Artactive s.a.	Kraków	Poland	Polish Złoty	100.000	40%

3. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As of December 31st, 2023 the Group holds a 50% stake in the Spanish company MSE & DB S.L. at a book value of Euro 5 thousand and a 40% stake in the Polish company Artactive s.a. at a book value of Euro 9 thousand.

4. RECONCILIATION OF CONSOLIDATED PROFIT FOR THE PERIOD AND NET EQUITY TO THOSE OF THE PARENT COMPANY

The following table provides a reconciliation of the consolidated result for the reporting period and net equity to those reported by the Parent Company:

Euro thousand	Profit (loss) at		Net equity	
	December 31 st , 2023	December 31 st , 2022	December 31 st , 2023	December 31 st , 2022
Digital Bros S.p.A. profit (loss) for the period and net equity	9,125	11,920	62,498	71,487
Subsidiaries profit (loss) for the period and net equity	(5,935)	9,602	128,582	144,572
Carrying amount of equity investments	0	0	(39,379)	(39,723)
Consolidation adjustments:				
Impairment of investments in subsidiaries	0	0	435	406
Elimination of intercompany profits	(320)	(869)	(4,530)	(6,432)
Dividends	(10,000)	(10,000)	(10,000)	(10,000)
Other adjustments	710	328	(8,117)	(11,188)
Total consolidation adjustments	(9,610)	(10,541)	(22,212)	(27,214)
Consolidated profit (loss) for the period and net equity	(6,420)	10,981	129,489	149,122

The table below displays details of consolidation adjustments, net of their fiscal effects, as of December 31st, 2023:

Euro thousand	Profit (loss) at		Net equity	
	December 31 st , 2023	December 31 st , 2022	December 31 st , 2023	December 31 st , 2022
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	0	0
Impairment of Digital Bros S.p.A.'s investment in Seekhana Ltd.	0	0	242	214
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	0	0	142	141
Total impairment of investments in subsidiaries	0	0	435	406
Elimination of unrealized margin on inventory	(7)	47	(32)	(40)
Elimination of margin on internal development contracts	(313)	(916)	(4,498)	(6,392)
Total elimination of intercompany profits	(320)	(869)	(4,530)	(6,432)
Dividends from Kunos Simulazioni S.r.l.	(10,000)	(5,000)	(10,000)	(5,000)
Dividends from 505 Games S.p.A.	0	(5,000)	0	(5,000)
Total dividends	(10,000)	(10,000)	(10,000)	(10,000)
Amortization/Allocation of Kunos S.r.l. acquisition price. net of tax effect	(31)	(31)	92	154
Allocation of Rasplata B.V. acquisition price. net of tax effect	(141)	0	773	1,011
Allocation of the Australian subsidiaries acquisition price. net of tax effect	(669)	(669)	2,677	4,015
Application of IFRS 9	10	0	(285)	(309)
Deferred tax effect of the revaluation of the Assetto Corsa brand	624	628	(14,675)	(15,917)
Other items	917	400	3,303	(142)
Total other adjustments	710	328	(8,117)	(11,188)
Total consolidation adjustments	(9,610)	(10,541)	(22,212)	(27,214)

5. CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31ST. 2023

1. Property, plant and equipment

Property, plant and equipment increased from Euro 9,613 thousand to Euro 8,641 thousand. This results from the Euro 421 thousand investments, net of the Euro 47 thousand disposals and the Euro 1,346 thousand depreciation of the reporting period. The following tables details movements as of December 31st, 2023 compared with movements as of December 31st, 2022:

Euro thousand	July 1 st 2023	Investments	Disposals	Forex currency translation diff.	Depreciation	Use of accum. dep'n	December 31 st . 2023
Industrial buildings	6,921	235	0	0	(972)	0	6,184
Land	635	0	0	0	0	0	635
Indust. & comm. equipment	1,304	170	(28)	(32)	(253)	28	1,189
Other assets	753	16	(19)	0	(121)	4	633
Total	9,613	421	(47)	(32)	(1,346)	32	8,641

Euro thousand	July 1 st 2022	Investments	Disposals	Forex currency translation diff.	Depreciation	Use of accum. dep'n	December 31 st . 2022
Industrial buildings	7,680	1,036	0		(939)	0	7,777
Land	635	0	0	0	0	0	635
Indust. & comm. equipment	1,386	252	0	(30)	(253)	0	1,355
Other assets	652	261	(115)	0	(153)	111	756
Total	10,353	1,549	(115)	(30)	(1,345)	111	10,523

Industrial buildings increased by Euro 235 thousand as a result of the application of the IFRS 16 accounting principle to the new office rental contracts for the Asian subsidiaries.

Land included the land where the logistic facilities are based in Trezzano sul Naviglio, unchanged at Euro 635 thousand.

The investments in Industrial and commercial equipment amounted to Euro 170 thousand, relating to office automation equipment.

3. Intangible assets

Intangible assets increased by Euro 6,642 thousand net of the amortization for the period, as part of the significant investment plan undertaken by the Group to pursue its medium-to-long term growth objectives.

Intangible assets increased from Euro 153,023 thousand to Euro 159,665 thousand. All the intangible assets recognized by the Group have limited useful lives. All advances paid for the development contracts are classified among intangible assets, even if the intellectual property is not transferred to the Group, since the exploitation of the IP is extended over multiple years.

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

Euro thousand	July 1 st , 2023	Invest.	Recl.	Impairment adj.	Forex transl. diff.	Amort'n	December 31 st , 2023
Concessions and licenses	68,303	1,038	6,235	(662)	(15)	(12,778)	62,121
Trademarks and sim. rights	821	0	5,000	0	0	(300)	5,521
Other assets	57	5	0	0	0	(19)	43
Assets in development	83,842	19,490	(11,235)	(117)	0	0	91,980
Total	153,023	20,533	0	(779)	(15)	(13,097)	159,665

Euro thousand	July 1 st , 2022	Invest.	Recl.	Impairment adj.	Forex transl. diff.	Amort'n	December 31 st , 2022
Concessions and licenses	36.021	7.199	1.459	0	(23)	(6.068)	38.588
Trademarks and sim. rights	903	3	0	0	0	(45)	861
Other assets	29	0	0	0	0	(5)	24
Assets in development	67.136	32.655	(1.201)	(444)	0	0	98.146
Total	104.089	39.857	258	(444)	(23)	(6.118)	137.619

Impairment adjustments amounted to Euro 779 thousand and related to video games launched during the second half of FY23, for which the projected cash flows have been lowered due to lower expectations after launch, creating the need for specific write-offs.

No changes to the above-mentioned impairment adjustments occurred during the period.

For the valuation of fixed assets as of December 31, 2023, the expected cash flows and expected revenue are based on the Group's Strategic Plan for FY 2024-2028, approved by the Board of Directors on March 13th, 2024. The growth rate "g" is set at 1.0%. The discount rate was calculated using the Weighted Average Cost of Capital ("WACC"), which consists of weighting the expected rate of return on invested capital, net of the costs of hedge funds from a sample of companies in the same industry and based on revenue by geographical area. The rates used for the impairment test on concessions and licenses are 12.03% for Premium Games and 11.52% for Free to Play games.

Investment in Assets in development are shown below with prior year comparatives:

Euro thousand	December 31 st , 2023	December 31 st , 2022
Premium Games rights	997	7,122
Management systems	41	77
Total investments on concessions and licenses (A)	1,038	7,199
Total investments on trademarks and other intangible assets (B)	5	3
DR Studios Ltd.	1,827	1,000
Ingame Studios a.s.	0	5,830
Chrysalide Jeux et Divertissement Inc.	2,267	2,493
Kunos Simulazioni S.r.l.	814	603
Supernova Games S.r.l.	1,216	712
Avantgarden Games S.r.l.	846	779
Total assets in development by internal studios	6,970	11,417

Total assets in development for third-parties IPs	12,520	21,238
Total assets in development (C)	19,490	32,655
Total investments on intangible assets (A+B+C)	20,533	39,857

As of March 31st, 2024, the Euro 15.7 million related to the agreement for the reversion of Condor and Control 2 rights, now recognized as assets in development, will be reclassified as current assets.

4. Equity investments

Total equity investments increased by Euro 2,162 thousand, mainly due to the additional subscription of Strbreeze shares and the adjustment of the shares held in companies listed on regulated markets to the market value as of December 31st, 2023, as detailed below:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
MSE&DB SI	5	5	0
Artractive S.A.	9	9	0
Total investments in associated companies (A)	14	14	0
Starbreeze – STAR A shares	3,914	7,845	(3,931)
Starbreeze – STAR B shares	9,425	3,390	6,035
Noobz from Poland s.a.	209	151	58
Total other investments (B)	13,548	11,386	2,162
Total equity investments (A+B)	13,562	11,400	2,162

The changes to the equity investments relate to:

- Starbreeze STAR A shares:
 - Euro 210 thousand increase related to the underwriting of no. 3,309,988 Starbreeze STAR A shares;
 - Euro 2,390 thousand decrease related to the conversion of no. 29,500,000 Starbreeze STAR A shares into STAR B shares;
 - Euro 1,751 thousand decrease related to the fair value adjustment of no. 87,034,133 Starbreeze STAR A shares (listed on the Nasdaq Stockholm) and the allocation to an equity reserve of the difference between the carrying amount and the fair value as of December 31st, 2023, as they are financial instruments classified in in the consolidated comprehensive income statement;
- Starbreeze STAR B shares:
 - Euro 2,390 thousand increase following the conversion of no. 29,500,000 Starbreeze STAR A shares into Starbreeze STAR B shares;
 - Euro 11,018 thousand increase following the conversion of the convertible bond, which resulted in the issuance of no. 148,311,724 Starbreeze B shares;
 - Euro 7,373 thousand decrease related to the fair value adjustment of no. 223,443,993 Starbreeze STAR B shares (listed on the Nasdaq Stockholm) and the allocation to an equity reserve of the difference between the carrying amount and the fair value as of December 31st, 2023, as they are financial instruments classified in in the consolidated comprehensive income statement;

- Noobz from Poland s.a. shares (listed on the New Comet segment of the Warsaw Stock Exchange): Euro 58 thousand increase relating to the fair value adjustment of the 70.000 Noobz from Poland s.a. shares amounting to the 4.5% of the share capital. with the allocation to an equity reserve of the difference between the carrying amount and the fair value as of December 31st, 2023 as they are financial instruments recognized in the consolidated comprehensive income statement.

Changes to the equity investment in Starbreeze AB shares is detailed in paragraph 7) Relationship with Starbreeze and Starbreeze shareholders of this Note.

5. Non-current receivables and other assets

The total non-current receivables and other assets amounted to Euro 8,444 thousand, increasing by Euro 355 thousand compared to June 30th, 2023:

Euro thousand	December 31 st , 2023	June 30 th , 2023	Change
Receivable from Starbreeze AB	4,425	4,425	0
Royalty receivables	3,149	2,785	364
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	230	239	(9)
Guarantee deposits – other	5	5	0
Total non-current receivables and other assets	8,444	8,089	355

As of December 31st, 2023, the item receivable from Starbreeze AB, solely relates to the costs paid for the development of the videogame The Walking Dead by 505 Games S.p.A., for which the Group requested reimbursement to the Swedish studio.

Royalty receivables consisted of the advance royalty payment made by 505 Games S.p.A. and 505 Go Inc., which are expected to be used beyond twelve months.

The remaining part of non-current assets is made by security deposits for contractual obligations.

6. Deferred tax assets

The deferred tax assets are calculated on taxes loss carryforwards and on temporary differences between the carrying value and the tax value. They have been estimated at the tax rates expected in the period during which the assets will be realized or settled. As of December 31st, 2023, the balance was Euro 18,212 thousand, increased by Euro 1,125 thousand compared to June 30th, 2023, due to the recognition of deferred tax assets for Euro 2,190 thousand resulting from the recognition of the deferred tax assets related to the fair value adjustment of the Starbreeze shares, partially offset by the negative Euro 660 thousand related to the deferred taxes adjustments of 505 Games S.p.A..

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, 2023	June 30th, 2023	Change
Italian companies	6,921	5,385	1,536
Non-Italian companies	5,376	5,809	(433)
Consolidation adjustments	5,915	5,893	22
Total deferred tax assets	18,212	17,087	1,125

The following table provides details of temporary differences of the Italian companies as of December 31st, 2023 and June 30th, 2023:

Euro thousand	December 31st, 2023	June 30th, 2023	Change
Provision for doubtful accounts	724	724	0
Other liabilities	11,242	13,757	(2,515)
Actuarial differences	91	91	0
Costs not deducted in prior fiscal years	1,909	1,909	0
Tax loss carryforwards	396	396	0
Reserve for IFRS securities valuation	12,394	3,259	9,135
Taxable reserve for IFRS 9 application	5	5	0
Reserve for derivatives hedge accounting	(117)	(304)	187
Total differences	26,644	19,837	6,807
IRES tax rate	24%	24%	
Deferred tax assets for IRES	6,395	4,761	1,634
Deferred tax assets for IRAP		624	(98)
Total deferred tax assets of Italian companies	6,921	5,385	1,536

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

Euro thousand	December 31st, 2023	June 30th, 2023
Deferred tax assets for losses of 505 Go Inc.	2,224	2,721
Deferred tax assets for losses of the Australian subsidiaries	1,529	1,495
Deferred tax assets for temporary differences of 505 Games (US) Inc.	1,359	1,296
Deferred tax assets for losses of Rasplata B.V.	217	217
Other deferred tax assets	47	80
Total deferred tax assets of non-Italian subsidiaries	5,376	5,809

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.

The total consolidation adjustments amounted to Euro 5,915 thousand, mainly related to the tax effect of the consolidation of internally developed products.

Please note that, the previous losses for which no prepaid taxes have been recorded since they are not considered as recoverable on the basis of the local legislation in force, amount to about Euro 13 million.

CURRENT ASSETS

8. Inventories

Inventories consisted of finished products for resale. The following table contains a breakdown of inventories by segment:

Euro thousand	December 31 st , 2023	June 30 th , 2023	Change
Italian Distribution inventories	2,451	2,428	23
Premium Games inventories	984	927	57
Total inventories	3,435	3,355	80

Total inventories slightly increased from Euro 3,355 thousand to Euro 3,435 thousand as at December 31st, 2023.

9. Trade receivables

Trade receivables were as follows:

Euro thousand	December 31 st , 2023	June 30 th , 2023	Change
Receivables from customers - Italy	1,504	1,606	(102)
Receivables from customers - EU	3,318	2,452	866
Receivables from customers - Rest of the world	9,254	10,959	(1,705)
Total receivables from customers	14,076	15,017	(941)
Provision for doubtful accounts	(902)	(913)	11
Total trade receivables	13,174	14,104	(930)

Total trade receivables totaled Euro 13,174 thousand as of December 31st, 2023, a Euro 930 thousand decrease compared to Euro 14,104 thousand as of June 30th, 2023.

The provision for doubtful accounts amounted to Euro 902 thousand, essentially unchanged. Such provision is estimated based on both a detailed analysis of each client to assess its creditworthiness and the application of the IFRS 9 accounting principle.

10. Tax receivables

Total tax receivables are analyzed as follows:

Euro thousand	December 31 st , 2023	June 30 th , 2023	Change
Receivables under domestic tax group consolidation	2,471	1,714	757
VAT receivable	716	570	146
Tax credit for foreign tax withholdings	1,080	509	571
Other tax receivables	1,071	1,184	(113)
Total tax receivables	5,338	3,977	1,361

Total tax receivables increased by Euro 1,361 thousand, from Euro 3,977 thousand as to Euro 5,338 thousand as of December 31st, 2023, mainly related to the receivables under domestic tax group consolidation for the Italian

companies and to the tax credit for foreign tax withholdings of 505 Games S.p.A., partially offset by the lower other tax receivables resulting from their collection from DR Studios Ltd.

11. Other current assets

The total other current assets amounted to Euro 9,783 thousand as of December 31st, 2023, with a Euro 14,007 thousand decrease compared with June 30th, 2023. They are as follows:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
Receivable from Starbreeze AB	0	12,706	(12,706)
Receivables for video game user licensing rights	3,818	3,866	(48)
Advances for video game development operating costs	3,715	5,020	(1,305)
Advances to suppliers	2,109	2,054	55
Other receivables	141	144	(3)
Total other current assets	9,783	23,790	(14,007)

The receivable from Starbreeze AB was fully collected on July 3rd, 2023.

The receivables for video game user licenses rights consist of advances paid for licenses not yet exploited or completely exploited as at the reporting date. They amounted to Euro 3,818 thousand.

The advances for video game development amount to Euro 3,715, which are expected to be collected in the short term. They mainly consist of the advances paid for video game programming, quality assurance and other operating costs (i.e. rating and localization). The Euro 1,305 thousand decrease reflects their use during the reporting period. Further details are provided below:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
Programming	2,279	3,061	(782)
Quality assurance	1,064	1,447	(383)
Other operating costs	372	512	(140)
Total advances for video game development operating costs	3,715	5,020	(1,305)

NET EQUITY

The detailed changes in net equity are displayed in the consolidated statement of changes in equity and they can be summarized as follows:

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	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, 2023	5.706	18.528	1.141	1.367	(913)	1.244	21.367	0	105.587	9.683	115.270	142.343	1.375	143.718
Allocation of previous year result							0		9.683	(9.683)	0	0	0	0
Other changes						78	78		370		370	448	(714)	(266)
Comprehensive income (loss)					(521)	(7.022)	(7.543)			(3.697)	(3.697)	(11.240)	(2.723)	(13.963)
Total on December 31st, 2023	5.706	18.528	1.141	1.367	(1.434)	(5.700)	13.902	0	115.640	(3.697)	111.943	131.551	(2.062)	129.489

14. Share capital

The share capital as of December 31st, 2023 is unchanged with respect to the amount on June 30th, 2023. It is composed of 14,265,037 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,706,014.80. 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 Other reserves relates to an increase of Euro 78 thousand consisting of the stock option reserve adjustment and to a decrease of Euro 7,022 thousand consisting of:

- Euro 6,890 thousand decrease of the fair value adjustment reserve for the Group's stake in the Swedish company Starbreeze AB;
- Euro 128 thousand increase to the cash flow hedge reserve;
- Euro 4 thousand decrease of the actuarial reserve.

Digital Bros S.p.A. approved a stock option plan for the period 2016-2026, providing for a maximum distribution of no. 800,000 options. On January 20th, 2017 and on May 12th, 2017, the Board of Directors approved the assignment of no. 744,000 options with an exercise price of Euro 10.61 and of no. 56,000 options with an exercise price of Euro 12.95. All options will expire on June 30th, 2026.

As of December 31st, 2023, the options in place are 720, 800 following the resignations of some beneficiaries in previous years and the exercise of 4,200 options occurred before December 31st, 2023.

The vesting conditions are applied by adjusting the total number of outstanding options based on the assessment of the options that will actually vest. The options assessed at December 31st, 2023 are no. 638,164, for a stock option reserve of Euro 3,671 thousand. For further information on the Group stock options plan, please refer to the documentation available in the Governance / Remuneration section of the corporate website.

Number of options	ESOP 2016 - 2026
Assigned (2017)	800,000
Expired	-
Resignation	(75,000)
Exercised	(4,200)
Number of options as at December 31st, 2023	720,800
Vesting conditions	(82,636)
Number of outstanding options assessed at December 31st, 2023	638,164

NON-CURRENT LIABILITIES

18. Employee benefits

Employee benefits reflects the actuarial value of the Group's liabilities to employees, as calculated by an independent actuary. It increased by Euro 67 thousand compared to June 30th, 2023.

The IAS 19 actuarial measurement as of December 31st, 2023 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 Italian payrolls, the severance indemnity accrued at December 31st, 2006 is estimated and revalued;
- a probable severance indemnity to be paid in the event of the employee dismissal, resignation, disability, death, retirement or in the event of an anticipated request is estimated on an individual basis;
- each probable severance pay is then calculated using the net present value.

The estimation is based on the Italian companies' reporting date headcount, amounting to 113 employees.

The economic and financial parameters used in the actuarial calculation as of December 31st, 2023 were as follows:

- annual interest rate of 3.17%;
- annual increase in remuneration rate of 3%;
- annual inflation rate of 2.30%.

The economic and financial parameters used in the actuarial calculation as of December 31st, 2022 were as follows:

- annual interest rate of 4.17%;
- annual increase in remuneration rate of 3.220%;
- annual inflation rate of 2%.

The following table shows the changes on the severance payments for employees, compared to the previous fiscal year:

Euro thousand	December 31st, 2023	June 30th, 2023
Provision for employee severance indemnities at July 1st, 2023	911	761
Utilization of provision for resignation	(40)	(6)
Increase of provisions during period	229	244
Adjustments for supplementary pension schemes	(127)	(144)
Adjustments for actuarial measurement	5	2
Provision for employee termination indemnities as at December 31st, 2022	978	857

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

19. Non-current provisions

Non-current provisions amounted to Euro 187 thousand, increased by Euro 106 thousand compared with June 30th, 2023, solely due to the provision made against the tax incentives already used by Supernova Games Studios, but which will have to be certified by a certifying body. The remaining portion consists of Euro 81 thousand for the sales representatives' severance indemnity, unchanged with respect to June 30th, 2023.

20. Other non-current payables and liabilities

As of December 31st, 2023 other non-current payables and liabilities amounted to Euro 1,590 thousand and consist of:

- the Euro 645 thousand portion of the debt due after twelve months for the purchase of the Australian subsidiaries;
- the Euro 945 thousand portion of the debt due after twelve months for the purchase of 505 Go Inc.

CURRENT LIABILITIES

22. Trade payables

Total trade payables amounted to Euro 47,776 thousand as at December 31st, 2023, increasing by Euro 939 thousand compared to June 30th, 2023. They mostly consisted of payables to developers for royalties.

Details by geographical area are provided below:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
Trade payables - Italy	(3,626)	(2,592)	(1,034)
Trade payables - EU	(13,774)	(16,603)	2,829
Trade payables - Rest of the world	(30,376)	(27,642)	(2,734)
Total trade payables	(47,776)	(46,837)	(939)

23. Tax payables

Total tax payables decreased by Euro 672 thousand, amounting to Euro 2,110 thousand as of December 31st, 2023. The balance is detailed below:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
Income tax payables	(1,128)	(1,240)	112
Other tax payables	(982)	(1,542)	560
Total tax payables	(2,110)	(2,782)	672

The decrease in other tax payables is mainly due to the payment made by 505 Games S.p.A. to the tax authority of the agreed amount relating to the tax audit of past fiscal years.

24. Current provisions

As of December 31st, 2023, there were no current provision, in line with June 30th, 2023.

25. Other current liabilities

Total other current liabilities amounted to Euro 7,638 thousand, decreasing by Euro 997 thousand compared to June 30th, 2023. Details are provided below:

Euro thousand	December 31st. 2023	June 30th. 2023	Change
Amounts due to social security institutions	(530)	(569)	39
Amounts due to employees	(2,459)	(2,607)	148
Amounts due to contractors	(42)	(40)	(2)
Other payables	(4,607)	(5,419)	812
Total other current liabilities	(7,638)	(8,635)	997

Amounts due to employees consist of the holiday accrual at the end of the reporting period, the future payment of the 14th month salary and the amounts accrued for the deferred portion of short-term bonuses.

Other payables almost exclusively consist of the advance payments received from customers for the sub-licensing contracts of several intellectual properties owned by the Group.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position as of December 31st, 2023 together with comparative figures as at June 30th, 2023:

	Euro thousand	December 31st, 2023	June 30th, 2023	Change
12	Cash and cash equivalents	4,226	9,407	(5,181)
13	Other current financial assets	144	11,344	(11,200)
26	Current financial liabilities	(48,665)	(49,116)	451
	Current net financial position	(44,295)	(28,365)	(15,930)
7	Non-current financial assets	0	0	0
21	Non-current financial liabilities	(6,191)	(11,285)	5,094
	Non-current financial liabilities	(6,191)	(11,285)	5,094
	Total net financial position	(50,486)	(39,650)	(10,836)

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 below.

As expected, the net financial position is negative at Euro 50,486 thousand. This represents a Euro 10,836 thousand decrease with respect to the Euro 39,650 thousand as of December 31st, 2022, driven by the significant investment of the reporting period. Digital Bros will be able to manage its current liabilities generating the projected cash flow, which will also benefit from the corrective actions implemented by the Group (decrease in investment and reorganization plan).

The total net financial position, net of the IFRS16 effect, is negative at Euro 45,778 thousand. The IFRS 16 recognized financial liabilities are detailed below:

Euro thousand	December 31st 2023	June 30th 2023	Change
Current financial liabilities	(1,705)	(1,719)	14
Non-current financial liabilities	(3,003)	(3,663)	660
Total IFRS 16 recognized financial liabilities	(4,708)	(5,382)	674

Current net financial position

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 4,226 thousand as at December 31st, 2023, a decrease of Euro 5,181 thousand compared to June 30th, 2023. They have no encumbrances and consist entirely of account deposits available on demand.

13. Other current financial assets

Other current financial assets as at December 31st, 2023 amounted to Euro 144 thousand and consisted of the market value at the reporting period of the three option contracts subscribed by the Group for a total notional value of Euro 20,375 thousand to hedge interest rates changes on the loans granted by UniCredit S.p.A.. in accordance with the provisions of hedge accounting.

As of June 30th, 2023, the item included Euro 11,018 thousand related to the fair value of the Starbreeze AB convertible bond, with nominal value of SEK 215 million. This was then converted in July 2023.

26. Current financial liabilities

The current financial liabilities consisted of financial loans due within a year and other current financial liabilities for a total amount of Euro 48,665 thousand. Details are as follows:

Euro thousand	December 31st 2023	June 30th 2023	Change
Financial loans due within a year	(18,365)	(21,114)	2,749
Other current financial liabilities	(30,300)	(28,002)	(2,298)
Total other current liabilities	(48,665)	(49,116)	451

The financial loans due within a year include Euro 2,559 thousand which consist of the portion of the long-term loan that was reclassified according to the international accounting standards following the breach of certain covenants. Further detail on this is provided below.

Financial loans as of December 31st, 2023 are detailed below:

	Lending institution	Recipient	Issue Date	Total amount	Residual value	Short term portion	Long term portion	Duration	Starting Date	End Date	Euribor	Spread	Hedged	Covenants
a.	Intesa SanPaolo S.p.A.	Digital Bros S.p.A.	29/01/2021	5,000	421	421	0	36 months	29/04/2021	29/01/2024	3 months	1.35%	No	No
b.	Unicredit S.p.A.	Digital Bros S.p.A.	28/01/2021	1,375	573	458	115	36 months	30/04/2022	31/01/2025	3 months	0.90%	Yes	No
c.	Unicredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	1,666	1,333	333	36 months	30/04/2022	31/01/2025	3 months	0.90%	Yes	No
d.	Unicredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	3,750	3,750	0	36 months	31/12/2021	30/09/2024	3 months	0.85%	Yes	No
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/2022	5,000	2,917	1,667	1,250	36 months	31/12/2022	30/09/2025	6 months	2.00%	No	Yes
f.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	22/12/2022	5,000	2,897	2,897	0	24 months	22/06/2023	22/12/2024	3 months	1.80%	No	Yes
g.	Banco B.P.M.	505 Games S.p.A.	19/05/2023	5,000	4,313	2,839	1,474	26 months	30/06/2023	30/06/2025	3 months	1.70%	No	Yes
h.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	31/05/2023	5,000	5,000	5,000	0	30 months	29/02/2024	30/11/2025	3 months	1.50%	No	Yes
	Total			45,375	21,537	18,365	3,172							

All financial loans provide for a pre-amortization period ranging from three or six months and the payment of quarterly installments in arrears and including interest calculated on the basis of the quarterly variable rate equal to the Euribor quotation at three or six months increased by a spread.

The loans described above were granted for the development and production of video games and to consolidate existing credit lines.

Some of the loans are subject to covenants. The two loans from Intesa SanPaolo S.p.A. granted to 505 Games S.p.a. are subject to a financial covenant, which requires that the ratio between the net financial position and the gross operating margin should be less than 1. The loan granted by MPS S.p.A. to 505 Mobile S.r.l. is subject to a commercial covenant, which requires that the company commits to presenting the bank with commercial flows totaling at least Euro 2,200 thousand every year. The loan granted by Banco B.P.M. S.p.A. to 505 Games S.p.A. is subject to ESG (Environmental, Social, and Governance) covenants related to sustainability indices.

As of June 30th, 2023, all covenants were met, except for those related to the loans from Banca Intesa SanPaolo. In February 2024, the bank retroactively amended the financial covenant calculation now using the Group's consolidated financial statements, instead of the 505 Games SpA.

According to the above, no breach occurred. In accordance with the international accounting standards, as of December 31st, 2023, the related financial debt is still recognized as a current liability, since the formalization of the amendment occurred after the closing date.

Other current financial liabilities are detailed as follows:

Euro thousand	December 31st 2023	June 30th 2023	Change
Payables to banks relating to current accounts	(1,901)	(1,862)	(39)
Payables to banks relating to import financing	(8,240)	(7,182)	(1,058)
Payables to banks relating to invoice advances	(17,598)	(16,219)	(1,379)
Fair value of derivatives	(809)	(949)	140
Lease contracts liabilities	(1,705)	(1,719)	14
Other current financial liabilities	(47)	(71)	24
Total current financial liabilities	(30,300)	(28,002)	(2,298)

The fair value of derivatives refers to the valuation as of December 31st, 2023 of the contract with UniCredit S.p.A. to hedge the risks of the Yen exchange rates to which the Group is exposed for certain liabilities. The financial liabilities hedged by the derivatives have been valued at fair value, pursuant to the provisions of IFRS 9 and in accordance with the provisions of hedge accounting.

Non-current net financial position

7. Non-current financial assets

As of December 31st, 2023 there are no Non-current financial assets, in line with June 30th, 2023.

21. Non-current financial liabilities

The total non-current financial liabilities included loans due after more than a year and other non-current financial liabilities for a total of Euro 6,191 thousand. Details are provided below:

Euro thousand	December 31st 2023	June 30th 2023	Change
Financial loans due after more than a year	(3,172)	(7,589)	1,858
Other non-current financial liabilities	(3,019)	(3,696)	677
Total non-current financial liabilities	(6,191)	(11,285)	2,535

As of December 31st, 2023, the financial loans due after more than a year amounted to Euro 3,172 thousand, representing the non-current portion of the above-mentioned loans. Details are provided in the table below:

	Lending institution	Recipient	Issue date	Total amount of the loan	Amount due over 12 months
a.	Intesa SanPaolo S.p.A.	Digital Bros	29/01/2021	5,000	0
b.	Unicredit S.p.A.	Digital Bros	28/01/2021	1,375	115
c.	Unicredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	333
d.	Unicredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	0
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/2022	5,000	1,250
f.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	22/12/2022	5,000	0
g.	Banco B.P.M.	505 Games S.p.A.	19/05/2023	5,000	1,474
h.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	31/05/2023	5,000	0
	Total loans due after more than a year				3,172

The Other non-current financial liabilities amounted to Euro 3,019 thousand and included Euro 16 thousand of lease repayments due after more than a year and Euro 3,003 thousand due to application of the IFRS 16 accounting standard. The following table shows finance and operating lease payments by maturity:

Euro thousand	December 31 st 2023	June 30 th 2023	Change
Within 1 year	1,740	1,779	(39)
1-5 years	3,019	3,687	(668)
More than 5 years	0	9	(9)
Total	4,759	5,475	(716)

For illustrative 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 31 st 2023	June 30 th 2023	Change	
A.	Cash	4,226	9,407	(5,181)	-55.1%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	4,226	9,407	(5,181)	-55.1%
E.	Current financial debt (included debt instrument. but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	48,665	49,116	(451)	-0.9%
G.	Current financial indebtedness (E + F)	48,665	49,116	(451)	-0.9%
H.	Net current financial indebtedness (G - D)	44,439	39,709	4,730	11.9%
I.	Non-current financial liabilities (excluding current portion and debt instruments)	6,191	11,285	(5,094)	-45.1%
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)	6,191	11,285	(5,094)	-45.1%
M.	Total financial indebtedness (H + L)	50,630	50,994	(363)	-0.7%

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations decreased from Euro 68,375 thousand as at June 30th, 2023 to Euro 45,034 thousand as of December 31st, 2023. The obligations consist of the future payments for development and sub-licensing contracts signed at the closing date. The agreement between 505 Games and Remedy Entertainment related to the rights of the Control franchise will decrease contractual obligations by Euro 19,953 thousand in the next reporting period.

PROFIT AND LOSS STATEMENT

3. Net revenue

The following table displays a breakdown of revenue by operating segment as of December 31st, 2023. The Holding operating segment did not generate revenue:

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	9,633	35,863	1,226	412	47,134
2	Revenue adjustments	0	(12)	(22)	0	(34)
3	Total net revenue	9,633	35,851	1,204	412	47,100

As of December 31st, 2022, the breakdown was as follows:

	Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Total
1	Gross revenue	12,456	45,396	1,507	478	59,837
2	Revenue adjustments	0	0	(46)	0	(46)
3	Total net revenue	12,456	45,396	1,461	478	59,791

The Director's Report provides an in-depth comment on net revenue.

25. Net financial income / (expenses)

The analysis is as follows:

	Euro thousand	December 31 st 2023	December 31 st 2022	Change €	Change %
23	Interest and financial income	1,389	7,535	(6,146)	-81.6%
24	Interest and financial expense	(2,568)	(3,728)	1,160	-31.1%
25	Net financial income / (expenses)	(1,179)	3,807	(4,986)	n.m.

The net financial income was negative for Euro 1,179 thousand compared to the positive Euro 3,807 thousand registered in the previous fiscal year, due to a Euro 6,146 thousand decrease in interest and financial income, only partially offset by a Euro 1,160 thousand decrease in interest and financial expense.

Interest and financial income may be analyzed as follows:

Euro thousand	December 31st, 2023	December 31st, 2022	Change €	Change %
Currency exchange gains	1,059	2,348	(1,289)	-54.9%
Financial income	0	4,708	(4,708)	n.m.
Interest on derivative products	303	469	(166)	-35.4%
Other	27	10	17	n.m.
Total interest and financial income	1,389	7,535	(6,146)	-81.6%

The total interest and financial income as of December 31st, 2022 included Euro 4,583 thousand related to the restatement of the USD 20 million receivable to Starbreeze AB, collected in full on July 3rd, 2023.

The total interest expenses amounted to Euro 2,568 thousand, decreasing by Euro 1,160 thousand, mainly due to lower currency exchange losses, only partially offset by higher interest expenses on loans.

Interest and financial expenses are analyzed in detail as follows:

Euro thousand	December 31st 2023	December 31st 2022	Change €	Change %
Interest expenses on current accounts and trade finance	(832)	(262)	(570)	n.m.
Interest expenses on derivative products	(24)	0	(24)	n.m.
Interest expenses on loans and leases	(784)	(215)	(569)	n.m.
Total interest expenses on sources of finance	(1,640)	(477)	(1,163)	n.m.
Currency exchange losses	(928)	(3,251)	2,323	-7.5%
Total interest expenses	(2,568)	(3,728)	1,160	-31.1%

29. Taxation

The decrease in total taxes relates to a lower tax base for the Italian companies. Total taxes as of December 31st, 2023 are detailed below:

Euro thousand	December 31st, 2023	December 31st, 2022	Change €	Change %
Current taxes	425	(4,247)	4,672	n.m.
Deferred taxes	(1,017)	74	(1,091)	n.m.
Total taxes	(592)	(4,173)	3,581	n.m.

6. NON-RECURRING INCOME AND EXPENSES

In accordance with Consob Resolution 15519 of July 27th, 2006, non-recurring income and expenses are presented separately in the profit and loss statement. These are transactions/events that do not occur on a regular basis during normal operating activities. Non-recurring expenses during the reporting period included Euro 846 thousand, reflecting the costs of the Group's reorganization plan. Below the consolidated profit and loss statement for the year ended December 31st 2023 pursuant to CONSOB Resolution no. 15519 of July 27th, 2006:

Euro thousand		December 31 st , 2023		December 31 st , 2022	
		total	of which non-recur.	total	of which non-recur.
1	Gross revenue	47,134	0	59,837	0
2	Revenue adjustments	(34)	0	(46)	0
3	Net revenue	47,100	0	59,791	0
4	Purchase of products for resale	(1,522)	0	(1,538)	0
5	Purchase of services for resale	(5,092)	0	(4,364)	0
6	Royalties	(9,321)	0	(13,864)	0
7	Changes in inventories of finished products	80	0	(422)	0
8	Total cost of sales	(15,855)	0	(20,188)	0
9	Gross profit (3+8)	31,245	0	39,603	0
10	Other income	6,225	0	7,971	0
11	Costs for services	(5,973)	0	(7,343)	0
12	Rent and leasing	(250)	0	(309)	0
13	Payroll costs	(20,847)	(846)	(20,567)	0
14	Other operating costs	(723)	0	(778)	0
15	Total operating costs	(27,793)	(846)	(28,997)	0
16	Gross operating margin (EBITDA) (9+10+15)	9,677	(846)	18,577	0
17	Depreciation and amortization	(14,443)	0	(7,463)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(779)	0	(580)	0
20	Impairment reversal	896	0	813	0
21	Total depreciation, amortization and impairment adj.	(14,326)	0	(7,230)	0
22	Operating margin (EBIT) (16+21)	(4,649)	(846)	11,347	0
23	Interest and financial income	1,389	0	7,535	0
24	Interest and financial expenses	(2,568)	0	(3,728)	0
25	Net interest income/(expenses)	(1,179)	0	3,807	0
26	Profit/ (loss) before tax (22+25)	(5,828)	(846)	15,154	0
27	Current tax	425	0	(4,247)	0
28	Deferred tax	(1,017)	0	74	0
29	Total taxes	(592)	0	(4,173)	0
30	Net profit/loss (26+29)	(6,420)	(846)	10,981	0

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.

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

The results by operating segment for the period ended December 31st, 2023 compared with December 31st, 2022 are detailed below.

Consolidated profit and loss statement by operating segment for the period ended December 31st, 2023:

	Consolidated amounts in Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	9,633	35,863	1,226	412	0	47,134
2	Revenue adjustments	0	(12)	(22)	0	0	(34)
3	Net revenue	9,633	35,851	1,204	412	0	47,100
4	Purchase of products for resale	0	(565)	(957)	0	0	(1,522)
5	Purchase of services for resale	(2,027)	(3,065)	0	0	0	(5,092)
6	Royalties	(2,494)	(6,827)	0	0	0	(9,321)
7	Changes in inventories of finished products	0	57	23	0	0	80
8	Total cost of sales	(4,521)	(10,400)	(934)	0	0	(15,855)
9	Gross profit (3+8)	5,112	25,451	270	412	0	31,245
10	Other income	1,426	4,799	0	0	0	6,225
11	Costs for services	(1,432)	(3,205)	(116)	(146)	(1,074)	(5,973)
12	Rent and leasing	(70)	(57)	(7)	(0)	(116)	(250)
13	Payroll costs	(4,860)	(12,714)	(574)	(332)	(2,367)	(20,847)
14	Other operating costs	(55)	(403)	(25)	(18)	(222)	(723)
15	Total operating costs	(6,417)	(16,379)	(722)	(496)	(3,779)	(27,793)
16	Gross operating margin (EBITDA) (9+10+15)	121	13,871	(452)	(84)	(3,779)	9,677
17	Depreciation and amortization	(1,234)	(12,508)	(71)	(183)	(447)	(14,443)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	(779)	0	0	(0)	(779)
20	Impairment reversal	0	889	7	0	0	896
21	Total depreciation, amortization and impairment adjustments	(1,234)	(12,398)	(64)	(183)	(447)	(14,326)
22	Operating margin (EBIT) (16+21)	(1,113)	1,473	(516)	(267)	(4,226)	(4,649)

Consolidated profit and loss statement by operating segment for the period ended December 31st, 2022:

	Consolidated amounts in Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	12,456	45,396	1,507	478	0	59,837
2	Revenue adjustments	0	0	(46)	0	0	(46)
3	Net revenue	12,456	45,396	1,461	478	0	59,791
4	Purchase of products for resale	0	(459)	(1,079)	0	0	(1,538)
5	Purchase of services for resale	(1,829)	(2,535)	0	0	0	(4,364)
6	Royalties	(3,419)	(10,445)	0	0	0	(13,864)
7	Changes in inventories of finished products	0	(239)	(183)	0	0	(422)
8	Total cost of sales	(5,248)	(13,678)	(1,262)	0	0	(20,188)
9	Gross profit (3+8)	7,208	31,718	199	478	0	39,603
10	Other income	1,886	6,085	0	0	0	7,971
11	Costs for services	(1,685)	(4,206)	(142)	(302)	(1,008)	(7,343)
12	Rent and leasing	(122)	(45)	(7)	(3)	(132)	(309)
13	Payroll costs	(5,316)	(11,887)	(425)	(272)	(2,667)	(20,567)
14	Other operating costs	(102)	(368)	(31)	(15)	(262)	(778)
15	Total operating costs	(7,225)	(16,506)	(605)	(592)	(4,069)	(28,997)
16	Gross operating margin (EBITDA) (9+10+15)	1,869	21,297	(406)	(114)	(4,069)	18,577
17	Depreciation and amortization	(1,199)	(5,574)	(72)	(173)	(445)	(7,463)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	(565)	(15)	0	0	(580)
20	Impairment reversal	813	0	0	0	0	813
21	Total depreciation, amortization and impairment adjustments	(386)	(6,139)	(87)	(173)	(445)	(7,230)
22	Operating margin (EBIT) (16+21)	1,483	15,158	(493)	(287)	(4,514)	11,347

Information by geographical area

Gross revenue broken down by geographical area is detailed below:

Euro thousand	December 31 st , 2023		December 31 st , 2022		Change	
Europe	1,444	3%	1,746	3%	(302)	-17.3%
Americas	34,291	73%	46,921	78%	(12,630)	-26.9%
Rest of the world	9,466	20%	8,916	15%	550	6.2%
Total foreign revenue	45,201	96%	57,583	96%	(12,382)	-21.5%
Italy	1,933	4%	2,254	4%	(321)	-14.3%
Total consolidated gross revenue	47,134	100%	59,837	100%	(12,703)	-21.2%

Total foreign revenue represented 96% of consolidated gross revenue, in line with December 31st, 2022, but decreasing by Euro 12,382 thousand.

The revenue generated in the rest of the world mainly consist of the sales made by the subsidiary 505 Games S.p.A. in the Far East.

The most significant portion of foreign revenue is attributable to the Premium Games operating segment, which generated foreign revenue amounting to Euro 35,569 thousand. i.e. 70% of total foreign revenue.

Details on the foreign gross revenue by operating segment are provided below:

Euro thousand	December 31 st , 2023		December 31 st , 2022		Change	
Free to Play	9,632	21%	12,456	22%	(2,824)	-22.7%
Premium Games	35,569	79%	45,396	78%	(9,827)	-21.6%
Total foreign gross revenue	45,201	100%	57,852	100%	(12,651)	-21.9%

8. RELATED PARTY TRANSACTIONS

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

Intercompany transactions

Intercompany transactions are detailed in section 11 of the Directors' Report.

Other related parties

The relationships with other related parties relate to:

- legal advisory services provided by Executive Director Dario Treves;
- property leased by Matov Imm. S.r.l. to the Parent Company and to subsidiary 505 Games France S.a.s.;
- property leased by Matov LLC to subsidiary 505 Games (US) Inc..

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

The following table contains details of the reporting date balance sheet balances and total transactions for the period, together with comparative figures from the previous fiscal year:

Euro thousand	Receivables		Payables		Revenue	Costs
	trade	financial	trade	financial		
Dario Treves	0	0	(98)	0	0	(201)
Matov Imm. S.r.l.	0	635	0	(2,376)	0	(416)
Matov LCC	0	134	0	(490)	0	(248)
Total	0	769	(98)	(2,866)	0	(865)

Euro thousand	Receivables		Payables		Revenue	Costs
	trade	financial	trade	financial		
Dario Treves	0	0	(215)	0	0	(201)
Matov Imm. S.r.l.	0	635	0	(2,988)	0	(426)
Matov LCC	0	139	0	(862)	0	(258)
Total	0	774	(215)	(3,850)	0	(885)

Digital Bros S.p.A.'s financial receivable from Matov Imm. S.r.l. refers to the guaranteed 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 guaranteed deposit paid for the rental of office premises in Calabasas, California, where all American 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 reporting period, Digital Bros S.p.A. paid Matov Imm S.r.l. rent totaling Euro 398 thousand for its Milan office premises.

During the reporting period, 505 Games France S.a.s. paid Matov Imm S.r.l. rent totaling Euro 18 thousand for its Francheville office premises.

In November 2013, the subsidiary 505 Games (US) Inc. entered a lease agreement with Matov LLC, a related party owned by the Galante family; the lease was renewed in 2022. 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.

Below the consolidated profit and loss statement and the consolidated balance sheet for the period ended December 31st, 2023, in accordance with CONSOB Resolution no. 15519 of July 27th, 2006 with prior year comparatives:

Consolidated profit and loss statement as of December 31st, 2023:

Euro thousand		December 31 st , 2023		December 31 st , 2022	
		total	of which with related parties	total	of which with related parties
1	Gross revenue	47,134	0	59,837	0
2	Revenue adjustments	(34)	0	(46)	0
3	Net revenue	47,100	0	59,791	0
4	Purchase of products for resale	(1,522)	0	(1,538)	0
5	Purchase of services for resale	(5,092)	0	(4,364)	0
6	Royalties	(9,321)	0	(13,864)	0
7	Changes in inventories of finished products	80	0	(422)	0
8	Total cost of sales	(15,855)	0	(20,188)	0
9	Gross profit (3+8)	31,245	0	39,603	0
10	Other income	6,225	0	7,971	0
11	Costs for services	(5,973)	(201)	(7,343)	(201)
12	Rent and leasing	(250)	(81)	(309)	(143)
13	Payroll costs	(20,847)	0	(20,567)	0
14	Other operating costs	(723)	0	(778)	0
15	Total operating costs	(27,793)	(282)	(28,997)	(344)
16	Gross operating margin (EBITDA) (9+10+15)	9,677	(282)	18,577	(344)
17	Depreciation and amortization	(14,443)	(553)	(7,463)	(515)
18	Provisions	0	0	0	0
19	Asset impairment charge	(779)	0	(580)	0
20	Impairment reversal	896	0	813	0
21	Total depreciation, amortization and impairment adjustments	(14,326)	(553)	(7,230)	(515)
22	Operating margin (EBIT) (16+21)	(4,649)	(835)	11,347	(859)
23	Interest and financial income	1,389	0	7,535	0
24	Interest and financial expenses	(2,568)	(30)	(3,728)	(26)
25	Net interest income/(expenses)	(1,179)	(30)	3,807	(26)
26	Profit/ (loss) before tax (22+25)	(5,828)	(865)	15,154	(885)
27	Current tax	425	0	(4,247)	0
28	Deferred tax	(1,017)	0	74	0
29	Total taxes	(592)	0	(4,173)	0
30	Net profit/loss (26+29)	(6,420)	(865)	10,981	(885)

Consolidated balance sheet statement as of December 31st, 2023:

Euro thousand		December 31 st 2023		June 30 th 2023	
		total	of which with related parties	total	of which with related parties
	Non-current assets				
1	Property, plant and equipment	8,641	0	9,613	0
2	Investment properties	0	0	0	0
3	Intangible assets	159,665	0	153,023	0
4	Equity investments	13,562	0	11,400	0
5	Non-current receivables and other assets	8,444	769	8,089	772
6	Deferred tax assets	18,212	0	17,087	0
7	Non-current financial activities	0	0	0	0
	Total non-current assets	208,524	769	199,212	772
	Current assets				
8	Inventories	3,435	0	3,355	0
9	Trade receivables	13,174	0	14,104	0
10	Tax receivables	5,338	0	3,977	0
11	Other current assets	9,783	0	23,790	0
12	Cash and cash equivalents	4,226	0	9,407	0
13	Other current financial assets	144	0	11,344	0
	Total current assets	36,100	0	65,977	0
	TOTAL ASSETS	244,624	769	265,189	772
	Shareholders' equity				
14	Share capital	(5,706)	0	(5,706)	0
15	Reserves	(13,902)	0	(21,367)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(111,943)	0	(115,270)	0
	Equity attributable to the shareholders of the Parent Company	(131,551)	0	(142,343)	0
	Equity attributable to non-controlling interests	2,062	0	(1,375)	0
	Total net equity	(129,489)	0	(143,718)	0
	Non-current liabilities				
18	Employee benefits	(978)	0	(911)	0
19	Non-current provisions	(187)	0	(81)	0
20	Other non-current payables and liabilities	(1,590)	0	(1,824)	0
21	Non-current financial liabilities	(6,191)	(1,796)	(11,285)	(2,335)
	Total non-current liabilities	(8,946)	(1,796)	(14,101)	(2,335)
	Current liabilities				
22	Trade payables	(47,776)	(98)	(46,837)	(26)
23	Tax payables	(2,110)	0	(2,782)	0
24	Short term provisions	(0)	0	(0)	0
25	Other current liabilities	(7,638)	0	(8,635)	0
26	Current financial liabilities	(48,665)	(1,070)	(49,116)	(1,079)
	Total current liabilities	(106,189)	(1,168)	(107,370)	(1,105)
	TOTAL LIABILITIES	(115,135)	(2,964)	(121,471)	(3,440)
	TOTAL NET EQUITY AND LIABILITIES	(244,624)	(2,964)	(265,189)	(3,440)

9. ATYPICAL OR UNUSUAL TRANSACTIONS

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

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, 2023 - December 31st, 2023. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group as of December 31st, 2023:
 - a) have been prepared in accordance with the 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 Directors' Report as of December 31st, 2023 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 13th, 2024

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe