



Consolidated and separate financial statements at June 30th, 2021

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT Number and Tax Number 09554160151

Share capital: Euro 6,024,334.80 of which Euro 5,704,334,80 subscribed
Milan Companies House No. 290680-Vol. 7394 Chamber of Commerce 1302132

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

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

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Board of Directors

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

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

⁽²⁾ Lead Independent Director

Control and Risk Committee

Sylvia Anna Bartyan
Susanna Pedretti
Laura Soifer (Chairman)

Remuneration Committee

Sylvia Anna Bartyan
Susanna Pedretti (Chairman)
Laura Soifer

Board of Statutory Auditors

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

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

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

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

Auditors**Deloitte & Touche S.p.A.**

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

Other information

The publication of Digital Bros Group's consolidated and separate financial statements at June 30th, 2021 was authorised by a resolution of the Board of Directors on September 27th, 2021.

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

FULL YEAR REPORT

1. GROUP ORGANIZATION

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

The Group is organized into five operational business segments:

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

Video games developed by external studios are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights. The franchise used for worldwide publishing is 505 Games.

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

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

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

Hook S.r.l. and Supernova Games Studio S.r.l. were incorporated during the reporting period. Hook S.r.l. is the Group's publisher dealing with games with limited development budgets, faster development time but with a potential for success due to the innovative nature of the idea. Supernova Games Studio S.r.l. is a new video game production studio based in Milan.

During the reporting period, MSE & DB S.L., a joint venture under the Spanish law was set up with a developer Mercury Steam Entertainment in order to jointly create a new intellectual property.

The Canadian Chrysalide Jeux et Divertissement Inc. was incorporated in June 2021. The company (75% of which is held by the Group) will develop a brand-new video game starting operations next fiscal year.

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

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

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

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

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

The operations are run by the parent company, Digital Bros S.p.A., with the Halifax brand, and by the subsidiary Game Entertainment S.r.l. which distributes trading cards.

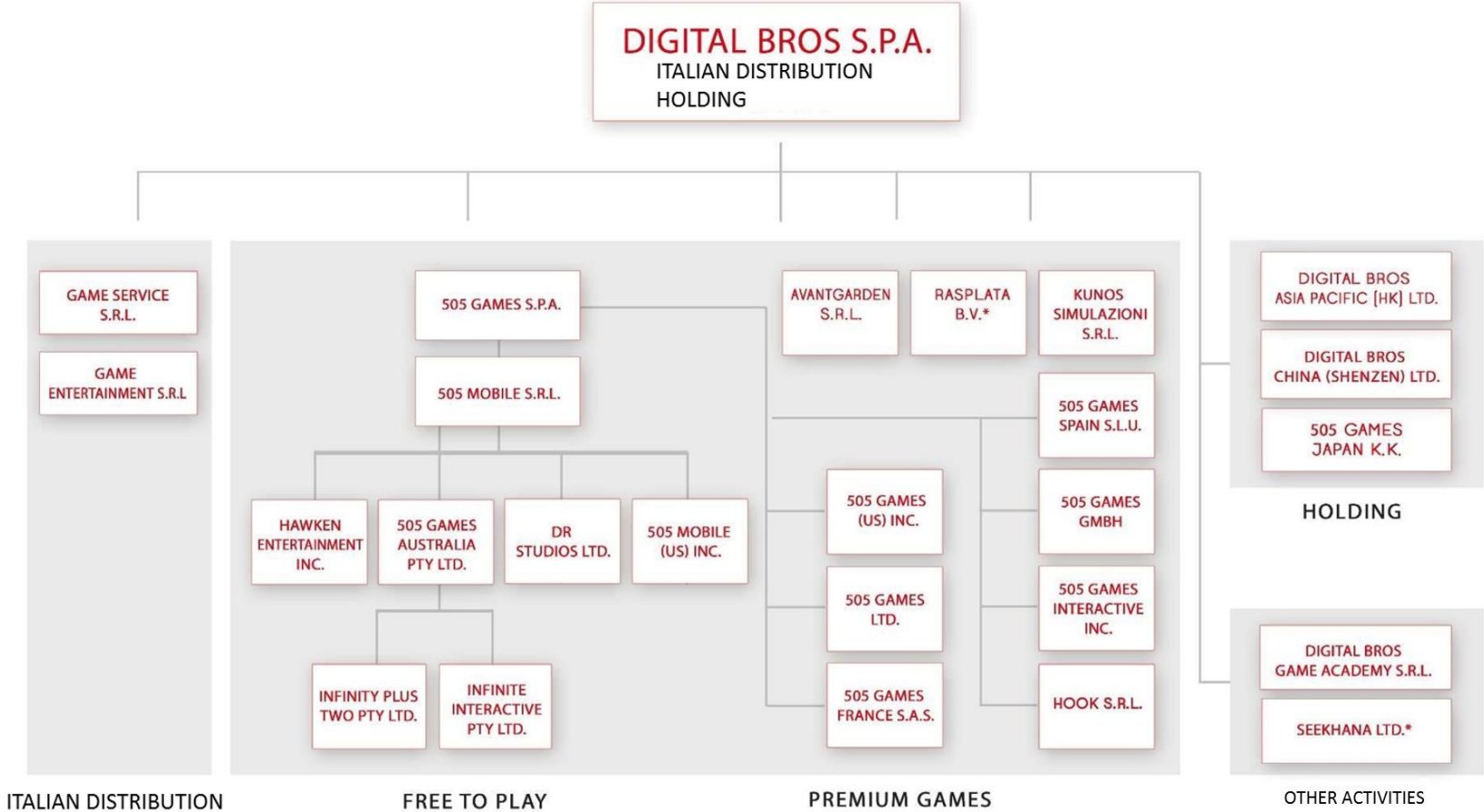
Other Activities: the operating segment considers all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses. It also includes the activities of the subsidiary Game Network S.r.l., whose activities were interrupted in June 2018, and which is actually in voluntary entered liquidation since October 2018. During the previous period, the Group completed the acquisition of 25.23% of the UK company Seekhana Ltd. arriving to an overall 60% stake.

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

The organization chart of the operating companies at June 30th, 2021 was as follows:

GROUP STRUCTURE AT JUNE 30, 2021



[*] INVESTMENT AT 60%

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

Company	Address	Activities
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (MI)	Logistics
Digital Bros Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	Offices
Digital Bros China (Shenzhen) Ltd.	Wang Hai Road, Nanshan district, Shenzhen 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
DR Studios Ltd.	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	Via Tortona, 37 Milan	Offices
505 Games Australia Pty Ltd. ⁽³⁾	202 153 Park Street, South Melbourne Vic 3205	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	402 Silbury Court, Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. in liquidation	Via Tortona, 37 Milan	Offices
Game Service S.r.l.	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona, 37 Milan	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
Infinity Plus Two Pty Ltd. ⁽³⁾	202 153 Park Street, South Melbourne Vic 3205	Offices
Infinite Interactive Pty Ltd. ⁽³⁾	202 153 Park Street, South Melbourne Vic 3205	Offices
505 Mobile S.r.l.	Via Tortona, 37 Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. ⁽²⁾	Churchill-Jaan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. ⁽²⁾	4 Linford Forum, Rockingham Drive, Milton Keynes, U.K.	Offices
Supernova Games Studios S.r.l.	Via Tortona, 37 Milan	Offices

(1) 60% consolidated.

(2) Consolidated from the third quarter.

Both Rasplata B.V. and Seekhana Ltd. have been consolidated line-by-line with a separate recognition of the non-controlling interests.

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

2. VIDEOGAMES MARKET

The video games market is one of the most important segments of the entertainment industry. Movies, books and magazines, video games and toys are part of the industry and present the same characteristics, brands, features and intellectual properties.

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

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

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



Developers

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

Publishers

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

Console manufacturers

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

Distributors

The role of distributors is different from market to market. The more a market is fragmented e.g. the Italian market, the more the distributor and the publisher roles are integrated, while on certain markets, such as the UK and the U.S., publishers usually have a direct presence due to a higher concentration of retailers. The increasing digitalization of the market has enabled newly established video games publishers to remain digital only and appoint the retail distribution services to a competitor publisher

Retailers

The retailer is the shop where the consumer buys the video game. Retailers may be international retail chains specialized in the sale of video games, specialized independent shops or web sites that sell directly to the public.

Console manufacturers have realized marketplaces where video games can be directly purchased in a digital format without involving a distributor or retailer. In this case, as for smartphone and tablet games, the value chain is shorter, as illustrated below:



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

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

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

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

3. PERFORMANCE INDICATORS

In order to facilitate the comprehension of the consolidated profit and loss and balance sheet data, the Group uses, with continuity and uniformity of representation since different financial years, some indicators. The following indicators are directly reported in the profit and loss: Gross profit, EBITDA and EBIT.

Similar considerations apply to the balance sheet with the net financial position, which is detailed in the specific section of the notes.

The definitions of the indicators used by the Group, as they do not derive directly from the accounting standards used, may not be homogeneous with those adopted by other companies and therefore comparable with them.

Reconciliations between the performance indicators illustrated in the Report on operations and the financial statements are not necessary as the Group uses indicators explicitly in the condensed consolidated financial statements.

4. SEASONALITY EFFECTS

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

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

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

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

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

5. SIGNIFICANT EVENTS OF THE REPORTING PERIOD

The significant events occurred during the reporting were the following:

- On October 28th, 2020, the Shareholders' Meeting of Digital Bros approved the Financial Statements for the fiscal year 2019-2020, a dividend distribution of Euro 0.15 per share and appointed the new Board of Directors and the new Board of Statutory Auditors for the 2021-2023 three-year period (until the approval of the Financial Statements for the fiscal year ending June 30th, 2023).
- On January 7th, 2021, the Group acquired 100% of Infinite Interactive Pty. and Infinity Plus Two Pty., the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and support their development. The transaction was carried out through the subsidiary 505 Games Australia Pty., created by the Group for that scope. The total fixed consideration amounted to USD 4.5 million, inclusive of a profit scheme for the key employees. In addition to the fixed consideration, an earn-out scheme has been agreed: the earn-out may range between 0% and 9% of the revenues generated by the products developed by subsidiaries over the next 48 months;
- On February 11th, 2021 the Group announced the forthcoming worldwide publication of the video game Eiyuden Chronicle - Hundred Heroes on both personal computers and consoles. The release of the video game is scheduled for the fiscal year ending June 30th, 2023 and the Group expects lifetime revenues in excess Euro 30 million;
- on June 15th, 2021 Digital Bros Shareholders Meeting approved the Remuneration policy pursuant to art. 123-ter, co 3-bis of the T.U.F. and the adoption of the 2021-2027 Medium-Long Term Monetary Incentives Plan based on non-financial instruments, in favor of the executive directors and the management of Digital Bros Group. The plan shall be in force from FY2021 to FY2027;
- On June 29th, 2021 the Group announced the agreement between the subsidiary 505 Games S.p.A. and the Finnish Remedy Entertainment Plc for the co-publishing and development of a new videogame that will be available on PC, PlayStation 5 and Xbox Series X|S. The new videogame codenamed "Condor" is a multiplayer cooperative experience built on Remedy's proprietary Northlight® technology. Condor is a spin-off of the critically acclaimed and award-winning Control. Condor's initial development investment amounts to Euro 25 million and, as for the current agreement in place for Control, Condor's development costs, marketing expenses and future revenues will be equally split between Digital Bros Group and Remedy Entertainment. Alongside Condor, Digital Bros and Remedy Entertainment have planned to further expand the Control-franchise with another, bigger-budget Control-game, to be agreed in more details in the future.

Relations with Starbreeze AB and Starbreeze AB shareholders

During the reporting period, few events occurred without changing the structure of the relationship between Digital Bros Group and Starbreeze AB. In September 2020, the Group entirely subscribed the share capital increase together with some more unsubscribed shares available.

In March 2021, the Swedish company signed a publishing agreement for the worldwide launch of the video game PAYDAY 3 with an important international publisher; no financial information has been provided in relation to the contract to allow an accurate assessment by the Group.

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

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

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

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze AB STAR A shares held by Swedish company Varvtre AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition.
- on February 26th, 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze AB for a price of Euro 19.2 million. The assets acquired have a nominal value of Euro 35.3 million, as detailed below:

- a) a convertible bond of SEK 215 million (around Euro 19.7 million) issued by Starbreeze AB for a total of Euro 16.9 million. Any conversion of the bond would lead to the issue of 131,933,742 new Starbreeze AB STAR B shares, representing 13.55% of share capital and 3.95% of voting rights at December 31st, 2020. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze AB in September 2020;
- b) a loan receivable of around USD 16.3 million (around Euro 14.8 million) for consideration of Euro 100 thousand. This loan falls under the Starbreeze AB corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
- c) 3,601,083 Starbreeze AB STAR A shares and 6,018,948 Starbreeze AB STAR B shares for a total amount of Euro 2.2 million.

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

In order to keep its stake in the share capital and its voting rights unchanged, on June 23rd, 2020, the Group signed a binding agreement for the pro-quota subscription of the share issue to be approved by a future General Meeting of Starbreeze AB. This share issue was finalized in September 2020 as previously mentioned.

At June 30th, 2021, also as a result of minor purchases, the Group holds 61,758,625 Starbreeze AB STAR A shares and 24,890,329 Starbreeze AB STAR B shares representing 11.96% of share capital and 28.86% of voting rights.

Despite the continuing contractual relations and the equity interest held in the Swedish company, the Group does not believe to have any influence over Starbreeze AB. Accordingly, it has decided to classify the investment under other investments as in the previous reporting periods. Digital Bros S.p.A. will reclassify the investment in its financial statement, should the circumstances change as a result of substantial changes in the relations between the two groups.

COVID-19

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

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

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

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

The gradual digitalisation of the market was accelerated because consumers were physically unable to access retail stores. Consequently, the Group's revenues were largely generated on digital marketplaces. This enabled the significant increase in the operating margins either because of higher unit margin and to significant savings in terms of manufacturing and logistics costs.

The higher incidence of digital revenues means greater concentration of revenues on a small number of customers. They have higher credit scores than customers involved in the traditional distribution of products and better payment terms. Accordingly, the Group did not have to record any significant incremental reserve for losses on trade receivables (IFRS 9).

No significant impairment tests effects to video games already available or currently under development has been recorded due to the effects of the pandemic.

6. CONSOLIDATED STATEMENT OF PROFIT AND LOSS AT JUNE 30TH, 2021

	Euro thousand	June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	150,703	101.0%	139,033	104.4%	11,670	8.4%
2	Revenue adjustments	(1,523)	-1.0%	(5,810)	-4.4%	4,287	-73.8%
3	Net revenue	149,180	100.0%	133,223	100.0%	15,957	12.0%
4	Purchase of products for resale	(5,598)	-3.8%	(16,743)	-12.6%	11,145	-66.6%
5	Purchase of services for resale	(10,528)	-7.1%	(8,857)	-6.6%	(1,671)	18.9%
6	Royalties	(41,322)	-27.7%	(34,600)	-26.0%	(6,722)	19.4%
7	Changes in inventories of finished products	(2,281)	-1.5%	(5,920)	-4.4%	3,639	-61.5%
8	Total cost of sales	(59,729)	-40.0%	(66,120)	-49.6%	6,391	-9.7%
9	Gross profit (3+8)	89,451	60.0%	67,103	50.4%	22,348	33.3%
10	Other income	4,060	2.7%	3,458	2.6%	602	17.4%
11	Costs for services	(9,617)	-6.4%	(13,559)	-10.2%	3,941	-29.1%
12	Rent and Leasing	(311)	-0.2%	(247)	-0.2%	(64)	26.0%
13	Payroll costs	(24,617)	-16.5%	(20,908)	-15.7%	(3,709)	17.7%
14	Other operating costs	(1,170)	-0.8%	(1,169)	-0.9%	(1)	0.1%
15	Total operating costs	(35,715)	-23.9%	(35,883)	-26.9%	168	-0.5%
16	Gross operating margin (EBITDA) (9+10+15)	57,796	38.7%	34,678	26.0%	23,119	66.7%
17	Depreciation and amortisation	(24,600)	-16.5%	(13,266)	-10.0%	(11,334)	85.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(2,647)	-1.8%	(2,206)	-1.7%	(441)	20.0%
20	Impairment reversal	0	0.0%	849	0.6%	(849)	n.m.
21	Total depreciation, amortization and impairment	(27,247)	-18.3%	(14,623)	-11.0%	(12,624)	86.3%
22	Operating margin (EBIT) (16+21)	30,549	20.5%	20,055	15.1%	10,494	52.3%
23	Interest and finance income	7,666	5.1%	4,037	3.0%	3,629	89.9%
24	Interest expense and finance costs	(3,401)	-2.3%	(3,409)	-2.6%	8	-0.2%
25	Net interest income/(expense)	4,265	2.9%	628	0.5%	3,637	n.m.
26	Profit/ (loss) before tax (22+25)	34,814	23.3%	20,683	15.5%	14,131	68.3%
27	Current tax	(11,910)	-8.0%	(6,363)	-4.8%	(5,547)	87.2%
28	Deferred tax	9,032	6.1%	629	0.5%	8,403	n.m.
29	Total taxes	(2,878)	-1.9%	(5,734)	-4.3%	2,856	-49.8%
30	Net profit/loss	31,936	21.4%	14,949	11.2%	16,987	n.m.
	attributable to the shareholders of the Group	32,025	21.5%	14,970	11.2%	17,055	n.m.
	attributable to minority shareholders	(89)	-0.1%	(21)	0.0%	(68)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	2.25		1.05		1.20	n.m.
34	Diluted earnings per share (in Euro)	2.21		1.03		1.18	n.m.

Consolidated gross revenues of the period amounted to Euro 150,703 thousand, increased compared to the Euro 139,033 thousand recorded in the previous year (+8.4%). Net revenue growth was +12%.

Digital revenues in the period represented 88% of the total consolidated revenues in respect of the 63% achieved in the previous financial year.

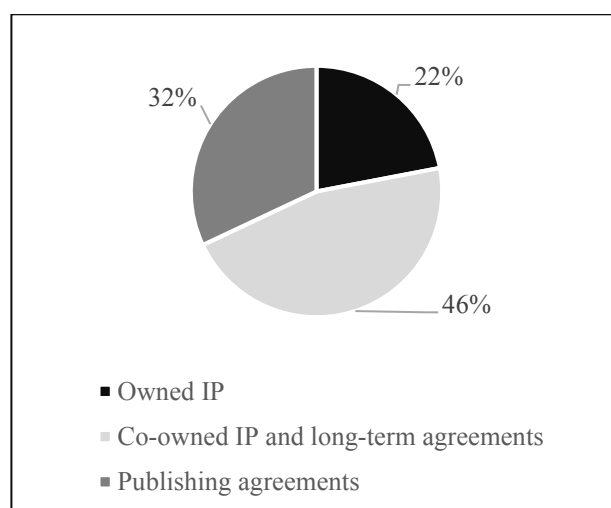
International markets revenues were 96% of the total consolidated gross revenues of the period.

A breakdown by operating segment for the period ended June 30th, 2021 compared to the period ended June 30th, 2020 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2021	2020	Change		2021	2020	Change	
Premium Games	134.648	122.287	12.361	10.1%	133,406	116,521	16,885	14.5%
Free to Play	10.679	7.476	3.203	42.8%	10,679	7,476	3,203	42.9%
Italian Distribution	4.774	8.653	(3.879)	-44.8%	4,493	8,609	(4,117)	-47.8%
Other projects	602	617	(15)	-2.5%	602	617	(15)	-2.5%
Total gross revenues	150.703	139.033	11.670	8.4%	149,180	133,223	15,957	12.0%

The Premium Games operating segment revenues represented 89% of the total consolidated gross revenues. They significantly increased by Euro 12,361 thousand and the corresponding net revenues increased by Euro 16,885 thousand, as a result of the sales of Death Stranding, the Steam and next-gen versions of Control, Ghostrunner but also the long-lasting performance of different editions of Assetto Corsa.

A breakdown of Premium Games revenues by type of rights held by the Group on each video game at June 30th, 2021 is provided below:



Video games developed by the internal studios and intellectual properties owned by the Group accounted for 22% of consolidated revenues in the period. 46% of revenues came from the sale of co-owned and long-term agreements (more than ten years) split in five intellectual properties. Revenues from other products, shown above as Publishing agreements, accounted for 32% of consolidated revenues.

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

Euro thousand	June 30th, 2021	June 30th, 2020	Change	
Control	35,505	34,357	1,148	3.3%
Death Stranding	31,204	0	31,204	n.m.
Assetto Corsa	18,527	16,500	2,027	12.3%
Ghostrunner	11,565	0	11,565	n.m.
Terraria	8,629	14,969	(6,340)	-42.4%
Bloodstained	5,265	11,781	(6,516)	-55.3%
PAYDAY 2	4,377	5,188	(811)	-15.6%
Journey to the Savage Planet	2,811	12,082	(9,271)	-76.7%
Other products	15,247	22,947	(7,700)	-33.6%
Retail products	1,518	4,463	(2,945)	-66.0%
Premium Games total gross revenues	134,648	122,287	12,361	10.1%

The Free to Play operating segment showed a 42.8% increase, from Euro 7,476 thousand to Euro 10,679 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter. This game became part of the Group's IP portfolio as a result of the acquisition of the Australian studio – Infinity Plus Two – in January 2021.

The Italian Distribution operating sector revenues decreased by 44.8% (from Euro 8,653 thousand down to Euro 4,774 thousand), impacted by the continuing decline of the retail distribution and accelerated by the effects of the COVID-19 pandemic.

Cost of sales decreased by Euro 6,391 thousand – a 9.7% decrease – following a decrease in purchases of products for resale for Euro 11,145 thousand and partially offset by higher royalties for Euro 6,722 thousand. Inventories decreased by Euro 2,281 thousand, in line with the retail distribution consolidated revenues trend.

Gross profit increased by Euro 22,348 thousand (+ 33.3%).

Other income amounted to Euro 4,060 thousand, increased by Euro 602 thousand, due to a greater impact of video games productions. It mostly consisted of the capitalization of internal studios development of video games to be launched. In particular, during the reporting period, these activities included the development of the new Free to Play version of Hawken by the subsidiary DR Studios Ltd. and the new version of Assetto Corsa by the subsidiary Kunos Simulazioni.

Operating costs amounted to Euro 35,716 thousand (in line with the previous year), due to lower advertising expenditure, and partially offset by higher payroll costs.

Gross operating margin / EBITDA for the period has been Euro 57,795 thousand corresponding to 38,7% of the consolidated net revenues, considerably growing by Euro 23,118 thousand from the Euro 34,678 thousand realized in the previous year.

Amortization and depreciation increased by Euro 11,334 thousand compared to June 30th, 2020 due to higher costs associated with the amortization of an incremental number of intellectual properties published and owned by the Group.

The significant growth of the digital revenue portion in respect of the total sales pushed the EBIT to Euro 30,549 thousand compared to Euro 20,055 thousand as at June 30th, 2020. Digital sales show better profitability margins due to the shorter value chain, less operational complexity and better payment conditions by customers. EBIT stood at 20.5% of the consolidated gross revenues for the period.

The net financial income was positive for Euro 4,265 thousand, against the negative Euro 628 thousand achieved in the previous year.

Profit before tax for the period ended June 30th, 2021 amounted to Euro 34,814 thousand, an increase of Euro 14,131 thousand compared to profit before tax of Euro 20,683 thousand as at June 30th, 2020.

Current taxes increased by Euro 5,547 thousand due to the higher tax base for the year of the Italian companies and to the registration of the substitute tax for Euro 750 thousand following the revaluation of the Assetto Corsa brand. Deferred taxes are positive for Euro 9,032 thousand following the recognition of deferred taxes for Euro 7,203 thousand as a result of the revaluation.

Net profit for the period amounted to Euro 31,936 thousand compared to Euro 14,949 thousand as at June 30th, 2020.

Net profit attributable to the Shareholders of the Group was Euro 32,025 thousand.

Basic profit per share and diluted profit per share were respectively Euro 2.25 and Euro 2.21 compared to the Euro 1.05 and Euro 1.03 profit per share as at June 30th, 2020.

The share of the results attributable to minority shareholders relates to the 40% held by other shareholders of the Dutch company Rasplata B.V., the 40% of the English company Seekhana Ltd. and the 25% of the Canadian company Chrysalide Jeux et Divertissement Inc and amounted to negative Euro 89 thousand.

7. CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30TH, 2021

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,198	8,837	(639)	-7.2%
2	Investment property	0	0	0	0.0%
3	Intangible assets	66,776	33,248	33,528	n.m.
4	Equity investments	11,190	5,488	5,702	n.m.
5	Non-current receivables and other assets	5,089	6,744	(1,655)	-24.5%
6	Deferred tax assets	11,644	3,482	8,162	n.m.
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	121,737	75,050	46,687	62.2%
	Current assets				
8	Inventories	5,708	7,989	(2,281)	-28.6%
9	Trade receivables	18,283	28,168	(9,885)	-35.1%
10	Tax receivables	1,500	3,100	(1,600)	-51.6%
11	Other current assets	19,279	32,816	(13,537)	-41.3%
12	Cash and cash equivalent	35,509	8,527	26,982	n.m.
13	Other current financial assets	0	0	0	0.0%
	Total current assets	80,279	80,600	(321)	-0.4%
	TOTAL ASSETS	202,016	155,650	46,366	29.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	(0)	0.0%
15	Reserves	(23,016)	(20,960)	(2,056)	9.8%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(82,181)	(52,288)	(29,894)	57.2%
	Equity attributable to Parent Company	(110,901)	(78,952)	(31,949)	40.5%
	Equity attributable to minority shareholders	(890)	(979)	89	-9.1%
	Total Net equity	(111,791)	(79,931)	(31,860)	39.9%
	Non-current liabilities				
18	Employee benefits	(719)	(659)	(60)	9.1%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(5,415)	(469)	(4,946)	n.m.
21	Non-current financial liabilities	(11,694)	(6,369)	(5,325)	83.6%
	Total non-current liabilities	(17,909)	(7,578)	(10,331)	n.m.
	Current liabilities				
22	Trade payables	(47,193)	(41,140)	(6,053)	14.7%
23	Taxes payables	(10,782)	(5,473)	(5,309)	97.0%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(9,932)	(4,721)	(5,211)	n.m.
26	Current financial liabilities	(4,409)	(16,807)	12,398	-73.8%
	Total net working capital	(72,316)	(68,141)	(4,175)	6.1%
	TOTAL LIABILITIES	(90,225)	(75,719)	(14,506)	19.2%
	TOTAL NET EQUITY AND LIABILITIES	(202,016)	(155,650)	(46,366)	29.8%

Total non-current assets increased by Euro 46,687 thousand.

The significant investment plan implemented by the Group in order to achieve its growth objectives increased the intangible assets by Euro 33,528 thousand due to investments in new IPs and long-term rights held by the Group, net of the amortization for the period.

Equity investments increased by Euro 5,702 thousand due to further purchases of Starbreeze AB shares as described in the Significant Events during the Period section of the Full Year Report.

Non-current receivables and other assets decreased by Euro 1,655 thousand following the collection of the USD 10 million receivable deriving from the sale of Pipeworks Inc. which at June 30th, 2020 had a maturity of more than twelve months but was fully collected in advance in October 2020.

Deferred tax assets increased by Euro 8,162 thousand following the recognition of deferred taxes for Euro 7,203 thousand resulting from the revaluation of the Assetto Corsa brand.

Total current assets are unchanged from June 30th, 2020 as a result of higher cash and cash equivalent for Euro 26,982 thousand, offset by a decrease of Euro 13,537 thousand in other current assets following the aforementioned collection of the USD 10 million Pipeworks Inc. receivable and lower trade receivables.

Total non-current liabilities increased by Euro 10,331 thousand following the recognition of the portion of the debt with maturity beyond twelve months for the acquisition of the Australian companies and the subscription of three new loans by the Parent Company and 505 Games S.p.A. for a total value of Euro 7,859 thousand. Total net working capital increased by Euro 14,506 thousand.

The following table reports details of the Group's net financial position at June 30th, 2021 together with comparative figures at June 30th, 2020:

	Euro thousand	June 30th, 2021	June 30th, 2020	Change	
12	Cash and cash equivalents	35,509	8,527	26,982	n.m.
13	Other current financial assets	0	0	0	n.m.
26	Current financial liabilities	(4,409)	(16,807)	12,398	-73.8%
	Current net financial position	31,100	(8,280)	39,380	n.m.
7	Non-current financial assets	18,840	17,251	1,589	9.2%
21	Non-current financial liabilities	(11,694)	(6,369)	(5,325)	83.6%
	Non-current net financial position	7,146	10,882	(3,736)	-34.3%
	Total net financial position	38,246	2,602	35,644	n.m.

The net financial position amounted to Euro 38,246 thousand, significantly improved compared to Euro 2,602 thousand as at June 30th, 2020. Excluding the IFRS 16 effect, the net financial position would have been positive for Euro 43 million.

8. SEGMENT REPORTING

Premium Games

Reclassified P&L highlights

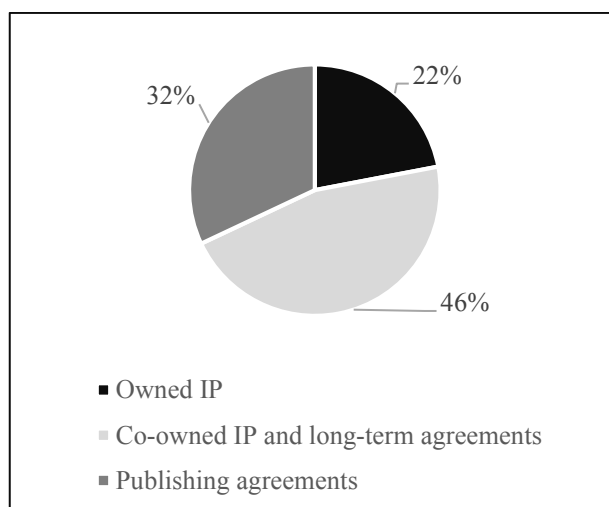
	Euro thousand	Premium Games					
		June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	134,648	100.9%	122,287	104.9%	12,361	10.1%
2	Revenue adjustments	(1,242)	-0.9%	(5,766)	-4.9%	4,524	-78.5%
3	Net revenue	133,406	100.0%	116,521	100.0%	16,885	14.5%
4	Purchase of products for resale	(3,169)	-2.4%	(11,291)	-9.7%	8,122	-71.9%
5	Purchase of services for resale	(9,121)	-6.8%	(6,528)	-5.6%	(2,593)	39.7%
6	Royalties	(41,127)	-30.8%	(34,207)	-29.4%	(6,920)	20.2%
7	Changes in inventories of finished products	(1,333)	-1.0%	425	0.4%	(1,757)	n.m.
8	Total cost of sales	(54,750)	-41.0%	(51,601)	-44.3%	(3,149)	6.1%
9	Gross profit (3+8)	78,656	59.0%	64,920	55.7%	13,736	21.2%
10	Other income	1,439	1.1%	1,336	1.1%	103	7.7%
11	Cost of services	(6,658)	-5.0%	(10,352)	-8.9%	3,694	-35.7%
12	Lease and rental charges	(99)	-0.1%	(81)	-0.1%	(18)	21.2%
13	Payroll costs	(13,091)	-9.8%	(11,144)	-9.6%	(1,947)	17.5%
14	Other operating costs	(298)	-0.2%	(398)	-0.3%	100	-25.1%
15	Total operating costs	(20,146)	-15.1%	(21,975)	-18.9%	1,829	-8.3%
16	Gross operating margin (EBITDA) (9+10+15)	59,949	44.9%	44,281	38.0%	15,668	35.4%
17	Depreciation and amortisation	(22,552)	-16.9%	(11,025)	-9.5%	(11,527)	n.m.
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(2,584)	-1.9%	(1,860)	-1.6%	(724)	38.9%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	259	0.2%	(259)	n.m.
21	Total non-monetary income and operating costs	(25,136)	-18.8%	(12,626)	-10.8%	(12,510)	99.1%
22	Operating margin (EBIT) (16+21)	34,813	26.1%	31,655	27.2%	3,158	10.0%

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

The Premium Games operating segment represents 89% of the consolidated gross revenues and significantly increased the gross revenues of the period by Euro 12,361 thousand and net revenues, up by Euro 16,885 thousand, as a result of the sales of Death Stranding, the Steam and next-gen versions of

Control, the Ghostrunner video game, but also the continuing performance of the different editions of Assetto Corsa.

A breakdown of Premium Games revenues by type of rights held by the Group on each video game at June 30th, 2021 is provided below:



Video games developed by the internal studios and intellectual properties owned by the Group accounted for 22% of consolidated revenues in the period. 46% of revenues came from the sale of co-owned and long-term agreements (more than ten years) split in five intellectual properties. Revenues from other products, shown above as Publishing agreements, accounted for 32% of consolidated revenues.

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

Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
Control	35,505	34,357	1,148	3.3%
Death Stranding	31,204	0	31,204	n.m.
Assetto Corsa	18,527	16,500	2,027	12.3%
Ghostrunner	11,565	0	11,565	n.m.
Terraria	8,629	14,969	(6,340)	-42.4%
Bloodstained	5,265	11,781	(6,516)	-55.3%
PAYDAY 2	4,377	5,188	(811)	-15.6%
Journey to the Savage Planet	2,811	12,082	(9,271)	-76.7%
Other products	15,247	22,947	(7,700)	-33.6%
Retail products	1,518	4,463	(2,945)	-66.0%
Premium Games total gross revenue	134,648	122,287	12,361	10.1%

A breakdown of revenue by type is provided below:

Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
Retail distribution revenue	10,028	33,250	(23,222)	-69.8%
Digital distribution revenue	121,560	80,048	41,512	51.9%
Sub-licensing revenue	3,058	8,760	(5,702)	-65.1%
Revenue from services	2	229	(227)	-99.1%
Total Premium Games revenue	134,648	122,287	12,361	10.1%

Retail distribution revenue decreased by Euro 23,222 thousand in the period, dropping from the 27% of the previous period to the actual 7% on total revenues. Digital distribution amounted to Euro 41,512 thousand, from 65% to 90% of the total revenue of the operating sector.

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

Digital distribution revenue for the period ended June 30th, 2021 may be broken down by console type as follows:

Euro thousand	June 30th, 2021	June 30th, 2020	Change	
Sony Playstation	21,782	24,132	(2,350)	-9.7%
Microsoft XboX	12,930	14,336	(1,406)	-9.8%
Nintendo Switch	5,597	7,133	(1,536)	-21.5%
Total console	40,309	45,601	(5,292)	-11.6%
Personal Computer	74,373	25,258	49,115	n.m.
Mobile	6,878	9,189	(2,311)	-25.1%
Total digital distribution revenue	121,560	80,048	41,512	51.9%

PC revenues increased significantly following the launch of the video game Death Stranding, on which the Group exclusively holds the rights to this platform, and of the Steam version of Control (console versions of the video game were launched in the previous year).

In line with the gross revenue trend, net revenue amounted to Euro 133,406 thousand, increased by 14.5% compared to June 30th, 2020, because of lower revenue adjustments typical of the retail distribution.

Total cost of sales increased by Euro 3,149 thousand due to higher royalties for Euro 6,920 thousand and purchase of services for resale for Euro 2,593 thousand, partially offset by the decrease in purchase of products for resale for Euro 8,122 thousand. Inventories of finished products decreased to Euro 1,757 thousand, in line with the decline of the retail distribution.

Gross profit increased by Euro 13,736 thousand.

Other income amounted at Euro 1,439 thousand and consists almost entirely of capitalized costs for in-house development of video games, in particular the new version of Assetto Corsa developed by the subsidiary Kunos Simulazioni.

Total operating costs decreased by Euro 1,829 thousand due lower cost of services for Euro 3,694 thousand brought by lower advertising expenditure, and partially offset by higher payroll costs for Euro 1,947 thousand.

Gross operating margin / EBITDA increased by Euro 15,668 thousand. It represented 44.9% of net revenue compared to 38% in the previous period.

Depreciation and amortisation increased by Euro 11,527 thousand compared to June 30th, 2020 due to higher costs associated with the amortisation of intellectual properties published and owned by the Group.

The Euro 2,584 thousand write-down of assets relates for Euro 1,855 thousand to a product developed by the subsidiary Avantgarden for which it is expected that the value of the assets recorded will not be

recoverable due to expected below expectations results and for Euro 700 thousand to the portions of withholdings subject to of the agreement with the Italian Tax Authorities that were deemed irrecoverable by suppliers.

Operating margin / EBIT amounted to Euro 34,813 thousand, increased by Euro 3,158 thousand compared to Euro 31,655 thousand at June 30th, 2020, and represents 26.1% of net revenues. Digital sales show better profitability rates due to a shorter value chain, less operational complexity and better payment conditions by the customers; this has led to profitability rates much higher than in the past and in line with what was recorded in the second half of the previous year.

The assets and liabilities attributable to the Premium Games operating segment are as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
	Non-current assets				
1	Property, plant and equipment	1,402	1,168	234	20.0%
2	Investment property	0	0	0	0.0%
3	Intangible assets	50,703	25,943	24,760	95.4%
4	Equity investments	(0)	(0)	0	0.0%
5	Non-current receivables and other assets	181	186	(5)	-2.8%
6	Deferred tax assets	10,995	1,639	9,356	n.m.
7	Non-current financial assets	0	0	0	0.0%
	Total non-current assets	63,281	28,936	34,345	n.m.
	Current assets				
8	Inventories	1,934	3,267	(1,333)	-40.8%
9	Trade receivables	16,119	22,914	(6,795)	-29.7%
10	Current tax assets	214	242	(28)	-11.5%
11	Other current assets	17,157	27,095	(9,938)	-36.7%
12	Cash and cash equivalents	33,670	7,093	26,577	n.m.
13	Other financial assets	0	0	0	0.0%
	Total current assets	69,094	60,611	8,483	14.0%
	TOTAL ASSETS	132,375	89,547	42,828	47.8%
	Non-current liabilities				
18	Employee benefits	(311)	(214)	(97)	45.3%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	(242)	0	(242)	n.m.
21	Financial liabilities	(4,130)	(1,292)	(2,838)	n.m.
	Total non-current liabilities	(4,683)	(1,506)	(3,177)	n.m.
	Current liabilities				
22	Trade payables	(44,865)	(37,855)	(7,010)	18.5%
23	Current tax liabilities	(4,903)	(5,207)	305	-5.9%
24	Current provisions	0	0	(0)	0.0%
25	Other current liabilities	(6,857)	(3,363)	(3,494)	n.m.
26	Financial liabilities	(883)	(4,508)	3,625	-80.4%
	Total current liabilities	(57,507)	(50,933)	(6,574)	12.9%
	TOTAL LIABILITIES	(62,190)	(52,439)	(9,751)	18.6%

The Group is determined to keep growing in the future, reinvesting the largest part of the cash flow generated in new investments. Premium Games investments were substantial and amounted to approximately Euro 49,401 thousand at June 30th, 2021. Despite this, the current assets decreased, as a result of better collection, lower inventories and higher trade payables, generating a strong growth in cash and cash equivalents for Euro 26,577 thousand.

Other current assets decreased by Euro 9,938 thousand formed by the residual part of the advances paid for the development contracts. Even if the advances are paid without the transfer of the intellectual property to the Group, they refer to long term rights and consequently they are now reported as intangible assets.

The increase in trade payables relates to higher royalties in line with the increase in revenues. Royalties are contractually paid in the quarter following the actual collection by the Group.

Free to Play

Reclassified P&L highlights

	Euro Thousands	Free to Play					
		June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	10,679	100.0%	7,476	100.0%	3,203	42.8%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	10,679	100.0%	7,476	100.0%	3,203	42.8%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(1,404)	-13.1%	(2,189)	-29.3%	785	-35.9%
6	Royalties	(192)	-1.8%	(363)	-4.9%	171	-47.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(1,596)	-14.9%	(2,552)	-34.1%	956	-37.5%
9	Gross profit (3+8)	9,083	85.1%	4,924	65.9%	4,159	84.5%
10	Other income	2,582	24.2%	2,039	27.3%	543	26.6%
11	Costs for services	(406)	-3.8%	(271)	-3.6%	(135)	50.2%
12	Lease and rental costs	(53)	-0.5%	(19)	-0.3%	(34)	n.m.
13	Payroll costs	(5,360)	-50.2%	(4,440)	-59.4%	(920)	20.7%
14	Other operating costs	(123)	-1.2%	(82)	-1.1%	(41)	50.3%
15	Total operating costs	(5,942)	-55.6%	(4,812)	-64.4%	(1,130)	23.5%
16	Gross operating margin (EBITDA) (9+10+15)	5,723	53.6%	2,151	28.8%	3,572	n.m.
17	Depreciation and amortisation	(957)	-9.0%	(1,127)	-15.1%	170	-15.2%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	(346)	-4.6%	346	n.m.
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(957)	-9.0%	(1,473)	-19.7%	516	-35.0%
22	Operating margin (EBIT) (16+21)	4,766	44.6%	678	9.1%	4,088	n.m.

The Free to Play operating segment revenues showed a 42.8% increase, from Euro 7,476 thousand to Euro 10,679 thousand. Gems of War, a Free to Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter. This game became part of the Group's IP portfolio as a result of the acquisition of the Australian studio Infinity Plus Two in January 2021.

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

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
Gems of War	8,761	5,687	3,074	54.1%
Battle Islands	969	872	97	11.1%
Prominence Poker	469	849	(380)	-44.8%
Hawken 2	165	0	165	n.m.
Other products	315	68	247	n.m.
Free to Play total revenue	10,679	7,476	3,203	42.8%

The intellectual property rights of Prominence Poker were sold for USD 265 thousand during the period. A licensing agreement for the Chinese market rights of Gems of War was also finalized and resulted in revenues of Euro 1,895 thousand. The Group generated revenue for the Hawken 2 video game for Euro 165 thousand as a result of a sub-licensing contract, although its launch is expected at the end of the next fiscal year.

Purchases of services for resale have decreased by Euro 956 thousand because of lower expenditure on quality assurance and live support activities. The reduction in live support costs is an effect of the acquisition and consequent consolidation process of Infinity Plus Two Pty. Ltd. that took place during the third quarter. Since that moment, live support costs were accounted as payroll costs. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Live support	832	1,341	(509)
Quality assurance	42	115	(73)
Hosting	363	548	(185)
Other	167	185	(18)
Total purchase of services for resale	1,404	2,189	(785)

Live support consists of game development and improvement after the initial launch in order to maintain the players' retention thanks to additional content periodically released.

Other income increased by Euro 543 thousand compared to June 30th, 2020. It mainly comprises the internal development costs incurred by the Group for the development of the future Free to Play version of Hawken (whose launch is scheduled for the next fiscal year) and Puzzle Quest 3 from the consolidation date of the Australian subsidiary Infinity Plus Two.

Total operating costs amounted to Euro 5,942 thousand, increased compared to Euro 4,812 thousand of the previous year. This is due to Euro 920 thousand increase in payroll costs following the acquisition of the Australian companies consolidated since the third quarter.

Gross operating margin / EBITDA amounted to Euro 5,723 thousand and increased by Euro 3,572 thousand compared to June 30th, 2020.

Depreciation and amortisation for the period amounted to Euro 957 thousand and included the amortization of the difference between the purchase price of the Australian companies and the related shareholders' equity for Euro 856 thousand. Nonetheless, depreciation and amortisation decreased by Euro 170 thousand due to completion of the amortisation period of several products.

The operating margin / EBIT of the operating segment amounted to Euro 4,766 thousand with an improvement of Euro 4,088 thousand compared to Euro 678 thousand registered in the previous fiscal year.

The assets and liabilities attributable to the Free to Play operating segment are as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
	Non-current assets				
1	Property, plant and equipment	106	174	(67)	-38.7%
2	Investment property	0	0	0	0.0%
3	Intangible assets	14,803	6,061	8,742	n.m.
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	11	0	11	0.0%
6	Deferred tax assets	3	490	(487)	-99.5%
7	Non-current financial assets	0	0	0	0.0%
	Total non-current assets	14,923	6,725	8,198	n.m.
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	1,236	1,737	(501)	-28.9%
10	Current tax assets	154	98	56	57.1%
11	Other current assets	1,116	1,767	(651)	-36.8%
12	Cash and cash equivalents	466	318	148	46.6%
13	Other financial assets	0	0	0	0.0%
	Total current assets	2,972	3,920	(948)	-24.2%
	TOTAL ASSETS	17,895	10,645	7,250	68.1%
	Non-current liabilities				
18	Employee benefits	0	0	0	0.0%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	(4,651)	0	(4,651)	n.m.
21	Financial liabilities	(13)	(62)	49	-79.0%
	Total non-current liabilities	(4,664)	(62)	(4,602)	n.m.
	Current liabilities				
22	Trade payables	(564)	(1,023)	459	-44.9%
23	Current tax liabilities	(443)	(91)	(352)	n.m.
24	Current provisions	0	(0)	0	0.0%
25	Other current liabilities	(1,966)	(42)	(1,924)	n.m.
26	Financial liabilities	(54)	(54)	0	0.0%
	Total current liabilities	(3,027)	(1,210)	(1,818)	n.m.
	TOTAL LIABILITIES	(7,691)	(1,272)	(6,419)	n.m.

Non-current assets increased by Euro 8,198 thousand mainly due to higher intangible assets for Euro 8,742 thousand and partially offset by lower deferred tax assets for Euro 487 thousand. The increase in intangible assets stems from the capitalization of the internal costs that the Group is incurring in for the development of the Free to Play video games Hawken and Puzzle Quest 3.

Other non-current payables and liabilities and other current liabilities increased due to the recognition of the portion of the debt maturing after twelve months and within twelve months, respectively, deriving from the acquisition of the Australian companies.

Italian Distribution

Reclassified P&L highlights

	Euro Thousands	Italian Distribution					
		June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	4,774	106.3%	8,653	100.5%	(3,879)	-44.8%
2	Revenue adjustments	(281)	-6.3%	(44)	-0.5%	(237)	n.m.
3	Net revenue	4,493	100.0%	8,609	100.0%	(4,116)	-47.8%
4	Purchases of products for resale	(2,429)	-54.1%	(5,452)	-63.3%	3,023	-55.5%
5	Purchases of services for resale	0	0.0%	(128)	-1.5%	128	n.m.
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(948)	-21.1%	(6,345)	-73.7%	5,397	-85.1%
8	Total cost of sales	(3,377)	-75.2%	(11,925)	-138.5%	8,548	-71.7%
9	Gross profit (3+8)	1,116	24.8%	(3,316)	-38.5%	4,432	n.m.
10	Other income	0	0.0%	0	0.0%	0	n.m.
11	Costs for services	(695)	-15.5%	(1,208)	-14.0%	513	-42.5%
12	Lease and rental costs	(28)	-0.6%	(29)	-0.3%	1	-3.2%
13	Payroll costs	(1,225)	-27.3%	(1,365)	-15.9%	140	-10.2%
14	Other operating costs	(162)	-3.6%	(188)	-2.2%	26	-13.7%
15	Total operating costs	(2,110)	-47.0%	(2,790)	-32.4%	680	-24.4%
16	Gross operating margin (EBITDA) (9+10+15)	(994)	-22.1%	(6,106)	-70.9%	5,112	-83.7%
17	Depreciation and amortisation	(160)	-3.6%	(173)	-2.0%	13	-7.6%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(160)	-3.6%	(173)	-2.0%	13	-7.3%
22	Operating margin (EBIT) (16+21)	(1,154)	-25.7%	(6,279)	-72.9%	5,125	-81.6%

The Italian Distribution operating sector revenues decreased by 44.8% (from Euro 8,653 thousand down to Euro 4,774 thousand), impacted by the continuing decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Gross revenue analyzed by type is as follows:

Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
Distribution of video games for consoles	2,164	6,165	(4,001)	-64.9%
Distribution of trading cards	2,551	2,076	475	22.9%
Distribution of other products and services	59	412	(353)	-85.6%
Italian Distribution total gross revenue	4,774	8,653	(3,879)	-44.8%

Compared to the console video games distribution (down by 64.9%), the trading cards distribution revenue increased by 22.9%, thanks to a renewed interest in trading cards.

Total cost of sales amounted to Euro 3,377 thousand, down by Euro 8,548 thousand compared to June 30th, 2020 due to the decrease in purchase of products for resale in line with the general decrease in sales of the operating sector and lower changes in inventories of finished products. The continuous reduction in changes in inventories of finished products is in line with the prospective reduction in the segment's revenues.

Total operating costs amounted to Euro 2,110 thousand and have decreased by Euro 680 thousand compared to Euro 2,239 thousand registered at June 30th, 2020. As a result, the gross operating margin / EBITDA is negative for Euro 994 thousand (an improvement of Euro 5,112 thousand compared to the previous period) while the operating margin / EBIT is negative for Euro 1,154 thousand, increased by Euro 5,125 thousand compared to June 30th, 2020.

The assets and liabilities attributable to the Italian Distribution operating segment are as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
	Non-current assets				
1	Property, plant and equipment	2,244	2,352	(108)	-4.6%
2	Investment property	0	0	0	0.0%
3	Intangible assets	0	0	0	0.0%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	6	6	0	0.0%
6	Deferred tax assets	640	1,346	(706)	-52.4%
7	Non-current financial assets	0	0	0	0.0%
	Total non-current assets	2,890	3,704	(814)	-22.0%
	Current assets				
8	Inventories	3,774	4,722	(948)	-20.1%
9	Trade receivables	928	1,904	(976)	-51.2%
10	Current tax assets	1,121	986	135	13.7%
11	Other current assets	199	238	(39)	-16.5%
12	Cash and cash equivalents	1,040	865	174	20.1%
13	Other financial assets	0	0	0	0.0%
	Total current assets	7,062	8,715	(1,653)	-19.0%
	TOTAL ASSETS	9,952	12,419	(2,466)	-19.9%
	Non-current liabilities				
18	Employee benefits	(391)	(429)	38	-8.9%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	0	0	0.0%
21	Financial liabilities	0	0	0	0.0%
	Total non-current liabilities	(472)	(510)	39	-7.6%
	Current liabilities				
22	Trade payables	(432)	(698)	266	-38.1%
23	Current tax liabilities	(335)	(158)	(177)	112.2%
24	Current provisions	0	0	0	0.0%
25	Other current liabilities	(950)	(868)	(83)	9.5%
26	Financial liabilities	(8)	(568)	560	-98.5%
	Total current liabilities	(1,725)	(2,292)	567	-24.7%
	TOTAL LIABILITIES	(2,197)	(2,802)	605	-21.6%

Inventories decreased to Euro 3,774 thousand compared to Euro 4,722 thousand at June 30th, 2020. The 51.2% decrease in trade receivables allowed for a slight improvement in cash and cash equivalents and a substantial reduction in financial liabilities.

Other Activities

Reclassified P&L highlights

	Euro thousand	Other Activities					
		June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	602	100.0%	617	100.0%	(15)	-2.3%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	602	100.0%	617	100.0%	(15)	-2.3%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	(3)	-0.4%	(12)	-1.9%	9	-77.3%
6	Royalties	(3)	-0.5%	(30)	-4.9%	27	66.6%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(6)	-1.0%	(42)	-6.8%	36	-85.9%
9	Gross profit (3+8)	596	98.8%	575	93.2%	21	3.7%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(184)	-30.6%	(163)	-26.4%	(21)	13.3%
12	Lease and rental costs	(1)	-0.2%	(1)	-0.2%	0	-66.6%
13	Payroll costs	(351)	-58.2%	(324)	-52.6%	(27)	8.1%
14	Other operating costs	(35)	-5.9%	(32)	-5.1%	(3)	11.5%
15	Total operating costs	(571)	-94.8%	(520)	-84.3%	(51)	9.8%
16	Gross operating margin (EBITDA) (9+10+15)	25	4.1%	55	9.0%	(30)	-55.4%
17	Depreciation and amortisation	(73)	-12.2%	(110)	-17.8%	37	-33.2%
18	Allocation to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	0	0.0%	0	0.0%	0	0.0%
20	Reversal of impairment adjustments and non-monetary income	0	0.0%	0	0.0%	0	0.0%
21	Total non-monetary operating income and costs	(73)	-12.2%	(110)	-17.8%	37	-33.2%
22	Operating margin (EBIT) (16+21)	(48)	-7.9%	(55)	-8.9%	7	-13.8%

The revenue of the Other Activities operating segment decreased by Euro 15 thousand from Euro 617 thousand to Euro 602 thousand in the reporting period. Digital Bros Game Academy S.r.l. courses for the new academic year started in October 2020.

Total operating costs increased by Euro 51 thousand to Euro 571 thousand compared to Euro 520 thousand at June 30th, 2020. Depreciation and amortization decreased by Euro 37 thousand.

There is an operating loss /EBIT of Euro 48 thousand, decreasing by Euro 7 thousand compared to Euro 55 thousand at June 30th, 2020.

The assets and liabilities attributable to the Other Activities operating segment are as follows:

	Euro thousand	June 30th, 2021	June 30th, 2020	Change	
	Non-current assets				
1	Property, plant and equipment	56	83	(27)	-31.9%
2	Investment property	0	0	0	0.0%
3	Intangible assets	1,107	1,048	59	5.6%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	0	0	0	0.0%
6	Deferred tax assets	1	7	(6)	-85.1%
7	Non-current financial assets	0	0	0	0.0%
	Total non-current assets	1,164	1,138	26	2.3%
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	0	5	(5)	n.m.
10	Current tax assets	3	7	(4)	-57.7%
11	Other current assets	367	230	137	59.5%
12	Cash and cash equivalents	267	131	136	n.m.
13	Other financial assets	0	0	0	0.0%
	Total current assets	637	373	264	70.8%
	TOTAL ASSETS	1,801	1,511	290	19.2%
	Non-current liabilities				
18	Employee benefits	(17)	(16)	(1)	5.0%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	0	0	0	0.0%
21	Financial liabilities	0	0	0	0.0%
	Total non-current liabilities	(17)	(16)	(1)	5.0%
	Current liabilities				
22	Trade payables	(223)	(136)	(87)	64.0%
23	Current tax liabilities	(12)	(17)	5	-26.3%
24	Current provisions	0	0	0	0.0%
25	Other current liabilities	(147)	(105)	(42)	40.3%
26	Financial liabilities	0	0	0	0.0%
	Total current liabilities	(382)	(258)	(124)	48.3%
	TOTAL LIABILITIES	(399)	(274)	(125)	45.8%

Holding

Reclassified P&L highlights

	Euro thousand	Holding					
		June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	Purchases of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchases of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	39	0.0%	83	0.0%	(44)	-53.3%
11	Costs for services	(1,674)	0.0%	(1,565)	0.0%	(109)	7.0%
12	Lease and rental costs	(130)	0.0%	(117)	0.0%	(13)	11.4%
13	Payroll costs	(4,590)	0.0%	(3,635)	0.0%	(955)	26.3%
14	Other operating costs	(552)	0.0%	(469)	0.0%	(83)	17.7%
15	Total operating costs	(6,946)	0.0%	(5,786)	0.0%	(1,160)	20.1%
16	Gross operating margin (EBITDA) (9+10+15)	(6,907)	0.0%	(5,703)	0.0%	(1,204)	21.1%
17	Depreciation and amortisation	(858)	0.0%	(831)	0.0%	(27)	3.3%
18	Allocations to provisions	0	0.0%	0	0.0%	0	0.0%
19	Impairment adjustments to assets	(63)	0.0%	0	0.0%	(63)	n.m.
20	Reversal of impairment adjustments	0	0.0%	590	0.0%	(590)	0.0%
21	Total non-monetary operating costs	(921)	0.0%	(241)	0.0%	(681)	n.m.
22	Operating margin (EBIT) (16+21)	(7,828)	0.0%	(5,944)	0.0%	(1,884)	31.7%

Total operating costs amounted to Euro 6,946 thousand, increased by Euro 1,160 thousand compared to June 30th, 2020, due to higher personnel costs following the increase in the Group's coordination activities and the increase in costs for services against higher costs for professionals incurred for due diligence activities.

Operating margin / EBIT was negative for Euro 7,828 thousand compared to a negative figure of Euro 5,944 thousand at June 30th, 2020.

The assets and liabilities attributable to the operating segment are as follows:

	Euro thousand	June 30th, 2021	June 30th, 2020	Change	
	Non-current assets				
1	Property, plant and equipment	4,390	5,060	(670)	-13.2%
2	Investment property	0	0	0	0.0%
3	Intangible assets	163	196	(33)	-17.1%
4	Equity investments	11,190	5,488	5,702	n.m.
5	Non-current receivables and other assets	4,891	6,552	(1,661)	-25.4%
6	Deferred tax assets	5	0	5	0.0%
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	39,479	34,547	4,932	14.3%
	Current assets				
8	Inventories	0	0	0	0.0%
9	Trade receivables	0	0	0	0.0%
10	Current tax assets	8	1,767	(1,759)	-99.5%
11	Other current assets	440	5,094	(4,654)	-91.4%
12	Cash and cash equivalents	66	120	(54)	-45.0%
13	Other financial assets	0	0	0	0.0%
	Total current assets	514	6,981	(6,467)	-92.6%
	TOTAL ASSETS	39,993	41,528	(1,535)	-3.7%
	Non-current liabilities				
18	Employee benefits	0	0	0	0.0%
19	Non-current provisions	0	0	0	0.0%
20	Other non-current payables and liabilities	(522)	(469)	(53)	11.2%
21	Financial liabilities	(7,551)	(5,015)	(2,536)	n.m.
	Total non-current liabilities	(8,073)	(5,484)	(2,589)	47.2%
	Current liabilities				
22	Trade payables	(1,109)	(1,428)	319	-22.3%
23	Current tax liabilities	(5,089)	0	(5,089)	n.m.
24	Current provisions	0	0	0	0.0%
25	Other current liabilities	(12)	(343)	331	-96.5%
26	Financial liabilities	(3,464)	(11,677)	8,213	-70.3%
	Total current liabilities	(9,674)	(13,448)	3,774	-28.1%
	TOTAL LIABILITIES	(17,747)	(18,932)	1,185	-6.3%

Equity investments increased by Euro 5,702 thousand following Starbreeze AB capital increase subscribed by the Group in September 2020.

The other current assets decrease is determined by the full collection of the USD 10 million receivable for the sale of the Pipeworks Inc.

The decrease in current tax assets and the simultaneous increase in current tax liabilities is the result of the national tax consolidation adopted by all Italian companies of the Group.

The decrease in current financial liabilities is mainly due to the payment, occurred on February 23rd, 2021, of the Euro 10 million debt to Smilegate Holdings relating to the portion of the purchase price of the assets previously held in Starbreeze AB by the Korean company.

9. INTERCOMPANY AND RELATED PARTY TRANSACTION AND ATYPICAL/UNUSUAL TRANSACTIONS

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

Intercompany transactions

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

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

505 Games Ltd. and 505 Games (US) Inc. bill 505 Games S.p.A. for 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. bills 505 Games S.p.A. for payroll costs and general costs relating to employees involved in product management for the Premium Games operating segment.

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

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

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

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

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

Prior to its acquisition, Infinity Plus Two Pty. Ltd. was already party to a contract with subsidiary 505 Games S.p.A. for development and live support of several video games; the contract has remained unchanged.

Digital Bros S.p.A., 505 Games Ltd., 505 Games France, 505 Games Spain Slu and 505 Games GmbH bill 505 Games S.p.A. an amount equal to 15% of digital revenue generated in their respective countries

in recognition of the indirect marketing and public relations services performed by the local companies but not directly attributable to individual products.

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

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

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

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

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

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

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

The impact of intercompany transactions on the results and financial position was eliminated in full in the preparation of the consolidated financial statements at June 30th, 2021,

Transactions with other related parties

Related party transactions refer to:

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

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

The effects of related party transactions on profit and loss and on the financial position are disclosed in paragraph 12 of the Notes.

Atypical transactions

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

10. TREASURY SHARES

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

11. RESEARCH AND DEVELOPMENT

During the reporting period, the Group incurred development costs of Euro 3,807 thousand compared to Euro 2,933 thousand in the year ended June 30th, 2020. These development activities were carried out by subsidiaries DR Studios Ltd., 505 Mobile (US) Inc., Kunos Simulazioni S.r.l. and Avantgarden S.r.l. and regarded their video games development activities.

The Group has also carried out research activities for Euro 187 thousand through the subsidiary Supernova Games Studios S.r.l..

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

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

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

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

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

Operational risks

The most significant operational risks are:

- Assess the future demand for video game;
- Disintermediation of the publisher and failure to control intellectual property;
- product obsolescence;
- dependence on key personnel;
- management of development projects.

Risk regarding ability to assess future demand for video games

Like the entertainment industry as a whole, the video games market is exposed to a range of risks that the Group cannot control but which are connected to the public appeal of the products published. If the Group is unable to encounter consumer preferences and be in track with rapid technological changes, its revenues and margins could be seriously affected and its business plan targets could be downsized.

This risk is mitigated by the experienced management and by the procedure implemented by the Group for the acquisition of licensing and development contracts. This involves deep preliminary examination of a product's economic potential through an ongoing market analysis throughout the development process of the video game. For larger investments, the Group also uses market research and/or specific studies conducted by independent experts about the product's potential. Forecasts are reviewed quarterly in order to put in place corrective actions.

Disintermediation of the publisher and failure to control intellectual property

The gradual digitalisation of video game distribution shortened the industry value chain. The possibility of a further shortening in the near future could change the role of the publisher, especially if it does not own the intellectual property and/or have long term contractual rights.

In order to mitigate this risk, the Group has followed a strategy of acquiring controlling interests in developers in order to increase its level of control over intellectual properties. Moreover, the Group has set up organisational units designed to identify new intellectual properties and plays an active role in the establishment of start-ups. The risk is still considered high and, accordingly, the Group has implemented tools to mitigate the risk by contractual arrangements.

Product obsolescence risk

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

The decision to invest in a specific product is often made years before its expected release. Therefore, management must estimate the selling price of a game for the future periods. A rapid acceleration in the obsolescence of a game or its supporting hardware could result in lower retail prices than originally

forecasted, with the result that revenues and margins could be lower than the forecast, as it happened due to the COVID-19 pandemic.

Risk of dependence on key personnel

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

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

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

Management of development projects

The Group manages the game development process largely through external developers who contractually guarantee game release dates. Any failure by the Group to manage game development process timings could cause a delay in their market launch. In the case of products tied into specific events and/or in case of contractual restrictions with any licensors, this would have a significant impact on the sales potential of the game and on the development costs.

Any delay in the launch of products could take actual results different than those budgeted or forecasted. Delays could be worsened as a result of the COVID-19 pandemic, as described in the relevant section of the Full Year Report.

The Group is focusing on products not related to specific events and has adopted a contract acquisition procedure that requires, for significant projects, a deep due diligence by the Board of Directors of the curriculum vitae and track record of the game development studio. A project management procedure with ongoing monitoring of the development process by the appointment of specific professionals within the organisation (project manager, brand manager and producer) has also been adopted.

Management of financial risks

The main financial instruments used by the Group are:

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

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

Credit facilities granted to the Group and utilised at June 30th, 2020 are as follows:

Euro Thousands	Facility	Utilised	Available
Bank overdrafts	2,200	0	2,200
Import financing	11,550	0	11,550
Advances on invoices and cash orders subject to collection	16,317	0	16,317
Factoring	15,280	8	15,272
Medium-term product development financing	12,375	10,968	1,407
Total	57,722	10,976	46,746

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

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

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

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

- Exchange rate risk
- Interest rate risk
- Liquidity risk
- Risk of dependence on key customers and collection risk.

Exchange rate risk

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that currency. This means that any negative changes in the EUR/USD exchange rate would cause licence costs to go up but would also lead to higher margins for the subsidiaries (the reverse also holds true).

The Group is indirectly exposed to the risk of fluctuation in the value of the Chinese Renminbi. Sales on digital marketplaces are converted daily into US Dollars. Any significant fluctuation in the USD/CNY exchange rate could lead to a significant loss on revenues. The risk is limited thanks to the possibility of acting swiftly to make changes to product price lists in local currency.

The risk is mitigated by the fact that foreign currency payments are often made in advance. The Group books actual royalty costs in advance and manages to reflect any additional expenses due to exchange rate fluctuation in its selling prices. The Group can also take action to adjust selling prices in order to offset the effect of any exchange rate fluctuation. Another mitigating factor is the possibility of entering into contracts in the same currency so as to mitigate the effect of any negative exchange rate fluctuation.

Interest rate risk

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

This risk is mitigated by the low level of debt and by the adoption of a short-term cash flowing procedure.

Liquidity risk

The liquidity risk regards difficulty in accessing the credit market.

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

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

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

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

Risk of dependence on key customers and credit risk

The top ten global customers accounted for around 85% of trade receivables while the top 50 customers accounted for 99% during the reporting period. Gradual market digitalisation will necessarily lead to a further increase in the level of receivables concentration as sales will be made on marketplaces operating on a global scale. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on store shelves, in case of physical distribution, but also on digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning, especially on digital marketplaces.

The concentration of sales on a small number of customers increases the credit risk.

This risk is mitigated through extensive use of credit insurance which reduces potential bad debts, by the potential entry of new marketplaces onto the video game digital distribution market and by the high concentration of digital revenues on a handful of marketplaces with high credit ratings (i.e. Sony, Microsoft, Apple, etc).

13. CONTINGENT ASSETS AND LIABILITIES

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

14. SUBSEQUENT EVENTS

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

15. OUTLOOK

The significant investment plan implemented by the Group in the last few fiscal years will continue in the next few years: the Group has over Euro 76 million outstanding investments on 22 intellectual properties already confirmed, on the top of these the incremental investments in internal productions as a result of the acquisition of the Australian developer Infinity Plus Two and the establishment of the development studios Chrysalide Jeux et Divertissement (Canada) and Supernova Games Studios (Italy).

In FY2022 the Group expects to achieve the revenues levels realized this year even if most of the investments will hit the market starting FY2023 onwards. Last year new video games were mostly launched in the first six months, compared to the current fiscal when the two most important Premium Games products' releases, as well as the worldwide launch of the Free to Play video games Puzzle Quest 3 and Portal Knights, are expected in the second half of the year.

Operating margins are expected to keep the outstanding results achieved last fiscal year and in line with the revenues trend. As at June 30th, 2021, the EBIT amounted to 20.5% of net revenues.

As a result of the significant investments expected in the period, the net financial position, which was positive for over Euro 38 million at the end of the year, is expected to decrease during the first three quarters. It is expected to increase in the last quarter following the launch of the two most anticipated Premium Games products.

16. OTHER INFORMATION

EMPLOYEES

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

Category	June 30 th , 2021	June 30 th , 2020	Change
Managers	9	7	2
Office workers	245	206	39
Blue-collar workers and apprentices	5	6	(1)
Total employees	259	219	40

The increase in the number of office workers is the result of the acquisition of Infinity Plus Two Pty Ltd. and Infinite Interactive Pty Ltd. on January 7th, 2021.

The following table contains details of the number of employees of non-Italian companies at June 30th, 2021 with comparative figures at June 30th, 2020:

Category	June 30 th , 2021	June 30 th , 2020	Change
Managers	4	2	2
Office workers	161	129	32
Total employees outside Italy	165	131	34

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

Category	Average no in 2021	Average no in 2020	Change
Managers	7	7	0
Office workers	224	189	35
Blue-collar workers and apprentices	7	6	1
Total employees	238	202	36

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

Category	Average no in 2021	Average no in 2020	Change
Managers	2	2	0
Office workers	145	124	21
Total employees outside Italy	147	126	21

The increase in the average number of the Italian companies' office workers is the result of the acquisition of AvantGarden S.r.l. on March 30th, 2020, while the increase in the average number of the non-Italian companies' office workers derives from the development of international activities.

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 currently consolidated - 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 engineering industry.

ENVIRONMENT

At June 30th, 2021, there were no environmental issues.

17. EXEMPTION FROM PRESENTATION OF NON-FINANCIAL STATEMENT

The Group is not within the scope of application of Legislative Decree no 254 of December 30th, 2016, in terms of Article 2, so it has not prepared a Non-Financial Statement.

18. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The report on corporate governance and ownership structure, which describes how Digital Bros Group complies with the Corporate Governance Code for Listed Companies endorsed by Borsa Italiana S.p.A. and which provides the additional information required by Art. 123-bis of the T.U.F., is published in Italian and English in the Governance/Corporate Governance Report section of the website at www.digitalbros.com.

19. REMUNERATION POLICY AND FEES PAID REPORT

The Remuneration policy and fees paid report, containing the information required by Art. 123-ter of the T.U.F., is published in Italian and English in the Governance/Remuneration section of the website at www.digitalbros.com.



**Consolidated financial statements at June 30th,
2021**

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated financial statements at June 30th, 2021

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,198	8,837	(639)	-7.2%
2	Investment property	0	0	0	0.0%
3	Intangible assets	66,776	33,248	33,528	n.m.
4	Equity investments	11,190	5,488	5,702	n.m.
5	Non-current receivables and other assets	5,089	6,744	(1,655)	-24.5%
6	Deferred tax assets	11,644	3,482	8,162	n.m.
7	Non-current financial assets	18,840	17,251	1,589	9.2%
	Total non-current assets	121,737	75,050	46,687	62.2%
	Current assets				
8	Inventories	5,708	7,989	(2,281)	-28.6%
9	Trade receivables	18,283	28,168	(9,885)	-35.1%
10	Tax receivables	1,500	3,100	(1,600)	-51.6%
11	Other current assets	19,279	32,816	(13,537)	-41.3%
12	Cash and cash equivalent	35,509	8,527	26,982	n.m.
13	Other current financial assets	0	0	0	0.0%
	Total current assets	80,279	80,600	(321)	-0.4%
	TOTAL ASSETS	202,016	155,650	46,366	29.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	(0)	0.0%
15	Reserves	(23,016)	(20,960)	(2,056)	9.8%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(82,181)	(52,288)	(29,894)	57.2%
	Equity attributable to Parent Company	(110,901)	(78,952)	(31,949)	40.5%
	Equity attributable to minority shareholders	(890)	(979)	89	-9.1%
	Total Net equity	(111,791)	(79,931)	(31,860)	39.9%
	Non-current liabilities				
18	Employee benefits	(719)	(659)	(60)	9.1%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(5,415)	(469)	(4,946)	n.m.
21	Non-current financial liabilities	(11,694)	(6,369)	(5,325)	83.6%
	Total non-current liabilities	(17,909)	(7,578)	(10,331)	n.m.
	Current liabilities				
22	Trade payables	(47,193)	(41,140)	(6,053)	14.7%
23	Taxes payables	(10,782)	(5,473)	(5,309)	97.0%
24	Short term provisions	(0)	0	(0)	0.0%
25	Other current liabilities	(9,932)	(4,721)	(5,211)	n.m.
26	Current financial liabilities	(4,409)	(16,807)	12,398	-73.8%
	Total net working capital	(72,316)	(68,141)	(4,175)	6.1%
	TOTAL LIABILITIES	(90,225)	(75,719)	(14,506)	19.2%
	TOTAL NET EQUITY AND LIABILITIES	(202,016)	(155,650)	(46,366)	29.8%

Digital Bros Group

Consolidated statement of profit and loss at June 30th, 2021

	Euro thousand	June 30 th , 2021		June 30 th , 2020		Change	
1	Gross revenue	150,703	101.0%	139,033	104.4%	11,670	8.4%
2	Revenue adjustments	(1,523)	-1.0%	(5,810)	-4.4%	4,287	-73.8%
3	Net revenue	149,180	100.0%	133,223	100.0%	15,957	12.0%
4	Purchase of products for resale	(5,598)	-3.8%	(16,743)	-12.6%	11,145	-66.6%
5	Purchase of services for resale	(10,528)	-7.1%	(8,857)	-6.6%	(1,671)	18.9%
6	Royalties	(41,322)	-27.7%	(34,600)	-26.0%	(6,722)	19.4%
7	Changes in inventories of finished products	(2,281)	-1.5%	(5,920)	-4.4%	3,639	-61.5%
8	Total cost of sales	(59,729)	-40.0%	(66,120)	-49.6%	6,391	-9.7%
9	Gross profit (3+8)	89,451	60.0%	67,103	50.4%	22,348	33.3%
10	Other income	4,060	2.7%	3,458	2.6%	602	17.4%
11	Costs for services	(9,617)	-6.4%	(13,559)	-10.2%	3,941	-29.1%
12	Rent and Leasing	(311)	-0.2%	(247)	-0.2%	(64)	26.0%
13	Payroll costs	(24,617)	-16.5%	(20,908)	-15.7%	(3,709)	17.7%
14	Other operating costs	(1,170)	-0.8%	(1,169)	-0.9%	(1)	0.1%
15	Total operating costs	(35,715)	-23.9%	(35,883)	-26.9%	168	-0.5%
16	Gross operating margin (EBITDA) (9+10+15)	57,796	38.7%	34,678	26.0%	23,119	66.7%
17	Depreciation and amortisation	(24,600)	-16.5%	(13,266)	-10.0%	(11,334)	85.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(2,647)	-1.8%	(2,206)	-1.7%	(440)	20.0%
20	Impairment reversal	0	0.0%	849	0.6%	(849)	n.m.
21	Total depreciation, amortization and impairment	(27,247)	-18.3%	(14,623)	-11.0%	(12,624)	86.3%
22	Operating margin (EBIT) (16+21)	30,549	20.5%	20,055	15.1%	10,494	52.3%
23	Interest and finance income	7,666	5.1%	4,037	3.0%	3,628	89.9%
24	Interest and finance expense	(3,401)	-2.3%	(3,409)	-2.6%	8	-0.2%
25	Net interest income/(expense)	4,265	2.9%	628	0.5%	3,637	n.m.
26	Profit/ (loss) before tax (22+25)	34,814	23.3%	20,683	15.5%	14,131	68.3%
27	Current tax	(11,910)	-8.0%	(6,363)	-4.8%	(5,547)	87.2%
28	Deferred tax	9,032	6.1%	629	0.5%	8,403	n.m.
29	Total taxes	(2,878)	-1.9%	(5,734)	-4.3%	2,856	-49.8%
30	Net profit/loss	31,936	21.4%	14,949	11.2%	16,987	n.m.
	attributable to the shareholders of the Group	32,025	21.5%	14,970	11.2%	17,055	n.m.
	attributable to minority shareholders	(89)	-0.1%	(21)	0.0%	(68)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	2.25		1.05		1.20	n.m.
34	Diluted earnings per share (in Euro)	2.21		1.03		1.18	n.m.

Digital Bros Group**Consolidated statement of comprehensive income at June 30th, 2021**

Euro thousand	June 30th, 2021	June 30th, 2020	Change
Profit (Loss) for the period (A)	31,936	14,949	16,987
Items that will not be subsequently recycled through profit and loss (B)	0	0	0
Actuarial gain (loss)	1	11	(10)
Income tax relating to actuarial gain (loss)	0	(2)	2
Exchange differences on translation of foreign operations	77	(46)	123
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of shares designated as "available for sale"	2,170	(706)	2,876
Tax effect regarding fair value measurement of shares designated as "available for sale"	(521)	169	(690)
Items that will subsequently be recycled through profit and loss (C)	1,727	(574)	2,301
Total other comprehensive income D=(B)+(C)	1,727	(574)	2,301
Total comprehensive income (loss) (A)+(D)	33,663	14,375	19,288
Attributable to:			
Shareholders of the Group	33,752	14,396	19,355
Minority shareholders	(89)	(21)	(68)

Digital Bros Group

Consolidated cash flow statement at June 30th, 2021

	Euro thousand	June 30th, 2021	June 30th, 2020
A. Opening net cash/debt		8,527	4,767
B. Cash flows from operating activities			
Profit (loss) for the period		31,936	14,949
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment losses		(2,600)	2,206
Amortisation of intangible assets		22,829	11,400
Depreciation of property, plant and equipment		1,771	1,866
Net change in deferred tax assets		(8,162)	(737)
Net change in employee benefit provisions		60	86
Net change in other non-current liabilities		2,063	757
SUBTOTAL B.		47,897	30,527
C. Change in net working capital			
Inventories		2,281	5,920
Trade receivables		9,867	(588)
Current tax assets		1,600	2,976
Other current assets		14,301	(4,768)
Trade payables		6,053	16,509
Current tax liabilities		5,309	4,335
Current provisions		0	(856)
Other current liabilities		5,211	960
Other non-current liabilities		4,946	(454)
Non-current receivables and other assets		1,655	2,578
SUBTOTAL C.		51,223	26,612
D. Cash flows from investing activities			
Net payments for intangible assets		(54,502)	(27,403)
Net payments for property, plant and equipment		(1,132)	(7,119)
Net payments for non-current financial assets		(5,702)	(3,782)
SUBTOTAL D.		(61,337)	(38,304)
E. Cash flows from financing activities			
Capital increases		0	0
Changes in financial liabilities		(7,073)	(2,043)
Changes in financial assets		(1,589)	(13,032)
SUBTOTAL E.		(8,662)	(15,075)
F. Changes in consolidated equity			
Dividends distributed		(2,139)	0
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		0	0
SUBTOTAL F.		(2,139)	0
G. Cash flow for the period (B+C+D+E+F)		26,982	3,760
H. Closing net cash/debt (A+G)		35,509	8,527

Digital Bros Group

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

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2019	5,704	18,486	1,141	1,367	(1,350)	1,579	21,223	0	38,811	(1,513)	37,298	64,225	0	64,225
Allocation of profit for the year							0		(1,513)	1,513	0	0	0	0
Other changes					(20)	331	311			20	20	331	1,000	1,331
Comprehensive income (loss)					(46)	(528)	(574)			14,970	14,970	14,396	(21)	14,375
Total on June 30th, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of profit for the year							0		14,990	(14,990)	0	0	0	0
Dividend distribution									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						329	329		7		7	336		336
Comprehensive income (loss)					77	1,650	1,727			32,025	32,025	33,752	(89)	33,663
Total on June 30th, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791

Digital Bros Group

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

	Euro thousand	June 30 th , 2021		June 30 th , 2020	
		Total	Of which with related parties	Total	Of which with related parties
1	Gross revenue	150,703	0	139,033	0
2	Revenue adjustments	(1,523)	0	(5,810)	0
3	Net revenue	149,180	0	133,223	0
4	Purchase of products for resale	(5,598)	0	(16,743)	0
5	Purchase of services for resale	(10,528)	0	(8,857)	0
6	Royalties	(41,322)	0	(34,600)	0
7	Changes in inventories of finished products	(2,281)	0	(5,920)	0
8	Total cost of sales	(59,729)	0	(66,120)	0
9	Gross profit (3+8)	89,451	0	67,103	0
10	Other income	4,060	6	3,458	59
11	Costs for services	(9,617)	(394)	(13,559)	(348)
12	Rent and Leasing	(311)	(85)	(247)	(85)
13	Payroll costs	(24,617)	0	(20,908)	0
14	Other operating costs	(1,170)	0	(1,169)	0
15	Total operating costs	(35,715)	(479)	(35,883)	(433)
16	Gross operating margin (EBITDA) (9+10+15)	57,796	(473)	34,678	(374)
17	Depreciation and amortisation	(24,600)	(1,036)	(13,266)	(1,029)
18	Provisions	0	0	0	0
19	Asset impairment charge	(2,647)	0	(2,206)	0
20	Impairment reversal	0	0	849	0
21	Total depreciation, amortization and impairment	(27,247)	(1,036)	(14,623)	(1,029)
22	Operating margin (EBIT) (16+21)	30,549	(1,509)	20,055	(1,403)
23	Interest and finance income	1,540	0	4,037	0
24	Interest expense and finance costs	(3,401)	(75)	(3,409)	(65)
25	Net interest income/(expense)	4,265	(75)	628	(65)
26	Profit/ (loss) before tax (22+25)	34,814	(1,584)	20,683	(1,468)
27	Current tax	(11,910)	0	(6,363)	0
28	Deferred tax	9,032	0	629	0
29	Total taxes	(2,878)	0	(5,734)	0
30	Net profit/loss (26+29)	31,936	(1,584)	14,949	(1,468)

Digital Bros Group

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

Euro thousand		June 30 th , 2021		June 30 th , 2020	
		Total	Of which with related parties	Total	Of which with related parties
Non-current Assets					
1	Property, plant and equipment	8,198	0	8,837	0
2	Investment property	0	0	0	0
3	Intangible assets	66,776	0	33,248	0
4	Equity investments	11,190	0	5,488	0
5	Non-current receivables and other assets	5,089	760	6,744	767
6	Deferred tax assets	11,644	0	3,482	0
7	Non-current financial activities	18,840	0	17,251	0
	Total non-current assets	121,737	760	75,050	767
Current assets					
8	Inventories	5,708	0	7,989	0
9	Trade receivables	18,283	137	28,168	149
10	Tax receivables	1,500	0	3,100	0
11	Other current assets	19,279	0	32,816	0
12	Cash and cash equivalent	35,509	0	8,527	0
13	Other financial assets	0	0	0	0
	Total current assets	80,279	137	80,600	0
	TOTAL ASSETS	202,016	897	155,650	767
Capital and reserves					
14	Share capital	(5,704)	0	(5,704)	0
15	Reserves	(23,016)	0	(20,960)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(82,181)	0	(52,288)	0
	Equity attributable to Parent Company	(110,901)	0	(78,952)	0
	Equity attributable to minority shareholders	(890)	0	(979)	0
	Total Net equity	(111,791)	0	(79,931)	0
Non-current liabilities					
18	Employee benefits	(719)	0	(659)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	(5,415)	0	(469)	0
21	Non-current financial liabilities	(11,694)	(3,509)	(6,369)	(3,889)
	Total non-current liabilities	(17,909)	(3,509)	(7,578)	(3,889)
Current liabilities					
22	Trade payables	(47,193)	(124)	(41,140)	(88)
23	Taxes payables	(10,782)	0	(5,473)	0
24	Short term provisions	(0)	0	0	0
25	Other current liabilities	(9,932)	0	(4,721)	0
26	Current financial liabilities	(4,409)	(1,002)	(16,807)	(803)
	Total net working capital	(72,316)	(1,126)	(68,141)	(891)
	TOTAL LIABILITIES	(90,225)	(4,635)	(75,719)	(4,780)
	TOTAL NET EQUITY AND LIABILITIES	(202,016)	(4,635)	(155,650)	(4,780)

Digital Bros Group

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

	Euro thousand	June 30 th , 2021		June 30 th , 2020	
		Total	Of which non-recurring	Total	Of which non-recurring
1	Gross revenue	150,703	0	67,850	0
2	Revenue adjustments	(1,523)	0	(5,365)	0
3	Net revenue	149,180	0	62,485	0
4	Purchase of products for resale	(5,598)	0	(12,837)	0
5	Purchase of services for resale	(10,528)	0	(4,046)	0
6	Royalties	(41,322)	0	(18,695)	0
7	Changes in inventories of finished products	(2,281)	0	1,392	0
8	Total cost of sales	(59,729)	0	(34,186)	0
9	Gross profit (3+8)	89,451	0	28,299	0
10	Other income	4,060	0	1,386	0
11	Costs for services	(9,617)	0	(8,755)	0
12	Rent and Leasing	(311)	0	(141)	0
13	Payroll costs	(24,617)	0	(10,013)	0
14	Other operating costs	(1,170)	0	(623)	0
15	Total operating costs	(35,715)	0	(19,532)	0
16	Gross operating margin (EBITDA) (9+10+15)	57,796	0	10,153	0
17	Depreciation and amortisation	(24,600)	0	(5,139)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(2,647)	0	(1,169)	(594)
20	Impairment reversal	0	0	204	0
21	Total depreciation, amortization and impairment	(27,247)	0	(6,104)	(594)
22	Operating margin (EBIT) (16+21)	30,549	0	4,049	(594)
23	Interest and finance income	1,540	0	1,540	0
24	Interest expense and finance costs	(3,401)	0	(1,940)	(580)
25	Net interest income/(expense)	4,265	0	(400)	(580)
26	Profit/ (loss) before tax (22+25)	34,814	0	3,649	(1,174)
27	Current tax	(11,910)	(750)	(1,086)	(224)
28	Deferred tax	9,032	7,203	(625)	0
29	Total taxes	(2,878)	6,453	(1,711)	(224)
30	Net profit/loss (26+29)	31,936	6,453	1,938	(1,398)
	attributable to the shareholders of the Group	32,025	0	14,970	(1,398)
	attributable to minority shareholders	(89)	0	(21)	0

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**Notes to the consolidated financial statements at
June 30th, 2021**

1. FORM, CONTENT AND OTHER GENERAL INFORMATION

The main operating activities, including those of the subsidiaries, are described in the Full Year Report.

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

Accounting standards adopted and declaration of compliance with IAS/IFRS

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

Reporting formats

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

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

The financial statements comprise the:

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

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

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

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

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

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

Equity consists of share capital, reserves and retained earnings (profit for the year plus prior year profits not allocated to specific reserves by the shareholders in general meeting) with amounts attributable to non-controlling interests disclosed separately.

Non-current liabilities comprise provisions not expected to be used within 12 months as well as post-employment benefits, particularly the provision for employee termination indemnities pertaining to the parent company and its Italian subsidiaries, and, in general, payables that fall due beyond June 30th, 2022.

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

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

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

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

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

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

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

- cash flows from operating activities;

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

The statement of changes in equity has been prepared in accordance with International Financial Reporting Standards and shows changes between July 1st, 2019 and June 30th, 2021; non-controlling interests are disclosed separately.

2. ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the basis of financial statements prepared by the Group companies included in the scope of consolidation at June 30th, 2021, adjusted, as necessary, to bring them into line with Group accounting policies and IAS/IFRS. All the prior fiscal years' comparative figures have been adjusted, as necessary, in order to render them compliant with IAS/IFRS.

The measurement criteria used to prepare the consolidated financial statements at June 30th, 2021 are consistent with those used to prepare the consolidated financial statements at June 30th, 2020, with the exception of the new standards applied from July 1st, 2020 described below.

Property, plant and equipment

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

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

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

Buildings	2.56%-3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%
Leasehold improvements	17%

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

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

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

Intangible assets

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

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

The amortisation rates applied are as follows:

- Intellectual property, long-term user rights and licences, based on useful lives of related assets;
- Microsoft Dynamics Navision licences and other long-term licences/user rights 20%;
- Brands and trademarks 20%.

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

The Group applies amortisation on a straight-line basis (over the contract term and, in any event, over a period not exceeding five years).

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred as of the acquisition date plus the amount of any non-controlling interest held in the acquiree. For each business combination, the Group decides whether to measure any non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest's attributable portion of the acquiree's net identifiable assets. Acquisition-related expenses are generally recognised in profit and loss and classified as administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired and the liabilities assumed in accordance with the relevant contractual terms and the economic and other conditions existing at the acquisition date.

If a business combination is achieved in several steps, the Group's previously held equity interest in the acquiree as measured using the equity method is restated at its acquisition-date fair value and any resulting gain or loss is recognised in profit and loss.

Any contingent consideration is recognised at its acquisition-date fair value. A change in the fair value of contingent consideration classified as an asset or liability is recognised in profit and loss or in other comprehensive income. If the contingent consideration is classified as equity, it need not be remeasured until settlement of the contingency is reflected in equity. The subsequent transaction will be accounted for in equity.

Goodwill is initially stated at cost, measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by the Group. The difference is recognised in profit and loss. If the consideration paid is less than the fair value of the net assets acquired.

The business combination is recognised using these preliminary amounts, if it is only possible to make a preliminary determination of the fair value of the assets, liabilities and contingent liabilities. Any adjustments arising from completion of the valuation process are recognised within twelve months of the acquisition and the comparatives are restated.

After its initial recognition, goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. At the effective acquisition date, the assets and liabilities that form part of the transaction are recognised at their fair value, except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements that are recognised in accordance with the relevant accounting standards. Acquisition-related expenses are generally recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. This is except for the following which are measured in accordance with the relevant accounting standards:

- deferred tax assets and liabilities;
- assets or liabilities related to employee benefit arrangements;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree;
- discontinued operations.

Investments in associated companies and other entities

Investments in associated companies are initially recognised at cost and adjusted for any impairment.

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

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

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

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

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

For further information on the accounting policy for financial assets, reference should be made to the relevant note (“Financial Assets”) included in the section on the Net Financial Position.

Impairment of assets

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

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

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

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

Inventories

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

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

Receivables and payables

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

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

Payables are stated at nominal amount.

Factoring of trade receivables

The Group factors trade receivables on a non-recourse basis with various factoring companies. In accordance with IFRS 9, factored assets may be derecognised only when the associated risks and rewards have been substantially transferred. Accordingly, receivables factored without recourse that include provisions limiting the transfer of these risks and rewards at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the consolidated financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognised in the consolidated financial statements under other current financial liabilities.

Employee benefits

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

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

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

Current and non-current provisions

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

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

Financial assets and liabilities

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

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

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

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

Financial assets measured at fair value through profit and loss

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

- *Fair value hedge* – If a derivative financial instrument is designated as a hedge against changes in the fair value of a recognised asset or liability attributable to a particular risk that may affect profit and loss, the gain or loss arising from subsequent fair value measurement of the hedge is

recognised in profit and loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognised in profit and loss.

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

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

Revenue

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

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

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

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

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

Revenue and costs relating to services are recognised based on the state of completion of the service at the

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

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

Costs

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

Advertising costs are upon receipt of the service.

Cost of sales

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

Changes in inventories consist of the change in the period in the gross carrying amount of period end inventories.

Royalties paid for the exploitation of international and Italian licenses are treated as a component of cost of sales.

If royalty advances are wholly recouped, the calculation method involves determining recoupment by multiplying the unit royalty by the quantities sold during the period. In the case of partial recoupment, the degree of recoupment is calculated separately for each contract on the basis of estimated future use.

Dividends received

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

Interest income/expenses and financial income/expenses

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

Current tax

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

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

costs.

Deferred tax

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

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

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

Earnings per share

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

Foreign currency transactions

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

Discontinued operations

A discontinued operation is a part of the Group whose operations and cash flows are clearly distinguishable from the rest of the Group and which:

- represents an important autonomous business segment or geographical area of activity;
- forms part of a single, coordinated plan to dispose of an important business segment or geographical area of activity;
- is a subsidiary purchased solely with the intention of reselling it.

An operation is classified as discontinued at the earlier of the time of sale and the moment when it satisfies the conditions for classification in the category defined as held for sale.

When an operation is classified as discontinued, the comparative statement of profit and loss is restated as if the operation had been discontinued from the start of the comparative period.

Assets forming part of disposal groups are classified as discontinued if their carrying amount has been or will be recovered primarily through a sale transaction, rather than through continuous use. After classification of the assets as discontinued operations, the related carrying amount is measured at the lower of carrying amount and fair value less costs to sell.

In the financial statements, the net profit/(loss) from discontinued operations is disclosed separately in the statement of profit and loss, after tax effects and, in case of sell, after selling costs, together with any gain or loss realised.

New accounting standards

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

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

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

- IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 4 *Insurance Contracts*; and
- IFRS 16 *Leases*.

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

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

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

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

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

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

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

- On January 23rd, 2020 the IASB published an amendment called "***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current***". The document clarifies how to classify debts and other short/long term liabilities. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not

expect a significant effect on the Group's financial statements from the adoption of this amendment;

- On February 12th, 2021 the IASB published two amendments called “***Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2***” and “***Definition of Accounting Estimates—Amendments to IAS 8***”. The amendments improve the disclosure of accounting policies as to provide more useful information to the investors, and help companies distinguish changes in accounting estimates from changes in accounting policies. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not expect a significant effect on the Group's financial statements from the adoption of this amendment;
- On May 7th, 2021 the IASB published an amendment called “***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***”. The document clarifies how deferred taxes on transactions that can generate assets and liabilities of the same amount must be accounted for, such as leasing and dismantling obligations. The amendment will enter into force starting January 1st, 2023 and early adoption is allowed. The directors do not expect a significant effect on the Group's financial statements from the adoption of this amendment.

3. DISCRETIONARY JUDGMENT AND SIGNIFICANT ESTIMATES

Discretionary judgment

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

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

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

Recoverable amount of intangible assets

Intangible assets are adjusted for impairment when events or a change in circumstances indicate that the carrying amount of an intangible asset is no longer recoverable. Events that may trigger an impairment adjustment include changes to the strategic plan and changes in market prices that lead to poorer operational performance and reduced exploitation of trademarks. The decision to proceed with an impairment adjustment and the quantification thereof depends on management's assessment of complex and highly uncertain factors, such as future price trends and demand conditions on a global or regional scale.

Credit risk

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

Measurement of inventories

The Group measures inventories on a quarterly basis, in light of the rapid obsolescence of its products. Impairment adjustments may be recorded in relation to individual products whose market value is lower than their historical cost. Any differences identified between the market value of a product held in inventory, taking account of its price category and historical cost, are recognised in profit and loss in the period they come to light.

Premium Games products are easier to measure on account of the smaller number of products distributed

and in needed of measurement, as well as the lower unit cost of the products which consists solely of the physical production cost of the games; consequently, unit costs are smaller and there is less need to make impairment adjustments.

Employee benefits

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

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

Following the approval of the "2016-2026 Stock Option Plan", an actuarial measurement is required in accordance with the guidelines contained in IFRS 2 – Share-based payments. An independent professional has been appointed to perform the measurement.

Revenue adjustments

A significant cost element known as "revenue adjustments" involves detailed calculations for which the Group has adopted appropriate procedures.

Revenue adjustments consist of various types of cost. The first category, which is easier to determine, consists of discounts granted to customers at the end of the contractual period – normally annual – in the form of year-end bonuses. The second category regards credit notes that the Group might have to issue to customers in relation to unsold products. In order to make this estimate, management performs analysis by customer and by product, highlighting the risks and dividing them between price differences and potential returns. The forecast is made quarterly, on a product-by-product basis, comparing volumes sold to customers with the volumes they have sold to end consumers. The availability of sales figures by country makes the estimate reliable over time. Many customers submit sales and inventory figures on a weekly basis, thus facilitating the estimation process.

Royalties and advances to developers for licences

The method used to determine royalties varies depending on the type of contract. The number of contracts that provide for variable royalties with a guaranteed minimum and/or contracts that provide for a fixed development portion has increased over time. For these last two types of contract, it is necessary to estimate the future benefit that a contract will produce in subsequent quarters in order to match related costs and revenue. This is based on forecasts of quantities expected to be sold in subsequent periods. The sales forecasts are based on a medium/long-term (five-year) plan which is revised twice a year. When royalties for digital and/or Free to Play products are determined, the five-year revenue plan is revised at least monthly.

Deferred tax assets and liabilities

The determination of deferred tax assets and liabilities involves two areas of uncertainty. The first is recoverability and the Group reduces the related uncertainty by comparing the deferred tax assets recognised by each company with the respective business plans. The second is the tax rate to be used - it is assumed constant over time and equal to the rates currently applicable in the various countries where the Group operates and/or to amended rates if it is certain that the changes will come into force.

4. CONSOLIDATION METHODS

Subsidiaries

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

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

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

Translation of foreign currency financial statements

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

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

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

Transactions eliminated in the consolidation process

When preparing the consolidated financial statements at June 30th, 2021, all intragroup assets, liabilities, income and expenses relating to transactions between Group companies were eliminated, as were unrealised profits and losses on intragroup transactions.

Scope of consolidation

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

Line-by-line consolidation method:

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

Equity consolidation method:

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

5. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As at June 30th, 2021 the Group holds a 50% stake in the Spanish associate MSE & DB S.L. for a book value of Euro 5 thousand.

6. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method provided for by IFRS 3. On the effective date of the acquisition, the assets and liabilities involved in the transaction are recognized at fair value on that date, with the exception of prepaid and deferred taxes and assets and liabilities for employee benefits valued according to the reference standard. Accessory charges to transactions are recognized in the consolidated statement of profit and loss.

The identifiable assets acquired and the liabilities assumed are recognized at fair value on the acquisition date; the following items constitute an exception and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities for employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired company or share-based payments relating to the Group issued to replace contracts of the acquired company;
- assets held for sale and discontinued assets and liabilities.

In January 2021, 505 Games Australia Pty Ltd. completed the acquisition of Infinity Plus Two Pty Ltd., and Infinity Interactive Pty. Ltd.. The process of determining the fair value of the identifiable assets acquired and the identifiable liabilities assumed by the Australian companies was completed during the period, as required by the application of the acquisition method.

The financial position balance at January 1st, 2021 of the assets and liabilities acquired by the Group adjusted as described are shown below:

	Euro thousand	Financial position balance at January 1st, 2021	Purchase price allocation	Fair value
	Non-current assets			
1	Property, plant and equipment	1	0	1
3	Intangible assets	0	8,562	8,562
5	Non-current receivables and other assets	11	0	11
6	Deferred tax assets	1,161	(2,055)	(894)
	Total non-current assets (A)	1,173	6,507	7,680
9	Trade receivables	990	0	990
10	Tax receivables	15	0	15
12	Cash and cash equivalent	75	0	75
	Total current assets (B)	1,080	0	1,080
18	Employee benefits	(45)	0	(45)
20	Other non-current payables and liabilities	(2,626)	0	(2,626)
	Total non-current liabilities (C)	(2,671)	0	(2,671)
22	Trade payables	(642)	0	(642)
23	Taxes payables	(193)	0	(193)
24	Short term provisions	(1,679)	0	(1,679)
	Total net working capital (D)	(2,514)	0	(2,514)
	Net equity (A+B+C+D)	(2,932)	6,507	3,575
	Consideration for the acquisition			3,575

At January 1st, 2021, the fair value measurement of intangible assets recognized concessions for Euro 8,562 thousand (amortized on the basis of a useful life of 5 years).

7. RECONCILIATION OF RESULT FOR THE YEAR AND EQUITY OF DIGITAL BROS S.P.A. TO THOSE OF PARENT COMPANY'S SHARE

The following table provides a reconciliation of the result for the year and equity as reported by Digital Bros S.p.A. to those reported by the Parent Company' share:

Euro thousand	Profit (loss) at		Equity	
	June 30 th , 2021	June 30 th , 2020	June 30 th , 2021	June 30 th , 2020
Profit (loss) for the year and equity of Digital Bros S.p.A.	8,433	(273)	55,341	47,068
Profit for the year and equity of subsidiaries	26,268	15,084	78,831	59,805
Carrying amount of equity investments	0	0	(34,499)	(30,666)
Consolidation adjustments				
	16	3,038	462	3,294
Impairment of investments in subsidiaries	(190)	(67)	(1,868)	(1,678)
Elimination of intercompany profits	(7,500)	(2,500)	0	0
Dividends	4,909	(333)	13,524	2,108
Other adjustments	(2,765)	138	12,119	3,724
Profit for the year and equity of the Parent Company' share	31,936	14,949	111,791	79,931

Details are provided below of consolidation adjustments at June 30th, 2021 and for the fiscal year ended June 30th, 2020:

Euro thousand	Profit (loss) at		Equity	
	June 30 th , 2021	June 30 th , 2020	June 30 th , 2021	June 30 th , 2020
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	16	34	16	35
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	0	93	0	93
Impairment of 505 Games S.p.A.'s investment in 505 Mobile S.r.l.	0	1,296	0	1,296
Impairment of Digital Bros S.p.A.'s investment in 133 W Broadway	0	62	446	317
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	0	1,553	0	1,553
Total impairment of investments in subsidiaries	16	3,038	462	3,294
Elimination of unrealized profit in inventory	172	112	(181)	(353)
Elimination of margin on internal development contracts	(362)	(179)	(1,687)	(1,325)
Total elimination of intercompany profits	(190)	(67)	(1,868)	(1,678)
Dividends from Kunos Simulazioni S.r.l.	(2,500)	(2,500)	0	0
Dividends from 505 Games S.p.A.	(5,000)	0	0	0
Total dividends	(7,500)	(2,500)	0	0
Amortisation/Allocation of acquisition price of Kunos S.r.l., net of tax effect	(561)	(516)	487	1,048
Allocation of acquisition price of Rasplata B.V., net of tax effect	0	0	1,011	1,011
Allocation of acquisition of Australian companies, net of tax effect	(651)		5,856	0
Application of IFRS 9	(23)	197	(346)	(323)
Deferred tax effect of the appreciation of the Assetto Corsa brand	6,453	0	6,453	0
Other	(309)	(14)	63	372
Total other adjustments	4,909	(333)	13,525	2,108
Total consolidation adjustments	(2,765)	138	12,119	3,724

8. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30TH, 2021

The consolidated financial statements at June 30th, 2021 compared to the June 30th, 2020 figures are provided below:

	Euro thousand	June 30 th , 2021	June 30 th , 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,198	8,837	(639)	8,198
2	Investment property	0	0	0	0
3	Intangible assets	66,776	33,248	33,528	66,776
4	Equity investments	11,190	5,488	5,702	11,190
5	Non-current receivables and other assets	5,089	6,744	(1,655)	5,089
6	Deferred tax assets	11,644	3,482	8,162	11,644
7	Non-current financial assets	18,840	17,251	1,589	18,840
	Total non-current assets	121,737	75,050	46,687	121,737
	Current assets				
8	Inventories	5,708	7,989	(2,281)	5,708
9	Trade receivables	18,283	28,168	(9,885)	18,283
10	Tax receivables	1,500	3,100	(1,600)	1,500
11	Other current assets	19,279	32,816	(13,537)	19,279
12	Cash and cash equivalent	35,509	8,527	26,982	35,509
13	Other current financial assets	0	0	0	0
	Total current assets	80,279	80,600	(321)	80,279
	TOTAL ASSETS	202,016	155,650	46,366	202,016
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	(0)	(5,704)
15	Reserves	(23,016)	(20,960)	(2,056)	(23,016)
16	Treasury shares	0	0	0	0
17	Retained earnings	(82,181)	(52,288)	(29,894)	(82,181)
	Equity attributable to Parent Company	(110,901)	(78,952)	(31,949)	(110,901)
	Equity attributable to minority shareholders	(890)	(979)	89	(890)
	Total Net equity	(111,791)	(79,931)	(31,860)	(111,791)
	Non-current liabilities				
18	Employee benefits	(719)	(659)	(60)	(719)
19	Non-current provisions	(81)	(81)	0	(81)
20	Other non-current payables and liabilities	(5,415)	(469)	(4,946)	(5,415)
21	Non-current financial liabilities	(11,694)	(6,369)	(5,325)	(11,694)
	Total non-current liabilities	(17,909)	(7,578)	(10,331)	(17,909)
	Current liabilities				
22	Trade payables	(47,193)	(41,140)	(6,053)	(47,193)
23	Taxes payables	(10,782)	(5,473)	(5,309)	(10,782)
24	Short term provisions	0	0	0	0
25	Other current liabilities	(9,932)	(4,721)	(5,211)	(9,932)
26	Current financial liabilities	(4,409)	(16,807)	12,398	(4,409)
	Total net working capital	(72,316)	(68,141)	(4,175)	(72,316)
	TOTAL LIABILITIES	(90,225)	(75,719)	(14,506)	(90,225)
	TOTAL NET EQUITY AND LIABILITIES	(202,016)	(155,650)	(46,366)	(202,016)

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment increased from Euro 8,837 thousand to Euro 8,198 thousand, due to the additions net of depreciation for the period.

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

Euro Thousands	July 1st, 2020	Additions	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30th, 2021
Industrial buildings	7,257	829	0	0	(1,367)	0	6,719
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	493	244	0	0	(214)	0	523
Other assets	452	64	(46)	(5)	(190)	46	321
Total	8,837	1,137	(46)	(5)	(1,771)	46	8,198

Euro Thousands	July 1st, 2019	Additions	Disposals	Translation differences	Deprec'n	Use of accum. dep'n	June 30th, 2020
Industrial buildings	2,033	6,587	0	0	(1,363)	0	7,257
Land	635	0	0	0	0	0	635
Indust. and comm. equipment	543	219	(141)	0	(266)	138	493
Other assets	373	292	(206)	24	(237)	206	452
Total	3,584	7,098	(347)	24	(1,866)	344	8,837

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

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

Additions for the period to industrial and commercial equipment amounted to Euro 244 thousand and mainly related to office furniture and automation equipment. Meanwhile, additions of Euro 64 thousand to other assets regard the purchase of one car under finance leases.

Reporting period ended June 30th, 2021

Gross amount of property, plant and equipment

Euro Thousands	July 1st, 2020	Additions	Disposals	Forex translation differences	June 30th, 2021
Industrial buildings	9,845	829	0	0	10,674
Land	635	0	0	0	635
Plant and machinery	24	0	0	0	24
Industrial & commercial equipment	4,615	244	0	0	4,859
Other assets	2,665	64	(46)	(5)	2,678
Total	17,784	1,137	(46)	(5)	18,870

Accumulated depreciation

Euro Thousands	July 1st, 2020	Depreciation	Utilised	June 30th, 2021
Industrial buildings	(2,588)	(1,367)	0	(3,955)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(4,122)	(214)	0	(4,336)
Other assets	(2,213)	(190)	46	(2,357)
Total	(8,947)	(1,771)	46	(10,672)

*Reporting period ended June 30th, 2020**Gross amount of property, plant and equipment*

Euro Thousands	July 1st, 2019	Additions	Disposals	Forex translation differences	June 30th, 2020
Industrial buildings	3,258	6,587	0	0	9,845
Land	635	0	0	0	635
Plant and machinery	24	0	0	0	24
Industrial & commercial equipment	4,537	219	(141)	0	4,615
Other assets	2,555	292	(206)	24	2,665
Total	11,009	7,098	(347)	24	17,784

Accumulated depreciation

Euro Thousands	July 1st, 2019	Depreciation	Utilised	June 30th, 2020
Industrial buildings	(1.225)	(1.363)	0	(2.588)
Land	0	0	0	0
Plant and machinery	(24)	0	0	(24)
Industrial & commercial equipment	(3.994)	(266)	138	(4.122)
Other assets	(2.182)	(237)	206	(2.213)
Total	(7.425)	(1.866)	344	(8.947)

3. Intangible assets

The significant investment plan undertaken by the Group to pursue its growth objectives increased the intangible assets up by Euro 33,248 thousand due to investments in new IPs and multi-years rights held by the Group, net of the amortization for the period.

Intangible assets increased from Euro 33,248 thousand to Euro 66,776 thousand. All of the intangible assets recognized by the Group have finite useful lives.

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

Euro Thousands	July 1st, 2020	Additions	Disposals	Recl.	Impairment Adj.	Forex translation diff.	Amort'n	June 30th, 2021
Concessions and licenses	11,212	16,715	0	27,596	0	(14)	(22,042)	33,467
Trademarks and sim. rights	1,455	0	0	652	0	0	(777)	1,330
Other assets	34	10	0	0	0	0	(10)	34
Assets in progress	20,547	39,096	0	(25,843)	(1,855)	0	0	31,945
Total	33,248	55,821	0	2,405	(1,855)	(14)	(22,829)	66,776

Euro Thousands	July 1st, 2019	Additions	Disposals	Recl.	Impairment Adj.	Forex translation diff.	Amort'n	June 30th, 2020
Concessions and licenses	8,369	6,595	(15)	7,589	(683)	35	(10,678)	11,212
Trademarks and sim. rights	1,736	432	0	0	0	0	(713)	1,455
Other assets	25	18	0	0	0	0	(9)	34
Assets in progress	8,211	20,351	0	(7,589)	(426)	0	0	20,547
Total	18,341	27,396	(15)	0	(1,110)	35	(11,400)	33,248

Impairment adjustments amount to Euro 1,855 thousand and include a project that had to be adjusted after they achieved poorer than the expected results.

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

Capex on intangible assets during the period is shown below, together with comparative figures for prior year:

Euro Thousands	June 30th, 2021	June 30th, 2020
Premium Games user rights	16,490	6,427
Investment on development of management systems	225	168
Total capex on concessions and licences	16,715	6,595
Total capex on trademarks	0	432
Total capex on other intangible assets	10	18
Internal development contracts in progress	2,516	1,945
Assets in progress	36,580	18,406
Total additions to assets in progress	39,096	20,351
Total capex on intangible assets	55,821	27,396

4. Investments

The Group's equity investments in associated companies increased by Euro 5,702 thousand due to the pro-quota subscription of the capital increase issued by the Swedish company Starbreeze AB in September 2020. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
MSE&DB SI	5	0	5
Total investments in associated companies	5	0	5
Starbreeze AB A shares	7,635	3,676	3,959
Starbreeze AB B shares	3,097	1,363	1,734
Unity Software Inc.	171	167	4
Noobz from Poland S.A.	282	282	0
Total other investments	11,185	5,488	5,697
Total investments	11,190	5,488	5,702

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

The increase in Other investments is due to:

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

5. Non-current receivables and other assets

Non-current receivables and other assets amounted to Euro 5,089 thousand and decreased by Euro 1,655 thousand compared to June 30th, 2020:

Euro thousand	June 30th, 2021	June 30th, 2020	Change
Receivable for sale of Pipeworks Inc.	0	4,770	(4,770)
Receivable from Starbreeze AB	4,227	1,132	3,094
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	222	202	20
Guarantee deposits – utilities	5	5	0
Total non-current receivables and other assets	5,089	6,744	(1,655)

As at June 30th, 2021, they included a receivable of Euro 4,227 thousand from Starbreeze AB that was purchased from Smilegate Holdings. The receivable has a nominal amount of around USD 16.3 million and was purchased for consideration of Euro 100 thousand. As at June 30th, 2021, the amount has been restated at the positive amortized cost of Euro 3,094 thousand. The receivable forms part of the Starbreeze AB corporate restructuring process and will be paid in accordance with the payment plan agreed with the District Court in Sweden – in any case, not later than December 2024.

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

The residual part relates to security deposits for contractual obligations.

6. Deferred tax assets

Deferred tax assets are calculated on tax loss carryforwards and temporary differences between the carrying amount of an asset or liability in the consolidated financial statement and its tax basis. They have been measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. As at June 30th, 2021, the balance stood at Euro 11,644 thousand and decreased by Euro 8,162 thousand compared to June 30th, 2020.

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

Euro thousand	June 30th, 2021	June 30th, 2020	Change
Italian companies	2,373	1,675	698
Non-Italian companies	3,484	1,732	1,752
Consolidation adjustments	5,787	75	5,712
Total deferred tax assets	11,644	3,482	8,162

Consolidated adjustments increased by Euro 5,712 thousand following the registration of positive Euro 7,203 thousand for the revaluation of the Assetto Corsa brand and of negative Euro 1,849 thousand portion pertaining to the difference between the purchase price of the Australian companies and the related shareholders' equity.

The following table provides details of temporary differences pertaining to the Italian companies at June 30th, 2021 and June 30th, 2020:

Euro thousand	June 30th, 2021	June 30th, 2020	Change
Taxed provision for doubtful debts	648	648	0
Other liabilities	8,515	4,214	4,301
Actuarial differences	58	58	0
Costs not deducted in prior years	415	317	98
Tax loss carryforwards	396	396	0
Deduction for "Economic Growth Assistance" (ACE)	0	13	(13)
Reserve for write-down of securities	(1,113)	1,058	(2,171)
Reserve for application of IFRS 9	5	245	(240)
Total differences	8,925	6,949	1,976
Tax rate	24.0%	24.0%	
Deferred tax assets for IRES	2,142	1,668	474
Deferred tax assets for IRAP	231	7	224
Total deferred tax assets	2,373	1,675	698

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

Euro thousand	June 30th, 2021	June 30th, 2020
Deferred tax assets for temporary differences and losses of 505 Games (US) Inc.	2,141	1,583
Deferred tax assets for losses of the Australian subsidiaries	1,134	0
Deferred tax assets for temporary differences of Hawken Inc.	61	32
Deferred tax assets for temporary differences of 505 Games Mobile US	56	59
Deferred tax assets for losses of Rasplata BV	47	12
Deferred tax assets for temporary differences of 505 Games Interactive	27	29
Deferred tax assets for losses of 505 Games Spain Sl	17	17
Total deferred tax assets of non-Italian subsidiaries	3,483	1,732

Deferred tax assets of non-Italian subsidiaries relate to temporary differences considered recoverable because, based on approved business plans and forecasts, it is considered probable that each such subsidiary will generate sufficient future taxable income to enable recovery of the temporary differences.

CURRENT ASSETS

8. Inventories

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

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Italian Distribution inventories	3,774	4,722	(948)
Premium Games inventories	1,934	3,267	(1,333)
Total Inventories	5,708	7,989	(2,281)

Inventories decreased by Euro 2,281 thousand, from Euro 7,989 thousand to Euro 5,708 thousand as at June 30th, 2021, in line with the decline of retail distribution revenues.

9. Trade receivables

Changes during the period in trade receivables were as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Receivables from customers - Italy	1,671	2,473	(802)
Receivables from customers - Other EU	3,417	2,752	665
Receivables from customers - Rest of the world	14,020	23,786	(9,766)
Total receivables from customers	19,108	29,011	(9,903)
Provision for doubtful debts	(825)	(843)	18
Total trade receivables	18,283	28,168	(9,885)

Receivables from customers totalled Euro 18,283 thousand at June 30th, 2021, a Euro 9,885 thousand decrease compared to the June 30th, 2020 balance of Euro 28,168 thousand. Receivables from customers are stated net of an estimate of potential credit notes to be issued by the Group for price repositioning or returns.

The following table contains an analysis of receivables from customers at June 30th, 2021 by due date, together with comparative figures at June 30th, 2020:

Euro Thousands	June 30th, 2021	% of total	June 30th, 2020	% of total
Current	18,004	94%	27,976	96%
0 - 30 days overdue	185	1%	132	0%
30 - 60 days overdue	0	0%	35	0%
60 - 90 days overdue	3	0%	6	0%
> 90 days overdue	916	5%	862	4%
Total receivables from	19,108	100%	29,011	100%

The provision for doubtful debts decreased by Euro 18 thousand from Euro 843 thousand at June 30th, 2020 to Euro 825 thousand at June 30th, 2021. The bad debt provision is estimated based on both a detailed analysis of each balance in order to assess customers' ability to pay and application of the IFRS 9.

10. Tax receivables

Tax receivables are analysed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Receivables under domestic tax group arrangement	0	1,766	(1,766)
VAT receivable	1,038	694	344
Tax credit for foreign tax withholdings	118	114	4
IRES refund for IRAP deductibility	119	119	0
Other tax receivables	225	407	(182)
Total tax receivables	1,500	3,100	(1,600)

Tax receivables decreased by Euro 1,600 thousand from Euro 3,100 thousand at June 30th, 2020 to Euro 1,500 thousand at June 30th, 2021. The decrease in Receivables under the domestic tax group arrangement is the result of the higher taxable income for the year of the Italian companies which led to the offsetting of tax assets.

11. Other current assets

Other current assets consist of advances paid to suppliers, employees and agents. They decreased from Euro 32,816 thousand at June 30th, 2020 to Euro 19,279 thousand at June 30th, 2021. They are analyzed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Receivables for video game user licences	5,112	10,371	(5,259)
Receivables for video game development operating costs	11,467	14,651	(3,184)
Receivable for the sale of Pipeworks Inc.	0	4,770	(4,770)
Advances to suppliers	2,359	2,686	(327)
Other receivables	341	338	3
Total other current assets	19,279	32,816	(13,537)

Receivables for video game user licenses consist of advances paid for licenses not yet used or completely used as at the reporting date. They decreased by Euro 5,259 thousand over the period to Euro 5,112 thousand.

The decrease in Other current assets is due to the fact that all the advances paid for the new contracts are now classified under intangible assets. Even if the advances are paid without there being a transfer of the intellectual property to the Group, but exclusively a right of exploitation limited in time, this right is multi-year and therefore more correctly exposed among intangible fixed assets.

Receivables for video game development operating costs, amounting to Euro 11,467 thousand, include expenses incurred in advances in relation to the video game programming services, the quality assurance and the other operating costs.

The amount in question is analysed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Programming	8,644	11,729	(3,085)
Quality assurance	1,904	2,307	(403)
Other operating costs	919	615	304
Total receivables for video game development operating costs	11,467	14,651	(3,184)

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

Advances to suppliers decreased by Euro 327 thousand, mainly because of the recording of Euro 1,171 thousand in relation to the portion of withholding taxes subject to the agreement with the Italian Tax Authorities that the expects to be able to recover from suppliers.

NET EQUITY

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

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of profit for the year							0		14,990	(14,990)	0	0	0	0
Dividend distribution									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						329	329		7		7	336		336
Comprehensive income (loss)					77	1,650	1,727			32,025	32,025	33,752	(89)	33,663
Total on June 30th, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791

14. Share capital

Share capital at June 30th, 2021 remained unchanged compared to June 30th, 2020 and is divided into 14,260,837 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,704,334.80. No other shares of any nature were issued. There are no rights, liens or restrictions associated with the ordinary shares.

15. Reserves

The change in Other reserves includes Euro 329 thousand to restate the stock option reserve, Euro 1,649 thousand (positive) to restate the reserve for fair value measurement of financial assets and Euro 1 thousand (positive) to restate the actuarial reserve.

No specific uses or objectives have been designated for equity reserves, other than those provided by the Law.

NON-CURRENT LIABILITIES

18. Employee benefits

Employee benefits reflects the actuarial value of the Group's liability towards employees, as calculated by an independent actuary. It has increased by Euro 60 thousand compared to the prior year.

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

The calculation method can be summarised as follows:

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

The estimate is based on the Italian companies' reporting date headcount of 94 employees.

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

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

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

Euro Thousands	June 30th, 2021	June 30th, 2020
Provision for employee termination indemnities at July 1st, 2020	659	573
Utilisation of provision for leavers	(12)	(12)
Allocated during period	288	304
Restatement for supplementary pension schemes	(215)	(194)
Restatement for actuarial measurement	(1)	(12)
Provision for employee termination indemnities at June 30th, 2021	719	659

The Group is party to any supplementary pension plans.

19. Non-current provisions

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

20. Other non-current payables and liabilities

At June 30th, 2021 other non-current payables and liabilities amounted to Euro 5,415 thousand and included the Euro 4,489 thousand portion of the debt due beyond twelve months for the purchase of the Australian companies and the Euro 926 thousand estimated cost for the 2021-2027 Medium-Long Term Monetary Incentives Plan approved by the Shareholders' Meeting in June 2021.

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

CURRENT LIABILITIES

22. Trade payables

Trade payables amounted to Euro 47,193 thousand at June 30th, 2021 and increased by Euro 6,053 thousand compared to June 30th, 2020. They were mostly payable to publishers for purchases of finished products and to developers. Details are provided below:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change
Trade payables – Italy	(2,494)	(3,119)	625
Trade payables – Other EU	(17,507)	(21,050)	3,543
Trade payables – Rest of World	(27,192)	(16,971)	(10,221)
Total trade payables	(47,193)	(41,140)	(6,053)

23. Tax payables

Tax payables increased by Euro 5,309 thousand from Euro 5,473 thousand at June 30th, 2020 to Euro 10,782 thousand at June 30th, 2021. The balance is detailed as follows:

Euro Thousands	June 30 th , 2021	June 30 th , 2020	Change
Taxes on income	(6,735)	(569)	(6,166)
VAT payable	0	(226)	226
Other tax payables	(4,047)	(4,678)	631
Total tax payables	(10,782)	(5,473)	(5,309)

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

24. Current provisions

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

25. Other current liabilities

Other current liabilities amounted to Euro 9,932 thousand and increased by Euro 5,211 thousand compared to June 30th, 2020. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Amounts due to social security institutions	(511)	(448)	(63)
Amounts due to employees	(1,558)	(988)	(570)
Amounts due to contract staff	(43)	(42)	(1)
Other payables	(7,820)	(3,243)	(4,577)
Total other current liabilities	(9,932)	(4,721)	(5,211)

Amounts due to employees include accrued holiday pay and leave of absence not taken by the end of the reporting period, amounts accrued for the future payment of 14th monthly salaries and amounts accrued for the portion of variable remuneration relating to the reporting period.

Other payables mainly include: advance payments for Euro 5,980 thousand received by 505 Games S.p.A. from several customers, especially in relation to sub-licensing contracts for certain countries where the Group does not have a direct presence and revenue recognition is deferred to the moment the product is launched on the market, and the portion of the Euro 1,639 thousand debt maturing within twelve months for the acquisition of the Australian companies.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position at June 30th, 2021 together with comparative figures at June 30th, 2020:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change
12	Cash and cash equivalents	35,509	8,527	26,982
13	Other current financial assets	0	0	0
26	Current financial liabilities	(4,409)	(16,807)	12,398
	Current net financial position	31,100	(8,280)	39,380
7	Non-current financial assets	18,840	17,251	1,589
21	Non-current financial liabilities	(11,694)	(6,369)	(5,325)
	Non-current net financial position	7,147	10,882	(3,736)
	Total net financial position	38,246	2,602	35,644

The net financial position amounted to Euro 38,246 thousand, increasing by Euro 35,644 thousand compared to Euro 2,602 thousand as at June 30th, 2020. Net of the IFRS 16 effect, the Net Financial Position amounted to positive Euro 43 million.

Current net financial position

The current net financial position is analysed as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change
12	Cash and cash equivalents	35,509	8,527	26,982
13	Other current financial assets	0	0	0
26	Current financial liabilities	(4,409)	(16,807)	12,398
	Current net financial position	31,100	(8,280)	39,380

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 35,509 thousand at June 30th, 2021, an increase of Euro 26,982 thousand compared to June 30th, 2020. They are unrestricted and consist entirely of current account deposits accessible on demand.

26. Current financial liabilities

Current financial liabilities (or current bank borrowing) consists of advances on invoices and notes receivable, short-term loans and other current financial liabilities for a total amount of Euro 4,211 thousand. At the end of the reporting period the Group had not used advance invoices contrary to the previous year.

Details are as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Bank borrowing – advances on invoices and notes	0	(547)	547
Instalment loans due within a year	(3,110)	(5,153)	2,043
Other current financial liabilities	(1,299)	(11,107)	9,808
Total current bank borrowing	(4,409)	(16,807)	12,398

Instalment loans amounting to Euro 3,110 thousand comprise the portion with a maturity within 12 months of:

- a Euro 2 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. to sustain working capital and provide financial support; the loan agreement provides for principal repayments in 8 quarterly instalments in arrears between 24/09/2020 and 24/06/2022; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.40 percentage points;
- a Euro 5 million loan granted by Intesa San Paolo S.p.A. to Digital Bros S.p.A. for the development and production of video games; the 36 months loan agreement provides for principal repayments in 12 quarterly instalments in arrears between 29/04/2021 and 29/01/2024; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 1.35 percentage points;
- a Euro 1,375 thousand loan granted by UniCredit S.p.A. to Digital Bros S.p.A. on 28/01/2021 to consolidate existing credit lines and loans for a total of Euro 700 thousand and to develop and implement new investments for the remaining Euro 1,175 thousand. The loan provides for a pre-amortization phase starting from the disbursement date and until 31/01/2022 during which Digital Bros will pay quarterly deferred installments of interest only, and a quarterly capital repayment phase between 30/04/2022 and 31/01/2025; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 percentage points. Against this loan, Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to protect against the risk of interest rate increases for the entire duration of the loan, paying the bank a premium of Euro 14 thousand;
- a Euro 4 million loan granted by UniCredit S.p.A. to 505 Games S.p.A. on 28/01/2021 to consolidate existing credit lines and loans for a total of Euro 700 thousand and to develop and implement new investments for the remaining Euro 3,300 thousand. The loan provides for a pre-amortization phase starting from the disbursement date and until 31/01/2022 during which Digital Bros will pay quarterly deferred installments of interest only, and a quarterly capital repayment phase between 30/04/2022 and 31/01/2025; Digital Bros S.p.A. will make quarterly interest payments based on a variable quarterly rate equal to the Euribor 3 Month rate plus a spread of 0.90 percentage points. Against this loan, Digital Bros S.p.A. has stipulated with UniCredit S.p.A. an Interest Rate Options Agreement to protect against the risk of interest rate increases for the entire duration of the loan, paying the bank a premium of Euro 40 thousand.

Other current financial liabilities are detailed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Advances on trade receivables factored without recourse	(8)	(21)	13
Lease instalments due within a year	(67)	(63)	(4)
Lease liabilities	(1,224)	(1,023)	(201)
Liability to Smilegate Holdings	0	(10,000)	10,000
Total current financial liabilities	(1,299)	(11,107)	9,808

The decrease in current financial liabilities is mainly due to the payment, occurred on February 23rd, 2021, of the Euro 10 million debt to Smilegate Holdings relating to the portion of the purchase price of the assets previously held in Starbreeze AB by the Korean company.

7. Non-current financial assets

Non-current financial assets consist entirely of the fair value measurement of the convertible bond issued by Starbreeze AB with a nominal value of SEK 215 million and maturing in December 2024, as described in the Significant Events during the Period section of the Full Year Report. The Euro 1,595 thousand increase compared to June 30th, 2020 is due to the fair value measurement.

21. Non-current financial liabilities

Non-current financial liabilities include loans due after more than a year and other non-current financial liabilities for a total of Euro 11,694 thousand. Details are provided below:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Loans due after more than a year	(7,858)	(1,906)	(5,952)
Other non-current financial liabilities	(3,836)	(4,463)	627
Total non-current financial liabilities / bank borrowing	(11,694)	(6,369)	(5,325)

At June 30th, 2021, loans due after more than a year amounted to Euro 7,858 thousand representing the non-current portion of the loan granted to Digital Bros S.p.A. described above.

Other non-current financial liabilities amount to Euro 3,836 thousand. They include Euro 120 thousand of lease repayments due after more than a year and Euro 3,716 thousand due to application of the IFRS 16 accounting standard.

Lease liabilities regard:

- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 84 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 8 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th, 2023. Lease instalments due within a year amount

to Euro 20 thousand while those due after more than a year total Euro 22 thousand. There is a variable rate of interest of 2.26%;

- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 89 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 9 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on August 10th, 2023. Lease instalments due within a year amount to Euro 20 thousand while those due after more than a year total Euro 24 thousand. There is a variable rate of interest of 2.26%;
- two finance lease agreements entered into with BMW Group Segment Financial Services for the purchase of two motor vehicle. Each lease provides for a financed amount of Euro 22 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 2 thousand and a final purchase option of Euro 1 thousand. The finance leases expire on November 11th, 2023. The lease instalments due within a year amount to Euro 4 thousand for both contracts while those due after more than a year total Euro 9 thousand. There is a variable rate of interest of 5.85%;
- a finance lease agreement entered into with Volkswagen Bank for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 58 thousand and the payment of forty-eight monthly instalments plus an advance payment of Euro 12 thousand and a final purchase option of Euro 21 thousand. The finance lease expires on December 15th, 2024. Lease instalments due within a year amount to Euro 6 thousand while those due after more than a year total Euro 24 thousand. There is a variable rate of interest of 3.99%;
- a finance lease agreement entered into with MPS Leasing & Factoring for the purchase of a motor vehicle. The lease provides for a financed amount of Euro 55 thousand and the payment of forty-seven monthly instalments plus an advance payment of Euro 6 thousand and a final purchase option of Euro 1 thousand. The finance lease expires on June 1st, 2025. Lease instalments due within a year amount to Euro 13 thousand while those due after more than a year total Euro 25 thousand. There is a variable rate of interest of 2.48%.

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

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Within 1 year	1,291	1,086	205
1-5 years	2,919	1,960	959
More than 5 years	917	1,503	(586)
Total	5,127	4,549	578

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

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	
A.	Net cash/debt	35,509	8,527	26,982	n.m.
B.	Cash equivalents to liquid assets	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	35,509	8,527	26,982	n.m.
E.	Current financial liabilities (debt instrument included, but current portion of non-current financial liabilities excluded)	0	0	0	0.0%
F.	Current portion of non-current debt	4,409	16,807	(12,398)	-73.8%
G.	Current financial indebtedness (E + F)	4,409	16,807	(12,398)	-73.8%
H.	Net current financial indebtedness (G - D)	(31,099)	8,280	(39,379)	n.m.
I.	Non-current financial liabilities (current portion of non-current financial liabilities and debt instruments excluded)	11,694	6,369	5,325	83.6%
J.	Debt instruments	0	0	0	0.0%
K.	Trade payables and other non-current liabilities	0	0	0	0.0%
L.	Non-current financial indebtedness (I + J + K)	11,694	6,369	5,325	83.6%
M.	Net financial indebtedness (H + L)	(19,405)	14,649	(34,054)	n.m.

COMMITMENTS AND RISKS

The following table reports the Group's commitments:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change
Commitments for undersigned contracts	76,514	48,042	9,442
Commitments for subscription of capital of Starbreeze AB	0	2,395	(2,395)

Commitments are mostly formed by the future payments for development contracts not yet completed or for which production had not yet started at the reporting date.

In September 2020, Digital Bros Group subscribed the share capital increase of Starbreeze AB.

9. ANALYSIS OF THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AT JUNE 30TH, 2021

3. Net revenue

The following table contains a breakdown of revenue by operating segment at June 30th, 2021. It does not include the Holding operating segment as it does not generate revenue.

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Total
1	Gross revenue	10,679	134,648	4,774	602	150,703
2	Revenue adjustments	0	(1,242)	(281)	0	(1,523)
3	Total net revenue	10,679	133,406	4,493	602	149,180

At June 30th, 2020 the breakdown was as follows:

	Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other activities	Total
1	Gross revenue	7,476	122,287	8,653	617	139,033
2	Revenue adjustments	0	(5,766)	(44)	0	(5,810)
3	Total net revenue	7,476	116,521	8,609	617	133,223

Comments on net revenues can be found in the Full Year Report.

8. Cost of sales

Cost of sales is analysed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Purchase of products for resale	(5,598)	(16,743)	11,145	-66.6%
Purchase of services for resale	(10,528)	(8,857)	(1,671)	18.9%
Royalties	(41,322)	(34,600)	(6,722)	19.4%
Changes in inventories of finished products	(2,281)	(5,920)	3,639	-61.5%
Total cost of sales	(59,729)	(66,120)	6,391	-9.7%

Reference should be made to the Full Year Report for more detailed analysis of the individual revenues and cost of sales items. The Full Year Report contains such analysis for each of the Group's operating segments.

10. Other revenue

Other revenue amounted to Euro 4,060 thousand, increasing by Euro 602 thousand compared to June 30th, 2020 and almost entirely consists of internal costs capitalised in relation to the development of video games to be launched soon. During the reporting period, the subsidiary DR Studios Ltd. continued the development of the new Free to Play version of Hawken..

11. Costs for services

Costs for services are analysed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Advertising, marketing, trade fairs and exhibitions	(5,306)	(8,445)	3,139	-37.2%
Transport and freight	(420)	(769)	349	-45.4%
Other sales related costs	(223)	(386)	163	-42.2%
Subtotal: sales related services	(5,949)	(9,600)	3,651	-38.0%
Sundry insurance	(364)	(351)	(13)	3.7%
Consulting fees	(2,616)	(2,258)	(358)	15.9%
Postage and telegraph	(211)	(200)	(11)	5.4%
Travel and subsistence costs	(100)	(731)	631	-86.4%
Utilities	(181)	(203)	22	-11.0%
Maintenance	(88)	(108)	20	-19.0%
Statutory auditors' fees	(108)	(108)	0	0.0%
Subtotal: general services	(3,668)	(3,959)	291	-7.3%
Total costs for services	(9,617)	(13,559)	3,942	-29.1%

Costs for services decreased by Euro 3,942 thousand due to lower advertisement and travel and subsistence costs.

12. Lease and rental costs

Lease and rental costs amounted to Euro 311 thousand compared to Euro 247 thousand at June 30th, 2020. At June 30th, 2021 the item included Euro 207 thousand of expenses relating to the rental of the offices of Group companies and Euro 104 thousand of lease costs for cars and warehouse equipment that do not fall within the scope of application of IFRS 16 because of their modest amount or the short residual duration of the lease.

13. Payroll costs

Payroll costs totalled Euro 24,617 thousand and increased by Euro 3,709 thousand compared to prior year. They include the directors' fees approved by the Shareholders' Meeting, amounts paid to temporary workers and contract staff and the cost of cars assigned to employees.

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Wages and salaries	(16,721)	(14,178)	(2,543)	17.9%
Social contributions	(3,860)	(3,322)	(538)	16.2%
Employee termination indemnity	(293)	(243)	(50)	20.4%
Stock option plan	(329)	(330)	1	-0.3%
Directors' fees	(1,190)	(1,121)	(69)	6.1%
Temporary labour and contract staff	(2,141)	(1,617)	(524)	32.4%
Agents' commission	(19)	(31)	12	-39.1%
Other payroll costs	(64)	(66)	2	-2.9%
Total payroll costs	(24,617)	(20,908)	(3,709)	17.7%

Payroll costs have increased compared to prior year due to the higher number of employees.

Payroll costs include wages and salaries, social contributions and the employee termination indemnity. They increased by Euro 3,131 thousand compared with the previous year, while the average cost per employee remained unchanged:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Wages and salaries	(16,721)	(14,178)	(2,543)	17.9%
Social contributions	(3,860)	(3,322)	(538)	16.2%
Employee termination indemnity	(293)	(243)	(50)	20.4%
Total payroll costs	(20,874)	(17,743)	(3,131)	17.6%
Average number of employees	238	202	36	17.8%
Average cost per employee	(87,7)	(87,8)	0,1	-0.1%

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

14. Other operating costs

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

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Sundry materials costs	(40)	(55)	15	-28.0%
General & Administrative costs	(855)	(868)	13	-1.5%
Entertainment expenses	(14)	(37)	23	-61.1%
Sundry bank charges	(261)	(209)	(52)	24.7%
Total other operating costs	(1,170)	(1,169)	(1)	0.1%

Other operating costs amounted to Euro 1,170 thousand and remained unchanged compared to the previous year against higher sundry bank costs offset by the decrease in all other items.

21. Non-monetary operating income and expenses

Non-monetary operating expenses include:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Depreciation and amortisation	(24,600)	(13,266)	(11,334)	85.4%
Impairment adjustments to assets	(2,647)	(2,206)	(441)	20.0%
Reversal of previous adjustments	0	849	(849)	n.m.
Total non-monetary operating income expenses	(27,247)	(14,623)	(12,624)	86.3%

Non-monetary operating income expenses, amounting to Euro 27,247 thousand, increased by Euro 12,624 thousand compared to June 30th, 2020. Depreciation and amortisation increased by Euro 11,334 thousand because of video games launched during the period.

The Euro 2,584 thousand write-down of assets relates for Euro 1,855 thousand to a product developed by the subsidiary Avantgarden for which it is expected that the value of the assets recorded will not be recoverable due to expected below expectations results and for Euro 700 thousand to the portions of withholdings subject to of the agreement with the Italian Tax Authorities that were deemed irrecoverable by suppliers.

25. Net financial income / (expenses)

This item may be analysed as follows:

	Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
23	Interest and financial income	7,666	4,037	3,629	89.9%
24	Interest and financial expenses	(3,401)	(3,409)	8	-0.2%
25	Net financial income / (expenses)	4,265	628	3,637	n.m.

There is net financial income of Euro 4,265 thousand compared to Euro 628 thousand in the prior year. The increase is the net result of a Euro 3,629 thousand increase in interest and financial income.

Interest and financial income may be analysed as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Financial income	4,658	2,275	2,383	n.m.
Exchange gains	2,995	1,754	1,241	70.8%
Other	13	8	5	62.5%
Total interest and financial income	7,666	4,037	3,629	89.9%

Interest and financial income increased by Euro 3,629 thousand because of a Euro 2,383 thousand increase in financial income and a Euro 1,241 thousand rise in exchange gains. Financial income includes Euro 3,096 thousand due to the restatement of the around USD 16.3 million loan receivable from Starbreeze AB as acquired for consideration of Euro 100 thousand and Euro 903 thousand fair value measurement of the convertible bond issued by Starbreeze AB and the gain of Euro 501 thousand realised on the sale of Unity Software Inc.'s shares.

Interest and financial expenses amounted to Euro 3,401 thousand, unchanged compared to June 30th, 2020 due to higher exchange gains for Euro 1,653 thousand, offset by lower Interest expenses on loans and leases and lower adjustments for equity valuation of investments.

Interest and financial expenses are analysed in detail as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Interest expenses on current accounts and trade finance	(90)	(285)	195	-68.4%
Other interest expenses	0	(587)	587	n.m.
Interest expenses on loans and leases	(192)	(411)	219	-53.3%
Factoring interest expenses	(1)	(5)	4	-80.0%
Total interest expenses on sources of finance	(283)	(1,288)	1,005	-53.3%
Exchange gains/losses	(3,118)	(1,465)	(1,653)	n.m.
Equity valuation of investments	0	(656)	656	n.m.
Total interest and financial expenses	(3,401)	(3,409)	8	-0.2%

29. Taxation

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

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
Current taxes	(11,910)	(6,363)	(5,547)	87.2%
Deferred taxes	9,032	629	8,403	n.m.
Total taxes	(2,878)	(5,734)	2,856	-49.8%

The increment in taxes is in line with the Group's revenue trend.

Current taxes are analyzed in more detail as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020	Change	%
IRES	(9,154)	(5,384)	(3,770)	70.0%
IRAP	(1,349)	(214)	(1,135)	n.m.
Current taxes of non-Italian companies	(657)	(481)	(176)	36.6%
Other current taxes	(750)	(284)	(466)	n.m.
Total current taxes	(11,910)	(6,363)	(5,547)	87.2%

Other current taxes refer to the substitute tax on the revaluation of the Assetto Corsa brand.

IRES for the year was determined as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020
Taxable income for IRES purposes (A)	38,167	19,612
IRES rate (B)	24.0%	24.0%
IRES for the period (A)*(B)	(9,160)	(4,707)
Taxes relating to prior period	6	(677)
IRES for the period	(9,154)	(5,384)

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

Euro Thousands	June 30th, 2021		June 30th, 2020	
Parent company profit before taxation	9,140		(851)	
IRES rate	24.0%		24.0%	
Theoretical taxation	(2,193)	-24.0%	204	-24.0%
Tax effect of non-deductible costs	1,689	18%	562	-66%
Tax effect of utilisation of tax losses not previously utilised	0		0	
Net tax effect of reversal of deferred tax assets not included in above items	58		(58)	
IRES on gain classified under financial income	0		0	
Parent company total IRES	(446)		709	
Tax effect of share of profits of subsidiaries	(8,714)		(5,416)	
Prior year taxation	6		(677)	
Taxes on income for the year and effective tax rate	(9,154)	-100%	(5,384)	633%

IRAP for the period was determined as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020
Taxable income for IRAP purposes	33,068	5,128
IRAP rate	3.9%/5.57%	3.9%
IRAP for the period	(1,349)	(200)
IRAP relating to prior year	0	(14)
IRAP for the period	(1,349)	(214)

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

Euro Thousands	June 30th, 2021		June 30th, 2020	
Operating margin/EBIT of Parent Company	(2,925)		(5,330)	
IRAP rate	5.57%		3.9%	
Theoretical IRAP	163	-5.57%	0	0.0%
Tax effect of non-deductible costs	(382)	13.0%	0	0.0%
Net tax effect of reversal of deferred tax assets not included in above items	21		0	
Parent company total IRAP	(198)		0	
Tax effect of share of results of subsidiaries	(1,151)	39.3%	(214)	7.3%
Tax on income for the period and effective tax rate	(1,349)	46.1%	(214)	7.3%

32. . Basic earnings per share

Basic earnings per share is determined based on the following figures:

Euro Thousands	June 30th, 2021	June 30th, 2020
Total net result	32,025	14,970
Total average number of shares in issue	14,260,837	14,260,837
Earnings per share in Euro	2.25	1.05

Basic earnings per share is calculated by dividing the result for the period by the average number of shares in issue (excluding treasury shares).

33. Diluted earnings per share

Following the maturation on July 1st, 2019 of 216,000 rights to subscribe new shares in terms of the stock option plan 2016/2026 – available on the Company web site – diluted earnings per share is calculated as follows:

Euro Thousands	June 30th, 2021	June 30th, 2020
Total net result	32,025	14,970
Total average number of shares in issue	14,476,837	14,476,837
Earnings per share in Euro	2.21	1.03

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

The main financial instruments used by the Group are:

- Bank overdrafts
- Sight and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Medium-term loans for product development.

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

Parent company Digital Bros S.p.A. and 505 Games S.p.A. manage all financial risks on behalf of itself and its subsidiaries. This is except for other financial instruments not listed above i.e. trade payables and receivables arising from operating activities for which the financial risk remains the responsibility of each individual subsidiary.

The Group seeks to maintain a balance between short-term and medium/long-term financial instruments in line with prospective trends. Long-term investments are normally financed through medium/long-term credit lines, often dedicated to the individual investment, sometimes in the form of finance leases.

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

The additional disclosures required by IFRS 7 are provided in the following tables for the years ended June 30th, 2021 and 2020 in order to evaluate the significance of financial instruments to the Group's results and financial position.

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

Category of financial assets in terms of IFRS 9

Financial Instruments – Assets at June 30th, 2021 (in Euro Thousands)	FVTPL	Assets at amortised cost	FVTOCI	Carrying amount at June 30th, 2021	Note
Non-current receivables and other assets	-	5,089	-	5,089	5
Trade receivables	18,840	-	-	18,840	7
Other current assets	-	18,283	-	18,283	9
Cash and cash equivalents	-	19,279	-	19,278	11
Other current financial assets	-	35,509	-	35,509	12
Other non-current financial assets	-	0	-	0	13
Total	18,840	78,160	-	97,000	

Category of financial liabilities in terms of IFRS 9

Financial Instruments – Liabilities at June 30th, 2021 (in Euro Thousands)	FVTPL	Liabilities at amortised cost	FVTOCI	Carrying amount at June 30th, 2021	Note
Non-current financial liabilities	-	11,694	-	11,694	21
Trade payables	-	47,193	-	47,193	22
Other current liabilities	-	9,932	-	9,932	25
Current financial liabilities	-	4,409	-	4,409	26
Total	-	73,228	-	73,228	

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

Category of financial assets in terms of IFRS 9

Financial Instruments – Assets at June 30th, 2020 (in Euro Thousands)	FVTPL	Assets at amortised cost	FVTOCI	Carrying amount at June 30th, 2020	Note
Non-current receivables and other assets	-	6,744	-	6,744	5
Trade receivables	17,251	-	-	17,251	7
Other current assets	-	28,168	-	28,168	9
Cash and cash equivalents	-	32,816	-	32,816	11
Other current financial assets	-	8,527	-	8,527	12
Other non-current financial assets	-	0	-	0	13
Total	17,251	76,255	-	93,506	

Category of financial liabilities in terms of IFRS 9

Financial Instruments – Liabilities at June 30th, 2020 (in Euro Thousands)	FVTPL	Liabilities at amortised cost	FVTOCI	Carrying amount at June 30th, 2020	Note
Non-current financial liabilities	-	6,369	-	6,369	21
Trade payables	-	41,140	-	41,140	22
Other current liabilities	-	4,721	-	4,721	25
Current financial liabilities	-	16,807	-	16,807	26
Total	-	69,037	-	69,037	

The main risks to which the Group is subject are:

- interest rate risk
- liquidity risk
- exchange rate risk
- risk of dependence on key customers and collection risk.

Interest rate risk

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

This risk is mitigated by the low level of debt and by the adoption of a short-term cash flowing procedure.

Liquidity risk

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

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

The mitigating factors that can reduce this risk are:

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

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

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

Financial liabilities at June 30th, 2021 (in Euro Thousands)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Non-current financial liabilities	11,694		4,424	3,756	1,988	609	917	11,694	21
Current financial liabilities	4,409	4,409						4,409	26
Total	16,103	16,807	3,400	902	0	0	0	16,103	

Financial liabilities at June 30th, 2020 (in Euro Thousands)	Carrying amount	Within a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Note
Non-current financial liabilities	6,369		2,753	750	691	642	1,532	6,369	21
Current financial liabilities	16,807	16,807						16,807	26
Total	23,176	16,807	3,400	902	0	0	0	23,176	

The Group has sufficient financial resources to satisfy its debt maturing within one year. These financial resources include cash and cash equivalents, unutilised credit facilities totalling around Euro 47 million at the reporting date and cash flows from operating activities.

Exchange rate risk

The Group's exposure in US dollars arising from the operations of its U.S. subsidiaries is mitigated by the fact that the Group is party to a considerable number of game development contracts denominated in that currency. This means that any negative changes in the EUR/USD exchange rate would cause licence costs to go up but would also lead to higher margins for the subsidiaries (the reverse also holds true).

The risk is mitigated by the fact that foreign currency payments are often made in advance. The Group books actual royalty costs in advance and manages to reflect any additional expenses due to exchange rate fluctuation in its selling prices. The Group can also take action to adjust selling prices in order to offset the effect of any exchange rate fluctuation. Another mitigating factor is the possibility of entering into contracts in the same currency so as to mitigate the effect of any negative exchange rate fluctuation.

The Group is indirectly exposed to the risk of fluctuation in the value of the Chinese Renminbi. Sales on digital marketplaces are converted daily into US Dollars. Any significant fluctuation in the USD/CNY exchange rate could lead to a significant loss on revenues. The risk is limited thanks to the possibility of acting swiftly to make changes to product price lists in local currency.

Risk of dependence on key customers and collection risk

During the reporting period, the top ten global customers accounted for around 74% of trade receivables while the top 50 customers accounted for 98%. Gradual market digitalisation will necessarily lead to a further increase in the level of receivables concentration as sales will be made on marketplaces operating on a global scale. The concentration of revenues on a small number of key customers makes the Group reliant on the decisions made by a handful of companies. Indeed, there is a risk that if a specific product is not selected for purchase, it might not have the necessary visibility on store shelves, in case of physical distribution, but also on digital platforms, thus leading to the loss of expected sales potential. In contrast, a product may acquire additional sales potential if it gains particularly favourable positioning.

The concentration of sales on a small number of customers increases the credit risk.

This risk is mitigated through extensive use of credit insurance which reduces potential bad debts, by the potential entry of new marketplaces onto the video game digital distribution market and by the high concentration of digital revenues on a handful of marketplaces with high credit ratings (i.e. Sony, Microsoft, Apple, etc).

The following table provides details of receivables from customers by due date at June 30th, 2021 and June 30th, 2020:

Euro thousand	June 30th, 2021	% on total	June 30th, 2020	% on total
Not overdue	18,004	94%	27,976	96%
0 -30 days overdue	185	1%	132	0%
30 - 60 days overdue	0	0%	35	0%
60 - 90 days overdue	3	0%	6	0%
> 90 days overdue	916	5%	862	4%
Total receivables from	19,108	100%	29,011	100%

Fair value of financial assets and liabilities and calculation models used

The table below presents the fair value of assets and liabilities based on the calculation methods and models used. Financial assets whose fair value cannot be reasonably determined have not been included.

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

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

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

The Group believes there is no significant difference between fair value and carrying amount in regard to finance lease payables and payables to other lenders.

Euro Thousands	Carrying amount at June 30th, 2021	Mark to Market Fair Value	Mark to Model Fair Value	Total Fair Value	Note
Other non-current financial assets	18,840	0	18,840	18,840	7
Cash and cash equivalents	35,509	35,509		35,509	12
Other current financial assets	0	0		0	13
Non-current financial liabilities	(11,694)	(11,694)		(11,694)	21
Current financial liabilities	(4,409)	(4,409)		(4,409)	26
Total	38,246	19,406	38,246	38,246	

Euro Thousands	Carrying amount at June 30th, 2020	Mark to Market Fair Value	Mark to Model Fair Value	Total Fair Value	Note
Other non-current financial assets	17,251	0	17,251	17,251	7
Cash and cash equivalents	8,527	8,527		8,527	12
Other current financial assets	0	0		0	13
Non-current financial liabilities	(6,369)	(6,369)		(6,369)	21
Current financial liabilities	(16,807)	(16,807)		(16,807)	26
Total	2,602	(14,649)	17,251	2,602	

Exchange rate risk: sensitivity analysis

A sensitivity analysis has been performed in accordance with IFRS 7. It applies to all financial instruments reported in the financial statements.

The Group has performed a sensitivity analysis that measures the estimated impact on profit and loss and on the statement of financial position of an exchange rate fluctuation of +/-10% compared to the rates in effect at June 30th, 2021 for each class of financial instrument, with all other variables remaining constant. The analysis is purely illustrative, as such changes rarely take place in an isolated manner.

At June 30th, 2021, the Group was not exposed any additional risks, such as the commodity risk.

The sensitivity analysis of exchange rates took account of the risk that may arise for any financial instrument denominated in a currency other than the Euro. Consequently, the translation risk was also considered.

The table below shows the impact on the net financial position and on profit before taxation of a 10% increase/decrease in the EUR/USD exchange rate compared to the budgeted rate of USD 1.19/EUR 1:

Type of change	Effect on net financial position	Effect on profit before taxation
+10% USD	(1,258)	(584)
-10% USD	1,535	715

Fair Value hierarchy

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

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

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

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

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

11. NON-RECURRING INCOME AND EXPENSES

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

During the year, the Group accounted for non-recurring expenses as described in the Full Year Report. In prior year, no non-recurring income and expenses were recorded.

12. INFORMATION BY OPERATING SEGMENT

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

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

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

The results by operating segment for the years ended June 30th, 2021 and June 30th, 2020 are set out below. See the Full Year Report for related comments.

Consolidated statement of profit and loss by operating segment at June 30th, 2021

	Consolidated figures Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	10,679	134,648	4,774	602	0	150,703
2	Revenue adjustments	0	(1,242)	(281)	0	0	(1,523)
3	Total revenue	10,679	133,406	4,493	602	0	149,180
4	Purchase of products for resale	0	(3,169)	(2,429)	0	0	(5,598)
5	Purchase of services for resale	(1,404)	(9,121)	0	(3)	0	(10,528)
6	Royalties	(192)	(41,127)	0	(3)	0	(41,322)
7	Changes in inventories of finished products	0	(1,333)	(948)	0	0	(2,281)
8	Total cost of sales	(1,596)	(54,750)	(3,377)	(6)	0	(59,729)
9	Gross profit (3+8)	9,083	78,656	1,116	596	0	89,451
10	Other income	2,582	1,439	0	0	39	4,060
11	Costs for services	(406)	(6,658)	(695)	(184)	(1,674)	(9,617)
12	Lease and rental costs	(53)	(99)	(28)	(1)	(130)	(311)
13	Payroll costs	(5,360)	(13,091)	(1,225)	(351)	(4,590)	(24,617)
14	Other operating costs	(123)	(298)	(162)	(35)	(552)	(1,170)
15	Total operating costs	(5,942)	(20,146)	(2,110)	(571)	(6,946)	(35,715)
16	Gross operating margin (EBITDA) (9+10+15)	5,723	59,949	(994)	25	(6,907)	57,796
17	Depreciation and amortisation	(957)	(22,552)	(160)	(73)	(858)	(24,600)
18	Allocations to provisions	0	0	0	0	0	0
19	Impairment adjustments to assets	0	(2,584)	0	0	(63)	(2,647)
20	Reversal of impairment adjustments and non-monetary income	0	0	0	0	0	0
21	Total non-monetary operating income and expenses	(957)	(25,136)	(160)	(73)	(921)	(27,248)
22	Operating margin (EBIT) (16+21)	4,766	34,813	(1,154)	(48)	(7,828)	30,549

Consolidated financial statement at June 30th, 2021

	Consolidated figures Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	106	1,402	2,244	56	4,390	8,198
2	Investment property	0	0	0	0	0	0
3	Intangible assets	14,803	50,703	0	1,107	163	66,776
4	Equity interests	0	0	0	0	11,190	11,190
5	Non-current receivables and other assets	11	181	6	0	4,891	5,089
6	Deferred tax assets	3	10,995	640	1	5	11,644
7	Non-current financial assets	0	0	0	0	18,840	18,840
	Total non-current assets	14,923	63,281	2,890	1,164	39,479	121,737
	Current assets						
8	Inventories	0	1,934	3,774	0	0	5,708
9	Trade receivables	1,236	16,119	928	0	0	18,283
10	Tax receivables	154	214	1,121	3	8	1,500
11	Other current assets	1,116	17,157	199	367	440	19,279
12	Cash and cash equivalents	466	33,670	1,040	267	66	35,509
13	Other financial assets	0	0	0	0	0	0
	Total current assets	2,972	69,094	7,062	637	514	80,279
	TOTAL ASSETS	17,895	132,375	9,952	1,801	39,993	202,016
	Non-current liabilities						
18	Employee benefits	0	(311)	(391)	(17)	0	(719)
19	Non-current provisions	0	0	(81)	0	0	(81)
20	Other non-current payables and liabilities	(4,651)	(242)	0	0	(522)	(5,415)
21	Financial liabilities	(13)	(4,130)	0	0	(7,551)	(11,694)
	Total non-current liabilities	(4,664)	(4,683)	(472)	(17)	(8,073)	(17,909)
	Current liabilities						
22	Trade payables	(564)	(44,865)	(432)	(223)	(1,109)	(47,193)
23	Current tax liabilities	(443)	(4,903)	(335)	(12)	(5,089)	(10,782)
24	Current provisions	0	0	(0)	0	0	(0)
25	Other current liabilities	(1,966)	(6,857)	(950)	(147)	(12)	(9,932)
26	Financial liabilities	(54)	(883)	(8)	0	(3,464)	(4,409)
	Total current liabilities	(3,027)	(57,507)	(1,725)	(382)	(9,674)	(72,317)
	TOTAL LIABILITIES	(7,691)	(62,190)	(2,197)	(399)	(17,747)	(90,225)

Statement of profit and loss by operating segment at June 30th, 2020

	Consolidated figures Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Revenue	7,476	122,287	8,653	617	0	139,033
2	Revenue adjustments	0	(5,766)	(44)	0	0	(5,810)
3	Total revenue	7,476	116,521	8,609	617	0	133,223
4	Purchase of products for resale	0	(11,291)	(5,452)	0	0	(16,743)
5	Purchase of services for resale	(2,189)	(6,528)	(128)	(12)	0	(8,857)
6	Royalties	(363)	(34,207)	0	(30)	0	(34,600)
7	Changes in inventories of finished products	0	425	(6,345)	0	0	(5,920)
8	Total cost of sales	(2,552)	(51,601)	(11,925)	(42)	0	(66,120)
9	Gross profit (3+8)	4,924	64,920	(3,316)	575	0	67,103
10	Other income	2,039	1,336	(0)	0	83	3,458
11	Costs for services	(271)	(10,352)	(1,208)	(163)	(1,565)	(13,559)
12	Lease and rental costs	(19)	(81)	(29)	(1)	(117)	(247)
13	Payroll costs	(4,440)	(11,144)	(1,365)	(324)	(3,635)	(20,908)
14	Other operating costs	(82)	(398)	(188)	(32)	(469)	(1,169)
15	Total operating costs	(4,812)	(21,975)	(2,790)	(520)	(5,786)	(35,883)
16	Gross operating margin (EBITDA) (9+10+15)	2,151	44,281	(6,106)	55	(5,703)	34,678
17	Depreciation and amortisation	(1,127)	(11,025)	(173)	(110)	(831)	(13,266)
18	Allocations to provisions	0	0	0	0	0	0
19	Impairment adjustments to assets	(346)	(1,860)	0	0	0	(2,206)
20	Reversal of impairment adjustments and non-monetary income	0	259	0	0	590	849
21	Total non-monetary operating income and expenses	(1,473)	(12,626)	(173)	(110)	(241)	(14,623)
22	Operating margin (EBIT) (16+21)	678	31,655	(6,279)	(55)	(5,944)	20,055

Consolidated financial statement at June 30th, 2020

	Consolidated figures Euro Thousands	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
	Non-current assets						
1	Property, plant and equipment	174	1,168	2,352	83	5,060	8,837
2	Investment property	0	0	0	0	0	0
3	Intangible assets	6,061	25,943	0	1,048	196	33,248
4	Equity interests	0	(0)	0	0	5,488	5,488
5	Non-current receivables and other assets	0	186	6	0	6,552	6,744
6	Deferred tax assets	490	1,639	1,346	7	0	3,482
7	Non-current financial assets	0	0	0	0	17,251	17,251
	Total non-current assets	6,725	28,936	3,704	1,138	34,547	75,050
	Current assets						
8	Inventories	0	3,267	4,722	0	0	7,989
9	Trade receivables	1,737	22,914	1,904	5	0	28,168
10	Tax receivables	98	242	986	7	1,767	3,100
11	Other current assets	1,767	27,095	238	230	5,094	32,816
12	Cash and cash equivalents	318	7,093	865	131	120	8,527
13	Other financial assets	0	0	0	0	0	0
	Total current assets	3,920	60,611	8,715	373	6,981	80,600
	TOTAL ASSETS	10,645	89,547	12,419	1,511	41,528	155,650
	Non-current liabilities						
18	Employee benefits	0	(214)	(429)	(16)	0	(659)
19	Non-current provisions	0	0	(81)	0	0	(81)
20	Other non-current payables and liabilities	0	0	0	0	(469)	(469)
21	Financial liabilities	(62)	(1,292)	0	0	(5,015)	(6,369)
	Total non-current liabilities	(62)	(1,506)	(510)	(16)	(5,484)	(7,578)
	Current liabilities						
22	Trade payables	(1,023)	(37,855)	(698)	(136)	(1,428)	(41,140)
23	Current tax liabilities	(91)	(5,207)	(158)	(17)	(0)	(5,473)
24	Current provisions	(0)	0	0	0	0	0
25	Other current liabilities	(42)	(3,363)	(868)	(105)	(343)	(4,721)
26	Financial liabilities	(54)	(4,508)	(568)	0	(11,677)	(16,807)
	Total current liabilities	(1,210)	(50,933)	(2,292)	(258)	(13,448)	(68,141)
	TOTAL LIABILITIES	(1,272)	(52,439)	(2,802)	(274)	(18,932)	(75,719)

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

Video games developed by external studios are usually either acquired with an exclusive license or assigned to the Group with long-term worldwide rights. The franchise used for worldwide publishing is 505 Games..

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

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

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

Hook S.r.l. and Supernova Games Studio S.r.l. were incorporated during the reporting period. Hook S.r.l. is the Group's publisher dealing with games with limited development budgets, faster development time but with potential due to the innovative nature. Supernova Games Studio S.r.l. is a new video game production studio based in Milan.

During the reporting period, MSE & DB S.L., a joint venture under the Spanish law was set up with Mercury Steam Entertainment in order to jointly create a new intellectual property.

The Canadian Chrysalide Jeux et Divertissement Inc. was incorporated in June 2021. The company (75% of which is held by the Group) will develop a brand-new video game starting operations next fiscal year.

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

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

The Australian 505 Games Pty Ltd. was incorporated during the reporting period. In January 2021 it acquired the 100% of Infinite Interactive Pty. and Infinity Plus Two Pty.. The Australian companies own

the intellectual property of the Puzzle Quest and Gems of War video games and provide continuous development to the games.

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

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

The operations is run by the parent company, Digital Bros S.p.A., with the Halifax brand, and by the subsidiary Game Entertainment S.r.l. which distributes trading cards.

Other Activities: the operating segment considers all the Group's remaining activities that are consolidated together for reporting purposes. It includes the operations of the subsidiary Digital Bros Game Academy S.r.l. which organizes video game training and professional courses. It also includes the activities of the subsidiary Game Network S.r.l., whose activities were interrupted in June 2018, and which is actually in voluntary liquidation since October 2018. During the previous period, the Group completed the acquisition of 25.23% of the UK company Seekhana Ltd. arriving to an overall 60% stake.

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

Information by geographical area

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

Euro Thousands	June 30th, 2021		June 30th, 2020		Change	
Europe	23,221	15%	27,036	19%	(3,815)	-14.1%
Americas	108,582	72%	82,586	59%	25,996	31.5%
Rest of the World	13,523	9%	20,141	14%	(6,618)	-32.9%
Total foreign revenue	145,326	96%	129,763	93%	15,563	12.0%
Italy	5,377	4%	9,270	7%	(3,893)	-42.0%
Total consolidated gross revenue	150,703	100%	139,033	100%	11,670	8.4%

Foreign revenue represented 96% of consolidated gross revenue compared to 93% in the previous year and increased by Euro 15,563 thousand compared to June 30th, 2020.

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

The most significant portion of foreign revenue is generated by the Premium Games operating segment which generated foreign revenue of Euro 134,648 thousand i.e. 93% of total foreign revenue.

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

Euro Thousands	June 30th, 2021		June 30th, 2020		Change	
Free to Play	10,679	7%	7,476	6%	3,203	42.8%
Premium Games	134,648	93%	122,287	94%	12,361	10.1%
Total gross foreign revenue	145,327	100%	129,763	100%	15,564	12.0%

13. RELATED PARTY TRANSACTIONS

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

Intercompany transactions

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

Other related parties

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

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

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

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Dario Treves	137	0	(124)	0	6	(394)
Matov Imm. S.r.l.	0	635	0	(3,889)	0	(759)
Matov LLC	0	125	0	(622)	0	(437)
Total	137	760	(124)	(4,511)	6	(1,590)

Euro Thousands	Receivables		Payables		Revenues	Costs
	Trade	Financial	Trade	Financial		
Ovosonico S.r.l.	149	0	0	0	59	0
Dario Treves	0	0	(88)	0	0	(348)
Matov Imm. S.r.l.	0	635	0	(4,478)	0	(733)
Matov LLC	0	132	0	(214)	0	(446)
Total	0	767	(88)	(4,692)	36	(1,527)

The transactions between Ovosonico S.r.l. and the Group are no longer reported on, as, on March 3rd, 2020, the Parent Company acquired 100% of Ovosonico S.r.l. changing its name to Avantgarden S.r.l.

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

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

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

During the period, Digital Bros S.p.A. paid Matov Imm S.r.l. rent totalling Euro 694 thousand for its Milan office premises.

The rent paid by 505 Games France S.as. to Matov Imm S.r.l. for the offices in Francheville amounted to Euro 37 thousand for the year.

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

Tax consolidation

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.

14. ATYPICAL OR UNUSUAL TRANSACTIONS

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

15. INFORMATION ON ASSETS REVALUED UNDER SPECIAL LAWS

The subsidiary Kunos Simulazioni S.r.l. revaluated the Assetto Corsa brand according to the provisions of art. 110 of the D.L. 104/2020. The value of the brand was estimated at Euro 25 million. The effect on the consolidated financial statements at June 30th, 2021 relates exclusively to the registration of the deferred tax credit for Euro 7,203 thousand and the payable for the substitute tax on the revaluation for Euro 750 thousand.

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

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

17. EXTERNAL AUDIT FEES

The following table provides details of the fees payable for the reporting period to Deloitte & Touche, the external auditor of Digital Bros S.p.A., and to other auditing firms not pertaining to the main auditor's network, pursuant to Article 149-duodecies of the Issuers' Regulation:

Nature of service	Fees pertaining to FY 2020/2021					
	Parent company auditor			Parent company auditor's network	Auditors not pertaining to parent network	Total
	to parent company	to other companies	total	to other companies	to other companies	
Audit	183,546	97,012	280,558	0	39,772	320,330
Certification services						
Tax advisory services						
Other services (to be detailed)						
- Fairness opinions						
- Accounting, tax, legal and administrative due diligence				106,601		106,601
- Agreed upon procedures	25,000					25,000
- Advisory services to the financial reporting manager (Art. 154-bis T.U.F.)						
- Opinions on the application of new accounting standards						
- Consultancy on accounting matters						
- Other services						
Total	208,546	97,012	305,558	106,601	39,772	451,931

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

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

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period July 1st, 2020 – June 30th, 2021. No significant issues have arisen.

We also confirm that:

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

Milan, September 27th, 2021

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe