



Half Year Financial Report as at December 31st, 2022

(first half of the fiscal year 2022/2023)

Digital Bros S.p.A.

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

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

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

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

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE STRUCTURE

Board of Directors

Member	Office	Exec.	N-Exec.	Indep.	Control & Risk Committee	Remuneration Committee	Nomination Committee
Sylvia Anna Bartyan	Director			X	M	M	P
Lidia Florean	Director		X				
Abramo Galante	Chairman and CEO	X					
Davide Galante	Director		X				
Raffaele Galante	CEO	X					
Susanna Pedretti	Director			X	M	P	M
Stefano Salbe ⁽¹⁾	Director	X					
Laura Soifer ⁽²⁾	Director			X	P	M	M
Dario Treves	Director	X					

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

⁽²⁾ Lead Independent Director

P: President of the Committee

M: Member of the Committee

Board of Statutory Auditors

Member	Office
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 the Board of Statutory Auditors. The terms of the Directors and the Statutory Auditors will expire on the Shareholders' Meeting which will approve the financial statements as 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 Chief Executive Officers received appropriate powers of attorney.

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

Auditors

EY S.p.A.

On October 27th, 2021, the Shareholders' Meeting appointed EY S.p.A., based in Via Meravigli 12, Milan, as auditors of the Group consolidated annual and half year financial statements and Digital Bros S.p.A. annual financial statements until the approval of the financial statements as at June 30th, 2030.

Other information

The publication of Digital Bros Group's Half Year Report as at December 31st, 2022 was authorized by a resolution of the Board of Directors on March 9th, 2023.

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

DIRECTORS' REPORT

1. GROUP ORGANIZATION

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

The Group is organized into five operational business segments:

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

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

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

During the period, Premium Games operations were conducted by the subsidiary 505 Games S.p.A. which coordinates the operating segment, together with 505 Games France S.a.s., 505 Games Ltd., 505 Games (US) Inc., 505 Games Spain Slu and 505 Games GmbH which operate respectively on the French, UK, U.S., Spanish and German markets. Hook S.r.l. distributes budget videogames on digital marketplaces. 505 Games Interactive (US) Inc. provides consultancy services on behalf of 505 Games S.p.A.. The progressive digitalization of the market and the following centralization of revenues on the Italian subsidiary enabled to focus local operations to marketing and PR activities.

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

- the Italian company Kunos Simulazioni S.r.l., which developed and published the Assetto Corsa and the Assetto Corsa Competizione video games;
- the Dutch company Rasplata B.V. (60% of which is held by the Group) that owns the intellectual property of Crime Boss: Rockay City scheduled for launch on March 28th, 2023;
- the Czech company Ingame Studios a.s. (60% of which is held by the Group), a Brno-based studio acquired in July 2021 and developing Crime Boss: Rockay City, the intellectual propriety owned by Rasplata B.V.;
- the Italian company Avantgarden S.r.l., a development studio based in Milan;
- the Italian company Supernova Games Studios S.r.l., a development studio based in Milan;
- the Canadian company Chrysalide Jeux et Divertissement Inc. (75% of which is held by the Group) which is currently developing a brand-new video game.

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

Free to Play: main operations consist in the development and publishing of video games and/or applications that are available for free on digital marketplaces with in-app purchases features. Free to Play video games usually

presents less technical complexity than Premium video games but, in case of success, will have a longer life cycle. Free to Play video games are continuously upgraded after the launch in order to retain players and enhance the video game's life cycle.

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

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

In July 2022, 505 Games Mobile S.r.l. acquired 100% of the shares of D3Publisher of America Inc., now 505 Go Inc., an American publisher of Free to Play video games, including spin-offs of the Puzzle Quest series, intellectual property owned by the Group following the acquisition of Infinity Plus Two Pty..

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

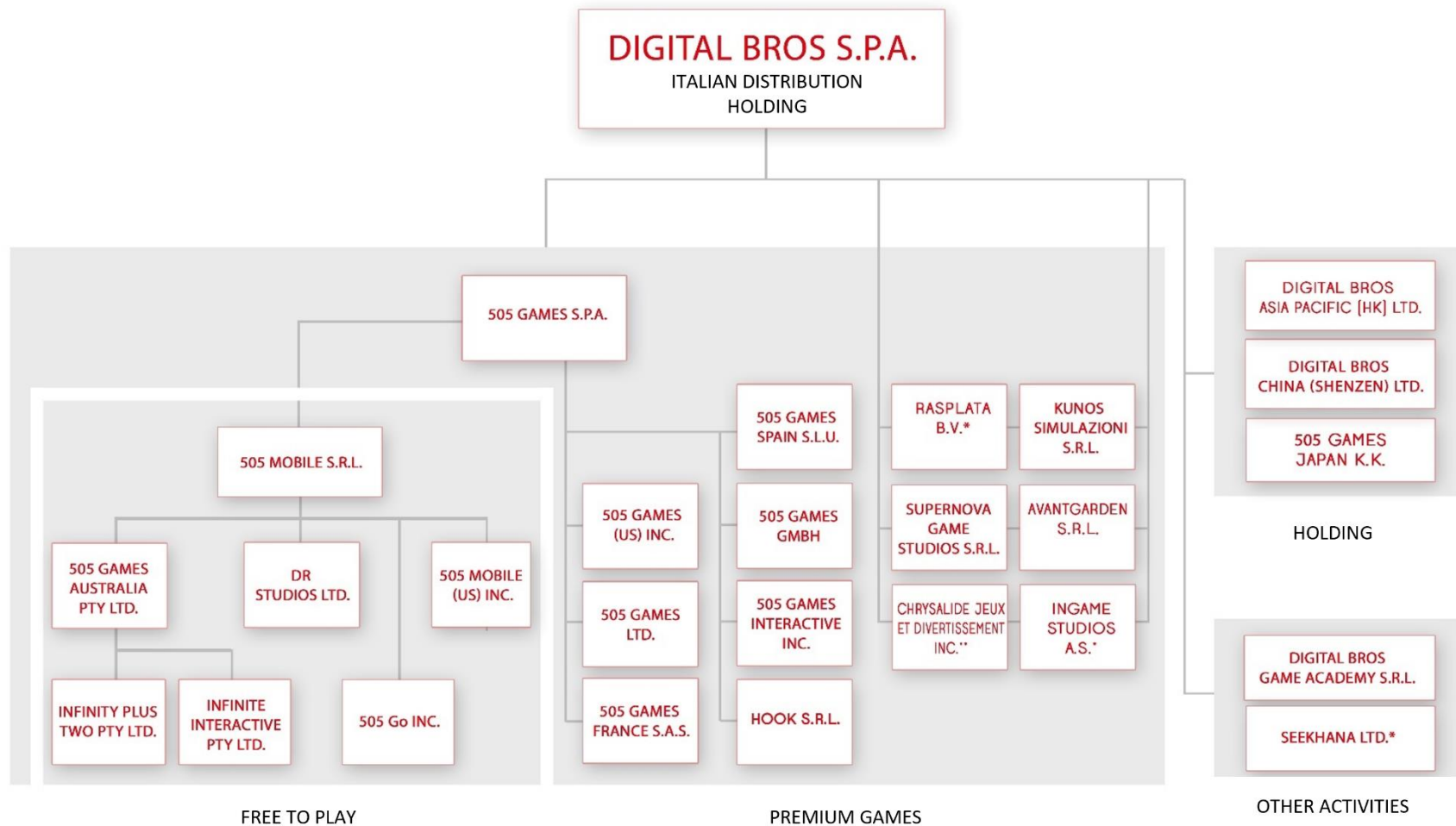
Italian Distribution: consists of the distribution in Italy of video games purchased from international publishers. The operations are run by the Parent Company, Digital Bros S.p.A., under the Halifax brand.

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

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

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

The organization chart of the operating companies as at December 31st, 2022 was as follows:



(*) 60% INTEREST
 (**) 75% INTEREST

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

Company	Address	Activity
AvantGarden S.r.l.	Via Tortona, 37 Milan	Offices
Chrysalide Jeux et Divertissement Inc. (2)	252 Rue Christophe Colomb Est, Québec, Canada	Offices
Digital Bros S.p.A.	Via Tortona, 37 Milan	Offices
Digital Bros S.p.A.	Via Boccaccio 95, Trezzano sul Naviglio (Milan)	Logistics
Digital Bros Asia Pacific (HK) Ltd.	33-35 Hillier Street, Sheung Wan, Hong Kong	Offices
Digital Bros China (Shenzhen) Ltd.	Wang Hai Road, Nanshan district, Shenzhen, 518062, China	Offices
Digital Bros Game Academy S.r.l.	Via Labus, 15 Milan	Offices
DR Studios Ltd.	403 Silbury Boulevard, Milton Keynes, U.K.	Offices
Game Entertainment S.r.l.	Via Tortona, 37 Milan	Offices
505 Games S.p.A.	Via Tortona, 37 Milan	Offices
505 Games Australia Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
505 Games France S.a.s.	2, Chemin de la Chauderaie, Francheville, France	Offices
505 Games Japan K.K.	WeWork Jimbocho, 11-15, Kanda Jimbocho 2-chome Chiyoda-ku, Tokyo, Japan	Offices
505 Games Spain Slu	Calle Cabo Rufino Lazaro 15, Las Rozas de Madrid, Spain	Offices
505 Games Ltd.	403 Silbury Boulevard, Milton Keynes, U.K.	Offices
505 Games (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Games GmbH	Brunnfeld 2-6, Burglengenfeld, Germany	Offices
505 Games Interactive (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
505 Go Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Game Network S.r.l. (3)	Via Tortona, 37 Milan	Offices
Hawken Entertainment Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Hook S.r.l.	Via Tortona, 37 Milan	Offices
Ingame Studios a.s. (1)	Moravské náměstí 249/8, Brno, Czech Republic	Offices
Kunos Simulazioni S.r.l.	Via degli Olmetti 39, Formello (Rome)	Offices
Infinity Plus Two Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
Infinite Interactive Pty Ltd.	153 Park Street, South Melbourne Victoria, Australia	Offices
505 Mobile S.r.l.	Via Tortona, 37 Milan	Offices
505 Mobile (US) Inc.	5145 Douglas Fir Road, Calabasas, California, U.S.A.	Offices
Rasplata B.V. (1)	Churchill-iaan 131 2, Amsterdam, Netherlands	Offices
Seekhana Ltd. (1)	403 Silbury Boulevard, Milton Keynes, U.K.	Offices
Supernova Games Studios S.r.l.	Via Tortona, 37 Milan	Offices

(1) 60% consolidated

(2) 75% consolidated

(3) In dissolution

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

A Spanish joint venture, MSE & DB S.L., was set up together with the development studio MercurySteam Entertainment S.L. in order to jointly create a new intellectual property. Artractive S.A., a company in which the Group holds a 40% stake, was incorporated under the Polish law last fiscal year. Artractive S.A. is currently developing a new video game on behalf of 505 Games S.p.A.. Both companies are consolidated with the net equity method.

2. MAIN INTELLECTUAL PROPERTIES OWNED BY THE GROUP



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

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

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

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

The Assetto Corsa franchise has generated revenues exceeding Euro 104 million with over 28 million copies sold as at December 31st, 2022.



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

artifacts is more fun with accomplices: jump into the co-op multiplayer and take on thrilling hits and heists with up to four players.

Crime Boss: Rockay City will launch exclusively on Epic on March 28th 2023. Console versions will be available by the end of the current fiscal year.



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

Since its launch in October 2020, Ghostrunner has sold over one million copies worldwide and is now available on all gaming platforms. The second version, Ghostrunner 2, is currently in development and its launch is scheduled for the first half of the next fiscal year.



Developed by the Swedish studio The Bearded Ladies, Miasma Chronicles is a tactical adventure set in a post-apocalyptic America ravaged by a force known as the "Miasma".

Meet Elvis, a young man left by his mother in the care of a robotic older "brother" and given a mysterious glove with which he can control the Miasma. Join the brothers on a quest across a post-apocalyptic wasteland to find the answers they crave, answers which may change the course of human history forever.

Miasma Chronicles will launch on all gaming platforms by the end of the current fiscal year.



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

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

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



Developed by the Australian studio Infinity Plus Two acquired by the Group in January 2021, Puzzle Quest 3 is an all-new instalment to the globally renowned puzzle-RPG franchise, first launched in 2007 and with successful spin-offs published by the newly acquired 505 Go Inc.. Puzzle Quest franchise has generated over USD 200 million revenues amassing over 32 million players worldwide.

Puzzle Quest 3 is a Free to Play videogame available on mobile and Personal Computer. The console version will launch by the end of the current fiscal year.

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

CONTROL

Developed by the Finnish studio Remedy Entertainment Plc using the proprietary Northlight® technology, Control is a cinematic third-person action-adventure. Play as Jesse Faden, a heroine with telekinetic powers, and unfold an epic supernatural struggle, filled with unexpected characters and bizarre events as she searches for her missing brother in the ominous Bureau, a secretive government agency.

The critically acclaimed Control was published in 2019, selling over three million copies and generating revenues exceeding Euro 92 million. Since its release, Control was nominated for eleven BAFTA® Games Awards and received over twenty “Game of the Year” awards including IGN’s 2019 “Game of the Year”.

The video game is available on all gaming platforms. Following the success of Control, the Group signed with Remedy Entertainment two new contracts for the development of Condor, a multiplayer cooperative experience spin-off of Control, and Control 2. Both video games will be built on Remedy Entertainment proprietary Northlight® technology for PC, PlayStation 5 and Xbox Series X|S. Condor and Control 2 initial investments respectively amount to Euro 25 million and Euro 50 million.



Developed by the Japanese studio Rabbit & Bear Studios, Eiyuden Chronicle – Hundred Heroes is a new JRPG with a hybrid art style that mixes pixel art with a modern 3D world in which players can interact with over a hundred different characters and creatures, in magical realm of Allraan, a tapestry of nations with different cultures and values. By dint of sword, and by way of magical objects known as “rune-lenses,” the land’s history has been shaped by the alliances and aggressions of the humans, beastmen, elves, and desert people who live there. The

Galdean Empire has edged out other nations and discovered a technology that amplifies the rune-lenses' magic. Now, the Empire is scouring the continent for an artifact that will expand their power even further.

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

3. THE VIDEO GAMES MARKET

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

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

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

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



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

Developers

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

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

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

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

Publishers

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

Console manufacturers

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

Distributors

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

Retailers

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

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



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

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

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

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

4. ALTERNATIVE PERFORMANCE RATIOS

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

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

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

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

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

5. SEASONALITY EFFECTS

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

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

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

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

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

6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On October 26th, 2022, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2021-2022 and a dividend distribution of Euro 0.18 per share.

Relations with Starbreeze and Starbreeze shareholders

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

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

- in May 2016, the Group sold back the PAYDAY2 co-publishing rights to Starbreeze against a payment of USD 30 million and an earn-out of USD 40 million as 33% of the net revenues from the future video game PAYDAY3. As at December 31st, 2022, the earn-out was not accounted for and has been considered a contingent asset;
- in April 2015, the two groups signed a contract for the development and publishing of the console version of a video game inspired by the TV series The Walking Dead. The contract provided a development budget of USD 10 million. In November 2018, Starbreeze launched the PC version of the video game, but the related sales were lower than expected. The subsidiary 505 Games S.p.A.

had paid USD 4.8 million for the development of such video game. On February 27th, 2019, Skybound terminated the license contract for OVERKILL's The Walking Dead and, consequently, on April 8th, 2019, the subsidiary 505 Games S.p.A. terminated the contract with Starbreeze for the development and publishing of the console version;

- since November 2018, Digital Bros S.p.A. has acquired 6,369,061 Starbreeze STAR A shares, as traded on Nasdaq Stockholm, at an average price of SEK 1.79 per share.

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

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

- on January 15th, 2020, Digital Bros S.p.A. acquired 18,969,395 Starbreeze STAR A shares held by Swedish company Varvtre AB for a consideration of around SEK 25.8 million, at a price of SEK 1.36 per share, plus a potential earn-out in case of a gain on disposal realized in the 60 months after the acquisition;
- on February 26th, 2020, Digital Bros S.p.A. completed the acquisition of all of the assets held by Smilegate Holdings in Starbreeze for a price of Euro 19.2 million. The assets acquired have a nominal value of Euro 35.3 million, as detailed below:
 - a) a convertible bond of SEK 215 million (around Euro 22 million as at December 31st, 2022) issued by Starbreeze for a total of Euro 16.9 million. The full conversion of the bond would lead to the issue of 131,933,742 new Starbreeze STAR B shares. The original conversion price of SEK 2.25 per share was recalculated at SEK 1.63 per share due to the dilution effect of the share capital increase successfully carried out by Starbreeze in September 2020. Should it not be fully or even partially converted, the bond will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - b) a receivable of around SEK 165 million for a consideration of Euro 100 thousand. This credit falls under the Starbreeze corporate restructuring process and will be repaid based on the terms of payment approved by the Swedish District Court and not later than December 2024;
 - c) 3,601,083 Starbreeze STAR A shares and 6,018,948 Starbreeze STAR B shares for a total amount of Euro 2.2 million.

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

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

As at December 31st, 2022, also as a result of other purchases, the Group holds 61,758,625 Starbreeze STAR A shares and 24,890,329 Starbreeze STAR B shares representing 11.96% of share capital and 28.93% of voting rights.

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

COVID-19

The Group adopted remote working arrangements, following the outbreak of the COVID-19 pandemic and the Italian Ministerial guidelines issued from March 2020, later modified several times, in order to guarantee the health and safety of its employees and collaborators. The majority of its employees and collaborators in Italy and abroad may efficiently work from home. Since November 2021, a partial return to the office, limited to certain offices, started. From an operational perspective, the remote working arrangements did not have a significant impact on the main areas of operations of the Group.

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

7. CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED DECEMBER 31ST, 2022

	Euro thousand	December 31st, 2022		December 31st, 2021		Change	
1	Gross revenue	59,837	100.1%	55,518	100.3%	4,319	7.8%
2	Revenue adjustments	(46)	-0.1%	(193)	-0.3%	147	-75.9%
3	Net revenue	59,791	100.0%	55,325	100.0%	4,466	8.1%
4	Purchase of products for resale	(1,538)	-2.6%	(2,804)	-5.1%	1,266	-45.1%
5	Purchase of services for resale	(4,364)	-7.3%	(2,958)	-5.3%	(1,406)	47.6%
6	Royalties	(13,864)	-23.2%	(13,693)	-24.8%	(171)	1.2%
7	Changes in inventories of finished products	(422)	-0.7%	(714)	-1.3%	292	-40.8%
8	Total cost of sales	(20,188)	-33.8%	(20,169)	-36.5%	(19)	0.1%
9	Gross profit (3+8)	39,603	66.2%	35,156	63.5%	4,447	12.6%
10	Other income	7,971	13.3%	5,155	9.3%	2,816	54.6%
11	Costs for services	(7,343)	-12.3%	(4,205)	-7.6%	(3,138)	74.6%
12	Rent and leasing	(309)	-0.5%	(233)	-0.4%	(76)	32.6%
13	Payroll costs	(20,567)	-34.4%	(15,502)	-28.0%	(5,065)	32.7%
14	Other operating costs	(778)	-1.3%	(654)	-1.2%	(124)	18.9%
15	Total operating costs	(28,997)	-48.5%	(20,594)	-37.2%	(8,403)	40.8%
16	Gross operating margin (EBITDA) (9+10+15)	18,577	31.1%	19,717	35.6%	(1,140)	-5.8%
17	Depreciation and amortization	(7,463)	-12.5%	(7,591)	-13.7%	128	-1.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(580)	-1.0%	(58)	-0.1%	(522)	n.m.
20	Impairment reversal	813	1.4%	158	0.3%	655	n.m.
21	Total depreciation, amortization and impairment adjustments	(7,230)	-12.1%	(7,491)	-13.5%	261	-3.5%
22	Operating margin (EBIT) (16+21)	11,347	19.0%	12,226	22.1%	(879)	-7.2%
23	Interest and financial income	7,535	12.6%	3,846	7.0%	3,689	95.9%
24	Interest and financial expenses	(3,728)	-6.2%	(1,346)	-2.4%	(2,382)	n.m.
25	Net interest income/(expenses)	3,807	6.4%	2,500	4.5%	1,307	52.3%
26	Profit/ (loss) before tax (22+25)	15,154	25.3%	14,726	26.6%	427	2.9%
27	Current tax	(4,247)	-7.1%	(4,569)	-8.3%	322	-7.0%
28	Deferred tax	74	0.1%	233	0.4%	(159)	-68.2%
29	Total taxes	(4,173)	-7.0%	(4,336)	-7.8%	164	-3.8%
30	Net profit/loss	10,981	18.4%	10,390	18.8%	591	5.7%
	attributable to the shareholders of the Parent Company	11,291	18.9%	10,625	19.2%	666	6.3%
	attributable to non-controlling interests	(310)	-0.5%	(235)	-0.4%	(75)	31.9%
	Earnings per share:						
33	Basic earnings per share (in Euro)	0.79		0.75		0.04	6.2%
34	Diluted earnings per share (in Euro)	0.77		0.72		0.05	7.1%

The first hit of the significant investment plan implemented by the Group will arrive on the market on March 28th, 2023 with the launch of Crime Boss: Rockay City on personal computer. Without any significant launches during the reporting period, the Group realized Euro 59.8 million revenues (up by 8.1%) and Euro 11 million EBIT as at December 31st, 2022.

The personal computer version of Crime Boss: Rockay City will be exclusive on Epic Store only until June 2024, at least. The launch of the console version will follow in June 2023. Crime Boss: Rockay City was first showcased last December during The Game Awards.

Crime Boss: Rockay City constitutes one of the largest investments made by the Group through an internal studio and is a cooperative multiplayer video game with a cast of outstanding actors. The video game allows for recurring additional content production and to that extent, the Group expects recurring revenues for multiple years to come.

Revenues for the period were almost exclusively made by back catalogue products as the Group has been focusing on increasing the intellectual property portfolio. Nonetheless, revenue for the period grew by 8.1% also boosted by the Euro 9,375 thousand revenue generated by the newly acquired 505 Go!, consolidated from July 1st, 2022. 505 Go! acquisition enabled Free to Play revenue to more than triple but missing Premium Games product launches resulted in an 8% decrease of the operating segment revenue in the period.

The bestselling videogame was the evergreen Assetto Corsa, intellectual property owned by the Group and developed by an internal studio, which continuously outperforms, exceeding Euro 12 million revenue in the reporting period.

Revenues from international markets accounted for 96% of the total net revenue in the period and digital revenues in the period were 91% of the total.

A breakdown of net revenue by operating segment for the period ended December 31st, 2022 compared to the period ended December 31st, 2021 is provided below:

Net revenue

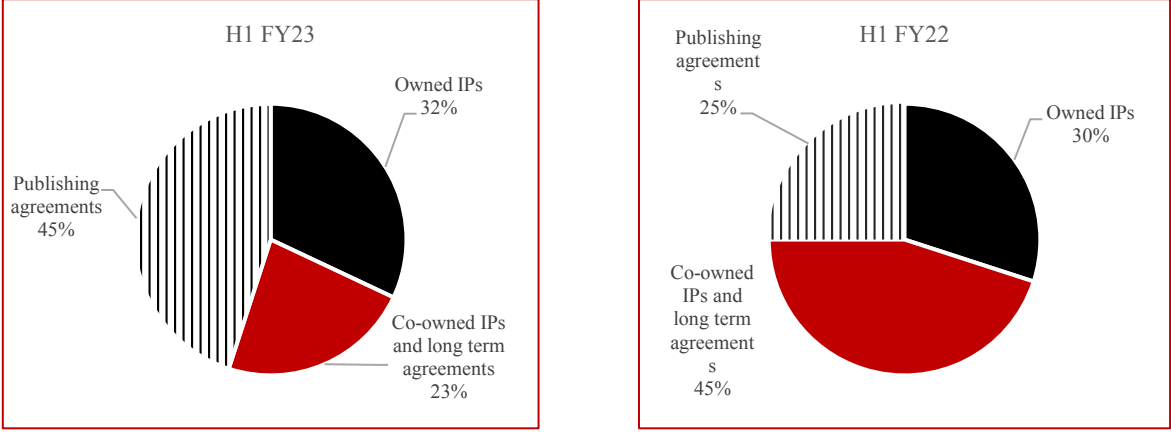
Euro thousand	December 31 st , 2022	December 31 st , 2021	Change €	Change %
Premium Games	45,396	49,263	(3,867)	-7.9%
Free to Play	12,456	3,670	8,786	n.m.
Italian Distribution	1,461	2,081	(620)	-29.8%
Other Activities	478	311	167	53.9%
Total net revenue	59,791	55,325	4,466	8.1%

The Premium Games operating segment represented 76% of the consolidated net revenue compared to 89% for the previous fiscal year, due to the significant weight of the Free to Play revenue on the consolidated revenues.

Video games developed by the internal studios and based on fully owned intellectual properties (IPs) accounted for 32% of the total revenues for the operating segment from 30% as at December 31st, 2021. 23% of revenues were made by co-owned IPs and long-term agreements (i.e., video games on which the Group holds licensing rights for more than ten years) compared to a 45% as at December 31st, 2021. The promotional activities performed

by the Group in the period for Death Stranding, personal computer rights version only, enabled a significant growth in “publishing agreements” revenues.

A breakdown of Premium Games revenue by the type of rights held by the Group as at December 31st, 2022 is provided below with comparative figures as at December 31st, 2021:



The Italian Distribution operating sector revenue decreased by Euro 682 thousand, from Euro 2,189 thousand to Euro 1,507 thousand due to the continuous decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Total cost of sales amounted to Euro 20,188 thousand, unchanged compared to the previous period, enabling a 12.6% gross profit (from Euro 35,156 thousand as at December 31st, 2021 to actual Euro 39,603 thousand), as the sale of back catalogue products generally entails lower operating costs.

Other income amounted to Euro 7,971 thousand, increased by Euro 2,816 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games, that, during the reporting period, included:

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

Total operating costs amounted to Euro 28,997 thousand, increased by 40.8% compared to the previous fiscal year. Payroll costs grew by Euro 5,065 thousand following the acquisition and the incorporation of several new development studios that have significantly increased the Group workforce. Cost for services (mainly advertising

related) increased by Euro 3,138 thousand following in-person events and exhibitions resuming, as COVID-19 restrictions have been lifted, plus the advertising investments made by the newly consolidated 505 Go Inc..

Gross operating margin (EBITDA) for the period amounted to Euro 18,577 thousand, corresponding to 31.1% of the consolidated net revenue, slightly decreasing by Euro 1,140 thousand from the Euro 19,717 thousand realized in the previous fiscal year.

Depreciation and amortization decreased by Euro 128 thousand. Asset impairment charge amounted to Euro 580 thousand and referred for Euro 444 thousand to a video game for which the Group has suspended development, while the difference related to losses on trade receivables.

Impairment reversals consisted of the difference between the price paid for the acquisition of D3Go Inc. and the net equity of the American subsidiary at the date of the consolidation.

Operating margin (EBIT) amounted to Euro 11,347 thousand, decreasing by Euro 879 thousand compared to Euro 12,226 thousand as at December 31st, 2021.

Net interest income was positive by Euro 3,807 thousand compared to Euro 2,500 thousand realized in the previous fiscal year.

Profit before tax for the period ended December 31st, 2022 amounted to Euro 15,154 thousand, a Euro 427 thousand increase compared to profit before tax of Euro 14,726 thousand as at December 31st, 2021.

Net profit for the period amounted to Euro 10,981 thousand compared to Euro 10,390 thousand as at December 31st, 2021.

Net profit attributable to the Shareholders of the Parent Company amounted Euro 11,291 thousand.

Basic earnings per share and diluted earnings per share were respectively Euro 0.79 and Euro 0.77 compared to the Euro 0.75 and Euro 0.72 earnings per share as at December 31st, 2021.

The net profit attributable to non-controlling interests reflected the 40% held by the minority shareholders of the Dutch company Rasplata B.V., the 40% of the English company Seekhana Ltd., the 40% of the Czech Ingame Studios a.s. and the 25% of the Canadian company Chrysalide Jeux et Divertissement Inc. It amounted to negative Euro 310 thousand.

8. CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31ST, 2022

Euro thousand		December 31 st , 2022	June 30 th , 2022	Change	
	Non-current assets				
1	Property, plant and equipment	10,523	10,353	170	1.6%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	137,619	104,089	33,530	32.2%
4	Equity investments	12,554	7,511	5,043	67.1%
5	Non-current receivables and other assets	17,507	14,072	3,435	24.4%
6	Deferred tax assets	15,975	12,829	3,146	24.5%
7	Non-current financial activities	22,063	18,257	3,806	20.8%
	Total non-current assets	216,241	167,111	49,130	29.4%
	Current assets				
8	Inventories	3,751	4,173	(422)	-10.1%
9	Trade receivables	21,444	27,781	(6,337)	-22.8%
10	Tax receivables	2,110	2,926	(816)	-27.9%
11	Other current assets	13,040	13,030	10	0.1%
12	Cash and cash equivalents	11,021	10,961	60	0.5%
13	Other current financial assets	479	329	150	45.6%
	Total current assets	51,845	59,200	(7,355)	-12.4%
	TOTAL ASSETS	268,086	226,311	41,775	18.5%
	Shareholders' equity				
14	Share capital	(5,706)	(5,705)	(1)	0.0%
15	Reserves	(25,425)	(22,030)	(3,395)	15.4%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(116,878)	(108,160)	(8,718)	8.1%
	Equity attributable to the shareholders of the Parent Company	(148,009)	(135,895)	(12,114)	8.9%
	Equity attributable to non-controlling interests	(1,113)	(1,423)	310	-21.8%
	Total net equity	(149,122)	(137,318)	(11,804)	8.6%
	Non-current liabilities				
18	Employee benefits	(857)	(761)	(96)	12.6%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(4,622)	(1,954)	(2,668)	n.m.
21	Non-current financial liabilities	(16,698)	(15,213)	(1,485)	9.8%
	Total non-current liabilities	(22,258)	(18,009)	(4,249)	23.6%
	Current liabilities				
22	Trade payables	(48,266)	(52,125)	3,859	-7.4%
23	Tax payables	(7,789)	(3,575)	(4,214)	n.m.
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,255)	(4,657)	402	-8.6%
26	Current financial liabilities	(36,396)	(10,627)	(25,769)	n.m.
	Total current liabilities	(96,706)	(70,984)	(25,722)	36.2%
	TOTAL LIABILITIES	(118,964)	(88,993)	(29,971)	33.7%
	TOTAL NET EQUITY AND LIABILITIES	(268,086)	(226,311)	(41,775)	18.5%

Total non-current assets increased by Euro 49,130 thousand. Intangible assets increased by Euro 33,530 thousand, net of the depreciation for the period, due to the significant investment plan implemented by the Group in order to achieve its growth objectives. Deferred tax assets and non-current receivables and other assets increased following the consolidation of 505 Go Inc..

Total current assets decreased by Euro 7,355 thousand compared to June 30th, 2022, mainly due to lower trade receivables for Euro 6,337 thousand.

Total non-current liabilities increased by Euro 4,249 thousand compared to June 30th, 2022. Total current liabilities increased by Euro 25,722 thousand due to higher current financial liabilities for Euro 25,769 thousand.

The following table details the Group's net financial position as at December 31st, 2022 together with comparative figures as at June 30th, 2022:

Euro thousand		December 31 st , 2022	June 30 th , 2022	Change
12	Cash and cash equivalents	11,021	10,961	60
13	Other current financial assets	479	329	150
26	Current financial liabilities	(36,396)	(10,627)	(25,769)
	Current net financial position	(24,896)	663	(25,559)
7	Non-current financial assets	22,063	18,257	3,806
21	Non-current financial liabilities	(16,698)	(15,213)	(1,485)
	Non-current financial liabilities	5,365	3,044	2,321
	Total net financial position	(19,531)	3,707	(23,238)

In relation to the significant investment plan implemented by the Group, as expected, the net financial position decreased by Euro 23,238 thousand (positive Euro 3,707 thousand as at June 30th, 2022) to negative Euro 19,531 thousand. Net of IFRS 16 recognized financial liabilities, the net financial position amounted to negative Euro 13,354 thousand.

9. FINANCIAL RATIOS

Key financial ratios are reported below:

Profitability ratios	December 31 st , 2022	December 31 st , 2021
ROE (Net profit / Net equity)	7.6%	9.0%
ROI (Operating margin / Total assets)	4.2%	5.7%
ROS (Operating margin / Gross profit)	19.0%	22.0%

Structure ratios	December 31 st , 2022	December 31 st , 2021
Net working capital ratio (Current assets / Total assets)	19.3%	34.3%
Current ratio (Current assets / Current liabilities)	53.6%	101.6%
Quick ratio (Cash and cash equivalents and Other current assets / Current liabilities)	49.7%	77.5%

10. SEGMENT REPORTING

Premium Games

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Premium Games					
		December 31 st , 2022		December 31 st , 2021		Change	
1	Gross revenue	45,396	100.0%	49,348	100.2%	(3,952)	-8.0%
2	Revenue adjustments	0	0.0%	(85)	-0.2%	85	n.m.
3	Net revenue	45,396	100.0%	49,263	100.0%	(3,867)	-7.9%
4	Purchase of products for resale	(459)	-1.0%	(1,599)	-3.2%	1,140	-71.3%
5	Purchase of services for resale	(2,535)	-5.6%	(2,614)	-5.3%	79	-3.0%
6	Royalties	(10,445)	-23.0%	(13,633)	-27.7%	3,188	-23.4%
7	Changes in inventories of finished products	(239)	-0.5%	(504)	-1.0%	265	-52.6%
8	Total cost of sales	(13,678)	-30.1%	(18,350)	-37.2%	4,672	-25.5%
9	Gross profit (3+8)	31,718	69.9%	30,913	62.8%	805	2.6%
10	Other income	6,085	13.4%	3,099	6.3%	2,986	96.4%
11	Costs for services	(4,206)	-9.3%	(2,696)	-5.5%	(1,510)	56.0%
12	Rent and leasing	(45)	-0.1%	(93)	-0.2%	48	-51.7%
13	Payroll costs	(11,887)	-26.2%	(8,478)	-17.2%	(3,409)	40.2%
14	Other operating costs	(291)	-0.6%	(207)	-0.4%	(84)	40.7%
15	Total operating costs	(16,429)	-36.2%	(11,474)	-23.3%	(4,955)	43.2%
16	Gross operating margin (EBITDA) (9+10+15)	21,374	47.1%	22,538	45.7%	(1,164)	-5.2%
17	Depreciation and amortization	(5,574)	-12.3%	(6,174)	-12.5%	600	-9.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(565)	-1.2%	0	0.0%	(565)	n.m.
20	Impairment reversal	0	0.0%	5	0.0%	(5)	0.0%
21	Total depreciation, amortization and impairment adjustments	(6,139)	-13.5%	(6,169)	-12.5%	30	-0.5%
22	Operating margin (EBIT) (16+21)	15,235	33.6%	16,369	33.2%	(1,134)	-6.9%

The first hit of the significant investment plan implemented by the Group will arrive on the market on March 28th, 2023 with the launch of Crime Boss: Rockay City on personal computer. Without any significant launches during the reporting period, the Group realized Euro 59.8 million revenues (up by 8.1%) and Euro 11 million EBIT as at December 31st, 2022.

The personal computer version of Crime Boss: Rockay City will be exclusive on Epic Store only until June 2024, at least. The launch of the console version will follow in June 2023. Crime Boss: Rockay City was first showcased last December during The Game Awards.

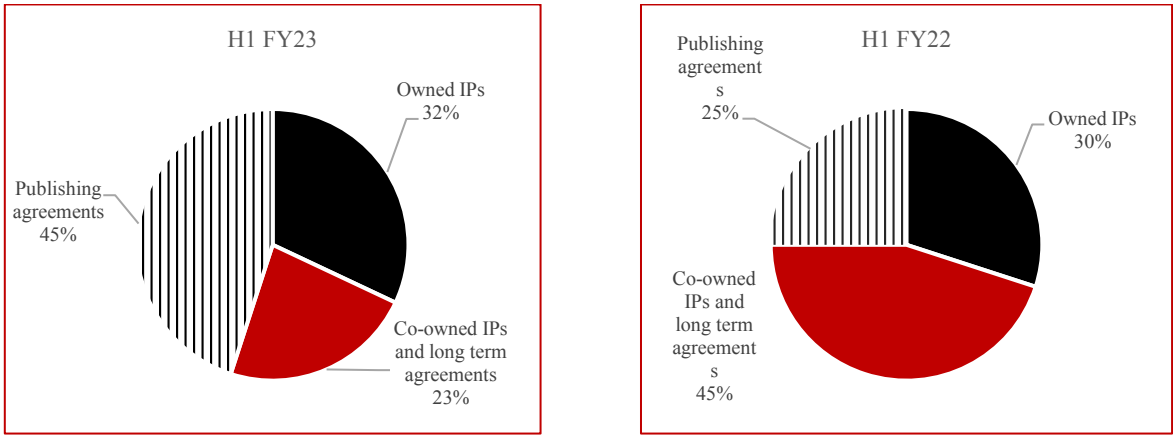
Crime Boss: Rockay City constitutes one of the largest investments made by the Group through an internal studio and is a cooperative multiplayer video game with a cast of outstanding actors. The video game allows for recurring additional content production and to that extent the Group expects recurring revenue for multiple years to come.

Revenues for the period were almost exclusively made by back catalogue products as the Group has been focusing on increasing the intellectual property portfolio. Nonetheless, revenue for the period grew by 8.1% also boosted by the Euro 9,375 thousand revenue generated by the newly acquired 505 Go!, consolidated from July 1st, 2022. 505 Go! acquisition enabled Free to Play revenue to more than triple but missing Premium Games product launches resulted in an 8% decrease of the operating segment revenue in the period.

The bestselling videogame was the evergreen Assetto Corsa, intellectual property owned by the Group and developed by an internal studio, which continuously outperforms, exceeding Euro 12 million revenue in the reporting period.

Video games developed by the internal studios and based on fully owned intellectual properties (IPs) accounted for 32% of the total revenues for the operating segment from 30% as at December 31st, 2021. 23% of revenues were made by co-owned IPs and long-term agreements (i.e., video games on which the Group holds licensing rights for more than ten years) compared to a 45% as at December 31st, 2021. The promotional activities performed by the Group in the period for Death Stranding, personal computer rights version only, enabled a significant growth in “publishing agreements” revenues.

A breakdown of Premium Games revenue by the type of rights held by the Group as at December 31st, 2022 is provided below with comparative figures as at December 31st, 2021:



A breakdown by type is provided below:

Euro thousand	December 31 st , 2022	December 31 st , 2021	Change	
Retail distribution revenue	1,568	4,506	(2,938)	-65.2%
Digital distribution revenue	42,171	43,578	(1,407)	-3.2%
Sublicensing revenue	1,657	1,264	393	31.1%
Total Premium Games revenue	45,396	49,348	(3,952)	-8.0%

Digital distribution revenue amounted to 93% of the operating segment gross revenue.

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

Digital distribution revenue for the period ended December 31st, 2022 may be broken down by console type as follows:

Euro thousand	December 31st, 2022	December 31st, 2021	Change	
Console	17,129	14,611	2,518	17.2%
Personal Computer	23,070	24,380	(1,310)	-5.4%
Mobile	1,972	4,587	(2,615)	-57.0%
Total digital distribution revenue	42,171	43,578	(1,407)	-3.2%

Net revenue amounted to Euro 45,396 thousand in line with the gross revenue trend.

Total cost of sales decreased by Euro 4,672 thousand (-25.5%) due to lower royalties for Euro 3,188 thousand and lower purchase of products for resale for Euro 1,140 thousand.

Gross profit amounted to Euro 31,718 thousand, increasing by Euro 805 thousand compared to December 31st, 2021.

Other income amounted to Euro 6,085 thousand, increased by Euro 2,986 thousand due to higher video games productions. It mostly consisted of the capitalization of internal studios development of video games, that, during the reporting period, included:

- the development of the new version of Assetto Corsa by the subsidiary Kunos Simulazioni S.r.l.;
- the development of a new video game, currently under production, by the subsidiary Chrysalide Jeux et Divertissement Inc.;
- the development of Crime Boss: Rockay City (based on the intellectual property owned by Rasplata B.V.) by the subsidiary Ingame Studios a.s..

Total operating costs amounted to Euro 16,429 thousand increasing by 43.2% compared to the previous fiscal year. Payroll costs grew by Euro 3,409 thousand following the acquisition and the incorporation of several new development studios that have significantly increased the operating segment's workforce. Cost for services (mainly advertising related) increased by Euro 1,510 thousand following in-person events and exhibitions resuming, as COVID-19 restrictions have been lifted.

Gross operating margin (EBITDA) amounted to Euro 21,374 thousand, decreasing by Euro 1,164 thousand compared to Euro 22,538 thousand realized in the previous period. EBITDA represented 47.1% of the net revenue.

Depreciation and amortization decreased by Euro 600 thousand. Asset impairment charge amounted to Euro 565 thousand and referred for Euro 444 thousand to a video game for which the Group has suspended development, while the difference related to losses on trade receivables.

Operating margin (EBIT) amounted to Euro 15,235 thousand, compared to Euro 16,369 thousand as at December 31st, 2021.

Free to Play

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Free to Play					
		December 31 st , 2022		December 31 st , 2021		Change	
1	Gross revenue	12,456	100.0%	3,670	100.0%	8,786	n.m.
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	12,456	100.0%	3,670	100.0%	8,786	n.m.
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	(1,829)	-14.7%	(344)	-9.4%	(1,485)	n.m.
6	Royalties	(3,419)	-27.5%	(60)	-1.6%	(3,359)	n.m.
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	(5,248)	-42.1%	(404)	-11.0%	(4,844)	n.m.
9	Gross profit (3+8)	7,208	57.9%	3,266	89.0%	3,942	n.m.
10	Other income	1,886	15.1%	2,053	56.0%	(167)	-8.1%
11	Costs for services	(1,685)	-13.5%	(291)	-7.9%	(1,394)	n.m.
12	Rent and leasing	(122)	-1.0%	(42)	-1.2%	(80)	n.m.
13	Payroll costs	(5,316)	-42.7%	(3,804)	-103.7%	(1,512)	39.7%
14	Other operating costs	(102)	-0.8%	(73)	-2.0%	(29)	39.6%
15	Total operating costs	(7,225)	-58.0%	(4,210)	-114.7%	(3,015)	71.6%
16	Gross operating margin (EBITDA) (9+10+15)	1,869	15.0%	1,109	30.2%	760	68.5%
17	Depreciation and amortization	(1,199)	-9.6%	(897)	-24.4%	(302)	33.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	813	6.5%	0	0.0%	813	0.0%
21	Total depreciation, amortization and impairment adjustments	(386)	-3.1%	(897)	-24.4%	511	n.m.
22	Operating margin (EBIT) (16+21)	1,483	11.9%	212	5.8%	1,271	n.m.

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

Euro thousand	December 31 st , 2022	December 31 st , 2021	Change	
505 Go Inc.	9,375	0	9,375	n.m.
Gems of War	2,517	2,977	(460)	-15.4%
Puzzle Quest 3	166	0	166	n.m.
Other products	398	693	(295)	-42.6%
Total Free to Play revenue	12,456	3,670	8,786	n.m.

The Free to Play operating segment revenue more than tripled, increasing by Euro 8,786 thousand, from Euro 3,670 thousand as at December 31st, 2021 to actual Euro 12,456 thousand, boosted by the Euro 9,375 thousand revenue realized by the videogames published by 505 Go Inc..

Gems of War realized Euro 2,517 thousand revenue. This video game became part of the Group's intellectual properties portfolio following the acquisition of the Australian studio Infinity Plus Two in January 2021.

The mobile and personal computer versions of Puzzle Quest 3 were launched in March 2022, while the consoles versions are scheduled to come to market in the second half of the fiscal year, from which the Group expects significant revenues.

Purchases of services for resale increased by Euro 1,485 thousand due to 505 Go Inc. live support costs for Euro 1,088 thousand. Details are provided below:

Euro thousand	December 31st, 2022	December 31st, 2021	Change
Live support	1,088	0	1,088
Quality assurance	248	29	219
Hosting	355	225	130
Other	138	90	48
Total purchase of products for resale	1,829	344	1,485

Royalties increased by Euro 3,359 thousand, from Euro 60 thousand as at December 31st, 2021 to actual Euro 3,419 thousand, in relation with the videogames published by 505 Go Inc..

Other income amounted to Euro 1,886 thousand decreasing by Euro 167 thousand compared to December 31st, 2021 due to an increased number of video games developed by the Group's internal studios, notably the future Free to Play version of Hawken developed by the subsidiary DR Studios Ltd. and the console version of Puzzle Quest 3 by the subsidiary Infinity Plus Two Pty Ltd..

Total operating costs amounted to Euro 7,225 thousand, increasing by Euro 3,015 thousand compared to the previous fiscal year. Payroll costs grew by Euro 1,512 thousand and cost for services (mainly advertising related) increased by Euro 1,394 thousand following the consolidation of 505 Go Inc..

Gross operating margin (EBITDA) amounted to Euro 1,869 thousand (15% of the net revenue) increasing by Euro 760 thousand compared to Euro 1,109 thousand as at December 31st, 2021.

Depreciation and amortization as at December 31st, 2022 amounted to Euro 1,199 thousand and included Euro 880 thousand pertaining to the difference between the purchase price of the Australian companies and their net equity. The remainder mainly related to the IFRS 16 application to the rental contracts of DR Studios Ltd. and of the Australian companies together with the amortization for the period of the Group's intellectual properties.

Impairment reversals consisted of the difference between the price paid for the acquisition of D3Go Inc. and the net equity of the American subsidiary at the date of the consolidation.

Operating margin (EBIT) amounted to positive Euro 1,483 thousand compared to Euro 212 thousand as at December 31st, 2021.

Italian Distribution

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Italian Distribution					
		December 31 st , 2022		December 31 st , 2021		Change	
1	Gross revenue	1,507	103.1%	2,189	105.2%	(682)	-31.2%
2	Revenue adjustments	(46)	-3.1%	(108)	-5.2%	62	-57.5%
3	Net revenue	1,461	100.0%	2,081	100.0%	(620)	-29.8%
4	Purchase of products for resale	(1,079)	-73.8%	(1,205)	-57.9%	126	-10.5%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	(183)	-12.6%	(210)	-10.1%	27	-12.5%
8	Total cost of sales	(1,262)	-86.4%	(1,415)	-68.0%	153	-10.8%
9	Gross profit (3+8)	199	13.6%	666	32.0%	(467)	-70.1%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(142)	-9.7%	(399)	-19.2%	257	-64.5%
12	Rent and leasing	(7)	-0.5%	(12)	-0.6%	5	-41.6%
13	Payroll costs	(425)	-29.1%	(584)	-28.1%	159	-27.3%
14	Other operating costs	(31)	-2.1%	(48)	-2.3%	17	-35.5%
15	Total operating costs	(605)	-41.4%	(1,043)	-50.1%	438	-42.0%
16	Gross operating margin (EBITDA) (9+10+15)	(406)	-27.8%	(377)	-18.1%	(29)	7.8%
17	Depreciation and amortization	(72)	-4.9%	(71)	-3.4%	(1)	1.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(15)	-1.0%	(53)	-2.6%	38	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment adjustments	(87)	-6.0%	(124)	-6.0%	37	-29.6%
22	Operating margin (EBIT) (16+21)	(493)	-33.8%	(501)	-24.1%	8	-1.5%

The Italian Distribution operating sector revenue decreased by Euro 682 thousand, from Euro 2,189 thousand to Euro 1,507 thousand due to the continuous decline of retail distribution and accelerated by the effects of the COVID-19 pandemic.

Gross revenue is analyzed by type as follows:

Euro thousand	December 31 st , 2022	December 31 st , 2021	Change	
Distribution of console video games	447	974	(527)	-54.1%
Distribution of trading cards	1,054	1,068	(14)	-1.3%
Distribution of other products and services	6	147	(141)	-95.9%
Total Italian Distribution revenue	1,507	2,189	(682)	-31.1%

The distribution of console video games decreased by Euro 572 thousand while the distribution of trading cards, unchanged compared to the previous fiscal year. The distribution of trading cards appears not to be particularly affected by digitalization, as it is a physical product by nature, rather it is mainly impacted by changes in consumer taste.

Total cost of sales amounted to Euro 1,262 thousand, decreasing by Euro 153 thousand compared to December 31st, 2021 due to the decrease in purchase of products for resale. Inventories decreased by Euro 183 thousand.

Total operating costs amounted to Euro 605 thousand, a Euro 438 thousand decrease compared to Euro 1,043 thousand registered as at December 31st, 2021. As a result, the gross operating margin (EBITDA) was negative for Euro 406 thousand (negative Euro 377 thousand as at December 31st, 2021). The operating margin (EBIT) was negative for Euro 493 thousand compared to negative Euro 501 thousand as at December 31st, 2021.

Other Activities

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Other Activities					
		December 31 st , 2022		December 31 st , 2021		Change	
1	Gross revenue	478	100.0%	311	100.0%	167	53.9%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	478	100.0%	311	100.0%	167	53.9%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	478	100.0%	311	100.0%	167	53.9%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Costs for services	(302)	-63.1%	(144)	-46.4%	(158)	n.m.
12	Rent and leasing	(3)	-0.6%	(2)	-0.6%	(1)	-66.6%
13	Payroll costs	(272)	-56.8%	(263)	-84.7%	(9)	3.1%
14	Other operating costs	(15)	-3.2%	(15)	-5.0%	(0)	0.0%
15	Total operating costs	(592)	-123.7%	(424)	-136.3%	(168)	39.6%
16	Gross operating margin (EBITDA) (9+10+15)	(114)	-23.7%	(113)	-36.3%	(1)	0.5%
17	Depreciation and amortization	(173)	-36.3%	(24)	-7.8%	(149)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment adjustments	(173)	-36.3%	(24)	-7.8%	(149)	n.m.
22	Operating margin (EBIT) (16+21)	(287)	-60.0%	(137)	-44.2%	(150)	n.m.

Other Activities revenues increased by Euro 167 thousand from Euro 311 thousand as at December 31st, 2021 to Euro 478 thousand following the introduction of new courses by the subsidiary Digital Bros Game Academy S.r.l.. This entailed considerable advertising investments and greater use of teachers, resulting in an increase in costs for services for Euro 158 thousand and payroll costs for Euro 9 thousand. As a result, operating costs increased by Euro 168 thousand, from Euro 424 thousand as at December 31st, 2021 to Euro 592 thousand as at December 31st, 2022.

Total depreciation, amortization and impairment adjustments increased by Euro 149 thousand due to the amortization of the software developed by the subsidiary Seekhana Ltd. to support the new courses.

The operating loss of Euro 287 thousand as at December 31st, 2022 increased compared to the negative EBIT of Euro 137 thousand registered at December 31st, 2021.

Holding

Reclassified P&L highlights

Consolidated amounts in Euro thousand		Holding					
		December 31 st , 2022		December 31 st , 2021		Change	
1	Gross revenue	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Net revenue	0	0.0%	0	0.0%	0	0.0%
4	Purchase of products for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of sales	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	0	0.0%	3	0.0%	(3)	n.m.
11	Costs for services	(1,008)	0.0%	(675)	0.0%	(333)	49.4%
12	Rent and leasing	(132)	0.0%	(84)	0.0%	(48)	57.4%
13	Payroll costs	(2,667)	0.0%	(2,373)	0.0%	(294)	12.4%
14	Other operating costs	(339)	0.0%	(311)	0.0%	(28)	9.1%
15	Total operating costs	(4,146)	0.0%	(3,443)	0.0%	(703)	20.4%
16	Gross operating margin (EBITDA) (9+10+15)	(4,146)	0.0%	(3,440)	0.0%	(706)	20.5%
17	Depreciation and amortization	(445)	0.0%	(425)	0.0%	(20)	4.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(5)	0.0%	5	0.0%
20	Impairment reversal	0	0.0%	153	0.0%	(153)	0.0%
21	Total depreciation, amortization and impairment adjustments	(445)	0.0%	(277)	0.0%	(168)	60.3%
22	Operating margin (EBIT) (16+21)	(4,591)	0.0%	(3,717)	0.0%	(874)	23.5%

Total operating costs amounted to Euro 4,146 thousand, increasing by Euro 706 thousand compared to December 31st, 2021, due to higher payroll costs following the increase in the Group's coordination activities caused by the recent acquisitions.

The operating margin (EBIT) was negative for Euro 4,591 thousand compared to a negative Euro 3,717 thousand as at December 31st, 2021.

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

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

Intercompany transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other minor transactions regarding financial, legal and general services are usually conducted by Digital Bros S.p.A. on behalf of other Group companies. The Parent Company also operates a cash pooling service, using intercompany current accounts to which positive and negative balances between Group companies are transferred, including the transfer of receivables. These accounts are interest free.

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

The intercompany transactions effects on the results and financial position were fully eliminated in the consolidated financial statements as at December 31st, 2022.

Transactions with other related parties

Related party transactions referred to:

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

Both Matov Imm. S.r.l. and Matov LLC are owned by Abramo and Raffaele Galante. The effects of related party transactions on profit or loss and on the balance sheet are disclosed in paragraph 8 of the Notes.

Atypical transactions

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

12. TREASURY SHARES

As at December 31st, 2022, Digital Bros S.p.A. did not hold any treasury shares and did not conduct any transactions in treasury shares during the reporting period, pursuant to Art. 2428(2) (3) of the Italian Civil Code.

13. OPERATIONAL RISKS, FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

For further details on the management of operational and financial risks and financial instruments, refer to the Directors' Report accompanying the Consolidated financial statements as at June 30th, 2022 as there were no significant changes during the period ended at December 31st, 2022. During the reporting period, the Group reported an increased level of exposure to cyber security risks, therefore has implemented ad hoc measures to reduce the potential effects. The Group is exposed to such risks due to the growing use of IT systems and the spread of digitization processes. Relative consequences might lead to a loss of data, interruptions to activities or privacy violations. While it is not particularly exposed to this risk, the Group is still engaged in constant activity to strengthen its security systems and procedures, training staff and protecting IT infrastructures with specific measures. To further hedge the cyber risk to which might be potentially exposed, the Group stipulated an insurance policy to reduce the economic and financial impact of a possible cyber security breach.

14. CONTINGENT ASSETS AND LIABILITIES

The sale of rights to PAYDAY2 by the Group to Starbreeze, occurred in May 2016, granted the Group the possibility to earn-out a maximum of USD 40 million to be calculated as 33% of the net revenue that Starbreeze will realize on the sales of PAYDAY3. In March 2021, the Swedish company signed an agreement with an important international publisher for the worldwide publication of PAYDAY3. At the reporting date, the Group considered this contractual right as a contingent asset as in the prior fiscal years and therefore no amount has been showed in the financial statements.

15. SUBSEQUENT EVENTS

No subsequent event occurred after the end of the period.

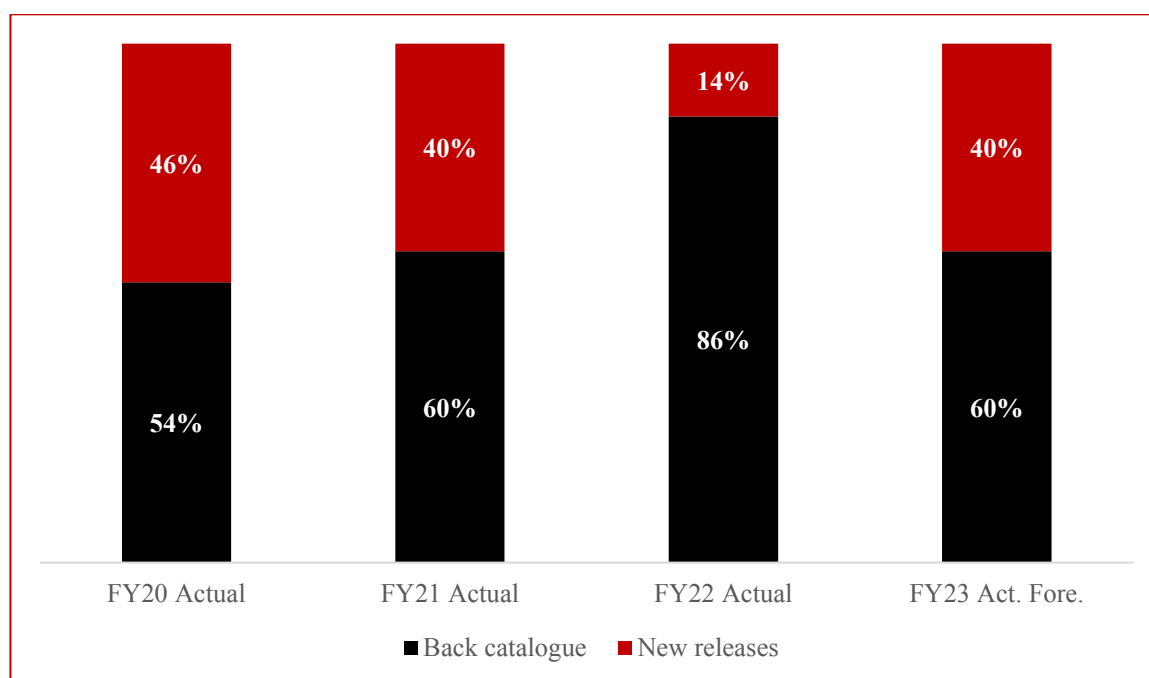
16. BUSINESS OUTLOOK

The Group's new releases will arrive on the market starting March 28th, 2023 with the launch of Crime Boss: Rockay City on personal computer followed by the launch of Crime Boss: Rockay City console versions and Miasma Chronicles on all platforms during the fourth quarter. The second half of the fiscal year will also benefit from the revenue realized by the newly acquired 505 Go!. Considering the above, the Group expects increasing consolidated revenue for the entire fiscal year.

The Group has planned to invest more than Euro 80 million and, as a result of that, expects increasing revenue for at least the next two fiscal years.

The mix of product revenue as at June 30th, 2022, made by back catalogue products and by Assetto Corsa, which enabled a significant EBIT growth, is expected to be modified when the new releases will hit the market. In fact, the launch of new intellectual properties will initially reduce margin percentages on sales due to the initial investments needed for launch. Consolidated EBIT for the fiscal year is expected to remain the same as in previous.

A breakdown of back catalogue and new releases of Premium Games' revenue expected for the full fiscal year with previous years comparisons is shown in the chart below. The new launches during the second half of the fiscal year will take the sale of new releases to the 40% of the full year forecast revenues.



In accordance with the significant investments during the period and that will continue into the next fiscal year, the net financial position, positive for Euro 3.7 million as at June 30th, 2022, is expected to decrease until the end of the third quarter of the current fiscal year, then to revert during the last quarter.

17. OTHER INFORMATION

EMPLOYEES

The following table details the number of employees as at December 31st, 2022 with comparative figures as at December 31st, 2021:

Category	December 31 st , 2022	December 31 st , 2021	Change
Managers	14	13	1
Office workers	385	313	72
Blue-collar workers and apprentices	5	4	1
Total employees	404	330	74

The increase in the number of office workers was the effect of an overall increase in Chrysalide Jeux et Divertissement Inc.'s and 505 Games Ltd. and DR Studios Ltd.'s workforce.

The following table reports the number of employees of non-Italian companies as at December 31st, 2022 with comparative figures as at December 31st, 2021:

Category	December 31 st , 2022	December 31 st , 2021	Change
Managers	9	8	1
Office workers	286	229	57
Total employees outside Italy	295	237	58

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

Category	Average no. in 2023	Average no. in 2022	Change
Managers	14	13	1
Office workers	378	311	67
Blue-collar workers and apprentices	5	4	1
Total employees	397	328	69

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

Category	Average no. in 2023	Average no. in 2022	Change
Managers	9	8	1
Office workers	280	228	52
Total employees	289	236	53

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

ENVIRONMENTAL ISSUES

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

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

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



Digital Bros
digital entertainment



**Half Year Financial Report
as at December 31st, 2022**



FINANCIAL STATEMENTS



Consolidated balance sheet as at December 31st, 2022

Euro thousand		December 31 st , 2022	June 30 th , 2022
	Non-current assets		
1	Property, plant and equipment	10,523	10,353
2	Investment properties	0	0
3	Intangible assets	137,619	104,089
4	Equity investments	12,554	7,511
5	Non-current receivables and other assets	17,507	14,072
6	Deferred tax assets	15,975	12,829
7	Non-current financial activities	22,063	18,257
	Total non-current assets	216,241	167,111
	Current assets		
8	Inventories	3,751	4,173
9	Trade receivables	21,444	27,781
10	Tax receivables	2,110	2,926
11	Other current assets	13,040	13,030
12	Cash and cash equivalents	11,021	10,961
13	Other current financial assets	479	329
	Total current assets	51,845	59,200
	TOTAL ASSETS	268,086	226,311
	Shareholders' equity		
14	Share capital	(5,706)	(5,705)
15	Reserves	(25,425)	(22,030)
16	Treasury shares	0	0
17	Retained earnings	(116,878)	(108,160)
	Equity attributable to the shareholders of the Parent Company	(148,009)	(135,895)
	Equity attributable to non-controlling interests	(1,113)	(1,423)
	Total net equity	(149,122)	(137,318)
	Non-current liabilities		
18	Employee benefits	(857)	(761)
19	Non-current provisions	(81)	(81)
20	Other non-current payables and liabilities	(4,622)	(1,954)
21	Non-current financial liabilities	(16,698)	(15,213)
	Total non-current liabilities	(22,258)	(18,009)
	Current liabilities		
22	Trade payables	(48,266)	(52,125)
23	Tax payables	(7,789)	(3,575)
24	Short term provisions	0	0
25	Other current liabilities	(4,255)	(4,657)
26	Current financial liabilities	(36,396)	(10,627)
	Total current liabilities	(96,706)	(70,984)
	TOTAL LIABILITIES	(118,964)	(88,993)
	TOTAL NET EQUITY AND LIABILITIES	(268,086)	(226,311)

Consolidated profit and loss statement for the period ended December 31st, 2022

	Euro thousand	December 31st, 2022	December 31st, 2021
1	Gross revenue	59,837	55,518
2	Revenue adjustments	(46)	(193)
3	Net revenue	59,791	55,325
4	Purchase of products for resale	(1,538)	(2,804)
5	Purchase of services for resale	(4,364)	(2,958)
6	Royalties	(13,864)	(13,693)
7	Changes in inventories of finished products	(422)	(714)
8	Total cost of sales	(20,188)	(20,169)
9	Gross profit (3+8)	39,603	35,156
10	Other income	7,971	5,155
11	Costs for services	(7,343)	(4,205)
12	Rent and leasing	(309)	(233)
13	Payroll costs	(20,567)	(15,502)
14	Other operating costs	(778)	(654)
15	Total operating costs	(28,997)	(20,594)
16	Gross operating margin (EBITDA) (9+10+15)	18,577	19,717
17	Depreciation and amortization	(7,463)	(7,591)
18	Provisions	0	0
19	Asset impairment charge	(580)	(58)
20	Impairment reversal	813	158
21	Total depreciation, amortization and impairment adjustments	(7,230)	(7,491)
22	Operating margin (EBIT) (16+21)	11,347	12,226
23	Interest and financial income	7,535	3,846
24	Interest and financial expenses	(3,728)	(1,346)
25	Net interest income/(expenses)	3,807	2,500
26	Profit/ (loss) before tax (22+25)	15,154	14,726
27	Current tax	(4,247)	(4,569)
28	Deferred tax	74	233
29	Total taxes	(4,173)	(4,336)
30	Net profit/loss	10,981	10,390
	attributable to the shareholders of the Parent Company	11,291	10,625
	attributable to non-controlling interests	(310)	(235)
	Earnings per share:		
33	Basic earnings per share (in Euro)	0.79	0.75
34	Diluted earnings per share (in Euro)	0.77	0.72

Consolidated comprehensive income statement as at December 31st, 2022

Euro thousand	December 31st, 2022	December 31st, 2021
Profit (Loss) for the period (A)	10,981	10,390
Actuarial gain (loss)	(3)	(20)
Income tax relating to actuarial gain (loss)	1	5
Changes in the fair value	5,192	(2,331)
Tax effect regarding fair value measurement of financial assets	(1,246)	559
Items that will not be subsequently reclassified to profit or loss (B)	3,944	(1,787)
Exchange differences on translation of foreign operations	(649)	476
Items that will subsequently be reclassified to profit or loss (C)	(649)	476
Total other comprehensive income D= (B)+(C)	3,295	(1,311)
Total comprehensive income (loss) (A)+(D)	14,276	9,079
Attributable to:		
Shareholders of the Parent Company	14,586	9,314
Non-controlling interests	(310)	(235)

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

Consolidated cash flow statement as at December 31st, 2022

Euro thousand	December 31 st , 2022	December 31 st , 2021
A. Opening net cash/debt	10,961	35,509
B. Cash flows from operating activities		
Profit (loss) for the period	10,981	10,390
<i>Depreciation, amortization and non-monetary costs:</i>		
Provisions and impairment losses	(580)	(58)
Amortization of intangible assets	6,118	6,683
Depreciation of property, plant and equipment	1,345	908
Net change in tax advance	(3,146)	(1,248)
Net change in employee benefit provisions	96	52
Net change in other non-current liabilities	3,390	(723)
SUBTOTAL B.	18,204	16,004
C. Change in net working capital		
Inventories	422	714
Trade receivables	6,473	(937)
Current tax assets	816	(600)
Other current assets	(10)	(321)
Trade payables	(3,859)	(6,766)
Current tax liabilities	4,214	2,249
Current provisions	0	0
Other current liabilities	(402)	(766)
Other non-current liabilities	2,668	(924)
Non-current receivables and other assets	(3,435)	(1,574)
SUBTOTAL C.	6,887	(8,925)
D. Cash flows from investing activities		
Net payments for intangible assets	(39,204)	(25,039)
Net payments for property, plant and equipment	(1,515)	(1,851)
Net payments for non-current financial assets	(5,043)	2,360
SUBTOTAL D.	(45,762)	(24,530)
E. Cash flows from financing activities		
Capital increases	1	0
Changes in financial liabilities	27,254	12,974
Changes in financial assets	(3,956)	(413)
SUBTOTAL E.	23,299	12,561
F. Changes in consolidated equity		
Dividends paid	(2,568)	(2,567)
Changes in treasury shares held	0	0
Increases (decreases) in other equity components	0	0
SUBTOTAL F.	(2,568)	(2,567)
G. Cash flow for the period (B+C+D+E+F)	60	(7,457)
H. Closing net cash/debt (A+G)	11,021	28,052

Consolidated statement of changes in equity as at December 31st, 2022

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2021	5,704	18,486	1,141	1,367	(1,339)	3,361	23,016	0	50,156	32,025	82,181	110,901	890	111,791
Allocation of previous year result							0		32,025	(32,025)	0	0	0	0
Dividend paid									(2,567)		(2,567)	(2,567)		(2,567)
Other changes						165	165				0	165	423	588
Comprehensive income (loss)					476	(1,787)	(1,311)			10,625	10,625	9,314	(235)	9,079
Total on December 31st, 2021	5,704	18,486	1,141	1,367	(863)	1,739	21,870	0	79,614	10,625	90,239	117,813	1,078	118,891
Total on July 1st, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		28,546	(28,546)	0	0	0	0
Dividend paid									(2,568)		(2,568)	(2,568)		(2,568)
Other changes						79	79		(5)		(5)	74		74
Comprehensive income (loss)					(649)	3,944	3,295			11,291	11,291	14,586	(310)	14,276
Total on December 31st, 2022	5,706	18,528	1,141	1,367	(1,260)	5,649	25,425	0	105,587	11,291	116,878	148,009	1,113	149,122

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Digital Bros
digital entertainment



**Half Year Financial Report
as at December 31st, 2022**



EXPLANATORY NOTES



1. INTRODUCTORY NOTE

Digital Bros S.p.A. Half Year Report as at December 31st, 2022 was approved by the Board of Directors of March 9th, 2023 which also authorized the publication of the Report and the related press release.

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

The report does not include all the disclosures required for full year financial statements and should be read in conjunction with the Group's Consolidated financial statements as at June 30th, 2022.

Digital Bros Group Half Year Report as at December 31st, 2022 has been prepared on a going concern basis. The Group has assessed no significant uncertainties about the going concern.

The content and other general information, as well as the use of estimates, are available in the notes to the consolidated financial statements as at June 30th, 2022.

Accounting standards, amendments and IFRS interpretations applied from July 1st, 2022

For further information on the accounting standards adopted by the Group, refer to pertaining section of the Consolidated financial statements as at June 30th, 2022, available on the corporate website.

In application of the European Regulation, the principles adopted do not consider the standards and interpretations published by the IASB and the IFRIC as at December 31st, 2022, but not yet endorsed by the European Union at that date.

The Group will adopt the applicable accounting standards and IFRS interpretations issued but not yet mandatorily applicable when they will enter into force.

2. CONSOLIDATION CRITERIA

Subsidiaries

The companies over which the Group has the power, directly or indirectly, to influence the financial and operating policies of the subsidiary and in such a way as to obtain benefits from its operations, are consolidated. The Group has control and influence if it has:

- the power over the subsidiary (or holds valid rights that give it the ability to direct the relevant activities of the subsidiary);
- the exposure or rights to dividends deriving from the relationship with the subsidiary;
- the ability to exercise their power over the subsidiary to affect the amount of its returns. It is presumed that the majority of voting rights enables control.

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

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

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

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

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

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

Goodwill deriving from the acquisition of a subsidiary with a functional currency different from Euro ("foreign subsidiary") and the adjustments of the fair value net of assets and liabilities deriving from it are accounted for as assets and liabilities of the foreign subsidiary and therefore are expressed in the functional currency of the foreign subsidiary and converted at the reporting period-end exchange rate.

Transactions eliminated in the consolidation process

When preparing the consolidated financial statements as at December 31st, 2022, all intercompany assets, liabilities, income and expenses relating to transactions between Group companies were eliminated, as unrealized profits and losses on intercompany transactions.

Scope of consolidation

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

Line-by-line consolidation method:

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
Avantgarden S.r.l.	Milan	Italy	Euro	100,000	100%
Chrysalide Jeux et Divertissement Inc.	Québec	Canada	Canadian Dollar	100	75%
Digital Bros S.p.A.	Milan	Italy	Euro	5,706,014.80	Parent Company
Digital Bros Asia Pacific (HK) Ltd.	Hong Kong	Hong Kong	Euro	100,000	100%
Digital Bros China (Shenzhen) Ltd.	Shenzhen	China	Euro	100,000	100%
Digital Bros Game Academy S.r.l.	Milan	Italy	Euro	300,000	100%
Digital Bros Holdings Ltd.	Milton Keynes	UK	Pound	100,000	100%
DR Studios Ltd.	Milton Keynes	UK	Pound	60,826	100%
Game Entertainment S.r.l.	Milan	Italy	Euro	100,000	100%
505 Games S.p.A.	Milan	Italy	Euro	10,000,000	100%
505 Games Australia Pty Ltd.	Melbourne	Australia	Australian Dollar	100,000	100%
505 Games France S.a.s.	Francheville	France	Euro	100,000	100%
505 Games GmbH	Burglengenfeld	Germany	Euro	50,000	100%
505 Games Interactive Inc.	Calabasas (CA)	USA	American Dollar	100,000	100%
505 Games Japan K.K.	Tokyo	Japan	YEN	6,000,000	100%
505 Games Ltd.	Milton Keynes	UK	Pound	100,000	100%
505 Games (US) Inc.	Calabasas (CA)	USA	American Dollar	100,000	100%
505 Games Spain Slu	Las Rozas de Madrid	Spain	Euro	100,000	100%
505 Go Inc.	Calabasas (CA)	USA	American Dollar	975,000	100%
Game Network S.r.l. (in liquidation)	Milan	Italy	Euro	10,000	100%
Game Service S.r.l.	Milan	Italy	Euro	50,000	100%
Hawken Entertainment Inc.	Calabasas (CA)	USA	American Dollar	100,000	100%
Hook S.r.l.	Milan	Italy	Euro	100,000	100%
Kunos Simulazioni S.r.l.	Rome	Italy	Euro	10,000	100%
Infinity Plus Two Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Infinite Interactive Pty Ltd.	Melbourne	Australia	Australian Dollar	100	100%
Ingame Studios a.s.	Brno	Czech Republic	Koruna Česká	2,000,000	60%
505 Mobile S.r.l.	Milan	Italy	Euro	100,000	100%
505 Mobile (US) Inc.	Calabasas (CA)	USA	American Dollar	100,000	100%
Rasplata B.V.	Amsterdam	Netherlands	Euro	1,750	60%
Seekhana Ltd.	Milton Keynes	UK	Pound	18,500	60%

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
Supernova Games Studio S.r.l.	Milan	Italy	Euro	100,000	100%

Equity consolidation method:

Company	Headquarter	Country	Currency	Share capital	% held directly or indirectly
MSE & DB SI	Tudela	Spain	Euro	10,000	50%
Artactive s.a.	Kraków	Poland	Polish Złoty	100,000	40%

3. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED COMPANIES

As at December 31st, 2022 the Group holds a 50% stake in the Spanish company MSE & DB S.L. at a book value of Euro 5 thousand and a 40% stake in the Polish company Artactive s.a. at a book value of Euro 9 thousand.

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

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

Euro thousand	Profit (loss) at		Net equity	
	December 31 st , 2022	December 31 st , 2021	December 31 st , 2022	December 31 st , 2021
Digital Bros S.p.A. profit (loss) for the period and net equity	11,920	7,986	71,487	59,140
Subsidiaries profit (loss) for the period and net equity	9,602	9,990	134,572	107,379
Carrying amount of equity investments	0	0	(39,723)	(34,944)
Consolidation adjustments:				
Impairment of investments in subsidiaries	0	0	406	143
Elimination of intercompany profits	(869)	(687)	(6,432)	(2,555)
Dividends	(10,000)	(7,500)	0	0
Other adjustments	328	601	(11,188)	(10,272)
Total consolidation adjustments	(10,541)	(7,586)	(17,214)	(12,684)
Consolidated profit (loss) for the period and net equity	10,981	10,390	149,122	118,891

Euro thousand	Profit (loss) at		Net equity	
	December 31 st , 2022	December 31 st , 2021	December 31 st , 2022	December 31 st , 2021
Impairment of Digital Bros S.p.A.'s investment in Game Network S.r.l.	0	0	51	51
Impairment of Digital Bros S.p.A.'s investment in Digital Bros Game Academy S.r.l.	0	0	0	92
Impairment of Digital Bros S.p.A.'s investment in Seekhana Ltd.	0	0	214	0
Impairment of 505 Mobile S.r.l.'s investment in Game Entertainment S.r.l.	0	0	141	0
Total impairment of investments in subsidiaries	0	0	406	143
Elimination of unrealized margin on inventory	47	128	(40)	(53)
Elimination of margin on internal development contracts	(916)	(815)	(6,392)	(2,502)
Total elimination of intercompany profits	(869)	(687)	(6,432)	(2,555)
Dividends from Kunos Simulazioni S.r.l.	(5,000)	(2,500)	0	0
Dividends from 505 Games S.p.A.	(5,000)	(5,000)	0	0
Total dividends	(10,000)	(7,500)	0	0
Amortization/Allocation of Kunos S.r.l. acquisition price, net of tax effect	(31)	(271)	154	216
Allocation of Rasplata B.V. acquisition price, net of tax effect	0	0	1,011	1,011
Allocation of the Australian subsidiaries acquisition price, net of tax effect	(669)	(650)	4,015	5,206
Application of IFRS 9	0	3	(309)	(343)
Deferred tax effect of the revaluation of the Assetto Corsa brand	628	178	(15,917)	(17,613)
Capitalization of internal studios development of video games	0	1,406	0	1,406
Other items	400	(65)	(142)	(155)
Total other adjustments	328	601	(11,188)	(10,272)
Total consolidation adjustments	(10,541)	(7,586)	(17,214)	(12,684)

5. CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31ST, 2022

Euro thousand		December 31 st , 2022	June 30 th , 2022	Change	
Non-current assets					
1	Property, plant and equipment	10,523	10,353	170	1.6%
2	Investment properties	0	0	0	0.0%
3	Intangible assets	137,619	104,089	33,530	32.2%
4	Equity investments	12,554	7,511	5,043	67.1%
5	Non-current receivables and other assets	17,507	14,072	3,435	24.4%
6	Deferred tax assets	15,975	12,829	3,146	24.5%
7	Non-current financial activities	22,063	18,257	3,806	20.8%
	Total non-current assets	216,241	167,111	49,130	29.4%
Current assets					
8	Inventories	3,751	4,173	(422)	-10.1%
9	Trade receivables	21,444	27,781	(6,337)	-22.8%
10	Tax receivables	2,110	2,926	(816)	-27.9%
11	Other current assets	13,040	13,030	10	0.1%
12	Cash and cash equivalents	11,021	10,961	60	0.5%
13	Other current financial assets	479	329	150	45.6%
	Total current assets	51,845	59,200	(7,355)	-12.4%
	TOTAL ASSETS	268,086	226,311	41,775	18.5%
Shareholders' equity					
14	Share capital	(5,706)	(5,705)	(1)	0.0%
15	Reserves	(25,425)	(22,030)	(3,395)	15.4%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(116,878)	(108,160)	(8,718)	8.1%
	Equity attributable to the shareholders of the Parent Company	(148,009)	(135,895)	(12,114)	8.9%
	Equity attributable to non-controlling interests	(1,113)	(1,423)	310	-21.8%
	Total net equity	(149,122)	(137,318)	(11,804)	8.6%
Non-current liabilities					
18	Employee benefits	(857)	(761)	(96)	12.6%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(4,622)	(1,954)	(2,668)	n.m.
21	Non-current financial liabilities	(16,698)	(15,213)	(1,485)	9.8%
	Total non-current liabilities	(22,258)	(18,009)	(4,249)	23.6%
Current liabilities					
22	Trade payables	(48,266)	(52,125)	3,859	-7.4%
23	Tax payables	(7,789)	(3,575)	(4,214)	n.m.
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,255)	(4,657)	402	-8.6%
26	Current financial liabilities	(36,396)	(10,627)	(25,769)	n.m.
	Total current liabilities	(96,706)	(70,984)	(25,722)	36.2%
	TOTAL LIABILITIES	(118,964)	(88,993)	(29,971)	33.7%
	TOTAL NET EQUITY AND LIABILITIES	(268,086)	(226,311)	(41,775)	18.5%

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment increased from Euro 10,353 thousand to Euro 10,523 thousand, due to Euro 1,549 thousand investments, partially offset by lower disposals for Euro 115 thousand and depreciation for Euro 1,345 thousand. The following tables details movements in the current and previous reporting periods:

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

Euro thousand	July 1 st , 2021	Investments	Disposals	Forex currency translation diff.	Depreciation	Use of accum. dep'n	December 31 st , 2021
Industrial buildings	6,719	1,029	0	12	(710)	0	7,050
Land	635	0	0	0	0	0	635
Indust. & comm. equipment	523	718	(8)	0	(128)	8	1,113
Other assets	321	92	(46)	0	(70)	46	343
Total	8,198	1,839	(54)	12	(908)	54	9,141

Industrial buildings increased by Euro 1,036 thousand as a result of the application of the IFRS 16 to the renewal of the American subsidiaries office rental contract.

Land included the land where the logistic facilities are based in Trezzano sul Naviglio. It is valued at Euro 635 thousand, unchanged compared to the previous reporting period.

The investments in Industrial and commercial equipment amounted to Euro 252 thousand relating to office automation equipment.

The investments in Other assets amounted to Euro 261 thousand and related for Euro 203 thousand to the improvements made to the English subsidiaries' new headquarters.

3. Intangible assets

Intangible assets increased by Euro 33,530 thousand net of the amortization for the period, as part of the significant investment plan undertaken by the Group to pursue its growth objectives.

Intangible assets increased from Euro 104,089 thousand to Euro 137,619 thousand. All of the intangible assets recognized by the Group have limited useful lives.

The increase of the item is also due to the fact that all advances paid for the most recently signed contracts are now classified among intangible assets, even if the intellectual property is not transferred to the Group, as the digitalization of the video games market allows for a longer-term exploitation.

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

Euro thousand	July 1 st , 2022	Invest.	Decr.	Recl.	Impairment adj.	Forex transl. diff.	Amort'n	December 31 st , 2022
Concessions and licenses	36,021	7,199	0	1,459	0	(23)	(6,068)	38,588
Trademarks and sim. rights	903	3	0	0	0	0	(45)	861
Other assets	29	0	0	0	0	0	(5)	24
Assets in development	67,136	32,655	0	(1,201)	(444)	0	0	98,146
Total	104,089	39,857	0	258	(444)	(23)	(6,118)	137,619

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

Impairment adjustments amounted to Euro 444 thousand and related to a video game for which the Group has suspended the development.

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

Euro thousand	December 31 st , 2022	December 31 st , 2021
Premium Games rights	7,122	1,009
Management systems	77	371
Total investments on concessions and licenses	7,199	1,381
Total investments on trademarks and other intangible assets	3	10
DR Studios Ltd.	1,000	6,289
Infinity Plus Two Pty Ltd.	0	2,607
Ingame Studios a.s.	5,830	2,383
Chrysalide Jeux et Divertissement Inc.	2,493	1,583
Kunos Simulazioni S.r.l.	603	1,134
Supernova Games S.r.l.	712	668
Avantgarden Games S.r.l.	779	403
Total assets in development by internal studios	11,417	15,067
Total assets in development for third-parties IPs	21,238	
Total assets in development	32,655	23,652
Total investments on intangible assets	39,857	25,043

4. Equity investments

Total equity investments increased by Euro 5,043 thousand, mainly due to the adjustment of the shares held in companies listed on regulated markets to the market value at December 31st, 2022, as detailed below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
MSE&DB SI	5	5	0
Attractive S.A.	9	9	0
Total investments in associated companies	14	14	0
Starbreeze – STAR A shares	8,636	5,180	3,456
Starbreeze – STAR B shares	3,534	1,926	1,608
Noobz from Poland s.a.	370	391	(21)
Total other investments	12,540	7,497	5,043
Total equity investments	12,554	7,511	5,043

The decrease in total other investments pertained to:

- Euro 3,456 thousand increase relating to the fair value of the 61,758,625 Starbreeze STAR A shares (listed on the Nasdaq Stockholm) with allocation to an equity reserve of the difference between the carrying amount and the fair value as at December 31st, 2022 as they are financial instruments classified in the consolidated comprehensive income statement;
- Euro 1,608 thousand increase relating to the fair value of the 24,890,329 Starbreeze STAR B shares (listed on the Nasdaq Stockholm) with allocation to an equity reserve of the difference between the carrying amount and the fair value as at December 31st, 2022 as they are financial instruments classified in in the consolidated comprehensive income statement;
- Euro 21 thousand decrease relating to the fair value of the 70,000 Noobz from Poland s.a. shares (listed on the New Connect segment of the Warsaw Stock Exchange), amounting to the 4.5% of the share capital, with allocation to an equity reserve of the difference between the carrying amount and the fair value as at December 31st, 2022 as they are financial instruments classified in consolidated comprehensive income statement.

5. Non-current receivables and other assets

Total non-current receivables and other assets amounted to Euro 17,507 thousand and increased by Euro 3,435 thousand compared to June 30th, 2022:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Starbreeze receivables	13,275	13,151	124
Royalty receivables	3,354	0	3,354
Guarantee deposits – office rental for Italian companies	635	635	0
Guarantee deposits – office rental for non-Italian companies	238	281	(43)
Guarantee deposits – other	5	5	0
Total non-current receivables and other assets	17,507	14,072	3,435

As at December 31st, 2022, the Starbreeze receivable amounted to Euro 13,275 thousand and included:

- the receivable purchased from Smilegate Holdings for a consideration of Euro 100 thousand with a nominal amount of around SEK 165 million. The value at December 31st, 2022 has been restated as financial income and adjusted to the exchange rate at the end of the period for Euro 124 thousand. The receivable is part of Starbreeze corporate restructuring process and will be paid in accordance with the payment plan agreed with the Swedish District Court, but not later than December 2024. As at December 31st, 2022, the receivable amounted to Euro 8,850 thousand;
- the receivable relating to the costs paid for the development of the video game The Walking Dead by 505 Games S.p.A.. The Group requested the reimbursement of the receivable that has been previously classified among other current assets, as the collection of the receivable is expected to happen following the launch of PAYDAY3 by the Swedish company. As at December 31st, 2022, the receivable amounted to Euro 4,425 thousand.

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

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

6. Deferred tax assets

Deferred tax assets are calculated on taxes loss carryforwards and on temporary differences between the carrying value and the tax value. They have been estimated at the tax rates expected in the period during which the assets will be realized or settled. As at December 31st, 2022, the balance was Euro 15,975 thousand, increased by Euro 3,146 thousand compared to June 30th, 2022, due to the recognition of deferred tax assets for Euro 3,647 thousand relating to the tax losses carried forward of the newly acquired company 505 Go Inc..

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

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Italian companies	1,258	2,468	(1,210)
Non-Italian companies	7,349	3,566	3,783
Consolidation adjustments	7,368	6,795	573
Total deferred tax assets	15,975	12,829	3,146

The following table provides details of temporary differences of the Italian companies as at December 31st, 2022 and June 30th, 2022:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Provision for doubtful accounts	708	708	0
Other liabilities	4,154	4,154	0
Actuarial differences	21	21	0
Costs not deducted in prior fiscal years	2,119	2,119	0
Tax loss carryforwards	396	396	0
Reserve for IFRS securities valuation	(2,501)	2,542	(5,043)
Taxable reserve for IFRS 9 application	5	5	0
Reserve for derivatives hedge accounting	(317)	(317)	0
Total differences	4,585	9,628	(5,043)
IRES tax rate	24%	24%	
Deferred tax assets for IRES	1,100	2,310	(1,210)
Deferred tax assets for IRAP	158	158	0
Total deferred tax assets of Italian companies	1,258	2,468	(1,210)

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

Euro thousand	December 31st, 2022	June 30th, 2022
Deferred tax assets for losses of 505 Go Inc.	3,647	0
Deferred tax assets for losses of the Australian subsidiaries	1,637	1,533
Deferred tax assets for temporary differences of 505 Games (US) Inc.	1,794	1,842
Deferred tax assets for losses of Rasplata B.V.	207	134
Other deferred tax assets	64	57
Total deferred tax assets of non-Italian subsidiaries	7,349	3,566

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

The total consolidation adjustments increased by Euro 573 thousand from Euro 6,795 thousand to Euro 7,368 thousand and it is made by the tax effect relating to the consolidation of internally developed products.

CURRENT ASSETS

8. Inventories

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

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Italian Distribution inventories	2,709	2,892	(182)
Premium Games inventories	1,042	1,281	(239)
Total inventories	3,751	4,173	(422)

Total inventories decreased by Euro 422 thousand, from Euro 4,173 thousand to Euro 3,751 thousand as at December 31st, 2022, in line with the decrease in retail revenues.

9. Trade receivables

Trade receivables were as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Receivables from customers - Italy	1,454	1,413	41
Receivables from customers - EU	2,671	2,964	(293)
Receivables from customers - Rest of the world	18,371	24,319	(5,948)
Total receivables from customers	22,496	28,696	(6,200)
Provision for doubtful accounts	(1,052)	(915)	(137)
Total trade receivables	21,444	27,781	(6,337)

Total trade receivables totaled Euro 21,444 thousand as at December 31st, 2022, a Euro 6,337 thousand decrease compared to the June 30th, 2022 balance of Euro 27,781 thousand, due to the concentration of revenues during the last quarter of the previous fiscal year.

The provision for doubtful accounts increased by Euro 137 thousand from Euro 915 thousand as at June 30th, 2022 to Euro 1,052 thousand as at December 31st, 2022. The provision for doubtful accounts is estimated based on both a detailed analysis of each single debtor and the application of the IFRS 9.

10. Tax receivables

Total tax receivables are analyzed as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Receivables under domestic tax group consolidation	0	248	(248)
VAT receivable	786	467	319
Tax credit for foreign tax withholdings	295	325	(30)
Other tax receivables	1,029	1,886	(857)
Total tax receivables	2,110	2,926	(816)

Total tax receivables decreased by Euro 816 thousand, from Euro 2,926 thousand as at June 30th, 2022 to Euro 2,110 thousand at December 31st, 2022, mainly due to the tax incentives recognized to the subsidiary DR Studios Ltd. by the British government for the development of video games.

11. Other current assets

Total other current assets consisted of advances paid to suppliers. They amounted to Euro 13,040 thousand as at December 31st, 2022, unchanged compared to the June 30th, 2022 balance. They are analyzed as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Receivables for video game user licensing rights	4,218	3,264	954
Advances for video game development operating costs	6,090	6,648	(558)
Advances to suppliers	2,591	2,963	(372)
Other receivables	141	155	(14)
Total other current assets	13,040	13,030	10

Receivables for video game user licenses rights were advances paid for licenses not yet exploited or completely exploited as at the reporting date. They increased by Euro 954 thousand over the period to stand at Euro 4,218 thousand, following the accounting of the advances paid by 505 Go Inc.. The increase was the estimated use of the period.

Total advances for video game development operating costs amounted to Euro 6,090 thousand and included advances paid for video game programming services, quality assurance and other operating costs (i.e.; quality assurance and localization), detailed as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Programming	3,649	3,550	99
Quality assurance	1,704	1,825	(121)
Other operating costs	737	1,273	(536)
Total advances for video game development operating costs	6,090	6,648	(558)

Total advances for video game development operating costs decreased by Euro 558 thousand compared to June 30th, 2022 due to the use of the fiscal year, in line with revenues realized in the period.

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	Currency translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2022	5,705	18,507	1,141	1,367	(611)	1,626	22,030	0	79,614	28,546	108,160	135,895	1,423	137,318
Capital increases	1	21					21				0	22		22
Allocation of previous year result							0		28,546	(28,546)	0	0	0	0
Dividend paid									(2,568)		(2,568)	(2,568)		(2,568)
Other changes						79	79		(5)		(5)	74		74
Comprehensive income (loss)					(649)	3,944	3,295			11,291	11,291	14,586	(310)	14,276
Total on December 31st, 2022	5,706	18,528	1,141	1,367	(1,260)	5,649	25,425	0	105,587	11,291	116,878	148,009	1,113	149,122

14. Share capital

The share capital as at December 31st, 2022 increased by Euro 1 thousand compared to June 30th, 2022 following the exercise of 2,100 shares of the stock option plan and is split into 14,265,037 ordinary shares with a par value of Euro 0.4 each, for a total of Euro 5,706,014.80. No other shares of any nature were issued. There are no rights, liens or restrictions associated with the ordinary shares.

15. Reserves

The change in Other reserves included Euro 79 thousand to adjust the stock option reserve and positive Euro 3,944 thousand consisting of:

- Euro 3,832 thousand (positive) to adjust the reserve for fair value measurement of financial assets;
- Euro 114 thousand (positive) to adjust the cash flow hedge reserve;
- Euro 2 thousand (negative) to adjust the actuarial reserve.

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

As at December 31st, 2022, the options in place are 720,800 following the resignations of some beneficiaries in previous years and the exercise of 2,100 options during the reporting period.

Digital Bros S.p.A. applies the vesting conditions by adjusting the total number of outstanding options based on the assessment of those that will actually vest. The options assessed at December 31st, 2022 are no. 638,164 for a stock option reserve of Euro 3,515 thousand. For further information on the Group stock options plan, refer to the documentation available in the Governance / Remuneration section of the corporate website.

Number of options	ESOP 2016 - 2026
Assigned (2017)	800,000
Expired	-
Resignation	(75,000)
Exercised	(4,200)
Number of options as at December 31st, 2022	720,800
Vesting conditions	(82,636)
Number of outstanding options assessed at December 31st, 2022	638,164

NON-CURRENT LIABILITIES

18. Employee benefits

Employee benefits reflected the actuarial value at the closing date of the Group's liability to employees, as calculated by an independent actuary. It decreased by Euro 96 thousand compared to June 30th, 2022.

The IAS 19 actuarial measurement as at December 31st, 2022 was performed using a discount rate based on the Iboxx Corporate A 10y+ index, in line with the rate used at the previous reporting date. The use of a discount rate based on the Iboxx Corporate AA index would not create a significant difference.

The calculation method can be summarized as follows:

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

The estimate is based on the Italian companies' reporting date headcount of 109 employees.

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

- annual interest rate of 4.17%;
- annual increase in remuneration rate of 3.220%;
- annual inflation rate of 2.30%.

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

- annual interest rate of 1.09%;
- annual increase in remuneration rate of 2.813%;
- annual inflation rate of 1.75%.

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

Euro thousand	December 31st, 2022	June 30th, 2022
Provision for employee termination indemnities at July 1st, 2022	761	719
Utilization of provision for leavers	(6)	(30)
Allocated during period	244	181
Restatement for supplementary pension schemes	(144)	(118)
Restatement for actuarial measurement	2	19
Provision for employee termination indemnities as at December 31st, 2022	857	771

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

19. Non-current provisions

Non-current provisions consisted entirely of the sales representatives' termination indemnity provision. The balance of Euro 81 thousand as at December 31st, 2022 is unchanged compared to June 30th, 2022.

20. Other non-current payables and liabilities

As at December 31st, 2022 other non-current payables and liabilities amounted to Euro 4,622 thousand and consisted of:

- the Euro 1,880 thousand portion of the debt due after twelve months for the purchase of the Australian subsidiaries;
- the Euro 2,145 thousand residual portion of the purchase price of 505 Go Inc.;
- the Euro 597 thousand cost for the 2021-2027 Medium-Long Term Monetary Incentives Plan that will be paid within forty-five days from the Shareholders' Meeting approval of the financial statements as at June 30th, 2024.

CURRENT LIABILITIES

22. Trade payables

Total trade payables amounted to Euro 48,266 thousand as at December 31st, 2022 and decreased by Euro 3,859 thousand compared to June 30th, 2022. They were mostly payables to developers for royalties. Details by geographical area are provided below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Trade payables - Italy	(3,105)	(3,569)	464
Trade payables - EU	(11,181)	(16,091)	4,910
Trade payables - Rest of the world	(33,980)	(32,465)	(1,515)
Total trade payables	(48,266)	(52,125)	3,859

23. Tax payables

Total tax payables increased by Euro 4,214 thousand from Euro 3,575 thousand as at June 30th, 2022 to Euro 7,789 thousand as at December 31st, 2022. The balance is detailed below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Income tax payables	(4,463)	(865)	(3,598)
VAT debt	(17)	0	(17)
Other tax payables	(3,309)	(2,710)	(599)
Total tax payables	(7,789)	(3,575)	(4,214)

Income tax payables increased by Euro 3,598 thousand as the Italian companies will pay the tax advance for the year, starting from January 2023 and therefore the item as at December 31st, 2022 only includes the provision for the period.

24. Current provisions

As at December 31st, 2022, there were no current provisions as at June 30th, 2022.

25. Other current liabilities

Total other current liabilities amounted to Euro 4,255 thousand, increasing by Euro 402 thousand compared to June 30th, 2022. Details are provided below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Amounts due to social security institutions	(643)	(512)	(131)
Amounts due to employees	(2,336)	(2,796)	460
Amounts due to contractors	(40)	(44)	4
Other payables	(1,236)	(1,305)	69
Total other current liabilities	(4,255)	(4,657)	402

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

Other payables almost exclusively included advance payments received from several customers in relation to sub-licensing contracts of several intellectual properties owned by the Group.

NET FINANCIAL POSITION

The following table contains details of the Group's net financial position as at December 31st, 2022 together with comparative figures as at June 30th, 2022:

	Euro thousand	December 31st, 2022	June 30th, 2022	Change
12	Cash and cash equivalents	11,021	10,961	60
13	Other current financial assets	479	329	150
26	Current financial liabilities	(36,396)	(10,627)	(25,769)
	Current net financial position	(24,896)	663	(25,559)
7	Non-current financial assets	22,063	18,257	3,806
21	Non-current financial liabilities	(16,698)	(15,213)	(1,485)
	Non-current financial liabilities	5,365	3,044	2,321
	Total net financial position	(19,531)	3,707	(23,238)

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

In relation to the significant investment plan implemented by the Group, as expected, the net financial position decreased by Euro 23,238 thousand (positive Euro 3,707 thousand as at June 30th, 2022) to negative Euro 19,531 thousand. Net of IFRS 16 recognized financial liabilities, the net financial position amounted to negative Euro 13,354 thousand.

The IFRS 16 recognized financial liabilities are detailed below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Current financial liabilities	(1,711)	(1,444)	(267)
Non-current financial liabilities	(4,466)	(3,880)	(586)
Total IFRS 16 recognized financial liabilities	(6,177)	(5,324)	(853)

Current net financial position

12. Cash and cash equivalents

Cash and cash equivalents amounted to Euro 11,021 thousand as at December 31st, 2022, an increase of Euro 60 thousand compared to June 30th, 2022. They have no encumbrances and consist entirely of account deposits available on demand.

13. Other current financial assets

Other current financial assets as at December 31st, 2022 amounted to Euro 479 thousand and consisted of the market value at the reporting period of the three option contracts subscribed by the Group for a total notional value of Euro 20,375 thousand to hedge interest rates changes on the loans granted by UniCredit S.p.A., in accordance with the provisions of hedge accounting.

26. Current financial liabilities

Current financial liabilities consisted of financial loans due within a year and other current financial liabilities for a total amount of Euro 36,396 thousand. Details are as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Financial loans due within a year	(12,238)	(8,462)	(3,776)
Other current financial liabilities	(24,158)	(2,165)	(21,993)
Total other current liabilities	(36,396)	(10,627)	(25,769)

Financial loans as at December 31st, 2022 are detailed below:

	Lending institution	Recipient	Issue date	Total amount of the loan (€k)	Residual value	Short-term portion	Long-term portion	Duration	Starting date	End date	Euribor	Spread	Hedged
a.	Intesa SanPaolo S.p.A.	Digital Bros S.p.A.	29/01/2021	5,000	2,098	1,677	421	36 months	29/04/2021	29/01/2024	3 months	1,35%	No
b.	Unicredit S.p.A.	Digital Bros S.p.A.	28/01/2021	1,375	1,031	458	573	36 months	30/04/2022	31/01/2025	3 months	0,90%	Yes
c.	Unicredit S.p.A.	505 Games S.p.A.	28/01/2021	4,000	3,000	1,333	1,667	36 months	30/04/2022	31/01/2025	3 months	0,90%	Yes
d.	Unicredit S.p.A.	505 Games S.p.A.	30/09/2021	15,000	8,750	5,000	3,750	36 months	31/12/2021	30/09/2024	3 months	0,85%	Yes
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/2022	5,000	4,583	1,667	2,916	36 months	31/12/2022	30/09/2025	6 months	2,00%	No
f.	Intesa SanPaolo S.p.A.	505 Games S.p.A.	22/12/2022	5,000	5,000	2,103	2,897	24 months	22/06/2023	22/12/2024	3 months	1,80%	No
	Total			35,375	24,462	12,238	12,224						

All financial loans provide for a pre-amortization period ranging from three or six months and the payment of quarterly installments in arrears and including interest calculated on the basis of the quarterly variable rate equal to the Euribor quotation at three or six months increased by a spread. The loan granted by Monte dei Paschi di Siena S.p.A. to 505 Mobile S.r.l. it is subject to compliance with a commercial covenant, while there are no covenants in the other loans.

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

Other current financial liabilities are detailed as follows:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Payables to banks relating to current accounts	(1,065)	0	(1,065)
Payables to banks relating to import financing	(6,878)	0	(6,878)
Payables to banks relating to invoice advances	(14,251)	0	(14,251)
Pro soluto advances	(7)	(12)	5
Lease instalments due within a year	(79)	(69)	(10)
Fair value of derivatives	(167)	(579)	412
Lease contracts liabilities	(1,711)	(1,505)	(206)
Total current financial liabilities	(24,158)	(2,165)	(21,993)

The fair value of derivatives related to the valuation as at December 31st, 2022 of the two contracts signed with UniCredit S.p.A. to hedge the risks of the Yen exchange rates to which the Group is exposed for certain liabilities. Pursuant with the provisions of IFRS 9, financial liabilities hedged by derivative instruments have been valued at fair value, in accordance with the provisions of hedge accounting.

Non-current net financial position

7. Non-current financial assets

Non-current financial assets amounted to Euro 22,063 thousand and consisted entirely of the fair value assessment of the convertible bond issued by Starbreeze with a nominal value of SEK 215 million and mature date in December 2024. The Euro 3,806 thousand increase compared to June 30th, 2022 is due to the current fair value assessment.

21. Non-current financial liabilities

Total non-current financial liabilities included loans due after more than a year and other non-current financial liabilities for a total of Euro 16,698 thousand. Details are provided below:

Euro thousand	December 31st, 2022	June 30th, 2022	Change
Financial loans due after more than a year	(12,224)	(10,646)	(1,578)
Other non-current financial liabilities	(4,474)	(4,567)	93
Total non-current financial liabilities	(16,698)	(15,213)	(1,485)

As at December 31st, 2022, financial loans due after more than a year amounted to Euro 12,224 thousand representing the non-current portion of the loans granted to Digital Bros S.p.A. and 505 Games S.p.A. as described above:

	Lending institution	Recipient	Issue date	Total amount of the loan (€k)	Amount due over 12 months (€k)
a.	Intesa San Paolo S.p.A.	Digital Bros S.p.A.	29/01/202	5,000	421
b.	UniCredit S.p.A.	Digital Bros S.p.A.	28/01/202	1,375	573
c.	UniCredit S.p.A.	505 Games S.p.A.	28/01/202	4,000	1,667
d.	UniCredit S.p.A.	505 Games S.p.A.	30/09/202	15,000	3,750
e.	MPS S.p.A.	505 Mobile S.r.l.	28/07/202	5,000	2,916
f.	Intesa San Paolo S.p.A.	505 Games S.p.A.	22/12/202	5,000	2,897
	Total loans due after more than a year			35,375	12,224

Other non-current financial liabilities amounted to Euro 4,474 thousand and included Euro 6 thousand of lease repayments due after more than a year and Euro 4,468 thousand due to application of the IFRS 16 accounting standard.

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

Euro thousand	December 31 st , 2022	June 30 th , 2022	Change
Within 1 year	1,790	1,574	216
1-5 years	4,461	4,567	(106)
More than 5 years	13	0	13
Total	6,264	6,141	123

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

	Euro thousand	December 31 st , 2022	June 30 th , 2022	Change	
A.	Cash	11,021	10,961	60	0.5%
B.	Cash equivalents	0	0	0	0.0%
C.	Other current financial assets	0	0	0	0.0%
D.	Liquidity (A + B + C)	11,021	10,961	60	0.5%
E.	Current financial debt (included debt instrument, but excluding current portion of non-current financial debt)	0	0	0	0.0%
F.	Current portion of non-current financial debt	36,396	10,627	25,769	n.m.
G.	Current financial indebtedness (E + F)	36,396	10,627	25,769	n.m.
H.	Net current financial indebtedness (G - D)	25,375	(334)	25,709	n.m.
I.	Non-current financial liabilities (excluding current portion and debt instruments)	16,698	15,213	1,485	-9.8%
J.	Debt instruments	0	0	0	0.0%
K.	Non-current trade and other payables	0	0	0	0.0%
L.	Non-current financial indebtedness (I + J + K)	16,698	15,213	1,485	9.8%
M.	Total financial indebtedness (H + L)	42,073	14,879	27,194	n.m.

CONTRACTUAL OBLIGATIONS AND RISKS

Contractual obligations decreased from Euro 117,128 thousand as at June 30th, 2022 to Euro 95,946 thousand as at December 31st, 2022. Obligations are made by the future payments for development and sub-licensing contracts

signed at the closing date. The increase is in line with the investments plan implemented by the Group in recent years.

PROFIT AND LOSS STATEMENT

For further information on the profit and loss statement items, refer to the Director's Report. The net revenue, net financial income and taxes are analyzed below.

3. Net revenue

The following table contains a breakdown of revenue by operating segment for the period ended December 31st, 2022. The Holding operating segment did not generate revenue:

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

At December 31st, 2021, the breakdown was as follows:

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

25. Net financial income / (expenses)

The analysis is as follows:

	Euro thousand	December 31 st , 2022	December 31 st , 2021	Change €	Change %
23	Interest and financial income	7,535	3,846	3,689	95.9%
24	Interest and financial expense	(3,728)	(1,346)	(2,382)	n.m.
25	Net financial income / (expenses)	3,807	2,500	1,307	52.3%

The net financial income was positive for Euro 3,807 thousand compared to Euro 2,500 thousand registered in the previous fiscal year, due to a Euro 3,869 thousand increase in interest and financial income, partially offset by a Euro 2,382 thousand increase in interest and financial expense.

Interest and financial income may be analyzed as follows:

Euro thousand	December 31 st , 2022	December 31 st , 2021	Change €	Change %
Currency exchange gains	2,348	2,406	(58)	-2.4%
Financial income	4,708	1,409	3,299	n.m.
Interest on derivative products	469	0	469	n.m.
Other	10	31	(21)	-67.7%
Total interest and financial income	7,535	3,846	3,689	95.9%

Total interest and financial income increased by Euro 3,689 thousand due to a Euro 3,299 thousand increase in financial income. Financial income included Euro 4,583 thousand due to the restatement of the receivable from Starbreeze.

Total interest expenses amounted to Euro 3,728 thousand, increasing by Euro 2,382 thousand compared to December 31st, 2021, mainly due to higher currency exchange losses for Euro 2,199 thousand.

Interest and financial expenses are analyzed in detail as follows:

Euro thousand	December 31st, 2022	December 31st, 2021	Change €	Change %
Interest expenses on current accounts and trade finance	(262)	(13)	(249)	n.m.
Interest expenses on derivative products	0	(190)	190	n.m.
Interest expenses on loans and leases	(215)	(91)	(124)	n.m.
Total interest expenses on sources of finance	(477)	(294)	(183)	62.2%
Currency exchange losses	(3,251)	(1,052)	(2,199)	n.m.
Total interest expenses	(3,728)	(1,346)	(2,382)	13.6%

29. Taxation

Total taxes at December 31st, 2022 are detailed below:

Euro thousand	December 31st, 2022	December 31st, 2021	Change €	Change %
Current taxes	(4,247)	(4,569)	322	-7.0%
Deferred taxes	74	233	(159)	-68.2%
Total taxes	(4,173)	(4,336)	163	-3.8%

6. NON-RECURRING INCOME AND EXPENSES

In accordance with Consob Resolution 15519 of July 27th, 2006, non-recurring income and expenses shall be presented separately in the profit or loss as transactions or events that do not occur on a regular basis during ordinary operating activities. During the reporting period, the Group did not record any non-recurring income and expenses. Below the consolidated profit and loss statement for the year ended December 31st, 2022, prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006 with prior year comparatives:

Euro thousand		December 31 st , 2022		December 31 st , 2021	
		total	of which non-recurring	total	of which non-recurring
1	Gross revenue	59,837	0	55,518	0
2	Revenue adjustments	(46)	0	(193)	0
3	Net revenue	59,791	0	55,325	0
4	Purchase of products for resale	(1,538)	0	(2,804)	0
5	Purchase of services for resale	(4,364)	0	(2,958)	0
6	Royalties	(13,864)	0	(13,693)	0
7	Changes in inventories of finished products	(422)	0	(714)	0
8	Total cost of sales	(20,188)	0	(20,169)	0
9	Gross profit (3+8)	39,603	0	35,156	0
10	Other income	7,971	0	5,155	0
11	Costs for services	(7,343)	0	(4,205)	0
12	Rent and leasing	(309)	0	(233)	0
13	Payroll costs	(20,567)	0	(15,502)	0
14	Other operating costs	(778)	0	(654)	0
15	Total operating costs	(28,997)	0	(20,594)	0
16	Gross operating margin (EBITDA) (9+10+15)	18,577	0	19,717	0
17	Depreciation and amortization	(7,463)	0	(7,591)	0
18	Provisions	0	0	0	0
19	Asset impairment charge	(580)	0	(58)	0
20	Impairment reversal	813	0	158	0
21	Total depreciation, amortization and impairment adjustments	(7,230)	0	(7,491)	0
22	Operating margin (EBIT) (16+21)	11,347	0	12,226	0
23	Interest and financial income	7,535	0	3,846	0
24	Interest and financial expenses	(3,728)	0	(1,346)	0
25	Net interest income/(expenses)	3,807	0	2,500	0
26	Profit/ (loss) before tax (22+25)	15,154	0	14,726	0
27	Current tax	(4,247)	0	(4,569)	0
28	Deferred tax	74	0	233	0
29	Total taxes	(4,173)	0	(4,336)	0
30	Net profit/loss (26+29)	10,981	0	10,390	0

7. INFORMATION BY OPERATING SEGMENT

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

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

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

The results by operating segment for the period ended December 31st, 2022 and December 31st, 2021 are set out below.

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

	Consolidated amounts in Euro thousand	Free to Play	Premium Games	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	12,456	45,396	1,507	478	0	59,837
2	Revenue adjustments	0	0	(46)	0	0	(46)
3	Net revenue	12,456	45,396	1,461	478	0	59,791
4	Purchase of products for resale	0	(459)	(1,079)	0	0	(1,538)
5	Purchase of services for resale	(1,829)	(2,535)	0	0	0	(4,364)
6	Royalties	(3,419)	(10,445)	0	0	0	(13,864)
7	Changes in inventories of finished products	0	(239)	(183)	0	0	(422)
8	Total cost of sales	(5,248)	(13,678)	(1,262)	0	0	(20,188)
9	Gross profit (3+8)	7,208	31,718	199	478	0	39,603
10	Other income	1,886	6,085	0	0	0	7,971
11	Costs for services	(1,685)	(4,206)	(142)	(302)	(1,008)	(7,343)
12	Rent and leasing	(122)	(45)	(7)	(3)	(132)	(309)
13	Payroll costs	(5,316)	(11,887)	(425)	(272)	(2,667)	(20,567)
14	Other operating costs	(102)	(291)	(31)	(15)	(339)	(778)
15	Total operating costs	(7,225)	(16,429)	(605)	(592)	(4,146)	(28,997)
16	Gross operating margin (EBITDA) (9+10+15)	1,869	21,374	(406)	(114)	(4,146)	18,577
17	Depreciation and amortization	(1,199)	(5,574)	(72)	(173)	(445)	(7,463)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	(565)	(15)	0	0	(580)
20	Impairment reversal	813	0	0	0	0	813
21	Total depreciation, amortization and impairment adjustments	(386)	(6,139)	(87)	(173)	(445)	(7,230)
22	Operating margin (EBIT) (16+21)	1,483	15,235	(493)	(287)	(4,591)	11,347

Consolidated profit and loss statement by operating segment for the period ended December 31st, 2021

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

Information by geographical area

Gross revenue broken down by geographical area is detailed below:

Euro thousand	December 31st, 2022		December 31st, 2021		Change	
Europe	1,746	3%	8,489	15%	(6,743)	-79.4%
Americas	46,921	78%	39,068	70%	7,853	20.1%
Rest of the world	8,916	15%	5,461	10%	3,455	63.3%
Total foreign revenue	57,583	96%	53,018	95%	4,565	8.6%
Italy	2,254	4%	2,500	5%	(246)	-9.8%
Total consolidated gross revenue	59,837	100%	55,518	100%	4,319	7.8%

Total foreign revenue represented 96% of consolidated gross revenue, in line with the 96% of the previous fiscal year and increased by Euro 4,565 thousand compared to December 31st, 2021.

Rest of the world revenue mainly related to sales made by the 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 45,396 thousand, i.e., 78% of total foreign revenue.

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

Euro thousand	December 31st, 2022		December 31st, 2021		Change	
Free to Play	12,456	22%	3,670	7%	8,786	n.m.
Premium Games	45,396	78%	49,348	93%	(3,952)	-8.0%
Total gross foreign revenue	57,852	100%	53,018	100%	4,834	9.1%

8. 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 11 of the Directors' Report.

Other related parties

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

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

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

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

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

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

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

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

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

During the period, 505 Games France S.a.s. paid Matov Imm S.r.l. rent totaling Euro 37 thousand for its Francheville office premises.

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 2022. The transaction was governed by the Procedure for related party transactions adopted by Digital Bros S.p.A. pursuant to Consob Regulation 17221 of March 12th, 2010 and provides for an annual lease charge of USD 493 thousand.

Tax consolidation

The Parent Company Digital Bros S.p.A. joined the tax filing system as parent-consolidating company with 505 Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l., 505 Games S.p.A., Digital Bros Game Academy S.r.l., Game Network S.r.l., Kunos Simulazioni S.r.l., Avantgarden S.r.l., Hook S.r.l. and Supernova Games S.r.l., following the introduction into the Italian tax system of the tax filing system. Adherence to the national tax consolidation system has made it necessary to draw up a regulation implementing inter-company relations aimed at ensuring that there is no prejudice to the individual companies involved.

Below the consolidated profit and loss statement and the consolidated balance sheet for the period ended December 31st, 2022 prepared in accordance with CONSOB Resolution no. 15519 of July 27th, 2006 with prior year comparatives:

Euro thousand		December 31 st , 2022		December 31 st , 2021	
		total	of which with related parties	total	of which with related parties
1	Gross revenue	59,837	0	55,518	6
2	Revenue adjustments	(46)	0	(193)	0
3	Net revenue	59,791	0	55,325	6
4	Purchase of products for resale	(1,538)	0	(2,804)	0
5	Purchase of services for resale	(4,364)	0	(2,958)	0
6	Royalties	(13,864)	0	(13,693)	0
7	Changes in inventories of finished products	(422)	0	(714)	0
8	Total cost of sales	(20,188)	0	(20,169)	0
9	Gross profit (3+8)	39,603	0	35,156	6
10	Other income	7,971	0	5,155	0
11	Costs for services	(7,343)	(201)	(4,205)	(180)
12	Rent and leasing	(309)	(143)	(233)	(52)
13	Payroll costs	(20,567)	0	(15,502)	0
14	Other operating costs	(778)	0	(654)	0
15	Total operating costs	(28,997)	(344)	(20,594)	(232)
16	Gross operating margin (EBITDA) (9+10+15)	18,577	(344)	19,717	(226)
17	Depreciation and amortization	(7,463)	(515)	(7,591)	(515)
18	Provisions	0	0	0	0
19	Asset impairment charge	(580)	0	(58)	0
20	Impairment reversal	813	0	158	0
21	Total depreciation, amortization and impairment adjustments	(7,230)	(515)	(7,491)	(515)
22	Operating margin (EBIT) (16+21)	11,347	(859)	12,226	(741)
23	Interest and financial income	7,535	0	3,846	0
24	Interest and financial expenses	(3,728)	(26)	(1,346)	(39)
25	Net interest income/(expenses)	3,807	(26)	2,500	(39)
26	Profit/ (loss) before tax (22+25)	15,154	(885)	14,726	(780)
27	Current tax	(4,247)	0	(4,569)	0
28	Deferred tax	74	0	233	0
29	Total taxes	(4,173)	0	(4,336)	0
30	Net profit/loss (26+29)	10,981	(885)	10,390	(780)

Euro thousand		December 31 st , 2022		June 30 th , 2022	
		total	of which with related parties	total	of which with related parties
	Non-current assets				
1	Property, plant and equipment	10,523	0	10,353	0
2	Investment properties	0	0	0	0
3	Intangible assets	137,619	0	104,089	0
4	Equity investments	12,554	0	7,511	0
5	Non-current receivables and other assets	17,507	774	14,072	778
6	Deferred tax assets	16,011	0	12,829	0
7	Non-current financial activities	22,063	0	18,257	0
	Total non-current assets	216,277	774	167,111	778
	Current assets				
8	Inventories	3,751	0	4,173	0
9	Trade receivables	21,444	0	27,781	0
10	Tax receivables	2,110	0	2,926	0
11	Other current assets	13,040	0	13,030	0
12	Cash and cash equivalents	11,021	0	10,961	0
13	Other current financial assets	479	0	329	0
	Total current assets	51,845	0	59,200	0
	TOTAL ASSETS	268,122	774	226,311	778
	Shareholders' equity				
14	Share capital	(5,706)	0	(5,705)	0
15	Reserves	(25,461)	0	(22,030)	0
16	Treasury shares	0	0	0	0
17	Retained earnings	(116,878)	0	(108,160)	0
	Equity attributable to the shareholders of the Parent Company	(148,045)	0	(135,895)	0
	Equity attributable to non-controlling interests	(1,113)	0	(1,423)	0
	Total net equity	(149,158)	0	(137,318)	0
	Non-current liabilities				
18	Employee benefits	(857)	0	(761)	0
19	Non-current provisions	(81)	0	(81)	0
20	Other non-current payables and liabilities	(4,622)	0	(1,954)	0
21	Non-current financial liabilities	(16,698)	(2,832)	(15,213)	(1,701)
	Total non-current liabilities	(22,258)	(2,832)	(18,009)	(1,701)
	Current liabilities				
22	Trade payables	(48,266)	(215)	(52,125)	(341)
23	Tax payables	(7,789)	0	(3,575)	0
24	Short term provisions	(0)	0	0	0
25	Other current liabilities	(4,255)	0	(4,657)	0
26	Current financial liabilities	(36,396)	(1,018)	(10,627)	(800)
	Total current liabilities	(96,706)	(1,233)	(70,984)	(1,141)
	TOTAL LIABILITIES	(118,964)	(4,065)	(88,993)	(2,842)
	TOTAL NET EQUITY AND LIABILITIES	(267,972)	(4,065)	(226,311)	(2,842)

9. ATYPICAL OR UNUSUAL TRANSACTIONS

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

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

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

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period July 1st, 2022 – December 31st, 2022. No significant issues have arisen.

We also confirm that:

1. the consolidated financial statements of Digital Bros Group as at December 31st, 2022:
 - a) have been prepared in accordance with applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19th, 2002;
 - b) reflect the accounting books and records;
 - c) give a true and fair view of the results and financial position of the issuer and of the entities included in the consolidation;
2. the Directors' Report as at December 31st, 2022 accompanying the consolidated financial statements includes a reliable analysis of the results, as well as a description of the main risks and uncertainties to which Digital Bros S.p.A. and the consolidated entities are exposed.

Milan, March 9th, 2023

Signed

Chairman of the Board of Directors

Abramo Galante

Chief Financial Officer

Stefano Salbe