



## **Digital Bros S.p.A.**

### **Interim Management Report at 30 September 2008**

**(1st quarter of fiscal year 2008-2009)**

#### **Digital Bros S.p.A.**

Via Bisceglie, 76 – 20152 Milan, Italy

VAT and tax identification no. 09554160151

Share capital: EUR 5,644,334.80 fully paid-in

Milan Companies Register no. 290680 - Vol. 7394 Chamber of Commerce no. 1302132

This report can be downloaded from the Investor Relations section  
at [www.digital-bros.net](http://www.digital-bros.net).

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## OFFICERS AND CONTROL

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### Board of Directors

Abramo Galante	Chairman and managing director (1)
Raffaele Galante	Managing director (1)
Davide Galante	Director (1)
Alberto Pianta	Director (3)
Stefano Salbe	Director (1) (4)
Bruno Soresina	Director (3)
Dario Treves	Director (2)
Umberto Virri	Director (3)

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

(4) Financial reporting officer per Art. 154 bis of Legislative Decree 58/98

### Internal control committee

Umberto Virri (Chairman)  
Alberto Pianta  
Bruno Soresina

### Compensation Committee

Alberto Pianta (Chairman)  
Bruno Soresina  
Umberto Virri

### Board of Statutory Auditors

Michele Rutigliano	Chairman
Franco Gaslini	Standing auditor
Paolo Villa	Standing auditor
Enrico Muscato	Alternate auditor
Marcello Priori	Alternate auditor

The terms of office of the directors and statutory auditors will end with the shareholders' meeting that approves the financial statements at 30 June 2011.

On 28 October 2008 the board of directors granted to managing directors Abramo Galante and Raffaele Galante powers of ordinary and extraordinary administration, to be exercised individually up to amounts of €5,000,000 and jointly for amounts in excess of that figure. The managing directors do not have authority over the matters reserved to the board of directors or those reserved by law or by the company's by-laws to the shareholders.

By resolution of 7 August 2007, the board of directors appointed board member Stefano Salbe to the position of financial reporting officer pursuant to Art. 154 bis of Legislative Decree 58/98, granting the appropriate powers.

### External auditors

Reconta Ernst & Young S.p.A.

At the meeting of 30 October 2007 the shareholders renewed Reconta Ernst & Young's assignment to audit the separate and consolidated financial statements until approval of the accounts at 30 June 2012.

# **DIRECTORS' REPORT**

## **1. GROUP STRUCTURE**

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The Digital Bros Group publishes, distributes and markets video games. In recent years it has diversified into operations complementary to video games themselves, with a wide range of digital entertainment products, using all available forms of media and distribution. The separate operations are performed under distinctive brands to better denote the business segment.

With nearly 20 years' experience in localizing and distributing video games in the Italian market (Italian Distribution segment), in recent years the Group has expanded into video game publishing and distribution on an international scale (International Publishing segment), and into the new media industry through the online distribution and sale of video games and the supply of Internet digital entertainment (New Media segment). The costs, revenues, assets and liabilities from distributing video games and DVDs through newsstands are shown in a separate Newsstands segment.

In addition to these is the Holding segment, responsible for all costs not directly associated with the operating segments listed above, but which are necessary for coordinating Group activities. This includes the implementation of sound financial policies to support the development process and management of the buildings where the Group has its premises.

Group operations are divided into the five segments described below:

***Italian Distribution:*** the distribution in Italy of video games acquired from international publishers, either directly through key accounts or through a network of sales representatives.

This is conducted by two divisions of Digital Bros S.p.A. under the brands Halifax and DTI, and by the subsidiary Game Service S.r.l., which specializes in rack jobbing (the exclusive management of gaming displays at retail chains).

***International Publishing:*** the purchase of video game rights from developers and their distribution by way of an international sales network. These operations differ from those of the Italian Distribution segment because the games are produced under license with international exploitation rights normally valid for several years.

Since October 2006 International Publishing operations have been handled by the subsidiary 505 Games S.r.l. (following a name change from DB International S.r.l.), together with the newly incorporated Digital Bros France S.a.r.l. and 505 Games Ltd. operating respectively in France and the United Kingdom, and by D3DB S.r.l., a 50-50 joint venture with Japan's D3 Publisher Inc. set up for the exclusive distribution of games in the lower price range in PAL system countries (Europe, Australia and South Africa). In January 2008 the Group formed two additional subsidiaries, Digital Bros Iberia S.I. and 505 Games U.S. Inc., which will become fully operational in the second half of the current fiscal year.

These two companies will support the process undertaken in the last two years to enter the Spanish and American markets.

**New Media:** this segment covers all forms of interactive entertainment distributed over the new media. Digital entertainment content is provided over channels such as mobile phones, e-commerce, d-commerce and IP TV, and is managed by the subsidiary Game Media Networks S.r.l. Since 1 January 2007, as an effect of the streamlining process, the online gaming business (the exploitation of international licenses for online games)—formerly run by 505 Games S.r.l.—has been operated by the subsidiary Game Media Networks S.r.l.

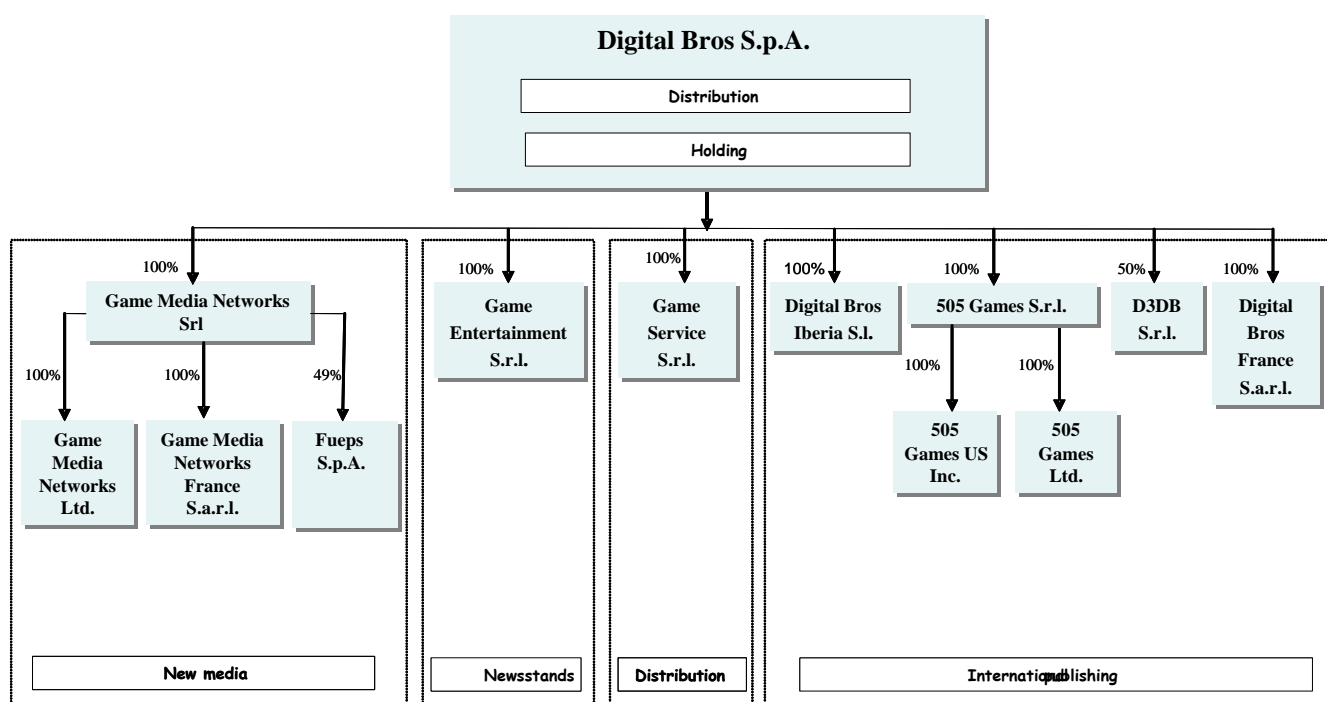
In the previous fiscal year, the Digital Bros Group and RCS Mediagroup formed the joint venture Fueps S.p.A. to develop an online gaming portal ([www.fueps.com](http://www.fueps.com)) and e-commerce/d-commerce operations for the Italian market. Through its subsidiary Game Media Networks S.r.l., Digital Bros is the joint venture's sole supplier of entertainment content.

In May 2007 the Group incorporated Game Media Networks Ltd. in the United Kingdom, and in July 2007 it founded Game Media Networks S.a.r.l. in France. The purpose of the two companies is to provide sales, promotional and media relations support in those countries for the commercial development of the Group's European online gaming portal, [www.gametribe.com](http://www.gametribe.com).

**Newsstands:** the distribution of video games as newspaper or magazine add-ons, and the distribution through newsstands of digital entertainment publications. Since 2006-2007, as a result of the streamlining process, these operations have been handled by the subsidiary Game Entertainment S.r.l.

**Holding:** includes all coordination functions provided by the parent company Digital Bros S.p.A., specifically the management of property investments and brands, as well as Group finance operations.

The following chart presents the Group's structure by business segment in the first quarter of 2008-2009.



During the period the Group operated from the following locations:

Company	Address	Type
Digital Bros S.p.A.	Via Bisceglie 76, Milan	Offices
Digital Bros S.p.A.	Via Petrella, Trezzano sul Naviglio (MI)	Warehouse
Digital Bros France S.a.r.l.	2, Chemin de la Chauderaie, Francheville, Lyons, France	Offices
Digital Bros Iberia S.I.	Calle Londres 38, Las Rozas de Madrid, Spain	Offices
Game Service S.r.l.	Via Bisceglie 76, Milan	Offices
Game Entertainment S.r.l.	Via Bisceglie 76, Milan	Offices
Game Media Networks S.r.l.	Via Bisceglie 76, Milan	Offices
Game Media Networks Ltd.	Court Silbury Boulevard, Milton Keynes, U. K.	Offices
Game Media Networks France S.a.r.l.	2, Chemin de la Chauderaie, Francheville, Lyons, France	Offices
505 Games S.r.l.	Via Bisceglie 76, Milan	Offices
505 Games Ltd.	Court Silbury Boulevard, Milton Keynes, U. K.	Offices
505 Games U.S. Inc.	Chesebro Rd. Suite 102, Agoura Hills, CA, U.S.A.	Offices

## **2. THE VIDEO GAMES MARKET**

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Since the first video games came out about 25 years ago, the market has been growing non-stop. It has become a major segment of the entertainment market around the world, and is now estimated to have outgrown the movie industry.

The gaming industry owes its rapid growth to several underlying factors, not least of which are the constant technological progress that has made games increasingly polished in terms of look, playability and depth of content; the increasing number of players; and the fact that players are older, as those who start to play when young continue to do so at a later age allowing the market to release games for an ever more mature audience. Growing just as fast is the market of video games for female players, who in recent years have become avid leisure time fans.

Over the past year or so, several games have been launched that are perfect for mass consumption, in particular for the Nintendo DS and Nintendo Wii consoles. The games include Brain Trainer, a sort of digital puzzle book; various animal training games involving dogs, cats and even dolphins; cooking simulation games; and more. Because they are simple and user-friendly, this kind of game has strongly influenced the growth rates for the video game market in the past 12 months.

The market performs in cycles, in parallel with the life cycle of the consoles for which the games are developed. With the rollout of a given console, the price of both the hardware and the video games is high, and relatively small quantities are sold. Console and game prices then gradually go down, as they pass from start-up to maturity, but the quantities sold increase along with the quality of the video games. The games market for a given console usually peaks in its fifth year on the market. The lifespan for consoles is currently around seven years.

The value chain for the sector is fairly elaborate, consisting of five main figures who often intersect one another:

- Developers
- Publishers
- Console manufacturers
- Distributors
- Dealers: specialized chains, mass retailers and shops.

Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film, a book and/or a cartoon, but can also take the form of simulation games that mimic sports, racecar driving, etc. The developers retain the intellectual property rights, but they transfer the

exploitation rights—for a limited amount of time agreed by contract—to international video game publishers, who are therefore crucial for completing the game and giving it a global reputation and clientele.

For developers, publishers are the links of the chain that allow the game to reach the consumer, as most of them are equipped with direct and indirect sales networks in various countries. They are also the ones who finance the phases of development and implement communication strategies to maximize international sales. The publisher decides on a game's release schedule, price, international sales policy, positioning, and package design, while taking on all related risks and rewards.

The console manufacturer is the company that designs, engineers and produces the hardware on which the consumer plays the game. Sony is the console manufacturer for Sony Playstation 3, Sony Playstation 2 and Sony PSP; Microsoft is the console manufacturer for Microsoft XBox and Microsoft XBox 360; and Nintendo is the console manufacturer for Nintendo GameBoy Advance, Nintendo DS and Nintendo Wii.

The console manufacturer is also the member of the value chain that physically prints the game, using its own equipment, on behalf of the international publishers. The game must be approved in advance by the manufacturer, through a process known as submission. Only publishers selected in advance will be allowed to publish games by the console manufacturer, according to a Licensing Publishing Agreement. The console manufacturer and the video game publisher are often one and the same.

The role of the distributor varies from market to market. The more a market is fragmented, like Italy's, the more the distributor's role is integrated with that of the publisher—making it a sort of co-publisher that sets communication policies for a local audience and organizes PR activities, marketing policy implementation, etc. In other markets, like the U.K.'s, dealers are highly concentrated so publishers usually have a direct commercial presence. The situation in France and Spain is somewhere between the British and the Italian markets.

The dealer is the outlet where the consumer buys the game. Dealers can be international chains specialized in the sale of video games, mass retail stores, specialized independent shops, or online stores.

In Italy, the market is made up approximately 50% of mass retail outlets and 50% of independent, specialized stores often grouped into chains. The Group has therefore set up an internal key account network to serve the former and a team of sales representatives to serve the latter. For back-catalog sales, i.e. the sale of games that no longer qualify as current releases, dealers can access a reserved area of the website to check availability and directly place an order.

### **3. SEASONAL TRENDS**

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The video game distribution market has some typical seasonal trends. Consumers are most likely to buy in the autumn, due to the approaching holidays and the imminent cold season when they spend more of their free time indoors. This is why video game publishers prefer to launch their best products in October and November.

These trends have a strong impact on the structure of the Group's income statement and balance sheet. As far as revenues and costs are concerned, fixed costs tend to be under- or over-absorbed. Their higher or lower impact on margins is quite apparent in the second quarter of the fiscal year (over-absorption of fixed costs, hence greater margins in both absolute and percentage terms), which is usually when the Group makes 40-50% of its annual sales, and during the first quarter of the year (July to September, when fixed costs are under-absorbed and margins and profits are lower), when less than 15% of revenues are earned.

The financial structure is also closely related to the pattern in sales. Net working capital rises gradually during the first few months of the year, due to the steady increase in finished product inventories and trade receivables, while for exactly the opposite reason—a decrease in inventories and receivables—net working capital tends to fall off during the second half. The same trend is found for the net financial position, which reaches a high toward the end of the calendar year.

Seasonal trends can be influenced by launching hit products at times other than the traditional Christmas period. This causes sales to build up just before the official release date (known as “day one”), as occurred, for example, with the launch of “Metal Gear Solid 4” in June 2008.

The first quarter of the fiscal year is generally the slowest, although major releases can make revenues and profit margins quite volatile.

#### **4. SIGNIFICANT EVENTS DURING THE PERIOD**

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The main events occurring from July 2008 to September 2008 were as follows.

- July: the Group's Spanish subsidiary, Digital Bros Iberia S.I., opens for business on 1 July;
- September: Digital Bros signs an agreement with Cooking Mama Ltd. for the rights to and the publication of Gardening Mama in Europe. The game is scheduled for release in June 2009 and is expected to gross about €4 million.

## 5. ECONOMIC PERFORMANCE IN THE PERIOD ENDED 30 SEPTEMBER 2008

Below is the consolidated income statement for the quarter ended 30 September 2008, with comparative figures for the previous year:

	EUR/000	1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	26,225	122.9%	22,486	109.7%	3,739	16.6%
2	Revenue adjustments	(4,879)	-22.9%	(1,982)	-9.7%	(2,897)	146.2%
<b>3</b>	<b>Total revenues</b>	<b>21,346</b>	<b>100.0%</b>	<b>20,504</b>	<b>100.0%</b>	<b>842</b>	<b>4.1%</b>
4	Purchase of goods for resale	(15,878)	-74.4%	(14,110)	-68.8%	(1,768)	12.5%
5	Purchase of services for resale	(535)	-2.5%	(348)	-1.7%	(187)	53.7%
6	Royalties	(2,671)	-12.5%	(1,259)	-6.1%	(1,412)	112.2%
7	Change in inventories of finished products	5,390	25.3%	1,500	7.3%	3,890	n.a.
<b>8</b>	<b>Total cost of goods sold</b>	<b>(13,694)</b>	<b>-64.2%</b>	<b>(14,217)</b>	<b>-69.3%</b>	<b>523</b>	<b>-3.7%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>7,652</b>	<b>35.8%</b>	<b>6,287</b>	<b>30.7%</b>	<b>1,365</b>	<b>21.7%</b>
10	Other income	39	0.2%	15	0.1%	24	160.0%
11	Cost of services	(3,651)	-17.1%	(2,331)	-11.4%	(1,320)	56.6%
12	Rent and leasing	(166)	-0.8%	(93)	-0.5%	(73)	78.5%
13	Payroll costs	(3,205)	-15.0%	(2,394)	-11.7%	(811)	33.9%
14	Other operating expenses	(620)	-2.9%	(381)	-1.9%	(239)	62.7%
<b>15</b>	<b>Total operating expenses</b>	<b>(7,642)</b>	<b>-35.8%</b>	<b>(5,199)</b>	<b>-25.4%</b>	<b>(2,443)</b>	<b>47.0%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>49</b>	<b>0.2%</b>	<b>1,103</b>	<b>5.4%</b>	<b>(1,054)</b>	<b>n.a.</b>
17	Depreciation and amortization	(181)	-0.8%	(147)	-0.7%	(34)	23.1%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(181)</b>	<b>-0.8%</b>	<b>(147)</b>	<b>-0.7%</b>	<b>(34)</b>	<b>23.1%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(132)</b>	<b>-0.6%</b>	<b>956</b>	<b>4.7%</b>	<b>(1,088)</b>	<b>n.a.</b>
23	Interest income	62	0.3%	36	0.2%	26	72.2%
24	Interest expense	(1,230)	-5.8%	(768)	-3.7%	(462)	60.2%
<b>25</b>	<b>Net interest income (expense)</b>	<b>(1,168)</b>	<b>-5.5%</b>	<b>(732)</b>	<b>-3.6%</b>	<b>(436)</b>	<b>59.6%</b>
<b>26</b>	<b>Profit before taxes (22+25)</b>	<b>(1,300)</b>	<b>-6.1%</b>	<b>224</b>	<b>1.1%</b>	<b>(1,524)</b>	<b>n.a.</b>
27	Current taxes	(169)	-0.8%	(98)	-0.5%	(71)	72.4%
28	Deferred taxes	501	2.3%	0	0.0%	501	0.0%
<b>29</b>	<b>Total taxes</b>	<b>332</b>	<b>1.6%</b>	<b>(98)</b>	<b>-0.5%</b>	<b>430</b>	<b>n.a.</b>
<b>30</b>	<b>Net profit (loss) (26+29)</b>	<b>(968)</b>	<b>-4.5%</b>	<b>126</b>	<b>0.6%</b>	<b>(1,094)</b>	<b>n.a.</b>
	<b>Earnings per share:</b>						
<b>31</b>	<b>Basic earnings (loss) per share (in EUR)</b>	<b>(0.07)</b>		<b>0.01</b>		<b>(0.08)</b>	<b>n.a.</b>
<b>32</b>	<b>Diluted earnings (loss) per share (in EUR)</b>	<b>(0.07)</b>		<b>0.01</b>		<b>(0.08)</b>	<b>n.a.</b>

In the first quarter the Group earned gross revenues of €26,225 thousand and net revenues of €21,346 thousand, for respective increases on the previous year's figures of €3,739 thousand and €842 thousand. Below is the breakdown of first-quarter revenues by business segment for this and the previous year:

EUR/000	Gross revenues				Net revenues			
	2008-2009	2007-2008	Change		2008-2009	2007-2008	Change	
Italian distribution	15,861	14,818	1,043	7.0%	14,349	13,713	636	4.6%
Newsstands	118	696	(578)	-83.0%	114	661	(547)	-82.7%
New media	142	54	88	163.0%	142	54	88	163.0%
International publishing	10,104	6,918	3,185	46.0%	6,741	6,076	665	10.9%
<b>Total gross revenues</b>	<b>26,225</b>	<b>22,486</b>	<b>3,739</b>	<b>16.6%</b>	<b>21,346</b>	<b>20,504</b>	<b>842</b>	<b>4.1%</b>

Sales growth in the first quarter of 2008-2009 results from ongoing expansion in the International Publishing division, where net revenues rose from €6,076 thousand to €6,741 thousand (+10.9%), and from an increase in Distribution revenues that did not match the International Publishing segment but still amounted to +7% (gross revenues) and +4.6% (net).

Net revenues in the Newsstands segment plunged from €661 thousand to €114 thousand as a result of fewer releases, caused by the industry's strategic choice to favor cover-mounts and reduce the risk of unsold merchandise at the expense of traditional publications.

In the New Media segment, sales were up sharply in percentage terms but only modestly in absolute terms, rising from €54 thousand in the first quarter of 2007-2008 to €142 thousand this quarter.

The cost of sales decreased as a percentage of revenues, from 69.3% to 64.1%, permitting a gross profit of €7,652 thousand for the quarter compared with €6,287 thousand the previous year (+€1,365 thousand).

Operating expenses rose by €2,443 thousand or 47%, growing at a much faster pace than net sales. This is due primarily to the Group's higher costs in the International Publishing and New Media segments. The most significant increase in operating expenses pertained to the cost of services, which rose from €2,331 thousand to €3,651 thousand (+€1,320 thousand), due mainly to the advertising costs incurred to support video game sales in the local and international market and the amount spent by the International Publishing segment for the localization of games.

Payroll costs were up by €811 thousand, due to continued hiring in the International Publishing segment, with the opening of Digital Bros Iberia S.I. and 505 Games US Inc.

As a result of these trends, EBITDA fell from €1,103 thousand to €49 thousand, a decrease of €1,054 thousand.

The heading "depreciation, amortization, provisions and impairment" (€81 thousand) refers exclusively to depreciation and amortization.

Performance for the quarter was in line with the Group's forecasts. Heavy losses were suffered due to the start-ups in the U.S. and Spain, which detracted €403 thousand and €167 thousand, respectively, from consolidated EBIT.

Due in part to the costs of the international network, EBIT decreased by €1,088 thousand, from a positive €56 thousand to a negative €132 thousand. The net loss for the quarter to 30 September 2008 was €968 thousand, compared with a net profit of €126 thousand for the first quarter of last year.

Basic and diluted earnings per share was a negative €0.07, down by eight cents per share with respect to the previous year.

Basic earnings per share is calculated by dividing the net profit for the period by the number of shares outstanding, net of treasury shares. For the Group, diluted earnings per share is the same as basic earnings per share, since there were no financial instruments convertible into shares in circulation during the period.

## **6. INTERCOMPANY AND RELATED PARTY TRANSACTIONS**

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All intercompany and related party transactions within the Digital Bros Group are conducted under arm's-length conditions.

Such transactions generally concern goods and services of an administrative, financial, or advisory nature, as well as general services.

Group companies in Italy also transfer tax receivables and payables to the parent company, Digital Bros S.p.A., in the context of the group tax election.

In the interim management statement at 30 September 2008, all effects of intercompany transactions on the balance sheet and income statement have been eliminated. Related party transactions are discussed in the notes.

## **7. TREASURY SHARES**

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Pursuant to paragraph 2.3 of Civil Code Art. 2428, we report that at 30 September 2008 Digital Bros S.p.A. owned 174,686 treasury shares.

Pursuant to paragraph 2.4 of that article, we report that in the first quarter of 2008-2009 the company purchased 20,423 treasury shares and disposed of none.

The purchase, approved on 30 October 2007 by the general meeting of shareholders, will support any transactions such as the sale, transfer or swap of Digital Bros S.p.A. shares for the acquisition of equity investments and/or the conclusion of strategic agreements that further the company's goals of expansion.

On 28 October 2008, the shareholders granted further authorization to purchase treasury shares, valid until the AGM held to approve the financial statements at 30 June 2009.

## **8. FINANCIAL RISK MANAGEMENT**

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Financial risks and financial instruments are discussed in Section 7 of the notes.

## **9. SUBSEQUENT EVENTS**

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No significant events have occurred since 30 September 2008.

## **10. OUTLOOK**

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The market grew substantially last year, especially for female players and casual gamers. Another vibrant niche is social gaming, e.g. when friends gather around the console after a dinner party. Examples of social games are foosball (table soccer), Olympic games, etc.

The publishing lineup of 505 Games S.r.l. for 2008-2009 is well structured, with a line of Nintendo DS games for teenage girls to be marketed under their own distinctive logo; a set of social gaming products for Nintendo Wii, including foosball; the sequel to Cooking Mama; and other music simulation games. The range is filled out with more classically designed titles for true gaming connoisseurs. These include the 1C line with its war simulation games, strategic games for PC/CD-ROM, Microsoft Xbox 360 and Sony Playstation 3.

The Group is investing constantly in the female gaming market given its powerful impact on the International Publishing segment, and offers its own innovative ideas to the social gaming market, but is also willing to remain a force in traditional video games.

This balanced strategy, along with the development of the international distribution market—the Spanish subsidiary has been operational since July 2008 and the publishing and distribution company in the United States will function as from the third quarter of this year—will keep growth swift in 2008-2009.

The distribution business in Italy is likely to shrink somewhat, without appreciably reducing margins. This is due to management's decision to downsize DTI's operations, which are less profitable than those of Halifax. As a result, financial debt should improve thanks to a reduction in the segment's net working capital.

The New Media division, which took a substantial bite out of earnings last year, will see improved margins in 2008-2009 although it will probably still operate at a loss.

No major change is expected for the Newsstands segment; after acknowledging waning interest in wrestling entertainment products this year, it will be able to develop its standard business of distributing video games to a mass audience and slightly improve its profit margins by focusing on cover-mounts.

The costs of the Holding segment will be essentially unchanged.

Management constantly monitors the company's performance using various means of control, compares forecasts with actual figures on a monthly basis, and informs the market promptly if there are any significant changes with respect to data announced in the past.



## **Financial statements at 30 September 2008**

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## FINANCIAL STATEMENTS

### Digital Bros Group

#### Consolidated balance sheet at 30 September 2008

	EUR/000	30 September 2008	30 June 2008	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	3,750	3,753	(3)	-0.1%
2	Investment property	455	455	0	0.0%
3	Intangible assets	707	680	27	4.0%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	123	132	(9)	-6.8%
6	Deferred tax assets	2,604	2,103	501	23.8%
	<b>Total non-current assets</b>	<b>8,379</b>	<b>7,863</b>	<b>516</b>	<b>6.6%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(539)	(555)	16	-2.9%
8	Non-current provisions	(258)	(249)	(9)	3.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	<b>Total non-current liabilities</b>	<b>(797)</b>	<b>(804)</b>	<b>7</b>	<b>-0.9%</b>
	<b>Net working capital</b>				
10	Inventories	44,762	39,553	5,209	13.2%
11	Trade receivables	36,388	42,110	(5,722)	-13.6%
12	Tax credits	1,570	1,440	130	9.0%
13	Other current assets	27,194	14,682	12,512	85.2%
14	Trade payables	(22,783)	(14,436)	(8,347)	57.8%
15	Taxes payable	(4,045)	(5,202)	1,157	-22.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,074)	(2,477)	403	-16.3%
	<b>Total net working capital</b>	<b>81,012</b>	<b>75,670</b>	<b>5,342</b>	<b>7.1%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,462)	(19,462)	0	0.0%
20	Treasury shares	806	717	89	12.4%
21	(Profits) losses carried forward	(9,145)	(10,113)	968	-9.6%
	<b>Total capital and reserves</b>	<b>(33,445)</b>	<b>(34,502)</b>	<b>1,057</b>	<b>-3.1%</b>
	<b>Total net assets</b>	<b>55,149</b>	<b>48,227</b>	<b>6,922</b>	<b>14.4%</b>
22	Cash and cash equivalents	6,798	11,279	(4,481)	-39.7%
23	Short-term payables to banks	(54,700)	(49,730)	(4,970)	10.0%
24	Other current financial liabilities	(1,818)	(3,309)	1,491	-45.1%
	<b>Current net debt</b>	<b>(49,720)</b>	<b>(41,760)</b>	<b>(7,960)</b>	<b>19.1%</b>
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(3,717)	(4,679)	962	-20.6%
27	Other non-current financial liabilities	(1,712)	(1,788)	76	-4.3%
	<b>Non-current net debt</b>	<b>(5,429)</b>	<b>(6,467)</b>	<b>1,038</b>	<b>-16.1%</b>
	<b>Total net debt</b>	<b>(55,149)</b>	<b>(48,227)</b>	<b>(6,922)</b>	<b>14.4%</b>

### Digital Bros Group

**Consolidated income statement for the period ended 30 September 2008 (first quarter of 2008-2009)**

	EUR/000	1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	26,225	122.9%	22,486	109.7%	3,739	16.6%
2	Revenue adjustments	(4,879)	-22.9%	(1,982)	-9.7%	(2,897)	146.2%
<b>3</b>	<b>Total revenues</b>	<b>21,346</b>	<b>100.0%</b>	<b>20,504</b>	<b>100.0%</b>	<b>842</b>	<b>4.1%</b>
4	Purchase of goods for resale	(15,878)	-74.4%	(14,110)	-68.8%	(1,768)	12.5%
5	Purchase of services for resale	(535)	-2.5%	(348)	-1.7%	(187)	53.7%
6	Royalties	(2,671)	-12.5%	(1,259)	-6.1%	(1,412)	112.2%
7	Change in inventories of finished products	5,390	25.3%	1,500	7.3%	3,890	n.a.
<b>8</b>	<b>Total cost of goods sold</b>	<b>(13,694)</b>	<b>-64.2%</b>	<b>(14,217)</b>	<b>-69.3%</b>	<b>523</b>	<b>-3.7%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>7,652</b>	<b>35.8%</b>	<b>6,287</b>	<b>30.7%</b>	<b>1,365</b>	<b>21.7%</b>
10	Other income	39	0.2%	15	0.1%	24	160.0%
11	Cost of services	(3,651)	-17.1%	(2,331)	-11.4%	(1,320)	56.6%
12	Rent and leasing	(166)	-0.8%	(93)	-0.5%	(73)	78.5%
13	Payroll costs	(3,205)	-15.0%	(2,394)	-11.7%	(811)	33.9%
14	Other operating expenses	(620)	-2.9%	(381)	-1.9%	(239)	62.7%
<b>15</b>	<b>Total operating expenses</b>	<b>(7,642)</b>	<b>-35.8%</b>	<b>(5,199)</b>	<b>-25.4%</b>	<b>(2,443)</b>	<b>47.0%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>49</b>	<b>0.2%</b>	<b>1,103</b>	<b>5.4%</b>	<b>(1,054)</b>	<b>n.a.</b>
17	Depreciation and amortization	(181)	-0.8%	(147)	-0.7%	(34)	23.1%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(181)</b>	<b>-0.8%</b>	<b>(147)</b>	<b>-0.7%</b>	<b>(34)</b>	<b>23.1%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(132)</b>	<b>-0.6%</b>	<b>956</b>	<b>4.7%</b>	<b>(1,088)</b>	<b>n.a.</b>
23	Interest income	62	0.3%	36	0.2%	26	72.2%
24	Interest expense	(1,230)	-5.8%	(768)	-3.7%	(462)	60.2%
<b>25</b>	<b>Net interest income (expense)</b>	<b>(1,168)</b>	<b>-5.5%</b>	<b>(732)</b>	<b>-3.6%</b>	<b>(436)</b>	<b>59.6%</b>
<b>26</b>	<b>Profit before taxes (22+25)</b>	<b>(1,300)</b>	<b>-6.1%</b>	<b>224</b>	<b>1.1%</b>	<b>(1,524)</b>	<b>n.a.</b>
27	Current taxes	(169)	-0.8%	(98)	-0.5%	(71)	72.4%
28	Deferred taxes	501	2.3%	0	0.0%	501	0.0%
<b>29</b>	<b>Total taxes</b>	<b>332</b>	<b>1.6%</b>	<b>(98)</b>	<b>-0.5%</b>	<b>430</b>	<b>n.a.</b>
<b>30</b>	<b>Net profit (loss) (26+29)</b>	<b>(968)</b>	<b>-4.5%</b>	<b>126</b>	<b>0.6%</b>	<b>(1,094)</b>	<b>n.a.</b>
	<b>Earnings per share:</b>						
<b>31</b>	<b>Basic earnings (loss) per share (in EUR)</b>	<b>(0.07)</b>		<b>0.01</b>		<b>(0.08)</b>	
<b>32</b>	<b>Diluted earnings (loss) per share (in EUR)</b>	<b>(0.07)</b>		<b>0.01</b>		<b>(0.08)</b>	

**Digital Bros Group**

**Consolidated cash flow statement for the quarter to 30 September 2008**

	EUR/000	1Q 2008-2009	1Q 2007-2008
<b>A. Opening net debt</b>		<b>(48,227)</b>	<b>(33,942)</b>
<b>B. Cash flow from operating activities</b>			
Group's share of net profit (loss) for the year		(968)	126
Depreciation, amortization and provisions:			
Amortization		72	48
Depreciation		109	98
Net change in other provisions		9	0
Net change in provision for employee termination indemnities		(16)	(60)
<b>SUBTOTAL B.</b>		<b>(794)</b>	<b>212</b>
<b>C. Change in net working capital</b>			
Inventories		(5,209)	(1,500)
Trade receivables		5,722	(2,011)
Tax credits		(130)	(683)
Other current assets		(12,512)	(3,205)
Trade payables		8,347	(1,333)
Taxes payable		(1,157)	270
Current provisions		0	0
Other current liabilities		(403)	(560)
<b>SUBTOTAL C.</b>		<b>(5,342)</b>	<b>(9,023)</b>
<b>D. Cash flow from investing activities</b>			
Net investments in intangible assets		(99)	(66)
Net investments in property, plant and equipment		(106)	(25)
Net investments in financial fixed assets		(492)	7
<b>SUBTOTAL D.</b>		<b>(697)</b>	<b>(84)</b>
<b>E. Cash flow from financing activities</b>			
Capital increases		0	0
<b>SUBTOTAL E.</b>		<b>0</b>	<b>0</b>
<b>F. Movements in consolidated capital and reserves</b>			
Dividends paid		0	0
Change in treasury shares held		(89)	(25)
Increases (decreases) in other components of capital and reserves		0	(2)
<b>SUBTOTAL F.</b>		<b>(89)</b>	<b>(27)</b>
<b>G. Cash flow for the period (B+C+D+E+F)</b>		<b>(6,922)</b>	<b>(8,922)</b>

**Details of cash flow movements by maturity**

<b>EUR/000</b>	<b>1Q 2008-2009</b>	<b>1Q 2007-2008</b>
Increase (decrease) in securities and cash & cash equivalents	(4,481)	(2,585)
Decrease (increase) in short-term payables to banks	(4,970)	(5,886)
Decrease (increase) in other current financial liabilities	1,491	1
Short-term cash flow for the period	(7,960)	(8,470)
Medium-term cash flow for the period	1,038	(452)
<b>Cash flow for the period</b>	<b>(6,922)</b>	<b>(8,922)</b>

**Digital Bros Group**

**Statement of changes in consolidated shareholders' equity**

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Profit (losses) carried forward	Net profit (loss) for the period	Total unallocated income (D)	Consolidated capital and reserves: Group's share (A+B+C+D)
<b>Total at 1 July 2007</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>7</b>	<b>19,457</b>	<b>(204)</b>	<b>3,663</b>	<b>3,830</b>	<b>7,493</b>	<b>32,390</b>
Allocation of net profit						0		3,830	(3,830)	0	0
Dividend payments						0				0	0
Purchase of treasury shares						0	(25)			0	(25)
Other changes					(2)	(2)				0	(2)
Net profit for the period						0			126	126	126
<b>Total at 30 September 2007</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>5</b>	<b>19,455</b>	<b>(229)</b>	<b>7,493</b>	<b>126</b>	<b>7,619</b>	<b>32,489</b>
Allocation of net profit						0				0	0
Dividend payments						0		(1,128)		(1,128)	(1,128)
Purchase of treasury shares						0	(488)			0	(488)
Other changes					7	7				0	7
Net profit for the period						0			3,622	3,622	3,622
<b>Total at 1 July 2008</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>12</b>	<b>19,462</b>	<b>(717)</b>	<b>6,365</b>	<b>3,748</b>	<b>10,113</b>	<b>34,502</b>
Allocation of net profit						0		3,748	(3,748)	0	0
Dividend payments						0				0	0
Purchase of treasury shares						0	(89)			0	(89)
Other changes						0				0	0
Net profit for the period						0			(968)	(968)	(968)
<b>Total at 30 September 2008</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>12</b>	<b>19,462</b>	<b>(806)</b>	<b>10,113</b>	<b>(968)</b>	<b>9,145</b>	<b>33,445</b>

## Segment reporting

### Consolidated income statement for the quarter to 30 September 2008

	Consolidated figures in EUR/000	Distribution	Newsstands	New media	Publishing	Holding	Total
1	Revenues	15,861	118	142	10,104	0	26,225
2	Revenue adjustments	(1,512)	(4)	0	(3,363)	0	(4,879)
<b>3</b>	<b>Total revenues</b>	<b>14,349</b>	<b>114</b>	<b>142</b>	<b>6,741</b>	<b>0</b>	<b>21,346</b>
4	Purchase of goods for resale	(11,937)	0	(1)	(3,940)	0	(15,877)
5	Purchase of services for resale	0	(57)	(255)	(223)	0	(535)
6	Royalties	(34)	(67)	(55)	(2,516)	0	(2,671)
7	Change in inventories of finished products	1,838	27	0	3,525	0	5,390
<b>8</b>	<b>Total cost of goods sold</b>	<b>(10,133)</b>	<b>(98)</b>	<b>(310)</b>	<b>(3,153)</b>	<b>0</b>	<b>(13,694)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,216</b>	<b>17</b>	<b>(168)</b>	<b>3,588</b>	<b>0</b>	<b>7,652</b>
10	Other income	32	0	0	7	0	39
11	Cost of services	(1,569)	(22)	(227)	(1,795)	(37)	(3,651)
12	Rent and leasing	(79)	0	(17)	(69)	(0)	(166)
13	Payroll costs	(1,430)	0	(337)	(1,145)	(294)	(3,205)
14	Other operating expenses	(334)	(1)	(12)	(186)	(88)	(620)
<b>15</b>	<b>Total operating expenses</b>	<b>(3,412)</b>	<b>(23)</b>	<b>(593)</b>	<b>(3,195)</b>	<b>(419)</b>	<b>(7,642)</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>835</b>	<b>(6)</b>	<b>(762)</b>	<b>400</b>	<b>(419)</b>	<b>49</b>
17	Depreciation and amortization	(112)	(0)	(9)	(37)	(24)	(181)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	0	0	0	0
20	Impairment reversal	0	0	0	0	0	0
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(112)</b>	<b>(0)</b>	<b>(9)</b>	<b>(37)</b>	<b>(24)</b>	<b>(181)</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>723</b>	<b>(6)</b>	<b>(770)</b>	<b>363</b>	<b>(442)</b>	<b>(132)</b>

**Digital Bros S.p.A.**

**Balance sheet at 30 September 2008**

	EUR/000	30 September 2008	30 June 2008	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	3,244	3,261	(17)	-0.5%
2	Investment property	455	455	0	0.0%
3	Intangible assets	630	595	35	5.9%
4	Equity investments	2,204	2,204	0	0.0%
5	Non-current receivables and other assets	4	4	0	0.0%
6	Deferred tax assets	688	525	163	31.0%
	<b>Total non-current assets</b>	<b>7,225</b>	<b>7,044</b>	<b>181</b>	<b>2.6%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(512)	(531)	19	-3.6%
8	Non-current provisions	(258)	(249)	(9)	3.6%
9	Other non-current payables and liabilities	0	0	0	n.a.
	<b>Total non-current liabilities</b>	<b>(770)</b>	<b>(780)</b>	<b>10</b>	<b>-1.3%</b>
	<b>Net working capital</b>				
10	Inventories	33,527	31,401	2,126	6.8%
11	Trade receivables	18,733	26,888	(8,155)	-30.3%
12	Due from subsidiaries	20,802	13,131	7,671	58.4%
13	Tax credits	96	77	19	24.7%
14	Other current assets	7,776	6,441	1,335	20.7%
15	Trade payables	(5,927)	(6,129)	202	-3.3%
16	Due to subsidiaries	(1,517)	(1,451)	(66)	4.5%
17	Taxes payable	(3,300)	(4,190)	890	-21.2%
18	Current provisions	(2,756)	(2,230)	(526)	23.6%
19	Other current liabilities	(1,762)	(2,280)	518	-22.7%
	<b>Total net working capital</b>	<b>65,672</b>	<b>61,658</b>	<b>4,014</b>	<b>6.5%</b>
	<b>Capital and reserves</b>				
20	Share capital	(5,644)	(5,644)	0	0.0%
21	Reserves	(17,965)	(17,965)	0	0.0%
22	Treasury shares	806	717	89	12.4%
23	(Profits) losses carried forward	(4,851)	(5,895)	1,044	-17.7%
	<b>Total capital and reserves</b>	<b>(27,654)</b>	<b>(28,787)</b>	<b>1,133</b>	<b>-3.9%</b>
	<b>Total net assets</b>	<b>44,473</b>	<b>39,135</b>	<b>5,338</b>	<b>13.6%</b>
24	Cash and cash equivalents	5,065	8,014	(2,949)	-36.8%
25	Short-term payables to banks	(43,550)	(40,451)	(3,099)	7.7%
26	Other current financial liabilities	(1,732)	(1,803)	71	-3.9%
	<b>Current net debt</b>	<b>(40,217)</b>	<b>(34,240)</b>	<b>(5,977)</b>	<b>17.5%</b>
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(2,544)	(3,107)	563	-18.1%
29	Other non-current financial liabilities	(1,712)	(1,788)	76	-4.3%
	<b>Non-current net debt</b>	<b>(4,256)</b>	<b>(4,895)</b>	<b>639</b>	<b>-13.1%</b>
	<b>Total net debt</b>	<b>(44,473)</b>	<b>(39,135)</b>	<b>(5,338)</b>	<b>13.6%</b>

**Digital Bros S.p.A.**

**Income statement for the period ended 30 September 2008**

	<b>EUR/000</b>	<b>1Q 2008-2009</b>		<b>1Q 2007-2008</b>		<b>Change</b>	
1	Gross revenues	15,561	111.2%	17,345	105.6%	(1,784)	-10.3%
2	Revenue adjustments	(1,571)	-11.2%	(927)	-5.6%	(644)	69.5%
<b>3</b>	<b>Total revenues</b>	<b>13,990</b>	<b>100.0%</b>	<b>16,418</b>	<b>100.0%</b>	<b>(2,428)</b>	<b>-14.8%</b>
4	Purchase of goods for resale	(11,944)	-85.4%	(10,690)	-65.1%	(1,254)	11.7%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(41)	-0.3%	(263)	-1.6%	222	-84.4%
7	Change in inventories of finished products	2,126	15.2%	(3,106)	-18.9%	5,232	n.a.
<b>8</b>	<b>Total cost of goods sold</b>	<b>(9,859)</b>	<b>-70.5%</b>	<b>(14,059)</b>	<b>-85.6%</b>	<b>4,200</b>	<b>-29.9%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,131</b>	<b>29.5%</b>	<b>2,359</b>	<b>14.4%</b>	<b>1,772</b>	<b>75.1%</b>
10	Other income	518	3.7%	332	2.0%	186	56.0%
11	Cost of services	(1,730)	-12.4%	(1,200)	-7.3%	(530)	44.2%
12	Rent and leasing	(79)	-0.6%	(69)	-0.4%	(10)	14.5%
13	Payroll costs	(1,937)	-13.8%	(1,842)	-11.2%	(95)	5.2%
14	Other operating expenses	(421)	-3.0%	(368)	-2.2%	(53)	14.4%
<b>15</b>	<b>Total operating expenses</b>	<b>(4,167)</b>	<b>-29.8%</b>	<b>(3,479)</b>	<b>-21.2%</b>	<b>(688)</b>	<b>19.8%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>482</b>	<b>3.4%</b>	<b>(788)</b>	<b>-4.8%</b>	<b>1,270</b>	<b>n.a.</b>
17	Depreciation and amortization	(132)	-0.9%	(118)	-0.7%	(14)	11.9%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(526)	-3.8%	(613)	-3.7%	87	-14.2%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(658)</b>	<b>-4.7%</b>	<b>(731)</b>	<b>-4.5%</b>	<b>73</b>	<b>-10.0%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(176)</b>	<b>-1.3%</b>	<b>(1,519)</b>	<b>-9.3%</b>	<b>1,343</b>	<b>n.a.</b>
23	Interest income	61	0.4%	34	0.2%	27	0.0%
24	Interest expense	(1,002)	-7.2%	(650)	-4.0%	(352)	54.2%
<b>25</b>	<b>Net interest income (expense)</b>	<b>(941)</b>	<b>-6.7%</b>	<b>(616)</b>	<b>-3.8%</b>	<b>(325)</b>	<b>52.8%</b>
<b>26</b>	<b>Profit (loss) before taxes (22+25)</b>	<b>(1,117)</b>	<b>-8.0%</b>	<b>(2,135)</b>	<b>-13.0%</b>	<b>1,018</b>	<b>47.7%</b>
27	Current taxes	(89)	-0.6%	0	0.0%	(89)	0.0%
28	Deferred taxes	162	1.2%	0	0.0%	162	0.0%
<b>29</b>	<b>Total taxes</b>	<b>73</b>	<b>0.5%</b>	<b>0</b>	<b>0.0%</b>	<b>73</b>	<b>n.a.</b>
<b>30</b>	<b>Net profit (loss) (26+29)</b>	<b>(1,044)</b>	<b>-7.5%</b>	<b>(2,135)</b>	<b>-13.0%</b>	<b>1,091</b>	<b>51.1%</b>



## Notes

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## **1. FORM, CONTENT, AND OTHER GENERAL INFORMATION**

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The interim management statement of the Digital Bros Group for the first quarter of fiscal year 2008-2009 was approved by resolution of the Board of Directors on 11 November 2008. Digital Bros is a joint-stock company incorporated and domiciled in Italy. It is listed in the STAR segment of the MTAX market operated by Borsa Italiana S.p.A.

Its main operations and those of its subsidiaries are described in the directors' report.

### ***Accounting standards and compliance with IAS/IFRS***

This statement was prepared in accordance with the International Accounting Standards (IAS/IFRS) published by the International Accounting Standards Board (IASB) at 30 September 2008, as approved by the European Union. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). All amounts are expressed in thousands of euros, unless otherwise specified.

### ***Reporting formats***

The interim management statement at 30 September 2008 has been prepared in accordance with Arts. 77 *et seq.* of CONSOB Regulation 11971/99 for issuers (as amended), with CONSOB Resolution 15519 of 27 July 2006 and with CONSOB announcement DEM/6064293 of 28 July 2006.

No changes have been made to the reporting format with respect to previous years, and all schedules are consistent with those used for the consolidated financial statements at 30 June 2008.

In exception to CONSOB Resolution 15519 of 27 July 2006, the financial statements do not include sub-headings for positions and/or transactions with related parties, as these are not deemed significant for purposes of understanding the Group's financial position, performance and cash flows. Pursuant to CONSOB announcement DEM/6064293 of 28 July 2006, the information on related parties is included in the notes.

The income statements do not show sub-headings for costs and income arising from non-recurring events and/or transactions, as these are immaterial.

The financial statements that precede are comprised of:

- consolidated balance sheet at 30 September 2008 with comparative figures at 30 June 2008 (the previous year-end reporting date);

- consolidated income statement for the period from 1 July 2008 to 30 September 2008, in comparison with the consolidated income statement from 1 July 2007 to 30 September 2007;
- consolidated cash flow statement for the period under review, in comparison with figures for the previous year;
- details of cash flows by maturity, compared with movements taking place the previous year;
- statement of changes in consolidated shareholders' equity from 1 July 2007 to 30 September 2008;
- segment reporting: income statement;
- balance sheet of the parent company Digital Bros S.p.A. at 30 September 2008 with comparative figures at 30 June 2008 (the year-end reporting date);
- income statement of the parent company Digital Bros S.p.A. for the period from 1 July 2008 to 30 September 2008, in comparison with the income statement from 1 July 2007 to 30 September 2007.

The first column of the balance sheet indicates the number of the relevant note.

The balance sheet format divides items into five categories:

- non-current assets
- non-current liabilities
- net working capital
- capital and reserves
- net financial position.

Non-current assets are those whose duration is long-term by nature, such as fixed assets to be used over several years, equity investments, and receivables due in subsequent periods. They also include investment property, and deferred tax assets regardless of when they might be realized.

Non-current liabilities cover provisions not expected to be used during the next 12 months and for post-employment benefits, in particular the provision for employee termination indemnities at the parent company and its Italian subsidiaries.

Net working capital encompasses current assets and liabilities. Because of the commercial nature of the Group's operations, net working capital is especially significant, as it represents the amount the Group

invests in operating activities to help increase its turnover. Its trend in relation to business volumes, and as a function of seasonal patterns in the market, is extremely important.

Capital and reserves consist of share capital, reserves, unallocated earnings (the profit for the year plus the portion of previous years' profits not allocated to specific types of reserve by the shareholders), as adjusted by treasury shares.

Total net assets are the sum of non-current assets plus net working capital, less non-current liabilities and capital and reserves.

The net financial position is divided into current and non-current debt and balances total net assets.

The first column of the official income statement and of the income statement provided for segment reporting purposes indicates the number of the relevant note.

The income statement has been prepared in vertical format, with individual entries grouped by type, and shows four intermediate levels of profit:

- gross profit, the difference between net revenues and the total cost of sales
- EBITDA, the difference between the gross profit and total operating costs
- EBIT, the difference between EBITDA and total depreciation, amortization, provisions and impairment
- pre-tax profit, the difference between EBIT and net interest income or expense.

The net profit, the difference between the pre-tax profit and total tax, is followed by earnings per share.

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

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

- cash flow from operating activities
- changes in net working capital
- cash flow from investing activities
- cash flow from financing activities
- movements in capital and reserves.

The statement of changes in shareholders' equity has been drawn up in accordance with IAS/IFRS, and shows movements for the two previous years.

Minority interests are not reported because they do not exist.

## **2. ACCOUNTING STANDARDS**

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Figures in the interim management statement were determined according to the interpretations of the International Accounting Standards in force as of 30 September 2008.

The consolidated financial statements were prepared on the basis of the accounts at 30 September 2008 submitted by the companies in the consolidation, which have been adjusted, where necessary, to bring them into line with Group accounting policies and IAS/IFRS. All comparative figures from prior periods have been restated as necessary in order to render them IAS/IFRS-compliant.

The accounting policies used for the consolidated financial statements at 30 September 2008 are consistent with those used to prepare the consolidated accounts at 30 June 2008. Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of the interim management statement.

Please see the financial statements at 30 June 2008 for a complete description of the accounting standards followed.

### ***New accounting standards***

Below is a description of the new standards and interpretations approved by the EU and applied by the Group since 1 July 2007. Their adoption, while not affecting the interim management statement at 30 September 2008, entails the disclosure of additional information.

#### ***IFRS 7 - Financial instruments: disclosures***

This standard, adopted by the EU in January 2006 (Regulation EC No. 108-2006), supersedes IAS 30 (Disclosures in the financial statements of banks and similar financial institutions) and incorporates the disclosure requirements of IAS 32 (Financial instruments: presentation and disclosure), with certain changes and additions. As a result, IAS 32 is now entitled "Financial instruments: presentation." The new disclosures are provided in the notes, with comparative figures where necessary.

#### ***Amendments to IAS 1- Presentation of financial statements - capital disclosures***

These amendments, adopted by the EU in January 2006 (Regulation EC No. 108-2006), require an entity to make disclosures that will allow users of the financial statements to assess its objectives, policies and processes for managing capital. The new disclosures are provided in the notes.

#### ***IFRIC 7 - Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies.***

On 8 May 2006, the European Commission (Regulation EC No. 708-2006) adopted IFRIC Interpretation 7 - *Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies*. IFRIC 7 clarifies the provisions of IAS 29 with respect to how an entity should restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency. This interpretation has had no impact on the accounts at 30 September 2008.

#### *IFRIC 8 - Scope of IFRS 2*

On 8 September 2006, the European Commission (Regulation EC No. 1329-2006) adopted IFRIC interpretation 8 - *Scope of IFRS 2*. IFRIC 8 specifies that IFRS 2 (*Share-based payment*) applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. Compliance with this interpretation has had no impact on the accounts at 30 September 2008.

#### *IFRIC 9 – Reassessment of embedded derivatives*

On 8 September 2006, the European Commission (Regulation EC No. 1329-2006) adopted IFRIC Interpretation 9 - *Reassessment of embedded derivatives*. This interpretation specifies that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment of the separation is required. This interpretation has had no impact on the accounts at 30 September 2008.

#### *IFRIC 10 - Interim financial reporting and impairment*

On 1 June 2007, the European Commission (Regulation EC No. 610-2007) adopted IFRIC Interpretation 10 - *Interim financial reporting and impairment*. IFRIC 10 clarifies that in subsequent interim or annual financial statements, an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or certain financial assets (investments in equity instruments classified as available for sale and in unlisted equity instruments carried at cost). This interpretation has had no impact on the accounts at 30 September 2008.

#### ***New standards and interpretations approved by the EU but not yet in effect***

As required by IAS 8 (*Accounting policies, changes in accounting estimates and errors*), below is a brief description of the IFRS in effect as from 1 July 2007 or later. The Group has not applied any IFRS in advance of their effective date.

#### *IFRS 8 - Operating Segments*

On 21 November 2007, with Regulation no. 1358/2007, the European Commission ratified IFRS 8 - *Operating Segments*. IFRS 8 replaces IAS 14 – Segment Reporting and sets the requirements for the disclosure of information on the operating segments in which a company works. IFRS 8 is mandatory for financial periods beginning on 1 January 2009 or later. The Group is evaluating the impact this standard will have on the consolidated financial statements.

#### *IFRIC 11 (IFRS 2 – Group and treasury share transactions)*

On 1 June 2007, the European Commission (Regulation EC No. 611-2007) adopted IFRIC Interpretation 11 on *Group and treasury share transactions*. IFRIC 11 states that share-based payment, in which an entity receives services (e.g. from employees) in exchange for its own shares, must be accounted for as equity-settled transactions regardless of whether the entity chooses or is required to buy its own shares from a third party to settle the obligation. It clarifies the treatment applicable in the financial statements of subsidiaries to share-based payments involving the equity instruments of the parent company, under certain specified conditions. IFRS 11 is mandatory for financial periods beginning on 1 March 2007 or later. This interpretation has had no impact on the accounts at 30 September 2008.

#### ***New standards and interpretations issued by the IASB and not yet approved by the European Union***

#### *IAS 1 - Presentation of financial statements*

In September 2007 the IASB issued a revised version of IAS 1 - *Presentation of financial statements*, which among other things introduces the statement of comprehensive income, comprised of the net profit or loss including income and expenses that are disclosed directly in equity as expressly required by IFRS. The new version of IAS 1 will be effective from 1 January 2009.

#### *IAS 23 - Borrowing costs*

During the course of 2007 the IASB issued a revised version of IAS 23 - *Borrowing Costs*, effective from 1 January 2009. The revised version has eliminated the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for

applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

#### *IFRS 2 - Share-based payments*

In January 2008 the IASB issued a revised version of IFRS 2 - *Share-based payments*, which specifies the accounting treatment for cancellation of equity instruments granted to employees and states that vesting conditions shall be limited to the employee's standard of service or the company's performance. The new version of IFRS 2 will be effective from 1 January 2009. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

#### *IFRS 3 - Business combinations / IAS 27 - Consolidated and separate financial statements*

In January 2008 the IASB issued a revised version of IFRS 3 - *Business combinations* and of IAS 27 - *Consolidated and separate financial statements*. IFRS 3 now requires the expensing of ancillary costs associated with business combinations and allows companies to recognize 100% of the goodwill of the acquired entity, including that attributable to minority investors (the "full goodwill method"). The new rules also change the way step acquisitions are disclosed, with the income statement showing the difference between the fair value of net assets previously held on the date control is acquired and their carrying value. Also, the effects of acquiring additional shares of a subsidiary or partially disposing of a subsidiary without losing control are accounted for as equity transactions. If the partial disposal of an investment results in loss of control, the residual holding is remeasured to fair value, and any difference is included in the capital gain or loss on the disposal. The revised versions of IFRS 3 and IAS 27 will be effective from financial periods beginning on or after 1 July 2009 (for the Group: from the financial statements at 30 June 2010). At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

#### *IFRIC 12 - Service concession arrangements*

IFRIC 12, issued by the IASB in November 2006, explains how companies should account for concession arrangements granted by public to private entities. Service concession arrangements are contracts with which a government or other entity allows a private company to provide public services relating, for example, to roads, prisons or hospitals. Companies have to apply IFRIC 12 in financial statements for years beginning on 1 January 2008 or later. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

#### *IFRIC 13 - Customer loyalty programs*

In June 2007, IASB published IFRIC 13, effective for annual periods beginning on or after 1 July 2008. This interpretation requires that award credits granted to customers be accounted for as a separate component of the sales transaction(s) in which they were earned, and therefore that part of the fair value of the consideration received be allocated to the credits and amortized until the awards are redeemed. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

*IFRIC 14 – IAS 19: Defined benefit assets and minimum funding requirements*

In July 2007 IFRIC issued interpretation 14, “*The limit on a defined benefit asset, minimum funding requirements and their interaction,*” which provides general guidance on how to assess the amount of surplus employee benefit provisions that can be recognized as an asset. It also sets the rules for recognizing the entity's right to refunds or to reductions in future contributions to employee benefit plans. IFRIC 14 is effective from 1 January 2008. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard. The Group is evaluating the impact this standard will have on the consolidated financial statements.

*Amendments to IAS 32 and IAS 1 - “Puttable” Financial Instruments*

The changes to IAS 32 and IAS 1 were approved in February and are effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires that certain “puttable” financial instruments and obligations arising on liquidation be classified as equity instruments if certain conditions are met. Per the amendment to IAS 1, the notes to the financial statements must provide information on “puttable” options classified as equity. The Group is evaluating the impact this standard will have on the consolidated financial statements.

### 3. USE OF ESTIMATES

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The preparation of the interim management statement and notes requires Group companies to make certain discretionary valuations. These are used to prepare estimates and assumptions that affect the value of recognized assets and liabilities and the information on contingent assets and liabilities as of the reporting date. Actual results may differ.

In particular, estimates are used to report provisions for doubtful accounts, the writedown of inventories to market value, depreciation and amortization, asset impairment, employee benefits, deferred taxes, and other provisions and reserves. Estimates and assumptions are reviewed at least quarterly, and any changes are reflected immediately in profit or loss.

#### *Sources of uncertainty in making estimates*

The main sources of uncertainty in making estimates concern doubtful accounts, inventory writedowns, employee benefits, and revenue adjustments.

#### *Doubtful accounts*

To assess the risk of credit default, the Group periodically obtains an opinion from the external legal advisor in charge of customer disputes. According to the Group's credit collection procedure, receivables not paid within 45 days of falling due are passed on to the legal advisor for collection. Frequent meetings between the legal advisor and the credit manager, and frequent updates of the legal advisor's collectibility forecasts, make the estimate of doubtful accounts reliable over time.

#### *Inventory writedowns*

The Group estimates inventory writedowns on a quarterly basis, in consideration of the rapid obsolescence of its products. Impairment is charged to reflect individual products' lower market value with respect to their historical cost. To arrive at these estimates, the Group uses revenue forecasts for the six following quarters, produced by the sales managers of each segment. Any differences found between the market valuation of a product held in inventory and its historical cost are recognized to profit or loss in the quarter they are discovered.

The six-quarter forecasts are also the foundation for drawing up budgets.

#### *Employee benefits*

The Group offers no pension plans and/or other employee benefits, with the exception of the employee termination indemnities (*trattamento di fine rapporto*, or TFR) required by Italian law. Estimating those benefits requires an assessment of the future financial outlays that may arise as a result of employees' voluntary and involuntary departure from the company, in relation to their seniority and the revaluation rates these benefits enjoy by law.

The TFR system underwent significant changes during the previous year. Estimating the liability is still complex, however, due to a small portion of benefits that have remained with Group companies. To arrive at this estimate, the Group has engaged a registered actuary to define the necessary parameters.

#### *Revenue adjustments*

A significant cost element defined as “revenue adjustments” involves analytical computations for which the Group has adopted suitable procedures.

Revenue adjustments are made up of two kinds of cost. The first, discounts granted to customers at the end of the contractual period (known as year-end credits), are easy to determine. The second are difficult to estimate and consist of potential credit notes that the Group will have to issue for returns of unsold products and/or price reductions to be granted even if not agreed in the contract. To estimate this amount, management uses calculations based on an analysis by individual customer as well as an analysis by individual product, which present the risks separately for price cuts and returns. The estimate is made on a quarterly basis.

## 4. CONSOLIDATION METHODS

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### *Subsidiaries*

Subsidiaries are companies the Group controls. Control exists when the Group has the power, directly or indirectly, to influence their financial and managerial policies in such a way as to obtain benefits from their operations. The accounts of subsidiaries are included in the consolidated statement as from the date control is assumed until the date control ceases to exist.

The accounts used for the consolidation are prepared as of the same reporting date, using identical accounting standards.

Joint ventures are equity accounted.

### *Translation of foreign currency accounts*

The Group's presentation currency is the euro, which is also the functional currency of Digital Bros S.p.A. At the close of the period, the financial statements of foreign companies with a functional currency other than the euro were translated into the presentation currency as follows:

- assets and liabilities were translated using the exchange rate in force at the close of the financial period;
- income statement items were translated using the average exchange rate for the period;
- capital and reserves were translated at historical exchange rates.

The exchange differences arising from this process are recognized directly to shareholders' equity, in a separate translation reserve encompassed by the heading "Other reserves."

### *Transactions eliminated in the consolidation process*

In preparing the consolidated financial statements, all assets, liabilities, and economic and financial transactions existing between Group companies are eliminated, as are unrealized profits and losses on intercompany transactions.

### *Scope of consolidation*

The scope of consolidation includes all companies that Digital Bros S.p.A. controls directly or indirectly, thus excluding the 50-50 joint venture D3DB S.r.l. and Fueps S.p.A., which is held 49% by the subsidiary Game Media Networks S.r.l. and 51% by RCS Mediagroup.

The tables below show the details of companies consolidated on a line-by-line basis and according to the equity method.

*Companies consolidated on a line-by-line basis:*

<b>Name</b>	<b>Head office</b>	<b>Share capital</b>	<b>% held directly</b>	<b>% held indirectly</b>
Digital Bros S.p.A.	Milan	EUR 5,644,334.80	Parent company	
Game Entertainment S.r.l.	Milan	EUR 100,000	100%	
Game Media Networks S.r.l.	Milan	EUR 10,000	100%	
Game Service S.r.l.	Milan	EUR 50,000	100%	
505 Games S.r.l.	Milan	EUR 100,000	100%	
Digital Bros France S.a.r.l.	Lyons	EUR 100,000	100%	
505 Games Ltd. (1)	London	GBP 100,000		100%
Game Media Networks Ltd. (2)	Northampton	GBP 50,000		100%
Game Media Networks France S.a.r.l. (2)	Lyons	EUR 50,000		100%
Digital Bros Iberia S.l.	Madrid	EUR 100,000	100%	
505 Games U.S. Inc. (1)	Los Angeles	USD 100,000		100%

(1) interest held 100% by 505 Games S.r.l.

(2) interests held 100% by Game Media Networks S.r.l.

*Companies carried at equity:*

<b>Name</b>	<b>Head office</b>	<b>Share capital</b>	<b>% held directly</b>
D3DB S.r.l.	Milan	EUR 10,000	50%
Fueps S.p.A.	Milan	EUR 1,500,000	49%

## 5. BUSINESS COMBINATIONS

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No new companies were set up and no acquisitions were made during the first quarter of 2008-2009.

Details of companies formed during the previous year are provided below.

Name	Date formed	Head office	Share capital	% held directly	% held indirectly	Profit/loss for the period to 30 June 2008
Digital Bros Iberia S.l.	29 February 2008	Madrid	EUR 100,000	100%	-	(103)
505 Games U.S. Inc. (1)	20 November 2007	Los Angeles	USD 100,000	-	100%	(145)

(1) interest held 100% by 505 Games S.r.l.

## 6. JOINT VENTURES

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At 30 September 2008, the Group was involved in two joint ventures: a 50% interest in D3DB S.r.l., held jointly with Japan's D3 Publisher Inc. (€ thousand), and an interest of €735 thousand in Fueps S.p.A., a joint venture with RCS MediaGroup.

Below are key figures for the non-consolidated company D3DB S.r.l. (held 50%) at 31 March 2008, its year-end reporting date:

EUR/000	
Assets	1,220
Capital and reserves	(79)
Liabilities	1,299
Revenues	0
Costs	(3)
Net profit (loss) for the period	(3)

Key figures at 30 June 2008 for the non-consolidated company Fueps S.p.A. (held 49%) are as follows:

<b>EUR/000</b>	
Assets	1,850
Capital and reserves	(1,147)
Liabilities	(703)
Revenues	166
Costs	(537)
Net profit (loss) for the period	(371)

## **7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The main financial instruments used by the company are as follows:

- Bank account overdrafts
- Sight- and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Long-term mortgage loans
- Finance leases.

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

The parent company Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries, with the exception of other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which the financial risk is the responsibility of the individual company.

Since 2007-2008, the subsidiary 505 Games S.r.l. has had access to its own independent credit facilities to finance its international growth.

Digital Bros maintains a balance between short-term and long-term financial instruments. The Group's core business, the marketing of video games, entails investments in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines, often dedicated to the individual investment (the company purchased a warehouse under a floating-rate finance lease, which was later switched to a fixed-rate lease by means of an interest rate swap).

Given the above, financial payables have a well-distributed range of maturities.

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

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk.

### *Interest rate risk*

The Group's exposure to interest rate fluctuations is marginal with respect to its medium- and long-term financial instruments, which were originally designated as fixed-rate instruments or have been converted into fixed rates using appropriate derivative agreements.

For short-term financial instruments, the possibility of rising interest rates is an effective risk, because the Group cannot immediately transfer the higher rates to its prices. These risks are reduced by:

- business with an extensive number of banks and financial institutions, giving the company a competitive edge in the negotiation of interest rate spreads;
- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favorable conditions; specifically, the company has access to fiduciary credit whose conditions are less volatile than interest rates;
- the degree of short-term borrowings, which varies on the basis of seasonal trends in the video games market;
- the implementation of short-term cash flow procedure that constantly monitors the trend in short-term debt and allows preventive action to be taken when interest rates are expected to rise.

Given the Group's unhedged, variable-rate borrowings, it is estimated that a 0.5-point change in annual interest rates would affect the pre-tax profit by around €240 thousand.

### *Liquidity risk*

The Group's activities present no significant liquidity risk. Due to the seasonal nature of the business, which entails higher debt in the autumn, it usually obtains seasonal "self-liquidating" credit lines from banks and financial institutions on the basis of the needs presented by its budget.

### *Exchange rate risk*

The Group is not heavily influenced by exchange rate fluctuations. Purchases in currencies other than the euro are marginal, and are almost entirely in British pounds. Royalties on international video game exploitation rights are paid in Japanese yen. Payments are made in advance, so the Group knows the actual cost of royalties ahead of time and is able to transfer any higher charges due to exchange rates onto its prices.

The Group's main source of exchange rate risk is the U.K. subsidiary 505 Games Ltd. It is estimated that a 5% change in the EUR/GBP exchange rate would affect the pre-tax profit by around €400 thousand.

### *Credit risk*

In Italy the Group sells exclusively to known buyers; if necessary information on customers is not available, merchandise is sold cash on delivery to limit credit risk to negligible amounts.

Because the Group operates mainly in the highly fragmented Italian distribution market, risks are not concentrated on any individual parties.

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Group has insurance covering the buyers that the credit committee deems less solvent and/or those with credit facilities of €250 thousand to €500 thousand. The insurance policy does not eliminate all credit risk on the buyers covered, but considerably limits potential losses.

For international operations, credit insurance policies are in place for all but the Spanish distributor, whose sales are modest, and for transactions with mass retailers in France, which are not considered to be excessively risky.

## 8. ANALYSIS OF THE BALANCE SHEET

The consolidated balance sheet at 30 September 2008 is reported below, with comparative figures at 30 June 2008:

	EUR/000	30 September 2008	30 June 2008	Change	
	<b>Non-current assets</b>				
1	Property, plant and equipment	3,750	3,753	(3)	-0.1%
2	Investment property	455	455	0	0.0%
3	Intangible assets	707	680	27	4.0%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	123	132	(9)	-6.8%
6	Deferred tax assets	2,604	2,103	501	23.8%
	<b>Total non-current assets</b>	<b>8,379</b>	<b>7,863</b>	<b>516</b>	<b>6.6%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(539)	(555)	16	-2.9%
8	Non-current provisions	(258)	(249)	(9)	3.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	<b>Total non-current liabilities</b>	<b>(797)</b>	<b>(804)</b>	<b>7</b>	<b>-0.9%</b>
	<b>Net working capital</b>				
10	Inventories	44,762	39,553	5,209	13.2%
11	Trade receivables	36,388	42,110	(5,722)	-13.6%
12	Tax credits	1,570	1,440	130	9.0%
13	Other current assets	27,194	14,682	12,512	85.2%
14	Trade payables	(22,783)	(14,436)	(8,347)	57.8%
15	Taxes payable	(4,045)	(5,202)	1,157	-22.2%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,074)	(2,477)	403	-16.3%
	<b>Total net working capital</b>	<b>81,012</b>	<b>75,670</b>	<b>5,342</b>	<b>7.1%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,462)	(19,462)	0	0.0%
20	Treasury shares	806	717	89	12.4%
21	(Profits) losses carried forward	(9,145)	(10,113)	968	-9.6%
	<b>Total capital and reserves</b>	<b>(33,445)</b>	<b>(34,502)</b>	<b>1,057</b>	<b>-3.1%</b>
	<b>Total net assets</b>	<b>55,149</b>	<b>48,227</b>	<b>6,922</b>	<b>14.4%</b>
22	Cash and cash equivalents	6,798	11,279	(4,481)	-39.7%
23	Short-term payables to banks	(54,700)	(49,730)	(4,970)	10.0%
24	Other current financial liabilities	(1,818)	(3,309)	1,491	-45.1%
	<b>Current net debt</b>	<b>(49,720)</b>	<b>(41,760)</b>	<b>(7,960)</b>	<b>19.1%</b>
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(3,717)	(4,679)	962	-20.6%
27	Other non-current financial liabilities	(1,712)	(1,788)	76	-4.3%
	<b>Non-current net debt</b>	<b>(5,429)</b>	<b>(6,467)</b>	<b>1,038</b>	<b>-16.1%</b>
	<b>Total net debt</b>	<b>(55,149)</b>	<b>(48,227)</b>	<b>(6,922)</b>	<b>14.4%</b>

## NON-CURRENT ASSETS

Investments in the first quarter of 2008-2009 consist of €9 thousand for intangible assets (mainly for development of the ERP system based on Microsoft Dynamics Navision) and €106 thousand for property, plant and equipment (especially electronics and vehicles).

Deferred tax assets increased as a result of the losses reported by Group companies at 30 September 2008.

## NET WORKING CAPITAL

Net working capital increased by €3,342 thousand with respect to 30 June 2008 (+7.1%). Most of the change is due to a rise of €5,209 thousand in inventories and of €14,682 thousand in other current assets (consisting mainly of advances paid to suppliers), along with a decrease of €5,772 thousand in trade receivables and an increase of €3,347 thousand in trade payables.

The rise in advances paid to suppliers is in line with the seasonal trends described above. By the end of the first quarter, the Group had already settled its future obligations for the production of video games headed for the International Publishing segment for shipment to stores in time for Christmas.

Of the rise of €5,209 thousand in inventories, €3,525 thousand pertains to the International Publishing segment, where the launch of Spanish operations made it necessary to build inventories to satisfy that market. In the Distribution segment, the rise in inventories by €1,838 thousand is typical of the pre-Christmas season. An analysis of net working capital in comparison with figures at 30 June 2008 is provided below:

EUR/000	30 September 2008	30 June 2008	Change	
Inventories	44,762	39,553	5,209	13.2%
Trade receivables	36,388	42,110	(5,722)	-13.6%
Tax credits	1,570	1,440	130	9.0%
Other current assets	27,194	14,682	12,512	85.2%
Trade payables	(22,783)	(14,436)	(8,347)	-57.8%
Taxes payable	(4,045)	(5,202)	1,157	22.2%
Other current liabilities	(2,074)	(2,477)	403	16.3%
<b>Total net working capital</b>	<b>81,012</b>	<b>75,670</b>	<b>5,342</b>	<b>7.1%</b>

## CAPITAL AND RESERVES

Detailed movements in capital and reserves are reported in the consolidated statement of changes in shareholders' equity (attached). They can be summarized as follows:

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Profit (losses) carried forward	Net profit (loss) for the year	Total unallocated income (D)	Consolidated capital and reserves: Group's share (A+B+C+D)
<b>Total at 1 July 2008</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>12</b>	<b>19,462</b>	<b>(717)</b>	<b>6,365</b>	<b>3,748</b>	<b>10,113</b>	<b>34,502</b>
Allocation of net profit						0		3,748	(3,748)	0	0
Dividend payments						0				0	0
Purchase of treasury shares						0	(89)			0	(89)
Other changes						0				0	0
Net profit for the period						0			(968)	(968)	(968)
<b>Total at 30 September 2008</b>	<b>5,644</b>	<b>16,954</b>	<b>1,129</b>	<b>1,367</b>	<b>12</b>	<b>19,462</b>	<b>(806)</b>	<b>6,365</b>	<b>3,748</b>	<b>9,145</b>	<b>33,445</b>

The share capital is divided into 14,110,838 ordinary shares with par value €0.40 each, for a total of €5,644,334.80. There are no other types of shares outstanding.

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

During the period ended 30 September 2008, the company purchased treasury shares in the amount of €89 thousand. At the close of the quarter it held 174,686 treasury shares valued at €806 thousand.

## NET DEBT

Net debt rose by €6,922 thousand with respect to 30 June 2008. The trend is explained by a rise in short-term payables to banks and by a decrease in cash and cash equivalents. For a more in-depth analysis of cash flow, see the consolidated cash flow statement (attached).

The breakdown of consolidated net debt with comparative figures at 30 June 2008 is as follows:

	EUR/000	30 September 2008	30 June 2008	Change
22	Cash and cash equivalents	6,798	11,279	(4,481)
23	Short-term payables to banks	(54,700)	(49,730)	(4,970)
24	Other current financial liabilities	(1,818)	(3,309)	1,491
	<b>Current net debt</b>	<b>(49,720)</b>	<b>(41,760)</b>	<b>(7,960)</b>
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(3,717)	(4,679)	962
27	Other non-current financial liabilities	(1,712)	(1,788)	76
	<b>Non-current net debt</b>	<b>(5,429)</b>	<b>(6,467)</b>	<b>1,038</b>
	<b>Total net debt</b>	<b>(55,149)</b>	<b>(48,227)</b>	<b>(6,922)</b>

Below is a comparison between the carrying value and the fair value of the Group's financial instruments at 30 September 2008:

	EUR/000	Non-current		Current	
		Carrying value	Fair value	Carrying value	Fair value
22	Cash and cash equivalents	0	0	6,798	6,798
23	Short-term payables to banks	0	0	(54,700)	(54,700)
24	Other current financial liabilities	0	0	(1,818)	(1,818)
	<b>Current net debt</b>	<b>0</b>	<b>0</b>	<b>(49,720)</b>	<b>(49,720)</b>
25	Non-current financial assets	0	0	0	0
26	Non-current payables to banks	(3,717)	(3,717)	0	0
27	Other non-current financial liabilities	(1,712)	(1,712)	0	0
	<b>Non-current net debt</b>	<b>(5,429)</b>	<b>(5,429)</b>	<b>0</b>	<b>0</b>
	<b>Total</b>	<b>(5,429)</b>	<b>(5,429)</b>	<b>(49,720)</b>	<b>(49,720)</b>

The fair value of financial instruments is determined as follows:

- cash and cash equivalents: carrying value is a reasonable approximation of fair value, since these are highly liquid forms of investment;
- bank loans: carrying value is a reasonable approximation of fair value;
- finance lease liabilities (included with other financial liabilities): carrying value is a reasonable approximation of fair value as the lease contract is backed by an interest rate swap.

The following table shows the maturity of financial liabilities at 30 September 2008:

EUR/000	Within 1 year	1 - 5 years	beyond 5 years	Total
---------	---------------	-------------	----------------	-------

Bank overdrafts	(5,794)	0	0	(5,794)
Import/export financing	(32,313)	0	0	(32,313)
Advances on invoices and subject to collection	(8,702)	0	0	(8,702)
Bank loans	(7,545)	(3,717)	0	(11,262)
Bank borrowings for fair value recognition of derivatives	(346)	(30)	0	(376)
<b>Total due to banks (A)</b>	<b>(54,700)</b>	<b>(3,747)</b>	<b>0</b>	<b>(59,438)</b>
<b>Other financial liabilities (B)</b>	<b>(1,818)</b>	<b>(805)</b>	<b>(877)</b>	<b>(3,500)</b>
<b>Total (A+B)</b>	<b>(56,518)</b>	<b>(4,552)</b>	<b>(877)</b>	<b>(61,947)</b>

## Current net debt

Current net debt is made up as follows:

	EUR/000	30 September 2008	30 June 2008	Change
22	Cash and cash equivalents	6,798	11,279	(4,481)
23	Short-term payables to banks	(54,700)	(49,730)	(4,970)
24	Other current financial liabilities	(1,818)	(3,309)	1,491
	<b>Total current net debt</b>	<b>(49,720)</b>	<b>(41,760)</b>	<b>(7,960)</b>

## 22. Cash and cash equivalents

Cash and cash equivalents at 30 September 2008 are comprised of sight deposits at banks, units of money market funds used as short-term investments of cash, and a Quadrante policy taken out by Digital Bros S.p.A. on 21 October 2002 in connection with the Montepaschivita insurance scheme (€273 thousand).

EUR/000	30 September 2008	30 June 2008	Change
Cash on hand and bank deposits	4,309	8,835	(4,526)
Mutual fund units	2,216	2,177	39
Quadrante policy	273	267	6
<b>Total cash and cash equivalents</b>	<b>6,798</b>	<b>11,279</b>	<b>(4,481)</b>

Cash and cash equivalents amount to €6,798 thousand, a decrease of €4,481 thousand with respect to 30 June.

## 23. Short-term payables to banks

Short-term payables to banks are comprised of account overdrafts, import-export financing, advances on invoices, advances subject to collection, and the portion of derivatives and bank loans due within 12 months. The amount due for short-term derivatives at 30 September 2008 is €346 thousand. The increase in short-term payables to banks with respect to 30 June 2008 is explained by a rise in account overdrafts and import-export financing to support the growth of working capital during the quarter. Conversely, there was a substantial decrease in the use of advances on invoices and subject to collection, due to the reduced activity typical of this quarter and the collection of receivables outstanding at 30 June.

In detail:

<b>EUR/000</b>	<b>30 September 2008</b>	<b>30 June 2008</b>	<b>Change</b>
Account overdrafts	(5,794)	(2,548)	(3,246)
Import-export financing	(32,313)	(24,780)	(7,533)
Advances on invoices and subject to collection	(8,702)	(14,877)	6,175
Loan installments due within 12 months	(7,545)	(7,222)	(323)
Fair value recognition of derivatives - due within 12 months	(346)	(303)	(43)
<b>Total short-term payables to banks</b>	<b>(54,700)</b>	<b>(49,730)</b>	<b>(4,970)</b>

Loan installments due within 12 months are shown below:

<b>EUR/000</b>	<b>30 September 2008</b>	<b>30 June 2008</b>	<b>Change</b>
To Banca Intesa San Paolo	(737)	(726)	(11)
To UniCredit Banca	(5,167)	(4,867)	(300)
To Barclays Bank	(1,641)	(1,629)	(12)
<b>Total short-term loans and borrowings</b>	<b>(7,545)</b>	<b>(7,222)</b>	<b>(323)</b>

No new loans were taken out during the quarter.

The increase with respect to 30 June 2008 is due essentially to the listing under “loan installments due within 12 months” of a loan from Unicredit Banca to 505 Games S.r.l., due on 26 August 2009.

The installments due within 12 months to Banca Intesa San Paolo refer to the short-term portion of two loans, one granted to Digital Bros S.p.A. (original amount €1 million) and the other to 505 Games S.r.l. (original amount €2 million).

With respect to Unicredit Banca, the liability consists of the short-term portion of a €1 million loan contracted by Digital Bros S.p.A. and four short-term facilities (maturing between March and August 2009) granted to 505 Games S.r.l., which are detailed below:

- a loan of €2.05 million granted by UniCredit Banca to 505 Games S.r.l. on 18 September 2007 to finance the company's development, due on 18 March 2009. The loan charges variable interest starting at 6.80% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 18 September 2007, plus a 2-point spread for the year. Interest is paid quarterly, while the principal will be repaid in a lump sum on 18 March 2009 or before (with no penalties applying);
- a loan of €400 thousand granted by UniCredit Banca to 505 Games S.r.l. on 23 November 2007 to finance the company's development, due on 23 May 2009. The loan charges interest at 6.92% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 23 November 2007. Interest is paid quarterly, while the principal will be repaid in a lump sum on 23 May 2009 or before (with no penalties applying);

- a loan of €2,150 thousand granted by UniCredit Banca to 505 Games S.r.l. on 14 December 2007 to finance the company's development, due on 14 June 2009. The loan charges interest at 7.22% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 14 December 2007. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying);
- a loan of €300 thousand granted by UniCredit Banca to 505 Games S.r.l. on 26 February 2008, maturing on 26 August 2009. The loan charges interest at 7.22% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 26 February 2008. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying).

Payments due to Barclays Bank within 12 months refer to the short-term portion of a €5 million loan taken out by Digital Bros S.p.A.

#### **24. Other current financial liabilities**

Other current financial liabilities consist of advances on trade receivables factored with and without recourse, in keeping with IAS 39 (€1,620 thousand), and the portion of finance leases held with Intesa Leasing and SanPaolo Leasing falling due within 12 months (€198 thousand). The leases currently in force concern the warehouse in Trezzano sul Naviglio as well as office automation equipment and cars.

The following table shows finance lease payments by maturity:

<b>EUR/000</b>	<b>Nominal value of payments</b>
Within 1 year	198
1 - 5 years	805
Beyond 5 years	877
<b>Total</b>	<b>1,880</b>

The nominal value of lease payments is a good approximation of their fair value, since the leases are backed by an interest rate swap measured at fair value. The difference between fair value and nominal value is a positive €7 thousand.

#### **Non-current net debt**

Non-current net debt is made up as follows:

	<b>EUR/000</b>	<b>30 September 2008</b>	<b>30 June 2008</b>	<b>Change</b>
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(3,717)	(4,679)	962
27	Other non-current financial liabilities	(1,712)	(1,788)	76
	<b>Total non-current net debt</b>	<b>(5,429)</b>	<b>(6,467)</b>	<b>1,038</b>

## **25. Non-current financial assets**

No non-current financial assets were recognized at either 30 June 2008 or 30 June 2007.

## **26. Non-current payables to banks**

Non-current payables to banks consist of the portion of loans being paid in installments that is due after 30 September 2009, for a total of €3,717 thousand.

At 30 September 2008 the Group had the following loans outstanding:

- a €1 million loan granted by Banca Intesa San Paolo on 14 March 2005, with a term of 56 months from the date of disbursement, with annual interest equal to the three-month Euribor plus a spread of 1.75 points. Installments fall due every quarter, with the last payment scheduled for November 2009;
- a €1 million loan granted by Unicredit Banca d'Impresa on 15 June 2005, maturing on 30 September 2010. Interest is charged at an annual rate of the three-month Euribor plus 1.5 points. In March 2007 the Group began to make equal payments against the principal at the end of every quarter. This loan is also secured by an interest rate swap taken out from the same bank on 15 June 2005, with a term of five years and notional principal of €1 million. Under the terms of the IRS, for the first year the Group collected the three-month Euribor while paying fixed interest of 2.30%; for the second year it collected the three-month Euribor and paid fixed interest of 2.75%; and for the final three years and three months it will collect the three-month Euribor and pay fixed interest of 3.30%. The IRS is settled upon payment of the loan installments;
- a five-year loan taken out on 2 February 2007 by 505 Games S.r.l. from Banca Intesa San Paolo. The €2 million borrowed will finance the purchase of new video game exploitation licenses. The loan charges floating annual interest at the three-month Euribor plus 2%. Interest and principal is being paid in 20 installments, at the end of every quarter, on a constant amortization basis;
- a loan of €100 thousand granted by Unicredit Banca to 505 Games S.r.l. on 3 June 2008, maturing on 3 December 2009. The loan charges interest at 7.22% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 3 June 2008. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying);

- a loan of €5 million granted by Barclays Bank to Digital Bros S.p.A. on 19 December 2007. The interest rate is variable, amounting to the three-month Euribor plus a spread of 0.75%. The loan is being repaid in 12 quarterly installments, from 21 March 2008 until 21 December 2010.

## 27. Other non-current financial liabilities

Other non-current financial liabilities refer to the fair-value recognition of non-hedge derivatives and the finance lease for the warehouse in Trezzano sul Naviglio.

In detail:

EUR/000	30 September 2008	30 June 2008	Change
Lease payments falling due beyond 12 months	(1,682)	(1,729)	47
Fair value recognition of derivatives - beyond 12 months	(30)	(59)	29
<b>Total non-current financial liabilities</b>	<b>(1,712)</b>	<b>(1,788)</b>	<b>76</b>

Finance lease payments falling due beyond 12 months pertain to the lease for the purchase of the Trezzano sul Naviglio warehouse taken out on 25 November 2004. The contract calls for 120 monthly payments of €16 thousand each, plus a payment upon delivery of €28 thousand and an end of lease purchase option of €792 thousand.

The lease charges nominal annual interest of 3.87%. Payments falling due after the building is delivered are indexed to the monthly average of the three-month Euribor. For each installment, the average rate is calculated for the period between the day prior to the due date of the payment to be indexed and the due date of the previous payment. The final installment will be calculated using the same average as for the second-to-last payment. The lease will mature on 30 November 2014. The payments falling due within 12 months total €198 thousand; those with a maturity of one to five years amount to €805 thousand, and those due beyond five years total €77 thousand. To hedge the risk of rising interest rates during the term of the lease, the Group took out an interest rate swap with Banca Intesa San Paolo on 29 November 2005 with the same maturity as the leasing contract. Under the terms of the IRS, simultaneously with its lease payments the Group will pay interest of 3.35% annually and receive the three-month Euribor. The notional amount of the IRS varies according to the residual principal of the lease.

Non-hedge derivatives are recognized at fair value. The Group uses derivatives to minimize interest rate and exchange rate risks. In keeping with IAS 39, financial liabilities hedged by derivatives are recognized at fair value according to the rules for hedge accounting. Derivatives for which gains and losses are recognized to profit or loss refer to various interest rate hedges.

The derivatives outstanding at 30 September 2008 to which hedge accounting does not apply are as follows:

- an interest rate swap taken out on 27 December 2004 with Banca Intesa San Paolo, maturing on 28 December 2009 with a notional principal amount of €20 million. Under this arrangement the Group pays quarterly interest corresponding to the three-month Euribor ACT/360 +2% and collects a variable three-month Euribor. A ceiling of 7% applies.

The following table summarizes the interest rate swaps in effect at 30 September 2008 (in EUR/000):

<b>Bank</b>	<b>Date of initiation</b>	<b>Maturity</b>	<b>Fair value at 30 September 2008</b>	<b>Nominal value at 30 June 2008</b>
Intesa San Paolo	23 December 2004	28 December 2009	(461)	20,000
Intesa San Paolo	7 October 2005	28 November 2014	77	1,775
Unicredit Banca d'Impresa	15 June 2005	30 September 2010	8	533
<b>Total</b>			<b>(376)</b>	<b>n.a.</b>

## 9. REVENUES BY GEOGRAPHICAL SEGMENT

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The Group has chosen to use the business segments in which it operates as its primary segment reporting format, and geographical segments, considered to be less significant, as its secondary reporting format.

Gross consolidated revenues outside Italy increased by €3,249 thousand with respect to the first quarter of 2007-2008, from €6,950 thousand to €10,199 thousand (+46.7%):

EUR/000	1Q 2008-2009	1Q 2007-2008	Change	
Italy	16,026	15,536	490	3.2%
Elsewhere	10,199	6,950	3,249	46.7%
<b>Total consolidated revenues</b>	<b>26,225</b>	<b>22,486</b>	<b>3,739</b>	<b>16.6%</b>

As a percentage of total sales, foreign revenues rose significantly, from 30.9% to 38.9%.

Most sales outside Italy were generated by the International Publishing segment, which publishes, distributes and markets video games on an international scale:

EUR/000	1Q 2008-2009	1Q 2007-2008	Change	
New media	95	32	63	196.9%
International Publishing	10,104	6,918	3,186	46.1%
<b>Total gross foreign revenues</b>	<b>10,199</b>	<b>6,950</b>	<b>3,249</b>	<b>46.7%</b>

The New Media segment continues to make a marginal contribution to foreign sales.

## 10. PERFORMANCE OF BUSINESS SEGMENTS

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The Group's business segments are as follows:

- Italian distribution;
- International publishing;
- New media;
- Newsstands;
- Holding.

Below are the details of revenues by business segment for the period to 30 September 2008, with comparative figures for the first quarter of last year (the Holding segment does not produce revenues):

EUR/000	Gross revenues				Net revenues			
	1Q 08-09	1Q 07-08	Change		1Q 08-09	1Q 07-08	Change	
Italian distribution	15,861	14,818	1,043	7.0%	14,349	13,713	636	4.6%
Newsstands	118	696	(578)	-83.0%	114	661	(547)	-82.7%
New media	142	54	88	163.0%	142	54	88	163.0%
International publishing	10,104	6,918	3,185	46.0%	6,741	6,076	665	10.9%
<b>Total gross revenues</b>	<b>26,225</b>	<b>22,486</b>	<b>3,739</b>	<b>16.6%</b>	<b>21,346</b>	<b>20,504</b>	<b>842</b>	<b>4.1%</b>

Profit margins for the segments were as follows:

	<b>Consolidated figures in EUR/000</b>	<b>Distribution</b>	<b>Newsstands</b>	<b>New media</b>	<b>Publishing</b>	<b>Holding</b>	<b>Total</b>
1	Revenues	15,861	118	142	10,104	0	26,225
2	Revenue adjustments	(1,512)	(4)	0	(3,363)	0	(4,879)
<b>3</b>	<b>Total revenues</b>	<b>14,349</b>	<b>114</b>	<b>142</b>	<b>6,741</b>	<b>0</b>	<b>21,346</b>
4	Purchase of goods for resale	(11,937)	0	(1)	(3,940)	0	(15,877)
5	Purchase of services for resale	0	(57)	(255)	(223)	0	(535)
6	Royalties	(34)	(67)	(55)	(2,516)	0	(2,671)
7	Change in inventories of finished products	1,838	27	0	3,525	0	5,390
<b>8</b>	<b>Total cost of goods sold</b>	<b>(10,133)</b>	<b>(98)</b>	<b>(310)</b>	<b>(3,153)</b>	<b>0</b>	<b>(13,694)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,216</b>	<b>17</b>	<b>(168)</b>	<b>3,588</b>	<b>0</b>	<b>7,652</b>
10	Other income	32	0	0	7	0	39
11	Cost of services	(1,569)	(22)	(227)	(1,795)	(37)	(3,651)
12	Rent and leasing	(79)	0	(17)	(69)	(0)	(166)
13	Payroll costs	(1,430)	0	(337)	(1,145)	(294)	(3,205)
14	Other operating expenses	(334)	(1)	(12)	(186)	(88)	(620)
<b>15</b>	<b>Total operating expenses</b>	<b>(3,412)</b>	<b>(23)</b>	<b>(593)</b>	<b>(3,195)</b>	<b>(419)</b>	<b>(7,642)</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>835</b>	<b>(6)</b>	<b>(762)</b>	<b>400</b>	<b>(419)</b>	<b>49</b>
17	Depreciation and amortization	(112)	(0)	(9)	(37)	(24)	(181)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	0	0	0	0
20	Impairment reversal	0	0	0	0	0	0
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(112)</b>	<b>(0)</b>	<b>(9)</b>	<b>(37)</b>	<b>(24)</b>	<b>(181)</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>723</b>	<b>(6)</b>	<b>(770)</b>	<b>363</b>	<b>(442)</b>	<b>(132)</b>

### *Italian distribution*

Distribution in Italy is the Group's core business. It consists of the localization and subsequent distribution in Italy, on an exclusive basis, of video games acquired from international publishers.

Localization refers to the linguistic and cultural adaptation of games to the Italian market; the translation of instruction manuals; the dubbing of any voices contained in the game; the management of advertising campaigns; local media relations; and the organization of events for the product's rollout.

Two divisions of the parent company, Halifax and DTI, divide these responsibilities by type of publisher and distribution channel:

- Halifax is the exclusive representative in Italy for publishers like Konami International, Disney Interactive Studios Inc, Sega, Square Enix and Capcom. The products are sold through all distribution channels, using sales representatives for retail shops and key account managers (company employees) for major chains;
- DTI (Distribuzione Trade Italia), using the small retail channel only, distributes games produced by publishers with their own organization in Italy. Following the decision to downsize DTI as a result of lower margins, the only publishers now represented are Activision Italia and Vivendi Universal Games.

The subsidiary Game Service S.r.l. performs distribution activities jointly with the parent company, in the form of rack jobbing (the exclusive management of gaming displays at large retail chains).

Key results

	EUR/000	Distribution					
		1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	15,861	110.5%	14,818	108.1%	1,043	7.0%
2	Revenue adjustments	(1,512)	-10.5%	(1,105)	-8.1%	(407)	36.9%
<b>3</b>	<b>Total revenues</b>	<b>14,349</b>	<b>100.0%</b>	<b>13,713</b>	<b>100.0%</b>	<b>636</b>	<b>4.6%</b>
4	Purchase of goods for resale	(11,937)	-83.2%	(10,047)	-73.3%	(1,890)	18.8%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(34)	-0.2%	(118)	-0.9%	84	-71.2%
7	Change in inventories of finished products	1,838	12.8%	(111)	-0.8%	1,949	n.a.
<b>8</b>	<b>Total cost of goods sold</b>	<b>(10,133)</b>	<b>-70.6%</b>	<b>(10,276)</b>	<b>-74.9%</b>	<b>143</b>	<b>-1.4%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>4,216</b>	<b>29.4%</b>	<b>3,437</b>	<b>25.1%</b>	<b>779</b>	<b>22.6%</b>
10	Other income	32	0.2%	3	0.0%	29	n.a.
11	Cost of services	(1,569)	-10.9%	(1,137)	-8.3%	(432)	38.0%
12	Rent and leasing	(79)	-0.6%	(67)	-0.5%	(12)	17.9%
13	Payroll costs	(1,430)	-10.0%	(1,402)	-10.2%	(28)	2.0%
14	Other operating expenses	(334)	-2.3%	(239)	-1.7%	(95)	39.7%
<b>15</b>	<b>Total operating expenses</b>	<b>(3,412)</b>	<b>-23.8%</b>	<b>(2,845)</b>	<b>-20.7%</b>	<b>(567)</b>	<b>19.9%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>835</b>	<b>5.8%</b>	<b>595</b>	<b>4.3%</b>	<b>240</b>	<b>40.3%</b>
17	Depreciation and amortization	(112)	-0.8%	(100)	-0.7%	(12)	12.0%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(112)</b>	<b>-0.8%</b>	<b>(100)</b>	<b>-0.7%</b>	<b>(12)</b>	<b>12.0%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>723</b>	<b>5.0%</b>	<b>495</b>	<b>3.6%</b>	<b>228</b>	<b>46.1%</b>

The Italian distribution segment increased its turnover, with gross revenues rising to €15,861 thousand, from €14,818 thousand in the first quarter of the previous year (+7%).

Net revenues increased from €13,713 thousand to €14,349 thousand (+4.6%).

The breakdown of gross revenues by type of video game distributed is as follows:

<b>EUR/000</b>	<b>1Q 2008-2009</b>	<b>1Q 2007-2008</b>	<b>Change</b>	
Distribution of video games for consoles	15,177	12,940	2,237	17.3%
Distribution of video games for PC/CD-ROM	642	1,806	(1,164)	-64.5%
Distribution of other products and services	64	103	(39)	-37.6%
Financial discounts	(22)	(31)	9	-29.0%
<b>Total gross Distribution revenues</b>	<b>15,861</b>	<b>14,818</b>	<b>1,043</b>	<b>7.0%</b>

Gross revenues from video game distribution rose by €1,043 thousand, from €14,818 thousand in the first quarter of 2007-2008 to €15,861 thousand, due to a rise in video game sales for consoles that offset a decline in the PC/CD-ROM category (which has always been a marginal contributor). Specifically, the increase in sales of console games (which amount to 95.7% of gross revenues for the segment and 57.9% of consolidated gross turnover) came to €2,237 thousand, while sales of games for PCs/CD-ROMs were down by 64.5%, from €1,806 thousand for the quarter to 30 September 2007 to €642 thousand this year.

For a better understanding of gross revenues from the distribution of console games, the following table shows units sold and revenues per console:

<b>EUR/000</b>	<b>1Q 2008-2009</b>		<b>1Q 2007-2008</b>		<b>Change</b>	
	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>
Nintendo Gameboy Advance	10,106	48	44,229	598	-77.2%	-91.9%
Sony Playstation 2	117,890	1,962	366,029	4,935	-67.8%	-60.2%
Sony Playstation 3	72,730	2,816	22,507	1,005	223.1%	180.2%
Nintendo Wii	76,772	2,378	10,466	271	633.5%	777.5%
Microsoft Xbox 360	33,905	1,062	25,552	891	32.7%	19.2%
Nintendo DS	249,283	5,890	121,831	3,070	104.6%	91.9%
Sony PSP	44,820	853	98,833	2,132	-54.7%	-60.0%
Other consoles	7,077	167	5,980	38	18.3%	339.1%
<b>Total revenues from distribution for consoles</b>	<b>612,583</b>	<b>15,177</b>	<b>695,427</b>	<b>12,940</b>	<b>-11.9%</b>	<b>17.3%</b>

Games for Nintendo consoles continued their upward climb, with games for the portable Nintendo DS surging by 91.9% and those for the Wii by 777.5%. This is explained by the type of games produced for these consoles, which are perfect for mass consumption. The games include Brain Trainer, a sort of digital puzzle book; various animal training games involving dogs, cats and even dolphins; cooking simulation games; and more. Because they are simple and user-friendly, this kind of game has strongly influenced the growth of the Italian video game market in the last several months, and the effect persisted throughout the first quarter.

Games for the Sony Playstation 3 sold well this quarter, after the console failed to enjoy the immediate success of its predecessor, the PS2. Revenues were up by 180% compared with the first quarter of last year, boding well for sales during the Christmas season.

Volumes were as expected for the mature console Nintendo Gameboy Advance, which has now given way completely to Nintendo DS, Sony Playstation 2 and Sony PSP.

Special mention goes to the Microsoft Xbox 360, which despite its three years on the market saw game sales rise by 19.2% for the quarter. Since the manufacturer also reduced the price of the console, to around 180 euros, many homes installed it during the period and this will boost game sales for the Christmas season and beyond.

A 33.1% increase in average prices was responsible for the first quarter growth in revenues, which actually fell in volume terms by 11.9%.

The trend in average video game prices is shown below:

<b>EUR</b>	<b>1Q 2008-2009</b>	<b>1Q 2007-2008</b>	<b>Change</b>
Nintendo Gameboy Advance	4.8	13.5	-64.7%
Sony Playstation 2	16.6	13.5	23.4%
Sony Playstation 3	38.7	44.7	-13.3%
Nintendo Wii	31.0	25.9	19.6%
Microsoft Xbox 360	31.3	34.9	-10.1%
Nintendo DS	23.6	25.2	-6.2%
Sony PSP	19.0	21.6	-11.7%
Other consoles	23.6	6.4	271.0%
<b>Average price</b>	<b>24.8</b>	<b>18.6</b>	<b>33.1%</b>

Price trends are typical of the video games market. Games for new-generation consoles (Sony Playstation 3, Nintendo Wii and Microsoft Xbox 360) are priced above average, while games for older ones cost less, and their prices will continue to go down until the console is completely phased out. When a console is mature, price drops are steeper and the games cost well below average (consider the Nintendo Gameboy Advance, successfully replaced by Nintendo DS). Generally speaking, games for portable consoles (Nintendo DS and Sony PSP) cost less than games for other consoles.

The rise in average price stems wholly from the fact that more games were sold for new-generation consoles. As shown in the table below, Sony Playstation 3, whose games are the most expensive at an average of €38.70 each, now accounts for 18.6% of sales as opposed to 7.8% the previous year. The same applies to games for Nintendo Wii, which grew from 2.1% to 15.7% of total sales:

	<b>1Q 2008-2009</b>	<b>1Q 2007-2008</b>	<b>Change</b>
Nintendo Gameboy Advance	0.3%	4.6%	-93%
Sony Playstation 2	12.9%	38.1%	-66%
Sony Playstation 3	18.6%	7.8%	139%
Nintendo Wii	15.7%	2.1%	648%
Microsoft Xbox 360	7.0%	6.9%	2%
Nintendo DS	38.8%	23.7%	64%
Sony PSP	5.6%	16.5%	-66%
Other consoles	1.1%	0.3%	274%
<b>Total revenues from distribution for consoles</b>	<b>100%</b>	<b>100%</b>	

The gross profit for the segment increased by €79 thousand, from €3,437 thousand to €4,216 thousand, growing at a faster pace (+22.6%) than net revenues. This is explained by two factors: the writedowns charged last year, which kept profitability high even for sales of merchandise in stock at 30 June 2008, and the gradual downsizing of DTI, whose profit margins were much lower than those of Halifax products.

The positive trend helped cover the rise in operating expenses, due essentially to the cost of services as a result of greater advertising investments (€432 thousand), and to other operating costs (€95 thousand).

The rise in advertising costs is explained by the launch of video games for the general public. This requires a greater emphasis on mass advertising, as opposed to the traditional forms of public relations employed for classic video games.

EBIT rose from €495 thousand in the first quarter of last year to €723 thousand for the period to 30 September 2008 (+€228 thousand).

## *New media*

This segment covers all interactive entertainment products distributed over the new media, such as digital TV, the Web, cell phones, e-commerce, d-commerce and IP TV.

Under the Group's new organization, since 1 January 2007 the online gaming business has been operated by the subsidiary Game Media Networks S.r.l. The business consists of the exclusive sale of the games "Legend of Mir" and "Myth of Soma" in Europe.

The new multiplayer gaming portal, [www.gametribe.com](http://www.gametribe.com), has been online since September 2007. At the moment, players can access four games: the multiplayer soccer game Kicks Online, the fantasy role-play game Dream of Mirror Online, the Korean role-play game Dekaron, and the combat simulator Infinity.

Unlike previous offerings, these games do not require subscription fees, but charge only for the virtual items that players can buy from the online store to enhance their characters during play. To date, more than 500,000 users have registered.

Of the initiatives in this segment, in March 2007 the Digital Bros Group and the RCS Group launched a joint venture in the online entertainment business. Called Fueps S.p.A., the new company is owned 51% by RCS MediaGroup and 49% by Game Media Networks S.r.l. (a wholly-owned subsidiary of Digital Bros S.p.A.). With an initial investment of €735 thousand from the Digital Bros Group, its purpose is to manage and develop an online portal for single- and multi-player gaming.

In May 2007 the Group incorporated Game Media Networks Ltd. in the United Kingdom, and in July 2007 it founded Game Media Networks S.a.r.l. in France. The purpose of the two companies is to provide sales, promotional, marketing, communications and PR support in those countries to benefit the Group's European online gaming portal, [www.gametribe.com](http://www.gametribe.com).

Key results

	EUR/000	New media					
		1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	142	100.0%	54	100.0%	88	163.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
<b>3</b>	<b>Total revenues</b>	<b>142</b>	<b>100.0%</b>	<b>54</b>	<b>100.0%</b>	<b>88</b>	<b>163.0%</b>
4	Purchase of goods for resale	(1)	-0.7%	(5)	-9.3%	4	-80.0%
5	Purchase of services for resale	(254)	-179.6%	(239)	-442.6%	(15)	6.7%
6	Royalties	(55)	-38.7%	(8)	-14.8%	(47)	587.5%
7	Change in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(310)</b>	<b>-219.0%</b>	<b>(252)</b>	<b>-466.7%</b>	<b>(58)</b>	<b>23.4%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>(168)</b>	<b>-119.0%</b>	<b>(198)</b>	<b>-366.7%</b>	<b>30</b>	<b>-14.6%</b>
10	Other income	0	0.0%	9	16.7%	(9)	-100.0%
11	Cost of services	(227)	-159.9%	(66)	-122.2%	(161)	243.9%
12	Rent and leasing	(17)	-12.0%	(7)	-13.0%	(10)	142.9%
13	Payroll costs	(337)	-237.3%	(316)	-585.2%	(21)	6.6%
14	Other operating expenses	(12)	-8.5%	(23)	-42.6%	11	-47.8%
<b>15</b>	<b>Total operating expenses</b>	<b>(593)</b>	<b>n.a.</b>	<b>(412)</b>	<b>n.a.</b>	<b>(181)</b>	<b>43.9%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(762)</b>	<b>n.a.</b>	<b>(601)</b>	<b>n.a.</b>	<b>(161)</b>	<b>26.8%</b>
17	Depreciation and amortization	(9)	-6.3%	(3)	-5.6%	(6)	n.a.
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(9)</b>	<b>-6.3%</b>	<b>(3)</b>	<b>-5.6%</b>	<b>(6)</b>	<b>n.a.</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(770)</b>	<b>n.a.</b>	<b>(604)</b>	<b>n.a.</b>	<b>(166)</b>	<b>27.5%</b>

Most revenues were earned through subscriptions to online games (€90 thousand) and the sale of digital entertainment content (€2 thousand).

At €310 thousand, the cost of sales increased by €58 thousand, and was influenced by the contractual expense of the online connections used by players to access the games, which was once in proportion to revenues but is now too high with respect to the numbers of players attracted. The offer of more content through the portal should attract significant numbers of new players, thereby reducing the influence of this expense on the overall income statement structure.

Operating expenses (€593 thousand) increased by €181 thousand with respect to the same period last year, mostly as a result of advertising investments for the launch of the European portal.

EBIT performed consistently with EBITDA, moving from a negative €604 thousand in 2007-2008 to a negative €770 thousand for the quarter.

The new media operations that suffered heavy losses in 2007-2008 will see improved margins over the next three quarters. This will not be sufficient, however, to prevent the segment from operating at a loss this year.

### ***International publishing***

In the international publishing business, video game rights are acquired from developers, and the products are subsequently marketed by way of an international sales network after a phase of quality assurance, rating and approval.

For market reasons and in light of the segment's fast growth, since the second quarter of 2006-2007 International Publishing operations have been handled by the subsidiary 505 Games S.r.l. (following a name change from DB International S.r.l.), by the newly incorporated Digital Bros France S.a.r.l. and 505 Games Ltd. operating respectively in France and the United Kingdom, and by D3DB S.r.l., a 50-50 joint venture with Japan's D3 Publisher Inc. set up for the exclusive distribution in PAL system countries (Europe, Australia and South Africa) of games in the lower price range. In January 2008 the Group set up two new subsidiaries: Digital Bros Iberia S.I., operational since July 2008, and 505 Games U.S. Inc., which will open for business in the third quarter of the year. These two companies support the process undertaken in the last two years to enter the Spanish and the American markets.

Key results

	EUR/000	Publishing					
		1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	10,104	149.9%	6,918	113.9%	3,186	46.1%
2	Revenue adjustments	(3,363)	-49.9%	(842)	-13.9%	(2,521)	0.0%
<b>3</b>	<b>Total revenues</b>	<b>6,741</b>	<b>100.0%</b>	<b>6,076</b>	<b>100.0%</b>	<b>665</b>	<b>10.9%</b>
4	Purchase of goods for resale	(3,940)	-58.4%	(2,964)	-48.8%	(976)	32.9%
5	Purchase of services for resale	(223)	-3.3%	(1)	0.0%	(222)	n.a.
6	Royalties	(2,516)	-37.3%	(1,076)	-17.7%	(1,440)	133.8%
7	Change in inventories of finished products	3,525	52.3%	676	11.1%	2,849	421.4%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(3,153)</b>	<b>-46.8%</b>	<b>(3,365)</b>	<b>-55.4%</b>	<b>212</b>	<b>-6.3%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>3,588</b>	<b>53.2%</b>	<b>2,711</b>	<b>44.6%</b>	<b>877</b>	<b>32.3%</b>
10	Other income	7	0.1%	1	0.0%	6	600.0%
11	Cost of services	(1,795)	-26.6%	(946)	-15.6%	(849)	89.7%
12	Rent and leasing	(69)	-1.0%	(17)	-0.3%	(52)	305.9%
13	Payroll costs	(1,145)	-17.0%	(415)	-6.8%	(730)	175.9%
14	Other operating expenses	(186)	-2.8%	(63)	-1.0%	(123)	195.2%
<b>15</b>	<b>Total operating expenses</b>	<b>(3,195)</b>	<b>-47.4%</b>	<b>(1,441)</b>	<b>-23.7%</b>	<b>(1,754)</b>	<b>121.7%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>400</b>	<b>5.9%</b>	<b>1,271</b>	<b>20.9%</b>	<b>(871)</b>	<b>-68.6%</b>
17	Depreciation and amortization	(37)	-0.5%	(22)	-0.4%	(15)	68.2%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(37)</b>	<b>-0.5%</b>	<b>(22)</b>	<b>-0.4%</b>	<b>(15)</b>	<b>68.2%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>363</b>	<b>5.4%</b>	<b>1,249</b>	<b>20.6%</b>	<b>(886)</b>	<b>-70.9%</b>

Totalling €10,104 thousand for the quarter, gross revenues increased by €3,186 thousand with respect to the previous year's figure of €6,918 thousand. The growth in turnover reflects a flurry of international license acquisitions and the healthy development of the foreign distribution network, especially through the subsidiaries 505 Games Ltd. and Digital Bros France S.a.r.l. Net revenues increased by €665 thousand, from €6,076 thousand to €6,741 thousand.

Revenue adjustments include discounts granted to customers at the end of the contractual period (known as year-end discounts), and an estimate of potential credit notes that the Group will have to issue for returns of unsold products. In the French market, the former are quite substantial, as only marginal discounts are granted upon invoicing and price breaks consist almost entirely of year-end discounts. Also, unlike Italian customers, French and U.K. retailers are allowed by contract to return unsold goods and/or to ask for price reductions so they can sell the merchandise remaining on their shelves. These two factors explain the sizeable increase in revenue adjustments.

The breakdown of gross revenues by type of video game is presented in the table below:

<b>EUR/000</b>	<b>1Q 2008-2009</b>	<b>1Q 2007-2008</b>	<b>Change</b>	
Publishing of video games for consoles	8,617	6,553	2,064	31.5%
Publishing of video games for PC/CD-ROM	1,487	380	1,107	291.3%
Publishing of other products and services	0	(15)	15	-100.0%
<b>Gross revenues</b>	<b>10,104</b>	<b>6,918</b>	<b>3,186</b>	<b>46.1%</b>

The increase in international publishing revenues with respect to last year is explained primarily by the strong penetration of games for today's most popular consoles, such as Nintendo DS and Nintendo Wii. These games make up 87% of products sold during the period, and were the focus of the Group's efforts to acquire international licenses.

For a better understanding of gross revenues from console games in the international publishing segment, the following table shows units sold and revenues per console:

<b>EUR/000</b>	<b>1Q 2008-2009</b>		<b>1Q 2007-2008</b>		<b>Change</b>	
	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>
Sony Playstation 2	2,622	56	45,504	252	-94.2%	-77.9%
Sony Playstation 3	572	8	3,395	141	-83.2%	-94.2%
Nintendo Wii	90,102	2,211	73,410	1,975	22.7%	12.0%
Microsoft Xbox 360	17,353	583	4,056	119	327.8%	389.5%
Nintendo DS	273,440	5,343	230,578	4,007	18.6%	33.3%
Sony PSP	14,016	416	4,702	59	197.9%	605.7%
<b>Total revenues from distribution for consoles</b>	<b>398,105</b>	<b>8,617</b>	<b>361,645</b>	<b>6,553</b>	<b>10.1%</b>	<b>31.5%</b>

The significant increase in royalties (by €1,440 thousand) with respect to net revenue growth is due in part to the shift in sales mix. The publication of games for PC/CD-ROM involves a different cost structure than games for consoles, with each game costing relatively little to produce but much more in terms of royalties. The trend is therefore in line with the rapid growth of games for PC/CD-ROM during the quarter.

Services for resale refer to localization, video game rating and quality assurance services. They increased notably with respect to last year, totaling €222 thousand, due to greater investments in the quality of games.

The change in finished product inventories increased due mainly to the expansion of the commercial network through DB France S.a.r.l. and 505 Games Ltd. In their two markets, France and the U.K., it is standard practice for retailers to return unsold goods to the supplier. As a result, revenue adjustments increased by €2,521 thousand (totaling 49.9% of net revenues for the quarter), so inventories rose by €2,849 thousand to reflect the risk of returns by end consumers. Another factor contributing to the rise in inventories is the opening of the Spanish subsidiary and the consequent build-up of goods for sale. This influenced first-quarter inventories by €1,115 thousand.

Despite the increase in operating expenses and royalties, the total cost of goods sold fell by €12 thousand (from €3,365 thousand to €3,153 thousand), and from 55.4% to 46.8% of the segment's total net revenues for the quarter.

The growth of net revenues and the decrease in the cost of goods sold boosted the gross profit by €877 thousand, from €2,711 thousand in the first quarter of last year to €3,588 thousand.

Operating expenses were up by €1,754 thousand, from €1,441 thousand to €3,195 thousand. The cost of services rose by €849 thousand (+89.4%), due mainly to advertising investments in support of international sales.

Payroll costs rose by 175.9% with respect to the first quarter of last year. During the period, the headcount increased both at established subsidiaries (particularly in the U.K. for international coordination staff) and at the new international branches: DB Iberia had operating expenses of €54 thousand, and 505 Games U.S. had expenses of €401 thousand without generating any sales.

Because the rise in operating expenses at the new international subsidiaries was not offset by revenues for the quarter, EBIT decreased by €886 thousand with respect to the same period last year.

## Newsstands

One of the Group's businesses is the distribution of video games as add-ons to products sold at newsstands, and the sale of multimedia DVDs and other entertainment-related publications. As a result of the streamlining process, newsstand distribution has been handled by the subsidiary Game Entertainment S.r.l. since fiscal year 2006-2007.

### Key results

	EUR/000	Newsstands					
		1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	118	103.5%	696	105.3%	(578)	-83.0%
2	Revenue adjustments	(4)	-3.5%	(35)	-5.3%	31	-88.6%
<b>3</b>	<b>Total revenues</b>	<b>114</b>	<b>100.0%</b>	<b>661</b>	<b>100.0%</b>	<b>(547)</b>	<b>-82.8%</b>
4	Purchase of goods for resale	0	0.0%	(1,094)	-165.5%	1,094	-100.0%
5	Purchase of services for resale	(57)	-50.0%	(109)	-16.5%	52	-47.7%
6	Royalties	(67)	-58.8%	(57)	-8.6%	(10)	17.5%
7	Change in inventories of finished products	27	23.7%	935	141.5%	(908)	-97.1%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(98)</b>	<b>-85.1%</b>	<b>(325)</b>	<b>-49.2%</b>	<b>227</b>	<b>-70.2%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>17</b>	<b>14.9%</b>	<b>336</b>	<b>50.8%</b>	<b>(319)</b>	<b>-94.9%</b>
10	Other income	0	0.0%	1	0.2%	(1)	-100.0%
11	Cost of services	(22)	-19.3%	(160)	-24.2%	138	-86.3%
12	Rent and leasing	0	0.0%	0	0.0%	0	0.0%
13	Payroll costs	0	0.0%	0	0.0%	0	0.0%
14	Other operating expenses	(1)	0.0%	0	0.0%	(1)	0.0%
<b>15</b>	<b>Total operating expenses</b>	<b>(23)</b>	<b>-19.3%</b>	<b>(160)</b>	<b>-24.2%</b>	<b>137</b>	<b>-86.3%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(6)</b>	<b>-4.4%</b>	<b>177</b>	<b>26.8%</b>	<b>(183)</b>	<b>-102.8%</b>
17	Depreciation and amortization	0	0.0%	(1)	-0.2%	1	-100.0%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>0</b>	<b>0.0%</b>	<b>(1)</b>	<b>-0.2%</b>	<b>1</b>	<b>-100.0%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(6)</b>	<b>-5.3%</b>	<b>176</b>	<b>26.6%</b>	<b>(182)</b>	<b>-103.4%</b>

In line with the downturn in the sale of “ancillary” products at newsstands, the Group decided to limit its newsstand operations to just two releases for the quarter. The cover-mounts distributed in recent years with RCS Mediagroup publications were postponed to early October, so they were unable to contribute to first-quarter sales, as they did in 2007-2008. As a result, net revenues fell by €547 thousand with respect to the first quarter of last year.

In line with the trend in sales, the cost of goods sold decreased by €27 thousand (xx NO 319 xx) and operating expenses by €137 thousand. In the first quarter of 2007-2008 the newsstands segment contributed a positive €176 thousand, then slowed down for the rest of the year. In the quarter under review its contribution was basically zero, with negative EBIT of €6 thousand.

## Holding

The holding segment covers all of the parent company's coordination duties, including the management of investment property and corporate brands.

### Key results

	EUR/000	Holding					
		1Q 2008-2009		1Q 2007-2008		Change	
1	Revenues	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
<b>3</b>	<b>Total revenues</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
4	Purchase of goods 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	Change in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
<b>8</b>	<b>Total cost of goods sold</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Cost of services	(37)	0.0%	(22)	0.0%	(15)	68.2%
12	Rent and leasing	0	0.0%	(2)	0.0%	2	-100.0%
13	Payroll costs	(294)	0.0%	(261)	0.0%	(33)	12.6%
14	Other operating expenses	(88)	0.0%	(56)	0.0%	(32)	57.1%
<b>15</b>	<b>Total operating expenses</b>	<b>(419)</b>	<b>0.0%</b>	<b>(341)</b>	<b>0.0%</b>	<b>(78)</b>	<b>22.9%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(419)</b>	<b>0.0%</b>	<b>(341)</b>	<b>0.0%</b>	<b>(78)</b>	<b>22.9%</b>
17	Depreciation and amortization	(24)	0.0%	(21)	0.0%	(3)	14.3%
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%
<b>21</b>	<b>Total depreciation, amortization, provisions and impairment</b>	<b>(24)</b>	<b>0.0%</b>	<b>(21)</b>	<b>0.0%</b>	<b>(3)</b>	<b>14.3%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(442)</b>	<b>0.0%</b>	<b>(362)</b>	<b>0.0%</b>	<b>(80)</b>	<b>22.1%</b>

The cost structure is essentially the same as it was last year; operating expenses include directors' fees approved at the latest shareholders' meeting and general and entertainment expenses not allocable to other segments.

Depreciation, amortization, provisions and writedowns refer to the depreciation of the Group's warehouse at Trezzano sul Naviglio and the amortization of brands.

## **11. CONTINGENT ASSETS AND LIABILITIES**

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In May 2006, the parent company was audited by the local revenue office with regard to direct taxes and VAT for fiscal year 2002-2003. The assessment notice was received on 12 October 2007, but no tax liability is expected to arise. The company, together with its tax advisors, has taken the appropriate steps to appeal the assessment.

There were no other contingent assets or liabilities at 30 September 2008.

## 12. RELATED PARTY TRANSACTIONS

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In accordance with CONSOB Communications DAC/RM/97001574 of 20 February 1997 and DAC/98015375 of 27 February 1998, it is hereby reported that all commercial and financial transactions between Digital Bros S.p.A. and its direct subsidiaries and associates have been conducted under arm's-length conditions and do not qualify as atypical or unusual transactions.

### *Non-consolidated companies*

Below are key figures for the joint venture D3DB S.r.l. (held 50%) at 31 March 2008, its year-end reporting date:

<b>EUR/000</b>	
Assets	1,220
Capital and reserves	(79)
Liabilities	1.299
Revenues	0
Costs	(3)
Net profit (loss) for the period	(3)

Key figures at 30 June 2008 for Fueps S.p.A. (held 49%) are as follows:

<b>EUR/000</b>	
Assets	1,850
Capital and reserves	(1,147)
Liabilities	(703)
Revenues	166
Costs	(537)
Net profit (loss) for the period	(371)

### *Subsidiaries*

Commercial and financial transactions between the parent company Digital Bros S.p.A. and other Group companies in the period to 30 September 2008 were settled under arm's-length conditions and are not necessarily reported in the consolidated financial statements. Such transactions are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
505 Games S.r.l.	125	8,697	0	0	211	(2,908)
Game Media Networks S.r.l.	0	5,392	0	0	181	0
Game Service S.r.l.	0	3,791	(1,517)	0	118	0
Game Entertainment S.r.l.	0	295	0	0	10	0
Digital Bros France S.a.r.l.	0	395	0	0	0	0
505 Games Ltd.	0	1,086	0	0	0	0
Digital Bros Iberia S.I.	0	921	0	0	106	0
505 Games US Inc.	0	99	0	0	0	0
<b>Total</b>	<b>125</b>	<b>20,676</b>	<b>(1,451)</b>	<b>0</b>	<b>626</b>	<b>(2,908)</b>

Commercial and financial transactions between 505 Games S.r.l. and other Group companies in the period to 30 September 2008 were settled under arm's-length conditions and are not necessarily reported in the consolidated financial statements. Such transactions are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Digital Bros France S.a.r.l.	1,087	0	0	0	1,051	(129)
505 Games Ltd.	7,526	74	0	0	4,170	(822)
Digital Bros Iberia S.I.	2,130	0	0	0	1,900	(116)
505 Games US Inc.	0	422	0	0	0	0
<b>Total</b>	<b>10,743</b>	<b>496</b>	<b>0</b>	<b>0</b>	<b>7,122</b>	<b>(1,067)</b>

Other intercompany transactions of a more modest size are the charge-back of costs from Game Media Network S.r.l. to 505 Games S.r.l. for €3 thousand, and the charge-back of costs from Game Media Networks France S.a.r.l. and Game Media Networks Ltd. to Game Media Networks S.r.l. (€2 thousand and €5 thousand, respectively).

### *Other related parties*

Transactions with other related parties consist of the legal counsel provided by director Dario Treves, who received €46 thousand for the period, and the property leasing arrangement between Matov Immobiliare S.r.l. (owned by the Galante family) and Digital Bros France S.a.r.l., for which €1 thousand was paid.

*Group tax election*

Digital Bros S.p.A., in its capacity as parent company/consolidating company, has opted for the “group tax election” provided for by Italian law.

This has made it necessary to prepare a set of rules for intercompany relations to ensure that no prejudice is caused to the individual participants in the system.

### 13. OTHER INFORMATION

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#### EMPLOYEES

Below are the details of the period-end workforce with comparative figures for the previous quarter:

<b>Category</b>	<b>30 September 2008</b>	<b>30 June 2008</b>	<b>Change</b>
Executives	10	10	0
White collar	133	121	12
Blue collar and trainees	14	10	4
<b>Total employees</b>	<b>157</b>	<b>141</b>	<b>16</b>

The average headcount, calculated as the average number of employees in service at the end of every month, is shown below:

<b>Category</b>	<b>Average in 1Q 08-09</b>	<b>Average in 1Q 07-08</b>	<b>Change</b>
Executives	10	9	1
White collar	131	108	23
Blue collar and trainees	11	10	1
<b>Total employees</b>	<b>152</b>	<b>127</b>	<b>25</b>

## **STATEMENT BY THE FINANCIAL REPORTING OFFICER**

Declaration per Art. 154-*bis*, paragraph 2 - Part IV, Title III, Chapter II, Section V-*bis* of Legislative Decree 58 of 24 February 1998: the “Consolidated Finance Act pursuant to Arts. 8 and 21 of Law 52 of 6 February 1996”

I, Stefano Salbe, financial reporting officer of the Digital Bros Group, hereby declare in accordance with the second paragraph of Art. 154-*bis*, Part IV, Title III, Chapter II, Section V-*bis* of Legislative Decree 58 of 24 February 1998 that to the best of my knowledge, the interim management statement at 30 September 2008 correspond to the records, books of account and accounting entries.

Signed

Abramo Galante

Chairman of the Board of Directors