



**SIX-MONTHLY REPORT AT JUNE 30, 2001**

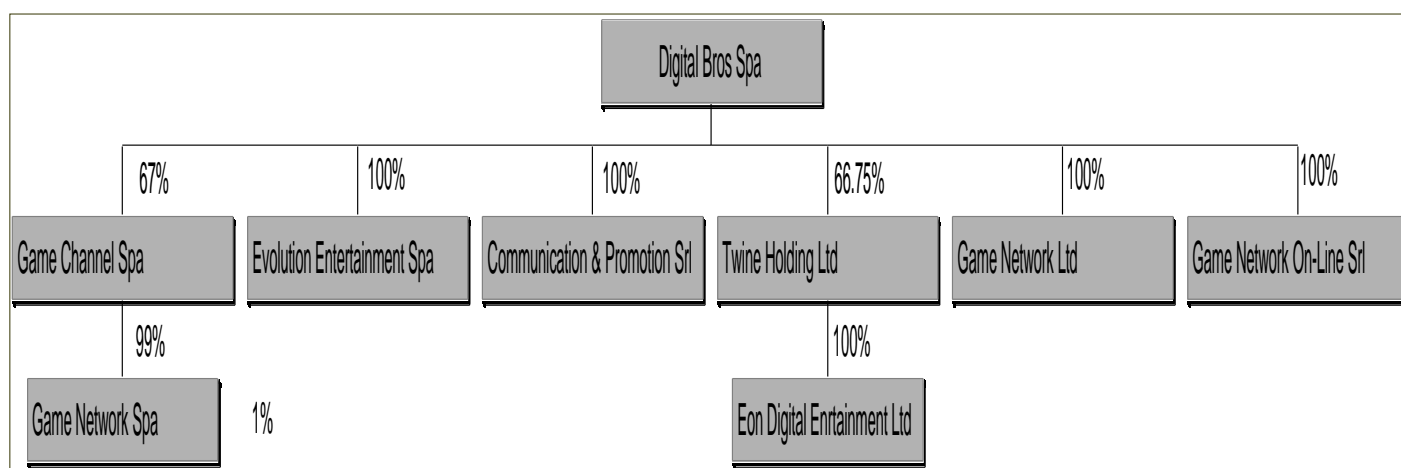
## Digital Bros S.p.A.

### SIX-MONTHLY REPORT AT JUNE 30, 2001

#### Operating information

##### *The Digital Bros Group*

The Group was structured as follows at June 30, 2001:



During the first half of 2001, the Group's activities took place in various business areas: the distribution of video games in Italy, international video game publishing, digital television theme channel and on-line gaming activities. While the activities are varied, the centre point is the video game as used on different platforms by the various companies.

Consolidated turnover for the six months ended June 30, 2001 increased by around 14% from Lire 33,784 million in the first half of 2000 to Lire 38,556 million in the first half of 2001. The increase is due to several of the new activities (international video game publishing and the digital TV theme channel) which did not represent a significant portion of turnover in the first half of last year. Traditional activities slowed down somewhat as a result of a general trend affecting the market and involving the passage from one generation of hardware to another; this process should be completed in the first half of next year.

The Group's consolidated loss increased by Lire 5,758 million from Lire 2,581 million in the first half of 2000 to Lire 8,339 million in the first half of this year. There are two explanations for this situation. Firstly, as explained in greater detail below, while traditional activities were more profitable and benefited from a careful cost containment policy, they were affected by the under absorption of fixed costs as a result of the lower level of turnover, by the holding company's increased costs in managing the Group as it expanded and by an increase in the amortisation charge in respect of stock market quotation costs. Meanwhile, new activities performed satisfactorily in terms of turnover but did not manage to break even. We highlight the fact that the single largest expense compared to the Group's total losses at the end of the six-month period relates to the operating activities of the digital television channel.

The Game Network television channel played a fundamental role in the success of the on-line game ("Legend of Mir") launched by the Group during the six-month period. In a trial period of just three months, the game managed to attract 45,000 players without the need for any expenditure on advertising and marketing. Instead, it was promoted on the digital TV channel and a programme dedicated to the game was produced. The success of the game meant that capital expenditure plans could be brought forward. A new server will soon be implemented and it will improve the service to new players. Also, in September 2001, the Company will terminate the trial period and move onto the subsequent commercial phase in the life of the game.

This situation shows how the Group's strategy of integrating different business areas is laying the ground for potential success.

The Group's consolidated net financial position has improved by Lire 4,716 million as a result of the increase in share capital in relation to the Company's quotation on the New Market. This has been accompanied by a Lire 50,918 million increase in consolidated net working capital:

	<b>31/12/00</b>	<b>30/06/00</b>	<b>30/06/01</b>	<b>Difference</b>
Other securities	8,868	908	4,669	3,761
Cash at bank	40,994	886	11,957	11,071
Cash and cash equivalents on hand	44	22	22	0
<b>Total financial assets</b>	<b>49,906</b>	<b>1,816</b>	<b>16,648</b>	<b>14,832</b>
Amounts due to banks	47,377	29,503	39,820	10,317
Amounts due to banks after > 12 months	208	265	208	-57
Amounts due to other lenders	190	167	23	-144
<b>Total financial liabilities</b>	<b>47,775</b>	<b>29,935</b>	<b>40,051</b>	<b>10,116</b>
<b>Net Financial Position</b>	<b>2,131</b>	<b>-28,119</b>	<b>-23,403</b>	<b>4,716</b>

	<b>31/12/00</b>	<b>30/06/00</b>	<b>30/06/01</b>	<b>Difference</b>
Inventory	20,437	25,178	28,094	2,916
Trade receivables	63,803	18,217	61,900	43,683
Other current receivables	11,273	2,374	7,615	5,241
<b>Total current assets</b>	<b>95,513</b>	<b>45,769</b>	<b>97,609</b>	<b>51,840</b>
Trade payables	31,493	18,670	20,726	2,056
Other current liabilities	6,568	4,756	2,422	-2,334
Payments on account	1,200	0	1,200	1,200
<b>Total current liabilities</b>	<b>39,261</b>	<b>23,426</b>	<b>24,348</b>	<b>922</b>
<b>Net Working Capital</b>	<b>56,252</b>	<b>22,343</b>	<b>73,261</b>	<b>50,918</b>

Trade receivables have increased by Lire 43,683 million as a result of the extended credit terms granted to clients to compensate for the slowdown of the market. The increase also relates to amounts receivable from the UK subsidiary Eon Digital Entertainment which launched two new video games in June 2001.

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

As well as acting as a holding company and co-ordinating the various sectors of the business, this company operates under the "Halifax" brand name in the video games distribution sector in Italy, the Group's main business area.

Products are distributed under distribution agreements between the Company and international video game publishers. The Company's business involves several phases:

adaptation of games for the Italian market i.e. involving language and cultural changes  
development of marketing plans  
logistics  
sales and trade marketing

At June 30, 2001, the eighteen publishers the Company represented were divided as follows by software type:

<b>Publisher</b>	<b>Agreement start date</b>	<b>Console software</b>	<b>PC software</b>
ACCLAIM	1995		
ACTIVISION	1997		
CODEMASTERS	1996		
EIDOS	1996		
KONAMI	1997		
KEMCO	1999		
SOLD OUT	1998		
3DO	1999		
VIRGIN	1999		
TDK	1999		
SCI	1999		
THQ	2001		
DISNEY	2000		
ANCO	1998		
RAGE	1998		
EON	2000		
BBC	2000		
BANDAI	2001		

The business depends greatly on the catalogue of video games of the various publishers represented but also, to a significant extent, on the hardware market. The international and European markets are currently in a slow phase because of cyclical factors typical of the industry. The launch of the Sony PlayStation 2 in November 2000 saw the start of a changeover from the old generation of games consoles to new, more powerful ones offering the possibility of Internet connection. This will continue until the first quarter of 2002 with the expected launch of the Microsoft Xbox and Nintendo GameCube consoles.

Another factor that has a significant bearing on both distribution and international publishing is the seasonal nature of sales. Consumers are highly likely to purchase both hardware and software at certain times of the year in particular. In 2000, sales made between November 20, the launch date of the SonyPlaystation 2 console, and the end of the year accounted for 43% of total sales.

The seasonal factor also has a significant impact on profit margins. The under-absorption of fixed costs due to the lower volume of monthly sales has historically led to losses in the first three quarters of the year. The slowdown of activities in the first half of the year, for the market factors described above (the parent company's turnover has fallen from Lire 33,586 million in 2000 to Lire 24,664 million this year), has led to a Lire 2,851 million increase in loss before taxation from Lire 989 million in 2000 to Lire 3,840 million in 2001.

It should also be noted that profit margins on the Italian video game distribution business have actually increased slightly. Contribution margin (sales – purchases +/- change in inventory) has risen from 27.3% of sales in the first half of 2000 to 28.4% in the first half of 2001.

The cost of services has fallen from Lire 7,036 million in the first half of last year to Lire 5,133 million this year, mainly because of lower selling costs (commission and marketing costs) but also thanks to the careful cost containment policy implemented by management. Personnel costs have increased by Lire 664 million from Lire 2,077 million in the first half of 2000 to Lire 2,741 million this year. This is due to an increase in the average number of employees of the parent company from 66 employees in 2000 to 74 this year. This has been necessary in order to improve staffing of holding company activities and commercial activities in order to cope with the more complex structure of the Group following the internationalisation and diversification of the business and the slowing down of the Italian market.

Amortisation of intangible assets have increased by Lire 1,084 million compared to prior year in relation to the amortisation of costs relating to the flotation of the Company on the New Market of the Italian Stock Exchange.

Financial charges (net of financial income) have decreased from Lire 1,579 million in the first half of last year to Lire 785 million this year. This is due to the lower level of financial exposure (see below).

Extraordinary income and charges led to a Lire 1,156 million deterioration in profitability as they changed from extraordinary income (net) of Lire 149 million in 2000 to extraordinary charges (net) of Lire 1,156 million in the first half of 2001. The reason for this situation relates to the level of customer returns relating to the prior year which were made before the end of the first half of the year in 2001 but at a later stage in 2000.

Turning to the balance sheet, the net financial position has improved by Lire 27,528 million as a result of the increase in share capital following the Company's listing on the New Market. This is offset by a Lire 22,549 million increase in net working capital:

	31/12/00	30/06/00	30/06/01	Difference
Other securities	8,770	808	4,570	3,762
Due from subsidiaries	11,310	4,133	27,408	23,275
Cash at bank	40,292	492	10,853	10,361
Cash and cash equivalents on hand	14	12	9	-3
<b>Total financial assets</b>	<b>60,386</b>	<b>5,445</b>	<b>42,840</b>	<b>37,395</b>
Due to banks	46,625	28,672	39,033	10,361
Due to banks after > 12 months	208	265	208	-57
Due to other lenders	167	167	0	-167
<b>Total financial liabilities</b>	<b>47,000</b>	<b>29,104</b>	<b>39,241</b>	<b>10,137</b>
<b>Net Financial Position</b>	<b>13,386</b>	<b>-23,659</b>	<b>3,599</b>	<b>27,258</b>
	31/12/00	30/06/00	30/06/01	Difference
Inventory	17,823	24,640	26,174	1,534
Trade receivables	49,682	23,807	39,477	15,670
Other current receivables	9,546	4,509	7,195	2,686
Trade receivables from subsidiaries	5,500	0	0	0
<b>Total current assets</b>	<b>82,551</b>	<b>52,956</b>	<b>72,846</b>	<b>19,890</b>
Trade payables	24,145	14,495	14,642	147
Other current liabilities	8,351	6,045	3,239	-2,806
<b>Total current liabilities</b>	<b>32,496</b>	<b>20,540</b>	<b>17,881</b>	<b>-2,659</b>
<b>Net Working Capital</b>	<b>50,055</b>	<b>32,416</b>	<b>54,965</b>	<b>22,549</b>

The Lire 15,670 million increase in trade receivables is the result of the more generous credit terms offered to customers in order to enable them to cope with the slowing down of the market. It should be noted that the Company has adopted a procedure whereby the entire trade receivables balance is insured.

Amounts receivable from subsidiaries consists of loans made to Group companies which do not have independent sources of finance. The increase is due to the fact that last year the only activity at June 30 was the management of the Game Network digital TV theme channel by Game Channel S.p.A. The next twelve months saw the development of digital TV and international video game publishing and led to an increase in subsidiaries cash requirements.

#### ***Twine Holdings Ltd and EON Digital Entertainment Ltd***

These two English companies are dedicated to international video game publishing. This business consists of acquiring rights to video games from developers for publication internationally by means of the distribution network. Normally, the publisher's involvement is not merely financial but includes supporting the developer at the development staff in order to ensure that the game is suitable for the market. The publisher has an in-house development team which works with the developer with whom a contractual relationship has been established.

Twine Holdings Ltd holds the video game rights while Eon Digital Entertainment is the operating company that distributes the games on a commercial basis throughout the world.

The two companies began operating in 2000 and generated their first revenues in August. During the first six months of the year the companies launched three new titles on the market: Stunt GP, Z2: Steel Soldier and International League Soccer, generating revenues of Lire 11,931 million. Publishing activities led to losses of Lire 1,004 million in the first half of the year.

#### ***Evolution Entertainment S.r.l.***

This company distributes video games together with periodicals in the newstands. It also distributes games by means of alternative distribution channels (e.g. co-marketing activities, supermarket customer loyalty cards). Its activities are of marginal importance to the Group as a whole and during the six-month period the activities were taken over by Digital Bros.

#### ***Communications & Promotions S.r.l.***

This company performs trade marketing activities for Group companies. Revenues from external companies during the first half of the year amounted to Lire 168 million.

#### ***Game Channel S.p.A., Game Network Ltd and Game Network S.p.A.***

These companies operate and manage the digital TV theme channel Game Network.

Game Network has been broadcasting 24 hours a day since September 1999. Its programming consists of entertainment TV dedicated to the world of video games. The channel can be seen throughout the whole of Europe. During the first half of this year, thanks to the UK subsidiary Game Network Ltd., all of the contracts needed to broadcast the signal via the Astra satellite (especially to the UK) were finalised.

The companies produce programming content in-house at their production and post-production studios in Milan and Bergamo.

The companies' revenues mainly come from the sale of advertising space. During the first half of the year, the companies generated revenues of Lire 2,592 million including Lire 2,270 million from the sale of advertising space.

This business sector made losses of Lire 3,408 million during the six-month period.

On July 20, 2001, Game Channel S.p.A. transferred its television activities, except for the Game Network brand name, to Game Network S.p.A. which commenced operating with effect from that date.

#### ***Game Network on line S.r.l.***

This company began operating on July 31, 2001 when Digital Bros S.p.A. transferred its on-line gaming activities to its wholly owned subsidiary Game Network on-line S.r.l.

On-line gaming activities enable gamers to play against one another on their own Personal Computers by means of an Internet connection.

During the six-month period, the Group acquired exclusive licences for Europe to two games that have been highly successful in Korea: “Legend of Mir” and “Mith of Soma”. After its adaptation to the European market, the first of the two games was made available free of charge to gamers as from June 1, 2001. At the moment, there are more than 45,000 registered players, most of them from the UK. The company is currently launching a second server to improve playability and provide a better service. The company plans to charge Euro 10 a month per player with effect from mid-September. This will enable this business sector to start generate revenues as from the third quarter of the year.

“Mith of Soma” is currently being adapted for the European market and will be made available to gamers on a dedicated server as from October 2001.

Revenues generated during the first half of the year were not significant while losses totalled Lire 795 million.

#### ***Relations with related parties***

The only relationship between Group companies and related parties not included in the consolidation area regards the contracts signed in July 2000 by Digital Bros S.p.A. and Communications & Promotions S.r.l. on the one hand and NoPay S.r.l. on the other. The agreement – which lapsed in April 2001 – provided that the companies would bill NoPay for costs incurred for telephone traffic, the use of broad-band, the use of equipment and the cost of personnel involved in developing and maintaining the nopay.it web site. Nopay pays the Group companies an additional 5% on top of all costs incurred and documented.

During the first six months of the year, turnover towards the related party amounted to Lire 473 million. At June 30, 2001, the Group companies had a receivable balance of Lire 6,758 million.

#### ***Events subsequent to June 30, 2001***

There have been no significant events since the end of the six-month period that could have a significant impact on the financial, balance sheet or operating situation except for the business transfer operations described in the first part of the half-year report on operations.

#### ***Performance of the business since June 30, 2001***

The market the Group operates in tends to be rather stagnant in July and August and these months do not provide a reliable source of information that management could use to develop a more accurate forecast of how the business will perform in the rest of the year.

At the time being and given the concentration of sales in the run-up to Christmas, we do not have sufficient information to justify making any adjustments to our existing forecasts.

#### **Consolidation area**

This consolidated report includes the interim reports at June 30, 2001 of Digital Bros S.p.A. and the companies which it controls directly or indirectly holding a majority of voting rights that may be exercised at an ordinary general meeting. The consolidated interim report was prepared using the same criteria as for the consolidated financial statements at December 31, 2000. The following items were eliminated in preparing the interim report at June 30, 2001:

- the book value of investments in companies included in the consolidation area and the corresponding portion of their net equity;
- costs and revenues between companies included in the consolidation area;
- receivables and payables between companies included in the consolidation area;
- income and charges relating to operations effected by the said companies;
- adjustments to value and provisions made solely for tax purposes.

The assets and liabilities of consolidated companies are included on a line-by-line basis with the full amount of assets and liabilities included irrespective of the percentage interest held.

The positive consolidation difference resulting from the elimination of the investments held by the parent company and the corresponding net equity figure has been recorded under intangible assets as it represents the actual added value of the investments that will be recovered in the form of future profits. Given the Group’s expectations of future profits, the consolidation difference is amortised over ten years.

The portion of shareholders' equity and result for the year pertaining to minority interests is shown under specific headings in shareholders' equity and in the income statement.

### ***Translation of financial statements denominated in foreign currency***

The foreign currency financial statements of the two overseas subsidiaries from non-Euro countries have been translated into Italian Lire using the current exchange rate method. Under this method all assets and liabilities are translated into Lire using the exchange rate prevailing at the balance sheet date while income statement items are translated using the average rate for the period. The difference between the amounts thus obtained and those obtained translating the same items at current exchange rate is recorded in shareholders' equity under "Translation reserve".

The translation reserve has also varied in relation to the translation of intercompany balances between the parent company and the UK subsidiaries where there is a difference between the average exchange rate adopted by the parent company and the period end exchange rate adopted to translate the balance sheet items of the UK Companies which is set out below:

	<b>Balance Sheet</b>	<b>Income Statement</b>
GB Pounds	3,210.53	3,180.192

### ***Companies entering the consolidation area***

The first half of 2001 saw the creation of Game Network S.p.A. and the UK company Game Network Ltd. Both of these companies have entered the consolidation area.

### ***Accounting policies and valuation criteria***

The consolidated interim report at June 30, 2001 has been prepared in accordance with the requirements of the Civil Code as supplemented by the recommendations issued by the relevant professional bodies and regulatory institutions.

Generally speaking, the balances reported have been valued prudently on a going concern basis.

The individual items making up each balance have been valued separately.

Positive and negative income statement items have been recorded on an accruals basis irrespective of when they were collected or paid. Profits not yet realised at period end were excluded while risks and losses relating to the period were considered even though they came to light at a later date.

Amounts denominated in foreign currency are recorded at the historic exchange rates in force at the date of the original transaction. Foreign currency receivables and payables not covered by exchange rate hedging agreements have been brought into line with June exchange rates and a provision for exchange rate risks has been recorded.

The accounting policies and valuation criteria are consistent with the Civil Code and have not changed since last year.

### ***Intangible assets***

Intangible assets except for video game licences are recorded at purchase cost including direct incidental costs net of accumulated amortisation charged annually.

#### Start-up and expansion costs

Start-up and expansion costs mainly consist of costs incurred in relation to the Company's quotation on the New Market. These costs are amortised on a straight-line basis over five years.

#### Licences

Video game licences are recorded at purchase cost included incidental charges. They are reduced by amortisation which is charged in relation to the estimated use of the licences as calculated based on the ration between copies produced and copies expected to be sold.

#### Goodwill

Goodwill resulting from the acquisition by the subsidiary Game Channel of the business of Multimedia Studio is being amortised on a straight-line basis over ten years.

#### Consolidation difference

The consolidation difference is amortised over a period of ten years. This period reflects the useful life of the assets recorded based on market factors and the expected expansion of the business.

### Assets under construction

This item includes internal and external costs incurred in relation to the in-house production of intangible assets regarding projects and studies not yet complete. These amounts are recorded at historic cost and are not amortised until the project has been completed.

### Other intangible assets

Leasehold improvements are amortised on a straight-line basis over the residual period of the relevant lease agreement.

### ***Tangible fixed assets***

Tangible fixed assets are recorded at purchase costs including direct incidental expenses.

Depreciation is charged on a straight-line basis using the maximum rates of depreciation permitted by specific decrees issued by the Ministry of Finance as these are felt to represent the remaining useful lives of the assets.

The depreciation period commences the year in which an asset first comes into use.

Half of normal depreciation rates is charged the first year an asset comes into use in order to present a more accurate estimate of the remaining useful lives of fixed assets.

### ***Inventory***

Finished goods inventory is valued at the lower of purchase cost and estimated realisable value based on market trends.

Licences to produce video games have been reclassified to intangible assets as this is felt to be a more suitable disclosure for them given the long-term nature of the related contracts.

### ***Receivables and payables***

Receivables are shown at estimated realisable value taken account of the solvency of individual debtors.

Payables are recorded at nominal value.

### ***Receivables and payables denominated in foreign currency***

For receivables and payables subject to an exchange rate risk, any period-end loss resulting from the difference between the original amount of such items and their total following translation at period end exchange rates is, where significant, recorded in a specific provision for risks and charges. Where an unrealised exchange gain is identified, it is not recorded until actually realised.

### ***Financial assets not classified as fixed assets***

Securities consisting of the temporary employment of resources in mutual fund units are valued at their period end quotation.

### ***Cash at bank and on hand***

This amount represents cash book balances at period end as reconciled with bank statements and actual cash on hand.

### ***Prepayments and accrued income, accrued expenses and deferred income***

Prepayments and accrued income, accrued expenses and deferred income are determined on an accruals basis to allocate the appropriate portion of costs or revenues relating to two or more periods to the correct period.

Accrued income and accrued expenses relate to income and expenses relating to the period but which are collected or paid in a subsequent period. Prepayments and deferred income relate to costs incurred and revenues collected in the period but relating to subsequent periods.

### ***Provisions for risks and charges***

These are recorded in respect of contingent liabilities of a determinate nature but whose amount or due date could not be determined at period end.

### ***Employee severance indemnity reserve***

The employee severance indemnity reserve has been calculated in accordance with Article 2120 of the civil Code, the relevant tax provision (Article 70 of Presidential Decree no 917/86) and contractual agreements. It represents the certain, but not payable, liability towards employees at period end.

### ***Guarantees and memorandum accounts***

Guarantees given and other commitments undertaken are disclosed at the foot of the balance sheet in the amount reflecting the Company's actual commitment at the period end date.

### ***Revenues and costs***

Revenues and costs are recorded in the income statement on an accruals basis and in accordance with the prudence concept.

Revenues are recognised upon a change of ownership which normally coincides with the despatch or delivery of goods.

Revenues, income, costs and charges are recorded net of returns, bonuses, discounts and allowances as well as of taxes directly related to the sale of goods and the supply of services.

### ***Taxation***

As provided by Article 81(7) of the CONSOB Regulation on interim reports, approved by Resolution no 11971 of May 14, 1999 and subsequently amended and updated, the result for the period is reported before taxation and adjustments and provisions made solely in application of tax law.

### **Balance sheet information**

#### ***Intangible assets***

Intangible assets were analysed as follows at the end of the period. Prior period comparative figures are also provided:

	31/12/00	30/06/00	30/06/01
Start-up and expansion costs	8,151	23	7,213
Research, development and advertising costs	0	0	0
Patents and intellectual property rights	8	0	0
Concessions, licences, trademarks and similar rights	7,550	3,975	15,475
Goodwill	70	74	65
Consolidation difference	567	596	2,196
Assets in progress	3,973	340	1,819
Other	379	426	323
Accumulated amortisation – licences	-4,880	0	-9,470
<b>TOTAL INTANGIBLE ASSETS - NET</b>	<b>15,818</b>	<b>5,434</b>	<b>17,621</b>

Movements during the period were as follows:

Lire millions	Start-up and expansion costs	Concessions, licences, trade-marks and similar rights	Goodwill	Consolidation difference	Assets in progress	Other	Total intangible assets (net)
Balance at 31.12.00	8,151	2,678	70	567	3,973	379	15,818
Increases for the period	93	3,790	0	1,629	1,379	0	6,891
Decreases for the period							0
Reclassifications		3,533	0	0	-3,533	0	0
Utilisation of provision							0
Amortisation	-1,032	-3,992	-5	0	0	-59	-5,088
Balance at 30.06.01	7,212	6,009	65	2,196	1,819	320	17,621

### *Tangible fixed assets*

Tangible fixed assets were analysed as follows at the end of the period. Prior period comparative figures are also provided:

	31/12/00	30/06/00	30/06/01
Land and buildings	969	982	955
Plant and machinery	102	41	50
Industrial and commercial equipment	1,676	1,364	1,910
Other tangible fixed assets	21	220	20
<b>TOTAL TANGIBLE FIXED ASSETS (NET)</b>	<b>2,768</b>	<b>2,607</b>	<b>2,935</b>

Movements during the period were as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets (net)
Balance at 31.12.00	969	102	1,676	21	2,768
Increases for period	0	1	451	5	457
Reclassification	0	-41	41	0	0
Utilisation of provision	0	0	0	0	0
Depreciation for period	-14	-12	-258	-6	-290
Balance at 30.06.01	955	50	1,910	20	2,935

### *Receivables and payables due after more than five years*

There are no receivables or payables due after more than five years.

The Company has a mortgage loan for the purchase of a real estate property for use as offices. The outstanding balance is Lire 167 million and the loan will be fully paid off in 2005. The liability is subject to a security of Lire 1,500 million in favour of the lending institution.

### *Off-balance sheet commitments*

There are no off-balance sheet commitments other than those disclosed in the memorandum accounts which amounted to Lire 5,401 million at June 30, 2001.

Memorandum accounts are analysed as follows:

	30/06/01
Guarantees issued to third parties	2,566
Real securities	1500
Lease instalments outstanding	1335
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>5,401</b>

### **Income statement information**

The cost of services for the period is analysed below. Prior period comparative figures are also provided:

	<b>30/06/00</b>	<b>30/06/01</b>	<b>Difference</b>
Advertising, sponsorship, trade fairs and exhibitions	2,350	4,300	1,950
Commission and incidental charges	855	722	-133
Transportation costs	630	587	-43
Distribution costs	585	452	-133
Insurance	95	165	70
Consultants fees, freelance staff, legal and notary fees	748	1,225	477
Postage and telephone	1,554	420	-1,134
Travel and subsistence costs	337	784	447
Entertainment costs	99	32	-67
Sundry utilities	63	53	-10
Satellite links	682	1,046	364
Temporary labour	46	122	76
Maintenance	99	142	43
Directors' emoluments	1,120	725	-395
Statutory auditors' fees	3	48	45
Licences	-	1,230	1,230
Other general and admin costs	392	679	287
Television programmes	-	234	234
<b>Total cost of services</b>	<b>9,658</b>	<b>12,966</b>	<b>3,308</b>

Advertising and marketing costs have increased by Lire 1,950 million mainly in relation to the higher level of publishing activities.

Telephone costs have decreased by Lire 1,134 million compared to the same period last year as the Company incurred telephone charges on behalf of NoPay S.r.l. last year. As stated in the initial part of this report, since April 2001 that company has incurred its own telephone charges directly.

Licences has increased by Lire 1,230 million in relation to the cost of adapting video games to the local market as part of the publishing activity; these costs are not capitalised as intangible assets.

Financial income may be analysed as follows:

	31/12/00	30/06/00	30/06/01	Difference
Interest on securities	15		19	19
Bank interest income	380	10	545	535
Interest income on receivables	2		0	0
Exchange gains	0	0	597	597
<b>Total financial income</b>	<b>397</b>	<b>10</b>	<b>1,161</b>	<b>1,151</b>

Financial charges may be analysed as follows:

	31/12/00	30/06/00	30/06/01	Difference
Bank interest and charges	3,177	1,109	1,718	609
Other financial charges	1,030	520	657	137
<b>Total financial charges</b>	<b>4,207</b>	<b>1,629</b>	<b>2,375</b>	<b>746</b>

Extraordinary income may be analysed as follows:

	30/06/01
Non-existent liabilities	45
Over accrual of taxation	90
Other out of period income	40
<b>Total extraordinary income</b>	<b>175</b>

Extraordinary charges may be analysed as follows:

	30/06/01
Adjustment to prior year revenues	758
Under accrual of costs in prior years	321
Other out of period expenses	56
<b>Total extraordinary charges</b>	<b>1,135</b>

### Average number of employees

There was an average of 109 employees during the first half of the year, including 10 managers. This represents an increase on 2000 when there was an average of 90 employees for the whole year, including 3 managers.

### Consolidation area

The companies included in the consolidation area at June 30, 2001 were as follows:

	Head office	Share capital (in local currency at date of Offering Circular)	Group Share	Consolidation Method
Digital Bros S.p.A.	Milan	Lire 3,125,000,000	Parent company	Line-by-line
Evolution Entertainment S.r.l.	Milan	Lire 180,000,000	100%	Line-by-line
Communications & Promotions S.r.l.	Milan	Lire 180,000,000	100%	Line-by-line
Game Channel S.p.A.	Milan	Lire 500,000,000	67%	Line-by-line
Twine Holdings Ltd.	London (UK)	GBP 999	66.75%	Line-by-line
Eon Digital Entertainment Ltd (1)	London (UK)	GBP 999	66.75%	Line-by-line
Game Network Ltd. (2)	London (UK)	GBP 1	100%	Line-by-line
Game Network S.p.A. (3)	Milan	Euro 150,000	(3)	Line-by-line
Game Network on line S.r.l.	Milan	Euro 50,000	100%	Line-by-line

(1) this investment is held 100% by Twine Holdings Ltd.

(2) this company was founded in 2000 and acquired by the Group on February 14, 2001

this company was set up on June 15, 2001. It is owned 99% by Game Channel S.p.A. and 1% by Digital Bros S.p.A.

The changes in the consolidation area relate to the acquisition of Game Network Ltd. and the creation of Game Network S.p.A.

**DIGITAL BROS S.p.A.**

## CONSOLIDATED BALANCE SHEET AT 30/06/01

Amounts in millions of Lire	June 30, 2001	June 30, 2000	Dec 31, 2000
<b>A) Due from shareholders for unpaid share capital</b>	0	0	0
<b>B) Fixed assets:</b>			
I - Intangible assets (net)			
1) start-up and expansion costs	7,212	23	8,151
3) patents and intellectual property rights	0	0	8
4) concessions, licences, trademarks and similar rights	15,479	3,975	7,550
5) goodwill	65	74	70
5-b) consolidation difference	2,196	596	567
6) assets in progress and payments on account	1,819	340	3,973
7) other	320	426	379
8) Accumulated amortisation	-9,470	0	-4,880
Total intangible assets (net)	<b>17,621</b>	<b>5,434</b>	<b>15,818</b>
II - Tangible fixed assets			
1) land and buildings	1,071	982	1,071
2) plant and machinery	195	41	190
3) industrial and commercial equipment	3,025	1,364	2,576
4) other tangible fixed assets	44	220	41
6) Accumulated depreciation	-1,400	0	-1,110
Total tangible fixed assets (net)	<b>2,935</b>	<b>2,607</b>	<b>2,768</b>
III - Financial fixed assets:			
d) other receivables			
b) due after more than one year	4	0	4
Total financial fixed assets	<b>4</b>	<b>0</b>	<b>4</b>
<b>Total fixed assets (B)</b>	<b>20,560</b>	<b>8,041</b>	<b>18,590</b>
<b>C) Current assets:</b>			
I - Inventory			
4) finished goods	28,094	25,178	20,437
Total inventory	<b>28,094</b>	<b>25,178</b>	<b>20,437</b>
II - Receivables :			
1) trade accounts			
a) due after less than one year	61,900	18,217	63,803
5) other			
a) due after less than one year	7,615	2,374	11,273
b) due after more than one year	272	24	125
Total receivables	<b>69,787</b>	<b>20,615</b>	<b>75,201</b>
III - Financial assets not classified as fixed assets:			
5) other securities	4,669	908	8,868
Total financial assets not classified as fixed assets	<b>4,669</b>	<b>908</b>	<b>8,868</b>
IV - Cash at bank and on hand			
1) bank and post office accounts	11,957	886	40,994
3) cash and cash equivalents on hand	22	22	44
Total cash at bank and on hand	<b>11,979</b>	<b>908</b>	<b>41,038</b>
<b>Total current assets (C)</b>	<b>114,529</b>	<b>47,609</b>	<b>145,544</b>

<b>D) Prepayments and accrued income</b>	619	674	1,782
<b>Total assets (A+B+C+D)</b>	<b>135,708</b>	<b>56,324</b>	<b>165,916</b>
LIABILITIES AND SHAREHOLDERS' EQUITY:			
<b>A) Shareholders' equity:</b>			
I - Share capital	3,125	2,500	3,125
II - Share premium reserve	76,826	0	76,826
IV - Legal reserve	500	200	500
VIII – Retained earnings (accumulated losses)	-2,002	2,732	2,432
Translation reserve	99	29	-101
IX - Profit (Loss) for the year	-8,339	-2,581	-5,571
<b>Total Group shareholders' equity</b>	<b>70,209</b>	<b>2,880</b>	<b>77,211</b>
Shareholders' equity pertaining to minority interests			
Capital and reserves – minority interests	271	209	689
Profit (Loss) for the year – minority interests	-575	-752	-418
<b>Total shareholders' equity</b>	<b>69,906</b>	<b>2,337</b>	<b>77,482</b>
<b>B) Provisions for risks and charges:</b>			
	0	253	896
<b>C) Employee severance indemnity reserve</b>			
	536	352	460
<b>D) Payables:</b>			
3) amounts due to banks			
a) due after less than one year	39,820	29,503	47,377
b) due after more than one year	208	265	208
4) due to other lenders			
a) due after less than one year	23	167	190
5) payments on account			
a) due after less than one year	1,200	0	1,200
6) trade accounts			
a) due after less than one year	20,726	18,670	31,493
11) due to tax authorities			
a) due after less than one year	1,167	3,752	5,425
12) due to social security institutions			
a) due after less than one year	471	419	668
13) other payables			
a) due after less than one year	784	585	475
<b>Total payables</b>	<b>64,399</b>	<b>53,361</b>	<b>87,036</b>
<b>E) Accrued expenses and deferred income</b>			
	867	21	42
<b>Total liabilities and shareholders' equity (A+B+C+D+E)</b>	<b>135,708</b>	<b>56,324</b>	<b>165,916</b>
<b>Total memorandum accounts</b>	<b>5,401</b>	<b>6,690</b>	<b>8,676</b>

**DIGITAL BROS S.p.A.**

## CONSOLIDATED INCOME STATEMENT AT 30/06/01

Amounts in millions of Lire	June 30, 2001	June 30, 2000	December 31, 2000
<b>A) Value of production</b>			
1) revenues from sales and services	38,556	33,784	106,209
2) change in inventory of work in progress, semi-finished and finished goods	7,626	2,888	-263
5) other revenues and income			
b) other revenues	443	1,774	6,543
<b>Total value of production</b>	<b>46,625</b>	<b>38,446</b>	<b>112,489</b>
<b>B) Production costs</b>			
6) raw, ancillary and consumable materials and goods for resale (purchases)	26,929	25,127	65,590
7) services	12,966	9,658	28,651
8) use of third party assets / leases and rentals	1,102	725	1,651
9) personnel costs:			
a) wages and salaries	4,039	1,952	4,497
b) social contributions	1,020	680	1,370
c) employee severance indemnity	142	120	264
e) other personnel costs	3	3	34
10) amortisation, depreciation & writedowns			
a) amortisation of intangible assets	5,169	130	7,334
b) depreciation of tangible fixed assets	289	175	424
d) writedown of current receivables and cash at bank and on hand	0	0	86
12) provisions for risks	1,149	404	1,211
13) other provisions	0	0	7
14) sundry operating charges	557	721	1,431
<b>Total production costs</b>	<b>53,365</b>	<b>39,695</b>	<b>112,550</b>
<b>Difference between value and cost of production (A-B)</b>	<b>-6,740</b>	<b>-1,249</b>	<b>-61</b>
<b>C) Financial income and charges</b>			
16) other financial income			
c) from securities classified as current assets other than equity investments	19	3	15
d) income other than the above			
d) other income	1,142	7	382
17) interest and other financial charges			
d) other interest and financial charges	-2,375	-1,629	-4,207
<b>Total financial income and charges</b>	<b>-1,214</b>	<b>-1,619</b>	<b>-3,810</b>
<b>E) Extraordinary income and charges</b>			
20) income			
b) Other income	175	418	490
21) charges			
b) Prior year taxation	0	0	-2
c) other charges	-1,135	-883	-2,275
<b>Total extraordinary income and (charges) (20-21)</b>	<b>-960</b>	<b>-465</b>	<b>-1,787</b>
<b>Loss before taxation (A-B+C+-D+-E)</b>	<b>-8,914</b>	<b>-3,333</b>	<b>-5,658</b>
22) taxes on income			

Current	0	0	-493
Deferred	0	0	162
Total taxes on income	<u>0</u>	<u>0</u>	<u>-331</u>
23) net loss for the period	-8,914	-3,333	-5,989
(Profit) loss pertaining to minority interests	575	752	418
<b>26) (Loss) for the period</b>	<u><b>-8,339</b></u>	<u><b>-2,581</b></u>	<u><b>-5,571</b></u>

**DIGITAL BROS S.p.A.**

## CONSOLIDATED BALANCE SHEET AT 30/06/01

Amounts in thousands of Euro

	June 30, 2001	June 30, 2000	December 31, 2000
<b>A) Due from shareholders for unpaid share capital</b>	0	0	0
<b>B) Fixed assets:</b>			
I - Intangible assets (net)			
1) start-up and expansion costs	3724.7	11.9	4209.6
3) patents and intellectual property rights	0.0		4.1
4) concessions, licences, trademarks and similar rights	7994.2	2052.9	3899.2
5) goodwill	33.6	38.2	36.2
5-b) consolidation difference	1134.1	307.8	292.9
6) assets in progress and payments on account	939.4	175.6	2051.9
7) other	165.3	220.0	195.7
8) Accumulated amortisation	-4890.8	0	-2520.3
Total intangible assets (net)	<b>9100.5</b>	<b>2806.4</b>	<b>8169.3</b>
II - Tangible fixed assets			
1) land and buildings	553.1	507.2	553.1
2) plant and machinery	100.7	21.2	98.1
3) industrial and commercial equipment	1562.3	704.4	1330.4
4) other tangible fixed assets	22.7	113.6	21.2
6) Accumulated depreciation	-723.0		-573.2
Total tangible fixed assets (net)	<b>1515.8</b>	<b>1346.4</b>	<b>1429.6</b>
III - Financial fixed assets:			
d) other receivables			
b) due after more than one year	2.0	0.0	2.0
Total financial fixed assets	<b>2.0</b>	<b>0.0</b>	<b>2.0</b>
<b>Total fixed assets (B)</b>	<b>10618.3</b>	<b>4152.8</b>	<b>9600.9</b>
<b>C) Current assets:</b>			
I - Inventory			
4) finished goods	14509.3	13003.4	10554.8
Total inventory	<b>14509.3</b>	<b>13003.4</b>	<b>10554.8</b>
II - Receivables :			
1) trade accounts			
a) due after less than one year	31968.7	9408.3	32951.5
5) other			
a) due after less than one year	3932.8	1226.1	5822.0
b) due after more than one year	140.5	12.4	64.6
Total receivables	<b>36042.0</b>	<b>10646.8</b>	<b>38838.1</b>
III - Financial assets not classified as fixed assets:			
5) other securities	2411.3	468.9	4579.9
Total financial assets not classified as fixed assets	<b>2411.3</b>	<b>468.9</b>	<b>4579.9</b>
IV - Cash at bank and on hand			
1) bank and post office accounts	6175.3	457.6	21171.6
3) cash and cash equivalents on hand	11.4	11.4	22.8
Total cash at bank and on hand	<b>6186.7</b>	<b>469.0</b>	<b>21194.4</b>

<b>Total current assets (C)</b>	<b>59149.3</b>	<b>24588.1</b>	<b>75167.2</b>
<b>D) Prepayments and accrued income</b>	319.7	348.1	920.3
<b>Total assets (A+B+C+D)</b>	<b>70087.3</b>	<b>29089.0</b>	<b>85688.4</b>
LIABILITIES AND SHAREHOLDERS' EQUITY:			
<b>A) Shareholders' equity:</b>			
I - Share capital	1613.9	1291.1	1613.9
II - Share premium reserve	39677.2		39677.2
IV - Legal reserve	258.2	103.3	258.2
VIII – Retained earnings (accumulated losses)	-1033.9	1411.0	1256.1
Translation reserve	51.1	15.0	-52.0
IX - Profit (Loss) for the year	-4306.7	-1333.0	-2877.3
<b>Total Group shareholders' equity</b>	<b>36259.8</b>	<b>1487.4</b>	<b>39876.1</b>
Shareholders' equity pertaining to minority interests			
Capital and reserves – minority interests	140.0	107.9	355.8
Profit (Loss) for the year – minority interests	-297.0	-388.3	-215.8
<b>Total shareholders' equity</b>	<b>36102.8</b>	<b>1207.0</b>	<b>40016.1</b>
<b>B) Provisions for risks and charges:</b>			
		130.7	462.7
<b>C) Employee severance indemnity reserve</b>			
	276.8	181.8	237.6
<b>D) Payables:</b>			
3) amounts due to banks			
a) due after less than one year	20565.4	15237.0	24468.2
b) due after more than one year	107.4	136.9	107.4
4) due to other lenders	0.0		
a) due after less than one year	12.0	86.2	98.1
5) payments on account			
a) due after less than one year	619.8		619.7
6) trade accounts			
a) due after less than one year	10704.2	9642.3	16264.8
11) due to tax authorities			
a) due after less than one year	602.7	1937.7	2801.8
12) due to social security institutions			
a) due after less than one year	243.4	216.4	345.0
13) other payables			
a) due after less than one year	404.9	302.2	245.3
<b>Total payables</b>	<b>33259.8</b>	<b>27558.7</b>	<b>44950.3</b>
<b>E) Accrued expenses and deferred income</b>			
	447.9	10.8	21.7
<b>Total liabilities and shareholders' equity (A+B+C+D+E)</b>	<b>70087.3</b>	<b>29088.9</b>	<b>85688.4</b>
<b>Total memorandum accounts</b>	2789.4	3455.1	4480.8

**DIGITAL BROS S.p.A.**  
**CONSOLIDATED INCOME STATEMENT AT 30/06/01**

Amounts in thousands of Euro	June 30, 2001	June 30, 2000	December 31, 2000
<b>A) Value of production</b>			
1) revenues from sales and services	19912.5	17448.0	54852.4
2) change in inventory of work in progress, semi-finished and finished goods	3938.5	1491.5	-135.9
5) other revenues and income			
b) other revenues	228.8	916.2	3379.2
<b>Total value of production</b>	<b>24079.8</b>	<b>19855.7</b>	<b>58095.7</b>
<b>B) Production costs</b>			
6) raw, ancillary and consumable materials and goods for resale (purchases)	13907.6	12977.0	33874.4
7) services	6696.4	4987.9	14797.0
8) use of third party assets / leases and rentals	569.1	374.4	852.7
9) personnel costs:			
a) wages and salaries	2086.0	1008.1	2322.5
b) social contributions	526.8	351.2	707.5
c) employee severance indemnity	73.3	62.0	136.3
e) other personnel costs	1.5	1.5	17.6
10) amortisation, depreciation & writedowns			
a) amortisation of intangible assets	2669.6	67.2	3787.7
b) depreciation of tangible fixed assets	149.3	90.4	219.0
d) writedown of current receivables and cash at bank and on hand			44.4
12) provisions for risks	593.4	208.6	625.4
13) other provisions			3.6
14) sundry operating charges	287.7	372.5	739.1
<b>Total production costs</b>	<b>27560.7</b>	<b>20500.8</b>	<b>58127.2</b>
<b>Difference between value and cost of production (A-B)</b>	<b>-3480.9</b>	<b>-645.1</b>	<b>-31.5</b>
<b>C) Financial income and charges</b>			
16) other financial income			
c) from securities classified as current assets other than equity investments	9.8	1.5	7.7
d) income other than the above			
d) other income	589.8	3.6	197.3
17) interest and other financial charges			
d) other interest and financial charges	-1226.6	-841.3	-2172.7
<b>Total financial income and charges</b>	<b>-627.0</b>	<b>-836.2</b>	<b>-1967.7</b>
<b>E) Extraordinary income and charges</b>			
20) income			
b) Other income	90.4	215.9	253.1
21) charges			
b) Prior year taxation			-1.0
c) other charges	-586.2	-456.0	-1175.0
<b>Total extraordinary income and (charges) (20-21)</b>	<b>-495.8</b>	<b>-240.1</b>	<b>-922.9</b>
<b>Loss before taxation (A-B+C+-D+-E)</b>	<b>-4603.7</b>	<b>-1721.4</b>	<b>-2922.1</b>
22) taxes on income			
Current			-254.6
Deferred			83.6

Total taxes on income	<b>0.0</b>	<b>0.0</b>	<b>-171.0</b>
23) net loss for the period	-4603.7	-1721.4	-3093.1
(Profit) loss pertaining to minority interests	297.0	388.4	215.8
<b>26) (Loss) for the period</b>	<b>-4306.7</b>	<b>-1333.0</b>	<b>-2877.3</b>

**DIGITAL BROS S.p.A.**

**BALANCE SHEET AT 30/06/01**

Amounts in Lire	30/06/01	30/06/00	31/12/00
<b>ASSETS</b>			
<b>A) Due from shareholders for unpaid share capital</b>	-	-	-
<b>B) Fixed assets:</b>			
I - Intangible assets (net)			
1) start-up and expansion costs	7,192,290,091	340,420,805	8,124,270,639
4) concessions, licences, trademarks and similar rights	3,885,005,343	177,395,766	2,062,787,247
7) other	274,366,934	367,125,227	327,858,873
<b>Total intangible assets (net)</b>	<b>11,351,662,368</b>	<b>884,941,798</b>	<b>10,514,916,759</b>
II - Tangible fixed assets (net)			
1) land and buildings	956,605,714	981,993,214	969,299,464
2) plant and machinery	21,796,066	41,041,250	28,609,331
3) industrial and commercial equipment	1,283,388,205	1,100,480,370	1,152,934,133
4) other tangible fixed assets	19,827,523	26,850,443	21,712,796
<b>Total tangible fixed assets (net)</b>	<b>2,281,617,508</b>	<b>2,150,365,277</b>	<b>2,172,555,724</b>
III - Financial fixed assets:			
1) investments in:			
a) subsidiary companies	2,578,702,478	1,504,147,068	2,575,795,003
2) receivables			
d) other			
b) due after more than one year	3,650,000	900,000	3,650,000
<b>Total financial fixed assets</b>	<b>2,582,352,478</b>	<b>1,505,047,068</b>	<b>2,579,445,003</b>
<b>Total fixed assets (B)</b>	<b>16,215,632,354</b>	<b>4,540,354,143</b>	<b>15,266,917,486</b>
<b>C) Current assets:</b>			
I - Inventory			
4) finished goods	26,173,911,267	24,639,972,091	17,823,272,555
<b>Total inventory</b>	<b>26,173,911,267</b>	<b>24,639,972,091</b>	<b>17,823,272,555</b>
II - Receivables :			
1) trade accounts			
a) due after less than one year	39,476,906,942	17,997,724,722	49,682,466,790
2) due from subsidiary companies			
a) due after less than one year	27,408,426,146	4,133,047,587	16,809,999,176
5) other			
a) due after less than one year	6,640,016,815	1,518,106,765	8,995,070,100
b) due after more than one year	271,762,757	23,606,845	124,787,058
<b>Total receivables</b>	<b>73,797,112,660</b>	<b>23,672,485,919</b>	<b>75,612,323,124</b>
III - Financial assets not classified as fixed assets:			
5) other securities	4,569,664,854	808,406,750	8,769,660,011
<b>Total financial assets not classified as fixed assets:</b>	<b>4,569,664,854</b>	<b>808,406,750</b>	<b>8,769,660,011</b>
IV – Cash at bank and on hand			
1) Bank and post office accounts	10,853,375,536	492,097,006	40,291,537,830
3) cash and cash equivalents on hand	8,982,469	12,034,871	13,862,756

Total cash at bank and on hand	10,862,358,005	504,131,877	40,305,400,586
<b>Total current assets (C)</b>	<b>115,403,046,786</b>	<b>49,624,996,637</b>	<b>142,510,656,276</b>
<b>D) Prepayments and accrued income</b>	555,437,494	217,013,928	550,799,782
<b>Total assets (A+B+C+D)</b>	<b>132,174,116,634</b>	<b>54,382,364,708</b>	<b>158,328,373,544</b>

LIABILITIES AND SHAREHOLDERS' EQUITY:

**A) Shareholders' equity:**

I - Share capital	3,125,000,000	2,500,000,000	3,125,000,000
II - Share premium reserve	76,825,800,000		76,825,800,000
IV - Legal reserve	500,000,000	200,000,000	500,000,000
VIII – Retained earnings (accumulated losses)	-2,002,793,521	2,732,387,788	2,432,387,788
IX - Profit (Loss) for the period	-3,840,451,447	-989,302,459	-4,435,181,309
<b>Total shareholders' equity</b>	<b>74,607,555,032</b>	<b>4,443,085,329</b>	<b>78,448,006,479</b>

**C) Employee severance indemnity reserve**

445,512,213	293,948,914	383,465,923
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**D) Payables:**

3) amounts due to banks			
a) due after less than one year	39,033,417,045	28,671,874,093	46,625,014,177
b) due after more than one year	207,939,297	265,220,312	207,939,297
4) due to other lenders			
a) due after less than one year	-	166,830,000	166,830,000
6) trade accounts			
a) due after less than one year	14,641,731,065	14,495,274,788	24,145,099,900
8) due to subsidiaries			
a) due after less than one year	492,896,614	1,641,488,407	2,472,373,023
11) due to tax authorities			
a) due after less than one year	948,863,011	3,627,473,973	5,149,176,505
12) due to social security institutions			
a) due after less than one year	403,613,747	276,064,465	352,271,542
13) other payables			
a) due after less than one year	525,514,782	497,852,745	369,007,857
<b>Total payables</b>	<b>56,253,975,561</b>	<b>49,642,078,783</b>	<b>79,487,712,301</b>

**E) Accrued expenses and deferred income**

867,073,828	3,251,682	9,188,841
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**Total liabilities and shareholders' equity (A+B+C+D+E)**

<b>132,174,116,634</b>	<b>54,382,364,708</b>	<b>158,328,373,544</b>
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**Memorandum accounts**

Guarantees	2,566,000,000	90,000,000	4,590,000,000
Real securities	1,500,000,000	3,000,000,000	1,500,000,000
Leased assets	-	-	1,335,000,000
Sureties to subsidiaries	-	-	400,000,000
Notes receivable with banks	1,334,530,840	3,810,928,738	
<b>Total memorandum accounts</b>	<b>5,400,530,840</b>	<b>6,900,928,738</b>	<b>7,825,000,000</b>

**DIGITAL BROS S.p.A.**  
**INCOME STATEMENT AT 30/06/01**

Amounts in Lire	30/06/01	30/06/00	31/12/00
<b>A) Value of production</b>			
1) revenues from sales and services	24,663,549,200	33,586,395,552	92,060,686,766
2) change in inventory of work in progress, semi-finished and finished goods	8,350,638,712	3,102,738,465	-2,097,365,742
5) other revenues and income			
b) other revenues	1,249,612,266	1,694,672,725	5,479,903,022
<b>Total value of production</b>	<b>34,263,800,178</b>	<b>38,383,806,742</b>	<b>95,443,224,046</b>
<b>B) Production costs</b>			
6) raw, ancillary and consumable materials and goods for resale (purchases)	26,013,395,147	27,513,823,844	62,791,753,520
7) services	5,133,276,921	7,035,554,850	22,645,511,830
8) use of third party assets / leases and rentals	631,305,609	497,181,952	1,095,210,863
9) personnel costs:			
a) wages and salaries	1,964,965,129	1,451,524,469	2,938,468,844
b) social contributions	663,848,998	533,663,882	1,037,286,290
c) employee severance indemnity	111,525,295	90,711,950	203,798,320
e) other personnel costs	397,800		29,914,762
10) amortisation, depreciation & writedowns			
a) amortisation of intangible assets	1,160,332,990	75,682,203	2,438,939,528
b) depreciation of tangible fixed assets	169,638,596	138,384,969	283,717,192
12) provisions for risks	-	-	226,885,917
14) sundry operating charges	462,998,905	606,379,733	1,410,600,804
<b>Total production costs</b>	<b>36,311,685,390</b>	<b>37,942,907,852</b>	<b>95,102,087,870</b>
<b>Difference between value and cost of production (A-B)</b>	<b>-2,047,885,212</b>	<b>440,898,890</b>	<b>341,136,176</b>
<b>C) Financial income and charges</b>			
16) other financial income			
c) from securities classified as current assets other than equity investments	16,629,172	3,253,737	14,795,053
d) income other than the above			
d) other income	1,567,156,779	533,507	458,007,854
17) interest and other financial charges			
d) other interest and financial charges	-2,369,022,706	-1,582,639,065	-4,067,135,314
<b>Total financial income and charges</b>	<b>-785,236,755</b>	<b>-1,578,851,821</b>	<b>-3,594,332,407</b>
<b>E) Extraordinary income and charges</b>			
20) income			
b) other income	66,165,836	233,863,708	470,231,567
21) charges			
c) other charges	-1,073,495,316	-85,213,236	-1,496,216,645
<b>Total extraordinary income and (charges) (20-21)</b>	<b>-1,007,329,480</b>	<b>148,650,472</b>	<b>-1,025,985,078</b>
<b>Loss before taxation (A-B+C+-D+-E)</b>	<b>-3,840,451,447</b>	<b>-989,302,459</b>	<b>-4,279,181,309</b>
22) taxes on income			
current	-	-	-318,000,000
deferred	-	-	162,000,000
<b>26) (Loss) for the period</b>	<b>-3,840,451,447</b>	<b>-989,302,459</b>	<b>-4,435,181,309</b>

**DIGITAL BROS S.p.A.****BALANCE SHEET AT 30/06/01**

Amounts in Euro	30/06/01	30/06/00	31/12/00
<b>ASSETS:</b>			
<b>A) Due from shareholders for unpaid share capital</b>	0.0	0.0	0.0
<b>B) Fixed assets:</b>			
I - Intangible assets (net)			
1) start-up and expansion costs	3,714,507.8	175,812.7	4,195,835.6
4) concessions, licences, trademarks and similar rights	2,006,437.8	91,617.3	1,065,340.7
7) other	141,698.7	189,604.4	169,325.0
Total intangible assets (net)	<b>5,862,644.3</b>	<b>457,034.4</b>	<b>5,430,501.3</b>
II - Tangible fixed assets (net)			
1) land and buildings	494,045.6	507,157.2	500,601.4
2) plant and machinery	11,256.7	21,196.0	14,775.5
3) industrial and commercial equipment	662,814.7	568,350.7	595,440.8
4) other tangible fixed assets	10,240.1	13,867.1	11,213.7
Total tangible fixed assets (net)	<b>1,178,357.1</b>	<b>1,110,571.0</b>	<b>1,122,031.4</b>
III - Financial fixed assets:			
1) investments in:			
a) subsidiary companies	1,331,788.7	776,827.1	1,330,287.1
2) receivables			
d) other			
b) due after more than one year	1,885.1	464.8	1,885.1
Total financial fixed assets	<b>1,333,673.8</b>	<b>777,291.9</b>	<b>1,332,172.2</b>
<b>Total fixed assets (B)</b>	<b>8,374,675.2</b>	<b>2,344,897.4</b>	<b>7,884,704.9</b>
<b>C) Current assets:</b>			
I - Inventory			
4) finished goods	13,517,697.0	12,725,483.6	9,204,952.0
Total inventory	<b>13,517,697.0</b>	<b>12,725,483.6</b>	<b>9,204,952.0</b>
II - Receivables :			
1) trade accounts			
a) due after less than one year	20,388,120.9	9,295,049.2	25,658,852.7
2) due from subsidiary companies			
a) due after less than one year	14,155,270.8	2,134,540.9	8,681,640.0
5) other			
a) due after less than one year	3,429,282.5	784,036.7	4,645,566.1
b) due after more than one year	140,353.8	12,191.9	64,447.1
Total receivables	<b>38,113,028.0</b>	<b>12,225,818.7</b>	<b>39,050,505.9</b>
III - Financial assets not classified as fixed assets:			
5) other securities	2,360,034.9	417,507.2	4,529,151.4
Total financial assets not classified as fixed assets:	<b>2,360,034.9</b>	<b>417,507.2</b>	<b>4,529,151.4</b>
IV – Cash at bank and on hand			
1) Bank and post office accounts	5,605,300.7	254,146.9	20,808,842.7
3) cash and cash equivalents on hand	4,639.1	6,215.5	7,159.5

Total cash at bank and on hand	5,609,939.8	260,362.4	20,816,002.2
<b>Total current assets (C)</b>	<b>59,600,699.7</b>	<b>25,629,171.9</b>	<b>73,600,611.5</b>
<b>D) Prepayments and accrued income</b>	286,859.5	112,078.3	284,464.4
<b>Total assets (A+B+C+D)</b>	<b>68,262,234.4</b>	<b>28,086,147.5</b>	<b>81,769,780.8</b>

LIABILITIES AND SHAREHOLDERS' EQUITY:

**A) Shareholders' equity:**

I - Share capital	1,613,927.8	1,291,142.2	1,613,927.8
II - Share premium reserve	39,677,214.4	0.0	39,677,214.4
IV - Legal reserve	258,228.4	103,291.4	258,228.5
VIII – Retained earnings (accumulated losses)	-1,034,356.5	1,411,160.5	1,256,223.4
IX - Profit (Loss) for the period	-1,983,427.6	-510,932.1	-2,290,580.0
<b>Total shareholders' equity</b>	<b>38,531,586.5</b>	<b>2,294,662.0</b>	<b>40,515,014.1</b>

**C) Employee severance indemnity reserve**

	230,087.9	151,811.9	198,043.6
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**D) Payables:**

3) amounts due to banks			
a) due after less than one year	20,159,077.5	14,807,787.2	24,079,810.2
b) due after more than one year	107,391.7	136,974.9	107,391.7
4) due to other lenders			
a) due after less than one year	0.0	86,160.5	86,160.5
6) trade accounts			
a) due after less than one year	7,561,823.0	7,486,184.7	12,469,903.4
8) due to subsidiaries			
a) due after less than one year	254,559.9	847,758.0	1,276,874.1
11) due to tax authorities			
a) due after less than one year	490,046.8	1,873,434.0	2,659,327.7
12) due to social security institutions			
a) due after less than one year	208,449.1	142,575.4	181,933.1
13) other payables			
a) due after less than one year	271,405.7	257,119.5	190,576.7
<b>Total payables</b>	<b>29,052,753.7</b>	<b>25,637,994.2</b>	<b>41,051,977.4</b>

**E) Accrued expenses and deferred income**

	447,806.3	1,679.4	4,745.7
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<b>Total liabilities and shareholders' equity (A+B+C+D+E)</b>	<b>68,262,234.4</b>	<b>28,086,147.5</b>	<b>81,769,780.8</b>
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**Memorandum accounts**

Guarantees	1,325,228.4	46,481.1	2,370,537.2
Real securities	774,685.3	1,549,370.7	774,685.3
Leased assets	0.0	0.0	689,470.0
Sureties to subsidiaries	0.0	0.0	206,582.7
Notes receivable with banks	689,227.7	1,968,180.4	
<b>Total memorandum accounts</b>	<b>2,789,141.4</b>	<b>3,564,032.2</b>	<b>4,041,275.2</b>

**DIGITAL BROS S.p.A.**  
**INCOME STATEMENT AT 30/06/01**

Amounts in Euro	30/06/01	30/06/00	31/12/00
<b>A) Value of production</b>			
1) revenues from sales and services	12,737,660.1	17,345,925.7	47,545,376.8
2) change in inventory of work in progress, semi-finished and finished goods	4,312,745.0	1,602,430.7	-1,083,199.0
5) other revenues and income			
b) other revenues	645,370.9	875,225.4	2,830,133.7
<b>Total value of production</b>	<b>17,695,776.0</b>	<b>19,823,581.8</b>	<b>49,292,311.5</b>
<b>B) Production costs</b>			
6) raw, ancillary and consumable materials and goods for resale (purchases)	13,434,797.4	14,209,704.2	32,429,234.3
7) services	2,651,116.3	3,633,560.8	11,695,430.8
8) use of third party assets / leases and rentals	326,042.1	256,773.0	565,629.2
9) personnel costs:			
a) wages and salaries	1,014,819.8	749,649.8	1,517,592.5
b) social contributions	342,849.4	275,614.4	535,713.7
c) employee severance indemnity	57,598.0	46,848.8	105,253.1
e) other personnel costs	205.4	0.0	15,449.7
10) amortisation, depreciation & writedowns			
a) amortisation of intangible assets	599,262.0	39,086.6	1,259,607.1
b) depreciation of tangible fixed assets	87,611.0	71,469.9	146,527.7
12) provisions for risks	0.0	0.0	117,176.8
14) sundry operating charges	239,119.0	313,169.0	728,514.5
<b>Total production costs</b>	<b>18,753,420.4</b>	<b>19,595,876.5</b>	<b>49,116,129.4</b>
<b>Difference between value and cost of production (A-B)</b>	<b>-1,057,644.4</b>	<b>227,705.3</b>	<b>176,182.1</b>
<b>C) Financial income and charges</b>			
16) other financial income			
c) from securities classified as current assets other than equity investments	8,588.3	1,680.5	7,641.0
d) income other than the above			
d) other income	809,368.9	275.5	236,541.3
17) interest and other financial charges			
d) other interest and financial charges	-1,223,498.1	-817,364.9	-2,100,500.1
<b>Total financial income and charges</b>	<b>-405,540.9</b>	<b>-815,408.9</b>	<b>-1,856,317.8</b>
<b>E) Extraordinary income and charges</b>			
20) income			
b) other income	34,171.8	120,780.5	242,854.3
21) charges			
c) other charges	-554,414.1	-44,009.0	-772,731.4
<b>Total extraordinary income and (charges) (20-21)</b>	<b>-520,242.3</b>	<b>76,771.5</b>	<b>-529,877.1</b>
<b>Loss before taxation (A-B+C+-D+-E)</b>	<b>-1,983,427.6</b>	<b>-510,932.1</b>	<b>-2,210,012.8</b>
22) taxes on income			
current	0.0	0.0	-164,233.3
deferred	0.0	0.0	83,666.1
<b>26) (Loss) for the period</b>	<b>-1,983,427.6</b>	<b>-510,932.1</b>	<b>-2,290,580.0</b>