



Digital Bros S.p.A.

**Consolidated quarterly report
at 30 June 2007**

(fourth quarter of fiscal year 2006-2007)

Digital Bros S.p.A.

Via Bisceglie, 76 – 20152 Milan, Italy

VAT 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

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CORPORATE OFFICERS

Board of Directors

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

(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)
Sergio Treves
Bruno Soresina

Compensation Committee

Sergio Treves (Chairman)
Bruno Soresina
Umberto Virri

Board of Statutory Auditors

Nicolino Cavalluzzo	Chairman
Franco Gaslini	Regular auditor
Paolo Villa	Regular auditor
Enrico Muscato	Alternate auditor
Marcello Priori	Alternate auditor

The term of office of the Board of Directors and Board of Statutory Auditors will end as of the date of the shareholders' meeting that approves the financial statements at 30 June 2008.

On 14 November 2005 the Board of Directors granted to managing directors Abramo 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, board member Stefano Salbe was appointed to the position of financial reporting officer pursuant to Art. 154 bis of Legislative Decree 58/98, and granted the appropriate powers.

External auditors

Reconta Ernst & Young S.p.A.

At the meeting of 30 October 2006 the shareholders renewed Reconta Ernst & Young's assignment to audit the separate and consolidated financial statements until approval of the accounts at 30 June 2009.

GROUP STRUCTURE AND SCOPE OF CONSOLIDATION

The Digital Bros Group publishes, distributes and sells video games. In recent years it has diversified into operations complementary to video games themselves, to provide a wide range of digital entertainment products using the media in every available form. These operations are performed under distinctive brands to better denote the business segment.

With more than a decade's worth of experience in localizing and distributing video games in the domestic market (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 online gaming and Internet digital entertainment (New Media segment).

With the growth spurt in the distribution via newsstands of video games and DVDs in the year ended 30 June 2006, and as a reflection of the Group's strategy of devoting steady attention to this business, the relevant costs and revenues have been split off from the Distribution segment and allocated to the Newsstands segment.

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

Group operations can now be divided into the five segments described below:

Distribution: namely the localization of video games acquired from international publishers and their subsequent distribution in Italy.

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 Distribution segment because the games are produced under license with international exploitation rights normally valid for several years.

The division of the parent company called 505 Games (formerly 505 Game Street) has been in charge of this segment for the past two years. For market reasons and in light of the segment's fast growth, since the start of this fiscal year 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 of games in the lower price range in PAL system countries (Europe, Australia and South Africa).

The U.K. subsidiaries Twine Holdings Ltd. and Eon Digital Entertainment Ltd., formerly active in this segment, were completely wound up during the year.

New Media: this segment covers all forms of interactive entertainment distributed over the new media. Digital entertainment content is provided over channels such as digital TV, mobile phones, e-commerce, d-commerce and IP TV, and is managed by the subsidiary Game Media Networks S.r.l. Online gaming, i.e. the exploitation of international licenses for online games, was run by 505 Games S.r.l. until 31 December 2006. Since the start of 2007, as an effect of the streamlining process, this business has been operated by the subsidiary Game Media Networks S.r.l.

During the year, the Digital Bros Group and RCS Mediagroup formed the joint venture RCS DB Games S.p.A., to develop an online gaming portal and e-commerce/d-commerce operations for the mass market. Through its subsidiary Game Media Networks S.r.l., Digital Bros is the joint venture's sole content supplier.

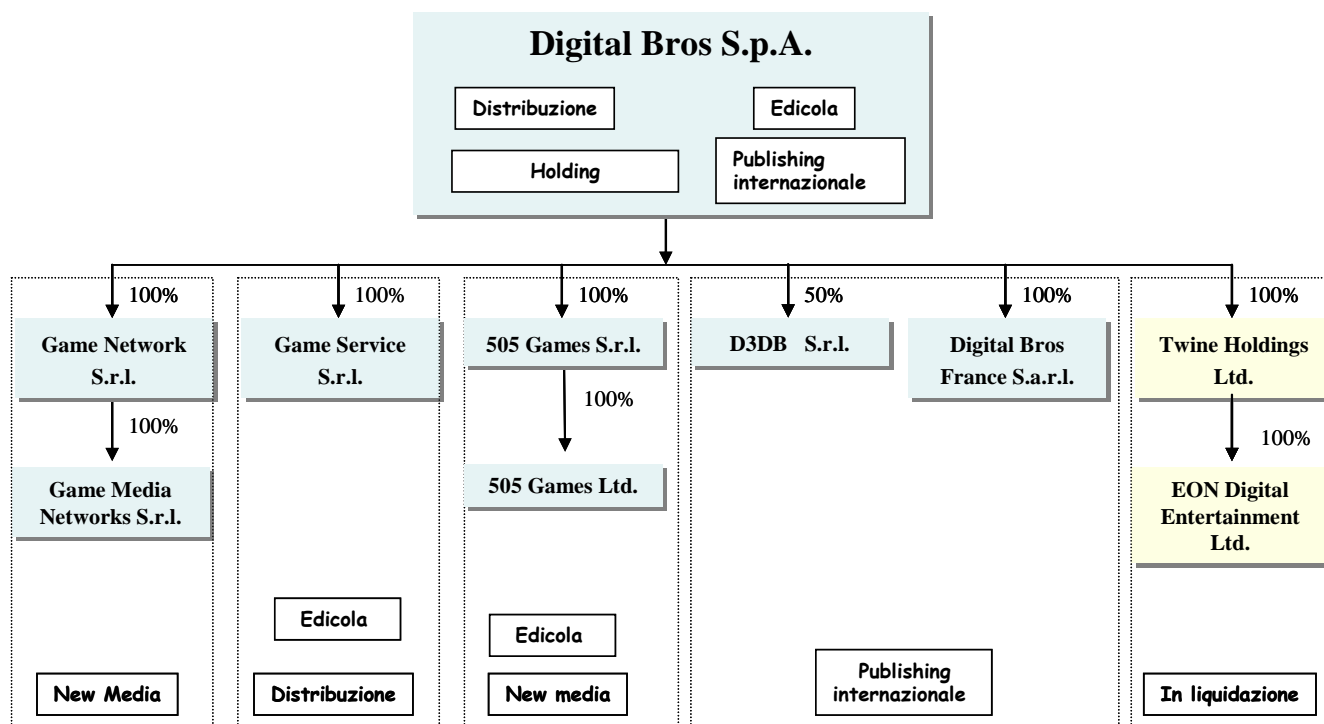
Subsequent to 30 June 2007 the Group incorporated Game Media Networks S.a.r.l. in France and Game Media Networks Ltd. in the United Kingdom, as international support for the three-year development plan for New Media operations.

Newsstands: the distribution of video games as newspaper or magazine add-ons, and the distribution of entertainment DVDs. As a result of the Group's streamlining process, newsstand distribution has been handled by the subsidiary Game Entertainment S.r.l. since the start of the fiscal year.

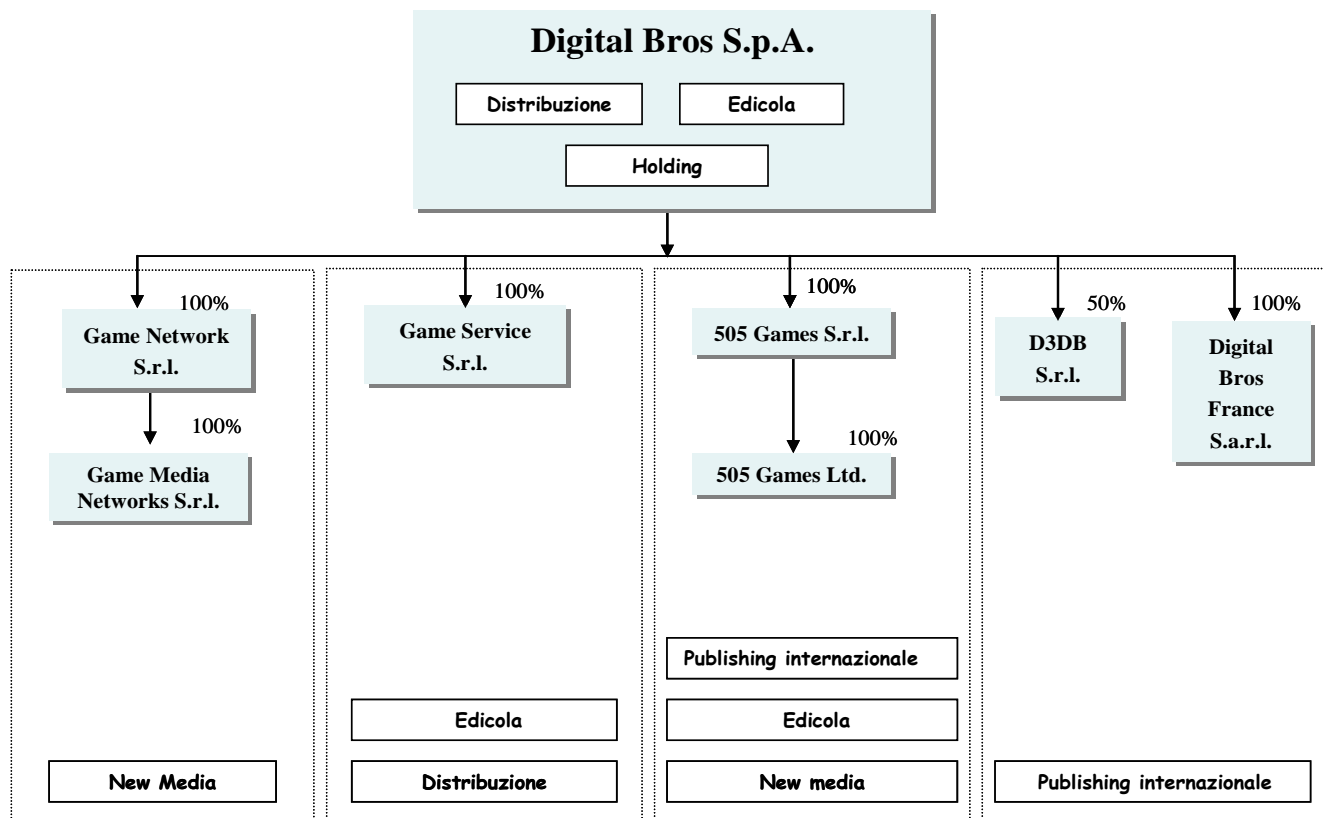
Holding: includes all coordination functions provided by the parent company, specifically the management of property investments and brands, as well as Group finance operations. These activities are performed by the parent company, Digital Bros S.p.A.

The following two charts present the Group's structure by business segment and the changes that have taken place during the year. The third shows the structure as from the second half of 2006-2007, with the reorganization now complete.

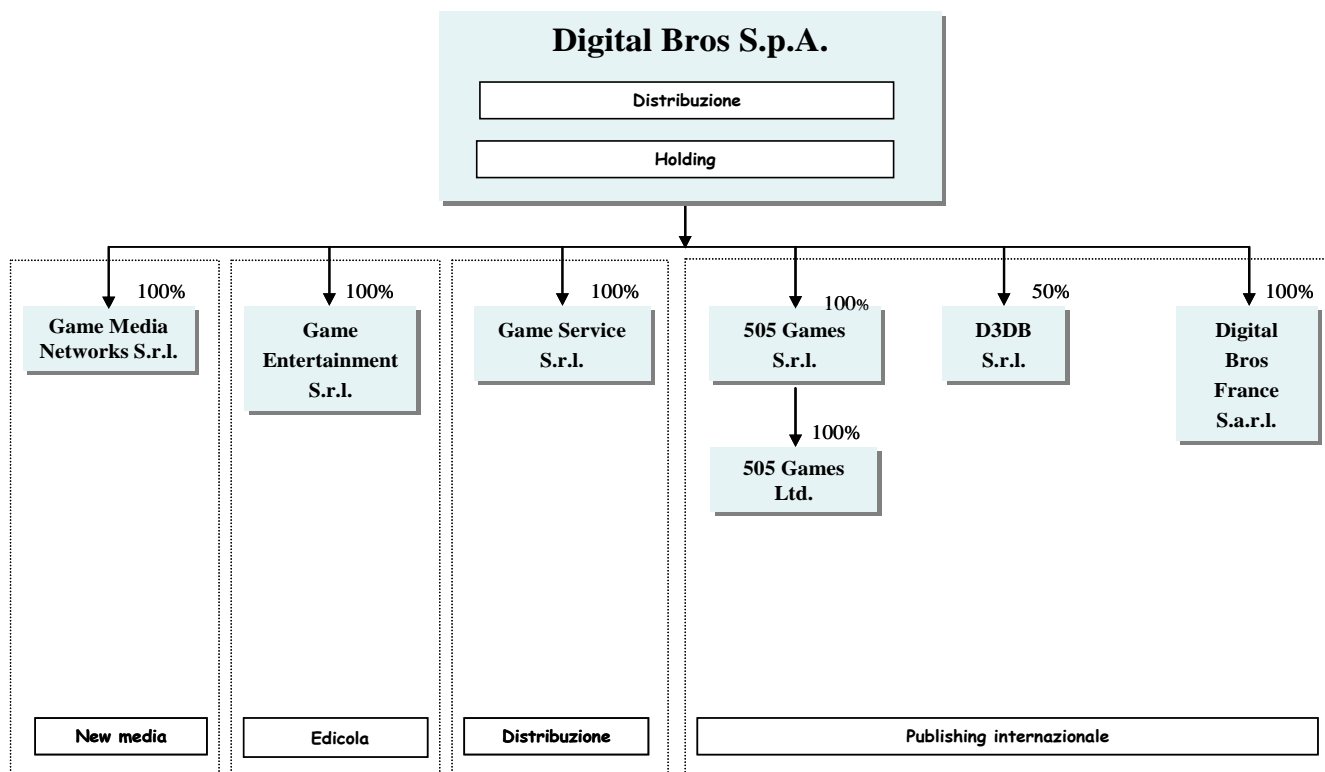
1st quarter of fiscal year 2006-2007:



2nd quarter of fiscal year 2006-2007:



2nd half of fiscal year 2006-2007:



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 the newly incorporated RCS DB Games S.p.A., a joint venture held 49% by the subsidiary Game Media Networks S.r.l. and 51% by RCS Mediagroup.

The only differences in the scope of consolidation with respect to the previous year concern the U.K. subsidiaries Twine Holdings Ltd. and Eon Digital Entertainment Ltd., which are now fully wound up and have therefore been deconsolidated.

Below is the list of consolidated companies at 30 June 2007:

Name	Head office	Share capital	% held directly	% held indirectly	Consolidation method
Digital Bros S.p.A.	Milan	EUR 5,644,334.80	Parent company		Line-by-line
Game Entertainment S.r.l.(3)	Milan	EUR 100,000	100%		Line-by-line
Game Media Networks S.r.l.	Milan	EUR 10,000	100%		Line-by-line
Game Service S.r.l.	Milan	EUR 50,000	100%		Line-by-line
505 Games S.r.l. (2)	Milan	EUR 100,000	100%		Line-by-line
Digital Bros France S.a.r.l.	Lyons	EUR 100,000	100%		Line-by-line
505 Games Ltd. (1)	London	GBP 100,000		100%	Line-by-line

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

(2) formerly called DB International S.r.l., subsequent to Game Network On Line S.r.l.

(3) formerly called Game Network S.r.l.

Below is a list of non-consolidated holdings at the close of the quarter:

Name	Head office	Share capital	% held
D3DB S.r.l.	Milan	EUR 10,000	50%
RCS DB Games S.p.A.	Milan	EUR 1,500,000	49%

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 Putrella - Trezzano sul Naviglio (MI)	Warehouse
505 Games Ltd.	Suite 366, Court Silbury Boulevard, Milton Keynes, U. K.	Offices
Game Service S.r.l.	Via Bisceglie 76, Milan	Offices
505 Games 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
Digital Bros France S.a.r.l.	2, Chemin de la Chauderaie, Francheville, Lyons, France	Offices

FINANCIAL STATEMENTS

Digital Bros Group

Consolidated balance sheet at 30 June 2007

	EUR/000	30 June 2007	30 June 2006	Change	
	Non-current assets				
1	Property, plant and equipment	3,378	3,299	79	2.4%
2	Investment property	455	455	0	0.0%
3	Intangible assets	517	684	(167)	-24.4%
4	Equity investments	740	5	735	n.a.
5	Non-current receivables and other assets	62	53	9	16.9%
6	Deferred tax assets	3,427	4,537	(1,110)	-24.5%
	Total non-current assets	8,579	9,033	(454)	-5.0%
	Non-current liabilities				
7	Employee benefits	(827)	(803)	(24)	3.0%
8	Non-current provisions	(206)	(155)	(51)	32.9%
9	Other non-current payables and liabilities	0	0	0	n.a.
	Total non-current liabilities	(1,033)	(958)	(75)	7.8%
	Net working capital				
10	Inventories	38,776	26,450	12,326	46.6%
11	Trade receivables	31,332	22,672	8,660	38.2%
12	Tax credits	1,675	437	1,238	n.a.
13	Other current assets	8,404	995	7,409	n.a.
14	Trade payables	(15,583)	(5,413)	(10,170)	n.a.
15	Taxes payable	(3,293)	(1,158)	(2,135)	184.4%
16	Current provisions	0	0	0	n.a.
17	Other current liabilities	(2,499)	(2,115)	(384)	18.2%
	Total net working capital	58,812	41,868	16,944	40.5%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	n.a.
19	Reserves	(19,458)	(19,441)	(17)	0.1%
20	Treasury shares	204	671	(467)	-69.6%
21	Profit (losses) carried forward	(7,517)	(4,788)	(2,729)	n.a.
	Total capital and reserves	(32,415)	(29,202)	(3,213)	11.0%
	Total net assets less capital and reserves	33,943	20,741	13,202	63.7%
	Current net debt				
22	Cash and cash equivalents	3,620	3,994	(374)	-9.4%
23	Short-term payables to banks	(29,217)	(19,087)	(10,130)	53.1%
24	Other current financial liabilities	(3,250)	(1,351)	(1,899)	n.a.
	Current net debt	(28,847)	(16,444)	(12,403)	75.4%
	Non-current net debt				
25	Non-current financial assets	0	0	0	n.a.
26	Non-current payables to banks	(3,220)	(1,006)	(2,214)	n.a.
27	Other non-current financial liabilities	(1,876)	(3,291)	1,415	-43.0%
	Non-current net debt	(5,096)	(4,297)	(799)	18.6%
	Total net debt	(33,943)	(20,741)	(13,202)	63.7%

Consolidated income statement for the 12 months to 30 June 2007

	EUR/000	12M 2006-2007		12M 2005-2006		Change	
1	Revenues	134,076	110.7%	113,022	106.4%	21,054	18.6%
2	Revenue adjustments	(12,994)	-10.7%	(6,811)	-6.4%	(6,183)	90.8%
3	Total revenues	121,082	100.0%	106,211	100.0%	14,871	14.0%
4	Purchase of goods for resale	(91,686)	-75.7%	(76,810)	-72.3%	(14,876)	19.4%
5	Purchase of services for resale	(1,124)	-0.9%	(1,429)	-1.3%	305	-21.3%
6	Royalties	(7,686)	-6.3%	(5,013)	-4.7%	(2,673)	53.3%
7	Change in inventories of finished products	12,312	10.2%	4,261	4.0%	8,051	n.a.
8	Total cost of goods sold	(88,184)	-72.8%	(78,991)	-74.4%	(9,193)	11.6%
9	Gross profit (3+8)	32,898	27.2%	27,220	25.6%	5,678	20.9%
10	Other income	123	0.1%	194	0.2%	(71)	-36.6%
11	Cost of services	(10,944)	-9.0%	(7,083)	-6.7%	(3,861)	54.5%
12	Rent and leasing	(412)	-0.3%	(459)	-0.4%	47	-10.2%
13	Payroll costs	(9,432)	-7.8%	(8,174)	-7.7%	(1,258)	15.4%
14	Other operating expenses	(2,044)	-1.7%	(1,647)	-1.6%	(397)	24.1%
15	Total operating expenses	(22,832)	-18.9%	(17,363)	-16.3%	(5,469)	31.5%
16	EBITDA (9+10+15)	10,189	8.4%	10,051	9.5%	138	1.4%
17	Amortization and depreciation	(817)	-0.7%	(595)	-0.6%	(222)	37.3%
18	Provisions	0	0.0%	0	0.0%	0	n.a.
19	Asset impairment charge	(97)	-0.1%	(1,396)	-1.3%	1,299	-93.1%
20	Impairment reversal	0	0.0%	0	0.0%	0	n.a.
21	Total amortization, depreciation and impairment	(914)	-0.8%	(1,991)	-1.9%	1,077	-54.1%
22	EBIT (16+21)	9,275	7.7%	8,060	7.6%	1,215	15.1%
23	Interest income	74	0.1%	45	0.0%	29	64.4%
24	Interest expense	(2,670)	-2.2%	(2,255)	-2.1%	(415)	18.4%
25	Net interest income (expense)	(2,596)	-2.1%	(2,210)	-2.1%	(386)	17.5%
26	Profit before taxes (22+25)	6,679	5.5%	5,850	5.5%	829	14.2%
27	Current taxes	(1,503)	-1.2%	(1,472)	-1.4%	(31)	2.1%
28	Deferred taxes	(1,334)	-1.1%	(555)	-0.5%	(779)	140.4%
29	Total taxes	(2,837)	-2.3%	(2,027)	-1.9%	(810)	40.0%
30	Net profit (26+29)	3,842	3.2%	3,823	3.6%	19	0.5%
	Earnings per share:						
31	Basic earnings per share (in EUR)	0.27		0.27		0.00	0.0%
32	Diluted earnings per share (in EUR)	0.27		0.27		0.00	0.0%

Digital Bros Group
Consolidated income statement for the fourth quarter (April – June 2007)

	EUR/000	4th quarter 2006-2007		4th quarter 2005-2006		Change	
1	Revenues	26,373	107.3%	15,754	105.0%	10,619	67.4%
2	Revenue adjustments	(1,796)	-7.3%	(747)	-5.0%	(1,049)	140.4%
3	Total revenues	24,577	100.0%	15,007	100.0%	9,570	63.8%
4	Purchase of goods for resale	(17,239)	-70.1%	(9,602)	-64.0%	(7,637)	79.5%
5	Purchase of services for resale	(387)	-1.6%	(296)	-2.0%	(91)	30.7%
6	Royalties	(3,103)	-12.6%	(1,039)	-6.9%	(2,064)	198.7%
7	Change in inventories of finished products	4,070	16.6%	1,153	7.7%	2,917	253.0%
8	Total cost of goods sold	(16,659)	-67.8%	(9,784)	-65.2%	(6,875)	70.3%
9	Gross profit (3+8)	7,918	32.2%	5,223	34.8%	2,695	51.6%
10	Other income	28	0.1%	2	0.0%	26	n.a.
11	Cost of services	(4,394)	-17.9%	(2,093)	-13.9%	(2,301)	n.a.
12	Rent and leasing	(90)	-0.4%	(121)	-0.8%	31	-25.6%
13	Payroll costs	(2,183)	-8.9%	(1,894)	-12.6%	(289)	15.3%
14	Other operating expenses	(170)	-0.7%	(317)	-2.1%	147	-46.4%
15	Total operating expenses	(6,837)	-27.8%	(4,425)	-29.5%	(2,412)	54.5%
16	EBITDA (9+10+15)	1,109	4.5%	800	5.3%	309	38.6%
17	Amortization and depreciation	(118)	-0.5%	(133)	-0.9%	15	-11.3%
18	Provisions	0	0.0%	0	0.0%	0	n.a.
19	Asset impairment charge	0	0.0%	0	0.0%	0	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	n.a.
21	Total amortization, depreciation and impairment	(118)	-0.5%	(133)	-0.9%	15	-11.3%
22	EBIT (16+21)	991	4.0%	667	4.4%	324	48.6%
23	Interest income	21	0.1%	0	0.0%	21	n.a.
24	Interest expense	(646)	-2.6%	(580)	-3.9%	(66)	11.4%
25	Net interest income (expense)	(625)	-2.5%	(580)	-3.9%	(45)	7.8%
26	Profit before taxes (22+25)	366	1.5%	87	0.6%	279	320.7%
27	Current taxes	1,280	5.2%	(187)	-1.2%	1,467	n.a.
28	Deferred taxes	(1,334)	-5.4%	560	3.7%	(1,894)	n.a.
29	Total taxes	(54)	-0.2%	373	2.5%	(427)	-114.5%
30	Net profit (26+29)	312	1.3%	460	3.1%	(148)	-32.2%
	Earnings per share:						
31	Basic earnings per share (in EUR)	0.022		0.033		(0.01)	-32.0%
32	Diluted earnings per share (in EUR)	0.022		0.033		(0.01)	-32.0%

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 year	Total unallocated income (D)	Consolidated capital and reserves: Group's share (A+B+C+D)
Total at 1 July 2005	5,644	39,699	258	894	6	40,857	(268)	(22,741)	4,402	(18,339)	27,894
Allocation of net profit for the period			871			871		3,184	(4,055)	(871)	0
Coverage of losses carried forward		(22,745)				(22,745)		22,745		22,745	0
Dividend payments						0		(1,127)		(1,127)	(1,127)
(Purchase)/sale of treasury shares						0	(403)			0	(403)
Other changes				473	(15)	458		(1,096)	(352)	(1,448)	(990)
Net profit for the period						0			3828	3,828	3,828
Total at 30 June 2006	5,644	16,954	1,129	1,367	(9)	19,441	(671)	965	3,823	4,788	29,202
Allocation of net profit for the period						0		3,823	(3,823)	0	0
Dividend payments						0		(1,117)		(1,117)	(1,117)
(Purchase)/sale of treasury shares						0	467			0	467
Other changes					17	17		4		4	21
Net profit for the period						0			3,842	3,842	3,842
Total at 30 June 2007	5,644	16,954	1,129	1,367	8	19,458	(204)	3,675	3,842	7,517	32,415

Digital Bros Group

Segment reporting (IAS 14)

	Consolidated figures (in EUR/000)	Distribution	Newsstands	New Media	Publishing	Holding	Total
1	Revenues	111,107	2,338	514	20,117	0	134,076
2	Revenue adjustments	(9,048)	0	0	(3,946)	0	(12,994)
3	Total revenues	102,059	2,338	514	16,172	0	121,082
4	Purchase of goods for resale	(84,560)	(277)	56	(6,906)	0	(91,686)
5	Purchase of services for resale	0	(309)	(796)	(19)	0	(1,124)
6	Royalties	(1,747)	(847)	(68)	(5,024)	0	(7,686)
7	Change in inventories of finished products	8,483	559	0	3,270	0	12,312
8	Total cost of goods sold	(77,823)	(875)	(807)	(8,679)	0	(88,184)
9	Gross profit (3+8)	24,236	1,463	(294)	7,493	0	32,898
10	Other income	46	1	48	28	0	123
11	Cost of services	(7,329)	(770)	(270)	(2,380)	(195)	(10,944)
12	Rent and leasing	(317)	0	(53)	(40)	(1)	(412)
13	Payroll costs	(6,216)	0	(697)	(1,417)	(1,102)	(9,432)
14	Other operating expenses	(1,805)	(18)	(20)	(69)	(132)	(2,044)
15	Total operating expenses	(15,667)	(788)	(1,040)	(3,907)	(1,430)	(22,832)
16	EBITDA (9+10+15)	8,614	676	(1,286)	3,615	(1,430)	10,189
17	Amortization and depreciation	(440)	0	(45)	(19)	(313)	(817)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(96)	0	(1)	0	0	(97)
20	Impairment reversal	0	0	0	0	0	0
21	Total amortization, depreciation and impairment	(536)	0	(46)	(19)	(313)	(914)
22	EBIT (16+21)	8,078	676	(1,332)	3,595	(1,743)	9,275

Digital Bros Group

Consolidated cash flow statement for the period ended 30 June 2007

EUR/000	30 June 2007	30 June 2006
A. Opening net debt	(20,741)	(21,700)
Cash flow from operating activities		
Group's share of net profit (loss) for the year	3,842	3,846
Amortization	557	270
Depreciation	260	325
Net change in other provisions	51	84
Net change in provision for employee severance indemnities	24	177
B. TOTAL	4,734	4,702
Change in net working capital		
Inventories	(12,326)	(4,261)
Trade receivables	(8,659)	(353)
Tax credits	(1,238)	162
Other current assets	(7,411)	64
Trade payables	10,170	(69)
Taxes payable	2,135	316
Current provisions	0	0
Other current liabilities	384	3
C. TOTAL	(17,893)	(4,138)
Cash flow from investing activities		
Net investments in intangible assets	(390)	(341)
Net investments in property, plant and equipment	(338)	(174)
Net investments in financial fixed assets	367	2,449
D. TOTAL	(1,957)	1,934
Cash flow from financing activities		
Capital increases	0	0
E. TOTAL	0	0
Movements in consolidated capital and reserves		
Dividends paid	(1,117)	(1,127)
Change in treasury shares held	467	(403)
Increases (decreases) in other components of capital and reserves	21	(8)
F. TOTAL	(629)	(1,539)
G. Cash flow for the period (B+C+D+E+F)	(13,202)	959
H. Closing net debt (A+G)	(33,943)	(20,741)

Details of cash flow movements by maturity

EUR/000	30 June 2007	30 June 2006
Increase (decrease) in securities and cash & cash equivalents	(374)	(1,864)
Decrease (increase) in short-term payables to banks	(10,130)	439
Decrease (increase) in other current financial liabilities	(1,899)	1,904
Short-term cash flow for the period	(12,403)	479
Medium-term cash flow for the period	(799)	480
Cash flow for the period	(13,202)	959

	EUR/000	30 June 2007	30 June 2006	Change	
	Non-current assets				
1	Property, plant and equipment	3,253	3,198	55	1.7%
2	Investment property	456	455	1	0.2%
3	Intangible assets	467	659	(192)	-29.1%
4	Equity investments	1,355	1,255	100	8.0%
5	Non-current receivables and other assets	4	6	(2)	-33.3%
6	Deferred tax assets	1,614	2,751	(1,137)	-41.3%
	Total non-current assets	7,149	8,324	(1,175)	-14.1%
	Non-current liabilities				
7	Employee benefits	(729)	(793)	64	-8.1%
8	Non-current provisions	(205)	(155)	(50)	32.3%
9	Other non-current payables and liabilities	0	0	0	n.a.
	Total non-current liabilities	(934)	(948)	14	-1.5%
	Net working capital				
10	Inventories	35,797	26,297	9,500	36.1%
11	Trade receivables	25,211	24,368	843	3.5%
12	Tax credits	563	51	512	n.a.
13	Other current assets	7,752	5,132	2,620	51.1%
14	Trade payables	(10,611)	(4,128)	(6,483)	n.a.
15	Taxes payable	(1,207)	(1,225)	18	-1.5%
16	Current provisions	0	(3,304)	3,304	-100.0%
17	Other current liabilities	(3,549)	(5,943)	2,394	-40.3%
	Total net working capital	53,956	41,248	12,708	30.8%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	n.a.
19	Reserves	(17,965)	(17,941)	(24)	0.1%
20	Treasury shares	203	671	(468)	-69.7%
21	Profit (losses) carried forward	(5,704)	(4,774)	(930)	19.5%
	Total capital and reserves	(29,110)	(27,688)	(1,422)	5.1%
	Total net assets less capital and reserves	31,061	20,936	10,125	48.4%
	Current net debt				
22	Cash and cash equivalents	3,280	3,798	(518)	-13.6%
23	Short-term payables to banks	(27,548)	(19,086)	(8,462)	44.3%
24	Other current financial liabilities	(3,250)	(1,351)	(1,899)	n.a.
	Current net debt	(27,518)	(16,639)	(10,879)	65.4%
	Non-current net debt				
25	Non-current financial assets	0	0	0	n.a.
26	Non-current payables to banks	(1,667)	(1,006)	(661)	65.7%
27	Other non-current financial liabilities	(1,876)	(3,291)	1,415	-43.0%
	Non-current net debt	(3,543)	(4,297)	754	-17.5%
	Total net debt	(31,061)	(20,936)	(10,125)	48.4%

Income statement for the 12 months to 30 June 2007

	EUR/000	12M 2006-2007		12M 2005-2006		Change	
1	Revenues	113,824	108.3%	107,382	106.5%	6,442	6.0%
2	Revenue adjustments	(8,692)	-8.3%	(6,574)	-6.5%	(2,118)	32.2%
3	Total revenues	105,132	100.0%	100,808	100.0%	4,324	4.3%
4	Purchase of goods for resale	(85,450)	-81.3%	(75,862)	-75.3%	(9,588)	12.6%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	n.a.
6	Royalties	(3,177)	-3.0%	(4,149)	-4.1%	972	-23.4%
7	Change in inventories of finished products	9,500	9.0%	4,165	4.1%	5,335	n.a.
8	Total cost of goods sold	(79,127)	-75.3%	(75,846)	-75.2%	(3,281)	4.3%
9	Gross profit (3+8)	26,005	24.7%	24,962	24.8%	1,043	4.2%
10	Other income	1,598	1.5%	661	0.7%	937	n.a.
11	Cost of services	(9,747)	-9.3%	(6,674)	-6.6%	(3,073)	46.0%
12	Rent and leasing	(316)	-0.3%	(351)	-0.3%	35	-10.0%
13	Payroll costs	(7,634)	-7.3%	(7,595)	-7.5%	(39)	0.5%
14	Other operating expenses	(1,924)	-1.8%	(1,552)	-1.5%	(372)	24.0%
15	Total operating expenses	(19,621)	-18.7%	(16,172)	-16.0%	(3,449)	21.3%
16	EBITDA (9+10+15)	7,982	7.6%	9,451	9.4%	(1,469)	-15.5%
17	Amortization and depreciation	(742)	-0.7%	(468)	-0.5%	(274)	58.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(278)	-0.3%	(1,187)	-1.2%	909	-76.6%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total amortization, depreciation and impairment	(1,020)	-1.0%	(1,655)	-1.6%	635	-38.4%
22	EBIT (16+21)	6,962	6.6%	7,796	7.7%	(834)	-10.7%
23	Interest income	73	0.1%	44	0.0%	29	65.9%
24	Interest expense	(2,569)	-2.4%	(2,232)	-2.2%	(337)	15.1%
25	Net interest income (expense)	(2,496)	-2.4%	(2,188)	-2.2%	(308)	14.1%
26	Profit before taxes (22+25)	4,466	4.2%	5,608	5.6%	(1,142)	-20.4%
27	Current taxes	(911)	-0.9%	(1,139)	-1.1%	228	-20.0%
28	Deferred taxes	(1,510)	-1.4%	(1,401)	-1.4%	(109)	7.8%
29	Total taxes	(2,421)	-2.3%	(2,540)	-2.5%	119	-4.7%
30	Net profit (26+29)	2,045	1.9%	3,068	3.0%	(1,023)	-33.3%

NOTES TO THE ACCOUNTS AT 30 JUNE 2007

ACCOUNTING POLICIES AND PRINCIPLES

The quarterly report has been prepared in accordance with the International Accounting Standards (IAS/IFRS) published by the International Accounting Standard Boards (IASB). All amounts are expressed in thousands of euros, where not otherwise specified.

The financial statements that precede are comprised of:

- consolidated balance sheet at 30 June 2007 with comparative figures at 30 June 2006 (the year-end reporting date);
- consolidated income statement for the 12 months ending 30 June 2007, in comparison with the consolidated income statement for the 12 months ending 30 June 2006;
- consolidated income statement for the quarter ended 30 June 2007 (fourth quarter), with comparative figures for the fourth quarter of the previous year;
- statement of changes in consolidated shareholders' equity, preceded by changes in consolidated shareholders' equity taking place between 1 July 2005 and 30 June 2006;
- 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 during the same period of the previous year;
- balance sheet of the parent company Digital Bros S.p.A. at 30 June 2007 with comparative figures at 30 June 2006 (the year-end reporting date);
- income statement of the parent company Digital Bros S.p.A. for the four quarters of the fiscal year, with comparative figures for the 12 months ended 30 June 2006.

Separate notes for the parent company figures have not been provided, as the notes to the consolidated financial statements are deemed to be sufficiently thorough.

PREPARATION CRITERIA

The quarterly report at 30 June 2007, for the fourth quarter of the fiscal year, was drawn up in accordance with IAS/IFRS and with Art. 82 of CONSOB Regulation 11971/99 for issuers (as amended).

The content is consistent with IAS 34 on interim financial reporting.

The consolidated financial statements were prepared on the basis of the accounts at 30 June 2007 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 modified as necessary in order to render them IAS/IFRS-compliant.

ACCOUNTING POLICIES

The accounting policies used for the quarterly report at 30 June 2007 (for the fourth quarter of the fiscal year) are consistent with those used to prepare the consolidated financial statements at 30 June 2006. The only exception is a change in the method used to calculate the recoupment of royalties for international video game rights. The change ensures more reliable information on the Group's financial situation and results for the period under review.

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. No revaluations have been conducted in previous years.

Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs are charged to profit or loss when incurred.

Leasehold improvements are classified under property, plant and equipment in keeping with the nature of the cost incurred. They are amortized over the asset's residual useful life or the leasing contract, whichever is shorter.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

Buildings	3%
Plant and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	25%

Assets acquired under existing finance leases, in which all of the risks and benefits of ownership are transferred to the Group, are recognized at the lower of purchase cost and the present value of the minimum payments due for the entire duration of the lease. The corresponding debt to the lessor is listed under financial payables. Depreciation is charged on a straight-line basis over the estimated useful life of the asset.

Leasing arrangements in which the lessor substantially maintains all of the risks and benefits of ownership are classified as operating leases. The costs of operating leases are charged to profit or loss in relation to the term of the contract.

Land is not depreciated, although impairment losses are charged if the fair value falls below cost.

Investment property

Buildings and property units held for appreciation of the invested capital are recognized at historical cost and are not depreciated. Impairment losses are charged if their market value falls below cost.

Intangible assets

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

They are recognized at purchase or production cost and, if they have a finite useful life, are amortized on a straight-line basis over that period.

Amortization rates are as follows:

- Brands 10%
- Licenses 20%

The amortization charge is shown in the income statement.

Equity investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries, associates and joint ventures are recognized at cost less impairment, in accordance with IAS 36. Impairment losses are charged to profit or loss; the original value is reinstated in future accounting periods should the reasons for the writedown cease to apply.

The goodwill implicit in the carrying amount of equity investments is subject to annual impairment testing using the procedures described above.

Goodwill

When companies are acquired, their identifiable assets, liabilities and contingent liabilities are recognized at their fair value as of the acquisition date. The difference between the purchase cost and the Group's interest in the fair value of those assets and liabilities, if positive, is classified as goodwill and recognized as an intangible asset. Any negative difference ("negative goodwill") is charged to profit or loss at the time of the acquisition.

Goodwill is not amortized, but is subject to impairment testing on a yearly basis (or more frequently if specific events or changed circumstances indicate the possibility of a loss in value), in accordance with IAS 36 ("Impairment of Assets"). After its initial recognition, goodwill is valued at cost net of any accumulated impairment.

Upon the sale of a company or part of a company whose previous acquisition gave rise to goodwill, account is taken of the residual value of the goodwill in determining the capital gain or loss from the sale.

Upon first-time adoption of IFRS, the Group chose not to apply IFRS 3 (Business Combinations) retroactively to the acquisition of companies taking place before 1 July 2004. Consequently, the goodwill generated on acquisitions prior to the IFRS transition date has been maintained at the Italian GAAP value, after testing for and recognizing any impairment.

Impairment of assets

IAS 36 requires that intangible assets, property, plant & equipment, and investment property be tested for impairment by discounting future cash flows.

At least once a year, therefore, the Group tests the recoverability of these assets' carrying value. If they are found to be impaired, the asset's recoverable amount is estimated in order to determine the extent of the writedown.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is its fair value net of costs to sell or its value in use, whichever is higher. An assets' value in use is estimated by discounting the present value of estimated future cash flows at a pre-tax rate that reflects the current time value of money and the specific risks inherent to the asset.

An impairment loss is charged if the recoverable amount is below carrying value. If impairment is subsequently reduced or reversed, the carrying value of the asset or cash generating unit is written back up to the new estimate of recoverable amount, not to exceed the value that would have been recognized had no impairment losses been charged. The reversal of an impairment loss is immediately recognized in profit or loss.

Employee benefits

Employee severance indemnities that are mandatory for Italian companies pursuant to law 297/1982 ("trattamento di fine rapporto", or TFR) qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of employment. These benefits were redetermined by independent actuaries using the Projected Unit Credit method. Increases or decreases in the present value of the liability for TFR are classified as payroll costs.

Inventories

Finished product inventories are recognized at the lower of cost including ancillary expenses and realizable value, as estimated from market trends. Cost is defined as the specific purchase cost.

When the realizable value of inventories is less than their purchase cost and/or their realizable value the previous year, impairment is charged directly to the unit value of the article in question.

Receivables and payables

Receivables are recognized at their estimated realizable value. The face value of receivables is adjusted to their estimated realizable value by means of a provision for doubtful accounts, which is formed in consideration of debtors' individual situations.

Receivables from customers undergoing insolvency procedures are written off in full, or written down to the extent that legal action in course indicates their partial collectibility.

Payables are shown at face value.

Factoring of trade receivables

The Group has factored without recourse, to various companies, a significant share of its trade receivables. In accordance with IAS 39, factored assets can be eliminated from the financial statements only when the associated risks and benefits have been substantially transferred. Thus, receivables factored without recourse that include provisions limiting the transfer of these risks and benefits at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the consolidated financial statements even though said receivables have been legally assigned. A short-term financial liability of an amount equal to the sums advanced is therefore recognized in the consolidated financial statements. Gains and losses from factoring are recognized only when the assets themselves have been removed from the balance sheet.

Current and non-current provisions

The Group makes provisions against legal or constructive obligations to third parties whose exact amount and/or timing are unknown, and/or it is likely that the Group's resources will have to be employed to fulfill the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any changes in the estimated amount of the liability.

Changes in estimates are recorded in profit or loss for the year in which the changes are made.

Financial assets and liabilities

Current financial assets, non-current financial assets, and current and non-current financial liabilities are recognized in accordance with IAS 39 ("Financial Instruments: Recognition and Measurement").

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

Current financial assets and securities are booked on the basis of their trading date; upon first-time recognition they are valued at purchase cost including expenses ancillary to the individual transactions.

Following first-time recognition, financial instruments available for sale and trading securities are posted at fair value. If the market price is unavailable, the fair value of financial instruments available for sale is measured with the most appropriate valuation techniques, such as the discounted cash flow method, using the market information available at the close of the year.

Profits and losses from financial assets available for sale are recorded directly to capital and reserves until the asset is sold or written down; at that time, accumulated profits or losses, including those previously charged to capital and reserves, are recognized in profit or loss for the period.

Financial liabilities include financial payables as well as other financial liabilities, including those arising from the recognition of derivative instruments at market value.

Financial liabilities hedged by derivatives are shown at fair value, according to the rules of hedge accounting: gains and losses from subsequent recognition at fair value, due to changes in interest rates and/or exchange rates, are posted to the income statement and offset by the effective portion of the loss or gain deriving from the subsequent fair-value recognition of the instrument hedged.

Derivative financial instruments

Derivative financial instruments are normally used to hedge the risk of fluctuation in exchange rates, interest rates and market prices. In accordance with IAS 39, derivative financial instruments may be recognized on a hedge accounting basis only if, at the inception of the hedge, the relationship is formally

designated and documented; the hedge is expected to be highly effective; its effectiveness can be reliably measured; and the hedge is assessed as being highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When the financial instruments qualify for hedge accounting, the following rules apply:

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

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

Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable and could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognized directly in capital and reserves. The cumulative gains and losses are removed from capital and reserves and reclassified to profit or loss in the same period in which the hedged transaction is recognized. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss. If a hedge or a hedging relationship is closed, but the hedged transaction has not yet taken place, the gains or losses accrued up to that time in capital and reserves are reclassified to profit or loss as soon as the transaction occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized directly in capital and reserves are immediately reclassified to profit or loss.

If hedge accounting cannot be used, the gains or losses arising from the fair value accounting of the derivative financial instrument are recognized immediately to profit or loss.

Treasury shares

Treasury shares are deducted from capital and reserves. Their original cost and any positive differences from their subsequent sale are recorded as equity movements under "other reserves."

Revenues

Revenues are recognized when the Group is expected to obtain economic benefits whose amount can be reliably determined. Specifically, revenues from the sale of goods are recognized when the risks and benefits of ownership are transferred to the buyer, and the price has been agreed or can be determined and is expected to be received.

Revenues from services are recognized when the services are rendered and accepted by the customer.

"Gross revenues" are shown net of discounts, rebates, returns, and other components estimated as a percentage of revenues. Revenue adjustments are comprised of variable costs depending on the revenues and estimated returns from customers, both contractual and non-contractual.

Costs

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

Cost of sales

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

The item "change in inventories" covers the gross change in year-end inventories net of any additions to and/or withdrawals from the provisions for inventory obsolescence, and net of any impairment losses charged directly to the articles stored.

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

If royalty advances are wholly recouped, the calculation method is the same as in prior years, with recoupment determined by multiplying the unit royalty by the quantities sold during the period. In the case of partial recoupment, a new method has been adopted. In the previous year, recoupment was calculated for each license according to the following formula:

- phase 1 - calculation of actual royalties:
total royalties paid/(quantity sold + quantity forecast)
- phase 2 - calculation of recoupment:
quantity sold*actual royalties, as determined in phase 1.

In the current year, the expense was split between recoupment and impairment, calculated for each licence according to the following formula:

total advances - (quantity forecast*unit royalty).

Recoupment is determined as:

quantity sold*unit royalty;

while impairment is calculated as:

(total contractual quantity - quantity sold - quantity forecast) *unit royalty.

Interest income and expense

Interest income and expense are shown separately in the income statement and are recognized on an accruals basis.

Current taxes

Income taxes include all charges calculated on the Group's taxable income. Income taxes are generally recognized to profit or loss, except when they pertain to items directly charged from or credited to capital and reserves, in which case the tax effect is recognized directly to capital and reserves.

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

Deferred taxes

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

Deferred tax assets on business losses and unused tax credits eligible to be carried forward are recognized in proportion to the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are calculated at the tax rates expected to be in force under the systems of the countries where the Group operates when the temporary differences are realized or reversed.

They are classified as non-current assets and liabilities.

Earnings per share

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 Company, 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.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated at the exchange rate in force on that date. Exchange gains and losses generated by the closure of monetary

items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognized to profit or loss.

Use of estimates

The preparation of the interim accounts and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the information on contingent assets and liabilities as of the reporting date. Actual results may differ. Estimates are used to report provisions for doubtful accounts, the writedown of inventories to market value, depreciation and amortization, asset impairment, employee benefits, taxes, restructuring provisions, and other provisions. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss.

CONSOLIDATION METHODS

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 financial statements of subsidiaries are consolidated as from the year control is assumed until the time control ceases to exist.

Since the subsidiaries are wholly owned, either directly or indirectly, their results and capital and reserves pertain 100% to the Group.

Joint ventures are equity accounted.

Transactions eliminated in the consolidation process

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

THE VIDEO GAMES MARKET

The video games market took root in the latter 1980s and has been growing non-stop ever since. Today, according to industry figures, the European market is worth more than €5 billion, and the Italian market has topped €400 million in value.

Growth has been swift for many reasons. Constant technological progress means that video games are increasingly polished in terms of look, playability and depth of content. The number of players is on the rise; the average age of players is also increasing, as those who start to play when young continue to do so at a later age, so the market can release games for an ever more mature audience. The industry is also adapting to female players, who in recent years have become avid leisure time fans. In Europe, thanks to these trends, gaming now accounts for 34% of the total entertainment market.

Technological development allows hardware manufacturers to launch more powerful consoles than ever that can also improve the quality of games. The Nintendo Wii reached stores during the course of the year, and was joined by the Sony Playstation 3 in March. The market thus 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 machines and the video games is high, and relatively small quantities are sold. Console and game prices then gradually go down, 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 current lifespan for consoles is around seven years.

The value chain for the sector is fairly elaborate and consists of five main figures who often overlap:

- 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. The developers retain the intellectual property rights, but they transfer the exploitation rights—for a limited amount of time—to international video game publishers, who are therefore crucial for giving the game a global reputation and clientele.

For developers, publishers are the links of the chain that allow the game to reach the consumer, thanks to the international sales network, but they are also the ones who finance development and implement marketing policies to maximize sales.

The console manufacturer is the company that designs and produces the hardware on which the consumer plays the game. Sony is the console manufacturer for Sony Playstation 3 and 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 produces the game on behalf of the international publishers. The game, therefore, must be approved in advance by the manufacturer, through a process known as submission. Only publishers selected in advance will be licensed to make games by the console manufacturer, according to a Licensing Publishing Agreement. The console manufacturer and the publisher are often one and the same.

The role of the distributor varies from market to market. The more the 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 up local marketing policies and organizes specialized PR events. In other markets, like the U.K.'s, dealers are highly concentrated so publishers usually have a direct commercial presence. In Italy, the market is made up approximately 50% of mass retail outlets and 50% of independent, specialized stores. 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.

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.

SEASONAL TRENDS IN THE MARKET

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 non-traditional times of the year.

SIGNIFICANT EVENTS FOR THE PERIOD

The main events occurring from July 2006 to June 2007 were as follows.

- September 2006: Digital Bros signs an agreement with California firm Crave Entertainment for the exclusive distribution in Europe, South Africa and Australia of eight new video games: Cartoon Network's Champ Lazio, Cartoon Network's Foster's Home, National Rifle Association Gun Club, Veggietables Larryboy, Dave Mirra BMX Racing, World Championship Poker3, World Championship Cards and Brunswick Bowling;
- October 2006: on 30 October the ordinary shareholders' meeting of Digital Bros S.p.A. resolves to:
 - approve the financial statements for the year ended 30 June 2006 and the report on operations;
 - allocate the net profit for the year, €3,068,437, as follows:
 - i. a dividend of €0.08 per share for a total of €1,116,455;
 - ii. the remaining €1,951,982 to be carried forward.

The shareholders also vote to extend Ernst & Young's assignment to audit the separate and consolidated financial statements through the years ending 30 June 2007, 2008 and 2009;

- November 2006: Digital Bros S.p.A. strikes a deal with the RCS Group to create a joint venture in the online entertainment business. The JV will be held 51% by RCS MediaGroup and 49% by Game Media Networks S.r.l. (a wholly-owned subsidiary of Digital Bros S.p.A.) and will concern the management and development of an online multiplayer and single-player gaming portal. In March 2007 the agreement is implemented and the joint venture officially founded. Share capital is €1,500 thousand and the new company is owned 49% by Digital Bros Group and 51% by RCS MediaGroup. The purpose of the new company is to manage and develop an online multiplayer and single-player gaming portal;
- November 2006: the company Game Network S.r.l. changes its name to Game Entertainment S.r.l., reflecting the new brand the Group will use for its newsstand distribution business;
- November 2006: Digital Bros S.p.A. rolls out the sixth edition of soccer simulation game Pro Evolution Soccer, which sells over 550,000 units during the period for revenues topping €22 million, confirming its position as the best-selling game in the Italian market;
- December 2006: Digital Bros S.p.A. launches its first set of DVD games, a new publishing product to be distributed through newsstands in Italy and France through Game Entertainment S.r.l. (a wholly-owned subsidiary of Digital Bros S.p.A.);

- February 2007: Digital Bros signs an agreement with Bohemia Interactive for the exclusive publication in EMEA zone countries of the CD-ROM game "ArmA: Armed Assault," a military strategy simulator. The game will be distributed by 505 Games S.r.l.;
- May 2007: Digital Bros signs an exclusive agreement with Capcom, a major publisher and developer of international video games, for the distribution in the Italian market of 10 of its most eagerly awaited titles (including "Devil May Cry 4" and "MotoGP 07") for Microsoft Xbox 360, Sony Playstation 3, Sony Playstation 2, Sony PSP, Nintendo DS and Nintendo Wii;
- May 2007: Digital Bros climbs to the top of the European sales chart with the game "Cooking Mama" for Nintendo DS, published and distributed for Europe through its subsidiary 505 Games S.r.l. The game, launched early the previous December, is an immediate European best-seller and becomes the revelation of 2007 with over 200,000 copies sold (more than 500,000 as of this writing);
- May 2007: Digital Bros strikes a deal with the Mediaset company R.T.I. for the licensed use of the "Cultura Moderna" brand. Under this agreement, Digital Bros will develop the game "Cultural Moderna" in PC/CD-ROM format, for distribution in Italy and Switzerland.

ECONOMIC PERFORMANCE IN THE YEAR ENDED 30 JUNE 2007

Consolidated results for 2006-2007 are repeated below, with comparative figures for the previous year.

	EUR/000	12M 2006-2007		12M 2005-2006		Change	
1	Revenues	134,076	110.7%	113,022	106.4%	21,054	18.6%
2	Revenue adjustments	(12,994)	-10.7%	(6,811)	-6.4%	(6,183)	90.8%
3	Total revenues	121,082	100.0%	106,211	100.0%	14,871	14.0%
4	Purchase of goods for resale	(91,686)	-75.7%	(76,810)	-72.3%	(14,876)	19.4%
5	Purchase of services for resale	(1,124)	-0.9%	(1,429)	-1.3%	305	-21.3%
6	Royalties	(7,686)	-6.3%	(5,013)	-4.7%	(2,673)	53.3%
7	Change in inventories of finished products	12,312	10.2%	4,261	4.0%	8,051	n.a.
8	Total cost of goods sold	(88,184)	-72.8%	(78,991)	-74.4%	(9,193)	11.6%
9	Gross profit (3+8)	32,898	27.2%	27,220	25.6%	5,678	20.9%
10	Other income	123	0.1%	194	0.2%	(71)	-36.6%
11	Cost of services	(10,944)	-9.0%	(7,083)	-6.7%	(3,861)	54.5%
12	Rent and leasing	(412)	-0.3%	(459)	-0.4%	47	-10.2%
13	Payroll costs	(9,432)	-7.8%	(8,174)	-7.7%	(1,258)	15.4%
14	Other operating expenses	(2,044)	-1.7%	(1,647)	-1.6%	(397)	24.1%
15	Total operating expenses	(22,832)	-18.9%	(17,363)	-16.3%	(5,469)	31.5%
16	EBITDA (9+10+15)	10,189	8.4%	10,051	9.5%	138	1.4%
17	Amortization and depreciation	(817)	-0.7%	(595)	-0.6%	(222)	37.3%
18	Provisions	0	0.0%	0	0.0%	0	n.a.
19	Asset impairment charge	(97)	-0.1%	(1,396)	-1.3%	1,299	-93.1%
20	Impairment reversal	0	0.0%	0	0.0%	0	n.a.
21	Total amortization, depreciation and impairment	(914)	-0.8%	(1,991)	-1.9%	1,077	-54.1%
22	EBIT (16+21)	9,275	7.7%	8,060	7.6%	1,215	15.1%
23	Interest income	74	0.1%	45	0.0%	29	64.4%
24	Interest expense	(2,670)	-2.2%	(2,255)	-2.1%	(415)	18.4%
25	Net interest income (expense)	(2,596)	-2.1%	(2,210)	-2.1%	(386)	17.5%
26	Profit before taxes (22+25)	6,679	5.5%	5,850	5.5%	829	14.2%
27	Current taxes	(1,503)	-1.2%	(1,472)	-1.4%	(31)	2.1%
28	Deferred taxes	(1,334)	-1.1%	(555)	-0.5%	(779)	140.4%
29	Total taxes	(2,837)	-2.3%	(2,027)	-1.9%	(810)	40.0%
30	Net profit (26+29)	3,842	3.2%	3,823	3.6%	19	0.5%
	Earnings per share:						
31	Basic earnings per share (in EUR)	0.27		0.27		0.00	0.0%
32	Diluted earnings per share (in EUR)	0.27		0.27		0.00	0.0%

In fiscal year 2006-2007 the Group grossed €134,076 thousand, an increase of €21,054 thousand on the previous year, thanks to the growth of the traditional Italian Distribution business and the expansion of International Publishing as better described in the section on business segments.

Net revenues, i.e. revenues net of potential returns and/or costs directly associated with the trend in sales, rose from €106,211 thousand to €121,082 thousand (a €14,871 thousand increase or +14.0%).

The cost of sales decreased slightly as a percentage of revenues, from 74.4% to 72.2%, permitting a gross profit of €32,898 thousand compared with €27,220 thousand at 30 June 2006 (+€5,678 thousand or 20.9%).

As mentioned in the "Accounting policies" section, the Group has adopted a new method of calculating royalty recoupment. This has led to an increase of €778 thousand in costs and a decrease of the same amount for assets in the consolidated accounts at 30 June 2007.

Other income, at €123 thousand, refers mainly to insurance reimbursements and contributions for expenses incurred on behalf of third parties that do not pertain to the Group's core business.

Operating expenses rose by €5,469 thousand or 31.5%. The most significant increase in operating expenses pertained to the cost of services, which rose from €7,083 thousand to €10,944 thousand (+€3,861 thousand), due mainly to the advertising costs incurred to support video game sales in the local and international market. There was also a €1,258 thousand increase in payroll costs because of an increase in general staffing, especially in the New Media and International Publishing segments, with the opening of the foreign subsidiaries 505 Games Ltd. and DB France S.a.r.l. Other operating expenses were up by €397 thousand, closely paralleling the rise in business volume and the growth of the International Publishing segment.

EBITDA came to €10,189 thousand, in line with the previous year's result.

The 15.1% rise in EBIT, by €1,215 thousand, is explained by the Group's core business performance and by the reversal of impairment charged the previous year.

Basic earnings per share was essentially stable, at €0.27. The trend was the same for diluted earnings per share.

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.

ECONOMIC PERFORMANCE FOR THE FOURTH QUARTER

Consolidated results for the fourth quarter of the year are repeated below, with comparative figures for the same period in 2005-2006.

	EUR/000	4th quarter 2006-2007		4th quarter 2005-2006		Change	
1	Revenues	26,373	107.3%	15,754	105.0%	10,619	67.4%
2	Revenue adjustments	(1,796)	-7.3%	(747)	-5.0%	(1,049)	140.4%
3	Total revenues	24,577	100.0%	15,007	100.0%	9,570	63.8%
4	Purchase of goods for resale	(17,239)	-70.1%	(9,602)	-64.0%	(7,637)	79.5%
5	Purchase of services for resale	(387)	-1.6%	(296)	-2.0%	(91)	30.7%
6	Royalties	(3,103)	-12.6%	(1,039)	-6.9%	(2,064)	198.7%
7	Change in inventories of finished products	4,070	16.6%	1,153	7.7%	2,917	253.0%
8	Total cost of goods sold	(16,659)	-67.8%	(9,784)	-65.2%	(6,875)	70.3%
9	Gross profit (3+8)	7,918	32.2%	5,223	34.8%	2,695	51.6%
10	Other income	28	0.1%	2	0.0%	26	n.a.
11	Cost of services	(4,394)	-17.9%	(2,093)	-13.9%	(2,301)	n.a.
12	Rent and leasing	(90)	-0.4%	(121)	-0.8%	31	-25.6%
13	Payroll costs	(2,183)	-8.9%	(1,894)	-12.6%	(289)	15.3%
14	Other operating expenses	(170)	-0.7%	(317)	-2.1%	147	-46.4%
15	Total operating expenses	(6,837)	-27.8%	(4,425)	-29.5%	(2,412)	54.5%
16	EBITDA (9+10+15)	1,109	4.5%	800	5.3%	309	38.6%
17	Amortization and depreciation	(118)	-0.5%	(133)	-0.9%	15	-11.3%
18	Provisions	0	0.0%	0	0.0%	0	n.a.
19	Asset impairment charge	0	0.0%	0	0.0%	0	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	n.a.
21	Total amortization, depreciation and impairment	(118)	-0.5%	(133)	-0.9%	15	-11.3%
22	EBIT (16+21)	991	4.0%	667	4.4%	324	48.6%
23	Interest income	21	0.1%	0	0.0%	21	n.a.
24	Interest expense	(646)	-2.6%	(580)	-3.9%	(66)	11.4%
25	Net interest income (expense)	(625)	-2.5%	(580)	-3.9%	(45)	7.8%
26	Profit before taxes (22+25)	366	1.5%	87	0.6%	279	320.7%
27	Current taxes	1,280	5.2%	(187)	-1.2%	1,467	n.a.
28	Deferred taxes	(1,334)	-5.4%	560	3.7%	(1,894)	n.a.
29	Total taxes	(54)	-0.2%	373	2.5%	(427)	-114.5%
30	Net profit (26+29)	312	1.3%	460	3.1%	(148)	-32.2%
Earnings per share:							
31	Basic earnings per share (in EUR)	0.022		0.033		(0.01)	-32.0%
32	Diluted earnings per share (in EUR)	0.022		0.033		(0.01)	-32.0%

The steep rise in sales for the fourth quarter should be attributed to the International Publishing business, as described in the section "Performance by business segments."

As far as distribution in Italy is concerned, the best selling games for the quarter were "I pirati dei caraibi 3" ("Pirates of the Caribbean 3"), "Spiderman 3" and "Harry Potter e l'ordine della fenice" ("Harry Potter and the Order of the Phoenix"), all for Sony Playstation 2 and inspired by blockbuster movies.

Popular additions to the International Publishing segment include "Armored Core" for Sony Playstation 3 and Microsoft Xbox 360, and "Cooking Mama" (a cooking game) for Nintendo DS and Nintendo Wii.

Net revenues for the quarter, at €24,577 thousand, were up by 63.8% in comparison with the €15,007 thousand grossed in the same period last year.

EBITDA increased from €800 thousand to €1,109 thousand, and EBIT from €667 thousand to €91 thousand, despite the sharp rise in advertising investments to support sales made during the quarter.

The pre-tax profit went from €87 thousand to €366 thousand, an increase of €279 thousand.

PERFORMANCE BY BUSINESS SEGMENTS

The Group has chosen business segments as its primary segment reporting format, and has therefore defined four operating segments on the basis of revenue type, plus a Holding segment that covers all operating expenses not directly attributable to the individual businesses (cost for coordination, investment property and brand management, financial management, etc.).

REVENUES BY GEOGRAPHICAL SEGMENT

EUR/000	12M 2006-2007	12M 2005-2006	Change	
Italy	113,607	105,935	7,672	7.2%
Elsewhere	20,469	7,087	13,382	188.8%
Total consolidated revenues	134,076	113,022	21,054	18.6%

Consolidated revenues outside Italy increased by €13,382 thousand, from €7,087 thousand in 2005-2006 to €20,469 thousand for the year under review.

As shown in the table below, most sales outside Italy were generated by the International Publishing segment, which launches and markets video games on an international scale and on which the Group is focusing its managerial resources.

EUR/000	12M 2006-2007	12M 2005-2006	Change	
New Media	352	441	(89)	-20.2%
International Publishing	20,117	6,646	13,471	202.7%
Total gross foreign revenues	20,469	7,087	13,382	188.8%

See the comment on the International Publishing segment for more details on sales performance.

BUSINESS SEGMENTS

The launch of distribution via newsstands in 2005-2006 led to the creation of the "Newsstands" segment, while the online gaming and television businesses were grouped into the New Media segment given the relative insignificance of their operations and the fact that they share expenses such as payroll and office maintenance.

As a result of these changes, 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 year ended 30 June 2007, with comparative figures for the previous year.

EUR/000	Gross revenues				Net revenues			
	2007	2006	Change		2007	2006	Change	
Italian Distribution	111,107	97,809	13,298	13.6%	102,059	91,148	10,911	12.0%
Newsstands	2,338	6,055	(3,717)	n.a.	2,338	6,055	(3,717)	n.a.
New Media	514	503	11	2.1%	514	503	11	2.1%
International Publishing	20,117	8,655	11,462	132.4%	16,172	8,505	7,667	90.1%
Total gross revenues	134,076	113,022	21,054	18.6%	121,082	106,211	14,871	14.0%

Profit margins for the segments were as follows:

	Consolidated figures (in EUR/000)	Distribution	Newsstands	New Media	Publishing	Holding	Total
1	Revenues	111,107	2,338	514	20,117	0	134,076
2	Revenue adjustments	(9,048)	0	0	(3,946)	0	(12,994)
3	Total revenues	102,059	2,338	514	16,172	0	121,082
4	Purchase of goods for resale	(84,560)	(277)	56	(6,906)	0	(91,686)
5	Purchase of services for resale	0	(309)	(796)	(19)	0	(1,124)
6	Royalties	(1,747)	(847)	(68)	(5,024)	0	(7,686)
7	Change in inventories of finished products	8,483	559	0	3,270	0	12,312
8	Total cost of goods sold	(77,823)	(875)	(807)	(8,679)	0	(88,184)
9	Gross profit (3+8)	24,236	1,463	(294)	7,493	0	32,898
10	Other income	46	1	48	28	0	123
11	Cost of services	(7,329)	(770)	(270)	(2,380)	(195)	(10,944)
12	Rent and leasing	(317)	0	(53)	(40)	(1)	(412)
13	Payroll costs	(6,216)	0	(697)	(1,417)	(1,102)	(9,432)
14	Other operating expenses	(1,805)	(18)	(20)	(69)	(132)	(2,044)
15	Total operating expenses	(15,667)	(788)	(1,040)	(3,907)	(1,430)	(22,832)
16	EBITDA (9+10+15)	8,614	676	(1,286)	3,614	(1,430)	10,189
17	Amortization and depreciation	(440)	0	(45)	(19)	(313)	(817)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(96)	0	(1)	0	0	(97)
20	Impairment reversal	0	0	0	0	0	0
21	Total amortization, depreciation and impairment	(536)	0	(46)	(19)	(313)	(914)
22	EBIT (16+21)	8,078	676	(1,332)	3,595	(1,743)	9,275

Margin trends by segment are described in the sections below.

Distribution

Distribution is the Group's core business and its main source of earnings. 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, Buena Vista Games Inc., Sega, and Square Enix, whose products it sells over all distribution channels (retail shops and major chains);
- DTI (Distribuzione Trade Italia), using the small retail channel only, distributes games produced by publishers with their own organization in Italy, such as Electronic Arts, Activision Italia and Vivendi Universal Games.

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

Key results

EUR/000	Distribution					
	2007		2006		Change	
Revenues	111,107	108.9%	97,809	107.3%	13,298	13.6%
Revenue adjustments	(9,048)	-8.9%	(6,661)	-7.3%	(2,387)	35.8%
Total net revenues	102,059	100.0%	91,148	100.0%	10,911	12.0%
Other income	46	0.0%	182	0.2%	(136)	-75.0%
Operating expenses	(93,491)	-91.6%	(82,775)	-90.8%	(10,716)	12.9%
EBITDA	8,614	8.4%	8,555	9.4%	59	0.7%
Amortization, depreciation and impairment	(536)	-0.5%	(1,111)	-1.2%	575	-51.8%
EBIT	8,078	7.9%	7,444	8.2%	634	8.5%

In the Distribution segment the Group maintained the growth rates achieved in prior years, with gross revenues up by 13.6% (+€13,298 thousand), from €7,809 thousand to €11,107 thousand.

As a result, EBITDA managed a slight increase from €8,555 thousand to €8,614 thousand, despite the rise in payroll costs and advertising investments.

EBIT was €8,078 thousand or 7.9% of net revenues, in line with the result for the previous year.

The following table analyzes Italian Distribution revenues by type of product:

EUR/000	2007	2006	Change	
Distribution of video games for consoles	100,395	90,320	10,075	11.2%
Distribution of video games for PC/CD-ROM	10,477	6,736	3,741	55.5%
Distribution of other products and services	695	1,202	(507)	-42.1%
Financial discounts	(461)	(449)	(12)	2.7%
Total gross revenues	111,107	97,809	13,298	13.6%

Gross revenues from video game distribution increased by €13,298 thousand, from €7,809 thousand to €11,107 thousand, with a significant upward trend in games for both consoles and personal computers. Sales of games for PCs were up by 55.5%, from €6,736 thousand in 2005-2006 to €10,477 thousand for the 12 months under review. The increase in sales of console games (which in any case amount to 90.3% of gross revenues for the segment and 74.8% of consolidated gross turnover) came to €10,075 thousand or +11.2%.

The decrease in revenues from the distribution of other products and services (-507 thousand) is not significant and has no material effect on the segment's sales performance.

The following table shows units sold and revenues per console:

EUR/000	2007		2006		Change	
	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>
Nintendo Gameboy Advance	298,171	6,427	331,837	8,833	-10.1%	-27.2%
Sony Playstation 2	2,057,128	59,105	2,238,774	62,997	-8.1%	-6.2%
Sony Playstation 3	74,004	3,635	0	0	n.a.	n.a.
Nintendo Wii	38,410	1,550	0	0	n.a.	n.a.
Microsoft Xbox	158,083	645	86,639	2,994	82.5%	-78.4%
Microsoft Xbox 360	150,979	7,115	45,967	2,113	228.5%	236.7%
Nintendo DS	415,759	11,297	128,365	3,474	223.9%	225.2%
Sony PSP	324,917	10,245	287,930	9,384	12.8%	9.2%
Other consoles	124,949	375	28,647	525	336.2%	-28.5%
Total console distribution	3,642,400	100,395	3,148,159	90,320	15.7%	11.2%

In keeping with the pattern described above, revenue growth for the console market was influenced by two contrasting trends:

- An increase in units sold, by more than 494,000 (+15.7%), confirming the Group's capacity to penetrate the market. The growth pertains to the sale of products for consoles long on the market, but

mostly to the sale of games for new-generation consoles such as the Nintendo DS, Microsoft Xbox 360, Sony PSP and Nintendo Wii, which together sold over 470,000 more units than last year (937,169 versus 462,262) and made up 25.7% of quantities sold.

- A 3.9% reduction in unit prices, as shown in the following table.

This year saw the launch of two new consoles: the Nintendo Wii (December 2006) with its revolutionary controller, and the Sony Playstation 3 (March 2007) which will gradually replace Sony's PS2. However, because the PS3 is not fully backward compatible (not all Playstation 2 games can be played on it) and because so many Italian households already have the PS2, the life cycle of the older console is likely to be extended.

The trend in average video game prices is shown below:

EUR/000	2007	2006	Change
Nintendo Gameboy Advance	21.6	26.6	-19.0%
Sony Playstation 2	28.7	28.1	2.1%
Sony Playstation 3	49.1	0	n.a.
Nintendo Wii	40.4	0	n.a.
Microsoft Xbox	4.1	34.6	n.a.
Microsoft Xbox 360	47.1	46.0	2.4%
Nintendo DS	27.2	27.1	0.4%
Sony PSP	31.5	32.6	-3.3%
Other consoles	3.0	18.3	-83.6%
Average price	27.6	28.7	-3.9%

Price trends are typical of the video games market. Games for new-generation consoles (Sony Playstation 3, Microsoft Xbox & 360, Nintendo Wii) 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).

The table below shows the percent breakdown of revenues by type of console:

	2007	2006
Nintendo Gameboy Advance	6.4%	9.8%
Sony Playstation 2	58.9%	69.7%
Sony Playstation 3	3.6%	n.a
Nintendo Wii	1.5%	n.a
Microsoft Xbox	0.6%	3.3%
Microsoft Xbox 360	7.1%	2.3%
Nintendo DS	11.3%	3.8%
Sony PSP	10.2%	10.4%
Other consoles	0.4%	0.6%
Total revenues from distribution for consoles	100%	100%

As shown in the table above, the Microsoft Xbox 360, launched for the Christmas season, has earned a 7.1% share of revenues. This was mostly to the detriment of the Sony Playstation 2, whose weighting fell from 69.7% for the period ended 30 June 2006 to 58.9% this year.

Games for the Nintendo DS have also done quite well, rising from 3.8% to 11.3% of revenues in the course of a year, thanks to its popular new "Lite" console.

Newsstands

In January 2006 the Group began distributing video games as add-ons to products sold at newsstands, along with DVDs and other entertainment-related publications. As a result of the Group's streamlining process, newsstand distribution has been handled by the subsidiary Game Entertainment S.r.l. since the start of the fiscal year.

Key results

EUR/000	Newsstands					
	2007		2006		Change	
Revenues	2,338	100%	6,055	71%	(3,717)	-61%
Revenue adjustments	0	0%	0	0%	0	n.a.
Total net revenues	2,338	100%	6,055	71%	(3,717)	-61%
Other income	1	0.0%	0	0%	1	n.a.
Operating expenses	(1,663)	-71%	(3,527)	-41%	1,864	-53%
EBITDA	676	28.9%	2,528	30%	(1,852)	-73%
Amortization, depreciation and impairment	0	0.0%	0	0%	0	0.0%
EBIT	676	28.9%	2,528	30%	(1,852)	-73%

Revenues were earned from the distribution of the following products:

- the DVD series "WWE Wrestling Megastars" and "Greatest Hits," on the lives of popular wrestlers;
- the first of five issues of "DVD-games," a new series of games played on a DVD player using the remote control, based on popular Dreamworks titles;
- the game series "The Sims," a real-life simulation game, distributed as an add-on with newspapers published by the RCS Group;
- the "Maxima 2" series of video games for PC/CD-ROM, also sold as add-ons to RCS Group newspapers;
- the four-issue series called "Wanted" ("Desperate Housewives," "E.R.," "Law & Order" and "The Pirates of Tortuga"), inspired by the hit TV shows.

At €2,338 thousand, revenues were lower than the previous year, mainly because the wrestling series sold fewer copies than in 2005-2006.

Operating expenses (-€1,864 thousand) are linked closely to the performance of revenues, and are kept down by having the distribution process managed by newsstands.

Margins are very high in this segment: both EBITDA and EBIT came to 28.9% of sales. Due to the decline in revenues, EBIT was unable to reach the previous year's figure of €2,528 thousand, falling by €1,852 thousand to €676K.

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.

Online gaming operations were handled by the subsidiary 505 Games S.r.l. and consist of the exclusive marketing in Europe of the games "Legend of Mir" and "Myth of Soma." In online gaming, players who subscribe to the service connect from their own computers to one or more servers owned by the Group, to play against others who are currently online. Since the start of 2007, as an effect of the streamlining process, this business has been operated by the subsidiary Game Media Networks S.r.l.

The production and distribution of digital entertainment content for television, Internet and cell phones was handled by Game Media Networks S.r.l. From July 2007, the business will pass to the new subsidiaries Game Media Networks S.a.r.l. for France and Game Media Networks Ltd. for the U.K. market.

During the year ended 30 June 2006 this segment was fully reorganized, with the suspension of the Italian and British satellite channels and the simultaneous investment in new resources for the development of alternative projects.

In March 2007, the Digital Bros Group and the RCS Group launched a joint venture in the online entertainment business. Called RCS DB Games 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.

Subsequent to 30 June 2007 the Group incorporated Game Media Networks S.a.r.l. in France and Game Media Networks Ltd. in the United Kingdom, as international support for the three-year development plan for New Media operations.

Key results

EUR/000	New Media					
	2007		2006		Change	
Revenues	514	100%	503	100%	11	2%
Revenue adjustments	0	0%	0	0%	0	0%
Total net revenues	514	100%	503	100%	11	2%
Other income	48	9%	12	2%	36	304%
Operating expenses	(1,848)	-360%	(2,741)	n.a.	893	-33%
EBITDA	(1,286)	n.a.	(2,226)	n.a.	940	-42%
Amortization, depreciation and impairment	(46)	-8.9%	(564)	n.a.	518	-92%
EBIT	(1,332)	n.a.	(2,790)	n.a.	1,458	-52%

Most revenues were earned through subscriptions to online games (€280 thousand) and the sale of digital entertainment content (€200 thousand).

Revenues from "Legend of Mir" and "Myth of Soma" subscriptions fell from €503 thousand to €280 thousand, and the titles will soon be replaced by a new generation of games accessed from the portal for the European market. Preparation of the portal will be completed during the first half of 2007-'08.

Operating expenses decreased by €93 thousand, but were influenced heavily 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.

The combination of these factors produced negative EBITDA of €1,286 thousand, an improvement on last year's negative €2,226 thousand. The gain in EBIT is even more apparent, as last year, asset impairment of €444 thousand was charged on the down payments made to the developer of "Horizons: Empire of Istaria." EBIT improved by €1,458 thousand, from a negative €2,790 thousand to a negative €1,332K.

International Publishing

In the International Publishing business, video game rights are acquired from developers, and the products are subsequently launched 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 the year 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.

The subsidiaries Digital Bros France S.a.r.l. and 505 Games Ltd. have begun to distribute video games in the local markets; 505 Games Ltd. also serves as an international sales office. They finalized implementation of the ERP system on 1 October 2006, and since 1 November have had a fully functioning distribution system.

Key results

EUR/000	International Publishing					
	2007		2006		Change	
Revenues	20,117	124%	8,655	102%	11,462	132%
Revenue adjustments	(3,946)	-24%	(150)	-2%	(3,796)	n.a.
Total net revenues	16,172	100%	8,505	100%	7,667	90%
Other income	28	0%	0	0%	28	n.a.
Operating expenses	(12,586)	-78%	(5,749)	-68%	(6,837)	119%
EBITDA	3,614	22.3%	2,756	32%	858	31%
Amortization, depreciation and impairment	(19)	-0.1%	(116)	-1%	97	-83%
EBIT	3,595	22.2%	2,640	31%	955	36%

Net revenues from the international publishing of video games increased by €7,667 thousand, from €8,505 thousand to €16,172 thousand. The growth in turnover reflects a flurry of international license acquisitions and the healthy development of the foreign distribution network.

The policy of content expansion pursued by the Group in the last two years now gives it more than 80 international licenses for video games, of which some are already in stores, including "Arma: Armed Assault" for computers, "Cooking Mama" for Nintendo Wii and "Armored Core" for Sony Playstation 3.

Some of the hit products sold during the last quarter are "Cooking Mama" for Nintendo DS and Nintendo Wii and "Armored Core" for Sony Playstation 3 and Microsoft Xbox 360.

Operating expenses also increased, from €5,749 thousand to €12,586 thousand, as a result of royalties paid to game developers, the cost of physically producing and localizing games, the rise in advertising investments, and fixed costs incurred for the international start-up units in the U.K. and France.

As mentioned earlier, the rise in operating expenses is due in part to the new method of calculating royalty recoupment. This led to an increase of €78 thousand in costs for the International Publishing segment for the period ended 30 June 2007.

EBITDA and EBIT stood at 22.3% and 22.2% of net revenues, respectively.

The decline in profitability can be attributed to the two new companies, which increased the base of fixed costs, and to the ongoing investments needed during this early phase of international expansion.

Holding

The Holding segment covers all of the parent company's coordination duties and handles investment property and corporate brands. These activities are performed by the parent company, Digital Bros S.p.A.

Key results

EUR/000	Holding					
	2007		2006		Change	
Revenues	0	n.a.	0	n.a.	0	n.a.
Revenue adjustments	0	n.a.	0	n.a.	0	n.a.
Total net revenues	0	n.a.	0	n.a.	0	n.a.
Other income	0	n.a.	0	n.a.	0	n.a.
Operating expenses	(1,430)	n.a.	(1,538)	n.a.	108	-7%
EBITDA	(1,430)	n.a.	(1,538)	n.a.	108	-7%
Amortization, depreciation and impairment	(313)	n.a.	(201)	n.a.	(112)	56%
EBIT	(1,743)	n.a.	(1,739)	n.a.	(4)	0%

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 and writedowns refer to the depreciation of the Group's warehouse at Trezzano sul Naviglio and the amortization of brands. Due to the name change by Game Network S.r.l. to Game Entertainment S.r.l., the new brand the Group will use for its newsstand operations, the Game Network brand (previously used for satellite TV gaming) was fully amortized during the year.

ANALYSIS OF KEY BALANCE SHEET FIGURES

The consolidated balance sheet at 30 June 2007 is reported below with comparative figures at 30 June 2006:

	EUR/000	30 June 2007	30 June 2006	Change	
	Non-current assets				
1	Property, plant and equipment	3,378	3,299	79	2.4%
2	Investment property	455	455	0	0.0%
3	Intangible assets	517	684	(167)	-24.4%
4	Equity investments	742	5	737	n.a.
5	Non-current receivables and other assets	60	53	7	13.2%
6	Deferred tax assets	3,427	4,537	(1,110)	-24.5%
	Total non-current assets	8,579	9,033	(454)	-5.0%
	Non-current liabilities				
7	Employee benefits	(827)	(803)	(24)	3.0%
8	Non-current provisions	(206)	(155)	(51)	32.9%
9	Other non-current payables and liabilities	0	0	0	n.a.
	Total non-current liabilities	(1,033)	(958)	(75)	7.8%
	Net working capital				
10	Inventories	38,776	26,450	12,326	46.6%
11	Trade receivables	31,332	22,672	8,660	38.2%
12	Tax credits	1,675	437	1,238	n.a.
13	Other current assets	8,404	995	7,409	n.a.
14	Trade payables	(15,583)	(5,413)	(10,170)	n.a.
15	Taxes payable	(3,293)	(1,158)	(2,135)	184.4%
16	Current provisions	0	0	0	n.a.
17	Other current liabilities	(2,499)	(2,115)	(384)	18.2%
	Total net working capital	58,812	41,868	16,944	40.5%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	n.a.
19	Reserves	(19,458)	(19,441)	(17)	0.1%
20	Treasury shares	204	671	(467)	-69.6%
21	Profit (losses) carried forward	(7,517)	(4,788)	(2,729)	n.a.
	Total capital and reserves	(32,415)	(29,202)	(3,213)	11.0%
	Total net assets less capital and reserves	33,943	20,741	13,202	63.7%
22	Cash and cash equivalents	3,620	3,994	(374)	-9.4%
23	Short-term payables to banks	(29,217)	(19,087)	(10,130)	53.1%
24	Other current financial liabilities	(3,250)	(1,351)	(1,899)	n.a.
	Current net debt	(28,847)	(16,444)	(12,403)	75.4%
25	Non-current financial assets	0	0	0	n.a.
26	Non-current payables to banks	(3,220)	(1,006)	(2,214)	n.a.
27	Other non-current financial liabilities	(1,876)	(3,291)	1,415	-43.0%
	Non-current net debt	(5,096)	(4,297)	(799)	18.6%
	Total net debt	(33,943)	(20,741)	(13,202)	63.7%

NET WORKING CAPITAL

Net working capital increased by €16,944 thousand with respect to 30 June 2006 (+40.5%). The trend is explained by a rise of €8,660 thousand in trade receivables and by an increase of €12,326 thousand in inventories. The above was partially offset by a rise in trade payables of €10,170 thousand. This trend should be analyzed in light of the Group's 63.8% increase in sales (+€9,570 thousand) during the last quarter with respect to the same period last year.

The increase in inventories (€12,326 thousand) was caused primarily by the growth in revenues and publishers represented on an exclusive basis in Italy, but also by the rise in inventories kept by the International Publishing segment (€1844 thousand).

An analysis of net working capital in comparison with figures at 30 June 2006 is provided below:

EUR/000	30 June 2007	30 June 2006	Change	
Inventories	38,776	26,450	12,326	46.6%
Trade receivables	31,332	22,672	8,660	38.2%
Tax credits	1,675	437	1,238	n.a.
Other current assets	8,404	995	7,409	n.a.
Trade payables	(15,583)	(5,413)	(10,170)	n.a.
Taxes payable	(3,293)	(1,158)	(2,135)	184.4%
Current provisions	0	0	0	n.a.
Other current liabilities	(2,499)	(2,115)	(384)	18.2%
Total net working capital	58,812	41,868	16,944	40.5%

The upturn in trade receivables and other current assets also stems from the sale of user licenses, while the trend in trade payables is explained by the improved payment conditions negotiated by the Group.

NON-CURRENT ASSETS

The investment policy during the year was geared mainly towards implementation of the new ERP system based on Microsoft Dynamics Navision. Total investments for the year came to €728 thousand: €360 thousand for the ERP system, €80 thousand for the purchase of office automation machines and €288 thousand for other fixed assets.

New initiatives include the joint venture in the online entertainment business launched in March 2007 by the Digital Bros Group and RCS Mediagroup. Called RCS DB Games 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.), and required an initial investment by the Digital Bros Group of €735 thousand.

NET DEBT

Net debt with respect to 30 June 2006 grew by €13,202 thousand, due to the higher business volumes during the year. An analysis of the consolidated cash flow statement demonstrates the Group's ability to finance

investment in net working capital to support the growth of operating activities. For a more in-depth analysis of cash flow, see the consolidated cash flow statement attached to this report.

The breakdown of consolidated net debt with comparative figures at 30 June 2006 is as follows:

EUR/000	30 June 2007 (A)	30 June 2006 (B)	Change (A-B)
Cash and cash equivalents	3,620	3,994	(374)
Short-term payables to banks	(29,217)	(19,087)	(10,130)
Other current financial liabilities	(3,250)	(1,351)	(1,899)
Current net debt	(28,847)	(16,444)	(12,403)
Non-current financial assets	0	0	0
Non-current payables to banks	(3,220)	(1,006)	(2,214)
Other non-current financial liabilities	(1,876)	(3,291)	1,415
Non-current net debt	(5,096)	(4,297)	(799)
Total net debt	(33,943)	(20,741)	(13,202)

Current net debt

Current net debt is made up as follows:

EUR/000	30 June 2007 (A)	30 June 2006 (B)	Change (A-B)
Cash and cash equivalents	3,620	3,994	(374)
Short-term payables to banks	(29,217)	(19,087)	(10,130)
Other current financial liabilities	(3,250)	(1,351)	(1,899)
Total current net debt	(28,847)	(16,444)	(12,403)

Cash and cash equivalents at 30 June 2007 are comprised of sight deposits at banks, securities and 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 (€62 thousand).

EUR/000	30 June 2007 (A)	30 June 2006 (B)	Change (A-B)
Cash on hand and bank deposits	1,229	1,658	(429)
Securities held at Banca Antonveneta	2,129	2,084	45
Quadrante policy (Banca Toscana)	262	252	10
Total cash and cash equivalents	3,620	3,994	(374)

Cash and cash equivalents at 30 June 2007 came to €3,620 thousand, a decrease of €374 thousand with respect to the previous year.

During the second half of 2006-2007, the subsidiary 505 Games S.r.l. obtained two new overdraft facilities on its accounts with Capitalia Group and Banca Intesa San Paolo. The Capitalia facility is a credit line secured by Digital Bros S.p.A. and granted on 30 January 2007 for €2,900 thousand, while the Banca Intesa San Paolo facility is a €2 million mortgage loan granted on 2 February 2007. The mortgage loan has a 60-month term starting from the date of disbursement and charges 5.78% annual interest. Installments fall due every quarter.

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 is €401 thousand.

At 30 June 2007, the Group had the following bank loans outstanding:

- two five-year loans taken out in 2005 by Digital Bros S.p.A. from Banca Intesa San Paolo and UniCredit Banca d'Impresa. The amounts borrowed, net of ancillary expenses, have been credited to ordinary accounts at the two banks, which the company has agreed to keep open until the loans are fully repaid;
- a five-year loan taken out on 15 November 2006 by Digital Bros S.p.A. from Banca Intesa San Paolo to finance medium- and long-term investments;
- a five-year loan taken out during the quarter by 505 Games S.r.l. from Banca Intesa San Paolo to fund the development of International Publishing.

The installments due within 12 months and listed as "short-term payables to banks" amount to €1,082 thousand, as follows:

EUR/000	30 June 2007	30 June 2006
Banca Intesa San Paolo loan due within 12 months	(816)	(629)
UniCredit Banca loan due within 12 months	(266)	
Total short term loans and borrowings	(1,082)	(629)

Other current financial liabilities consist of the portion of finance leases held with Intesa Leasing and SanPaolo Leasint falling due within 12 months, recognized in the amount of €182 thousand in accordance with IAS 17. The leasing agreements currently in force concern the warehouse in Trezzano sul Naviglio as well as office automation equipment and cars. The item also includes advances on trade receivables factored without recourse, in keeping with IAS 39, totaling €3,074 thousand.

Non-current net debt

Non-current net debt is made up as follows:

EUR/000	30 June 2007 (A)	30 June 2006 (B)	Change (A-B)
Non-current financial assets	0	0	0
Non-current payables to banks	(3,220)	(1,006)	(2,214)
Other non-current financial liabilities	(1,876)	(3,291)	1,415
Non-current net debt	(5,096)	(4,297)	(799)

Non-current payables to banks at 30 June 2007 consist of the portion due beyond 12 months of non-hedge derivatives (€548 thousand) and the long-term portion of loans being paid back in installments (€2,672 thousand).

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 June 2007 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 €20,000,000. 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.
- an interest rate swap taken out on 21 July 2003 with Banca Intesa San Paolo, maturing on 21 July 2008 with a notional principal amount of €3,000,000. With this instrument, the Group pays the maximum quarterly interest rate (2 x 3M Euribor in arrears - 2.25%) with a ceiling of 5.50% per quarter, and collects the variable three-month Euribor.

CAPITAL AND RESERVES

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

EUR/000	30 June 2007 (A)	30 June 2006 (B)	Change (A-B)
Share capital	5,644	5,644	0
Reserves	19,458	19,441	17
Treasury shares	(204)	(671)	467
Profit (losses) carried forward	7,517	4,788	2,729
Total capital and reserves	32,415	29,202	3,213

During the quarter there were no changes in capital and reserves, except for the purchase of treasury shares for €90 thousand which, in combination with the sales made in the third quarter for €57 thousand, led to an overall change of €467 thousand.

At 30 June 2007, Digital Bros held 37,500 treasury shares with an average price of €5.43 per share.

SIGNIFICANT SUBSEQUENT EVENTS

In July 2007 the Digital Bros Group, through its subsidiary Game Media Networks S.r.l., incorporated two new subsidiaries in France and the United Kingdom: Game Media Networks S.a.r.l. and Game Media Networks Ltd. Their purpose is to further the production and distribution of digital entertainment content in the French and U.K. markets.

OUTLOOK

The forecast for 2007-2008 is shown below, with comparative figures for the year ended 30 June 2007:

EUR/000	FORECAST 2007-2008	ACTUAL 2006-2007	Change
Gross revenues	140,474	134,076	6,398
EBIT	10,086	9,275	811

More specifically, the forecast per business segment is as follows:

Consolidated figures in EUR/000	Distribution	Newsstands	New Media	Publishing	Holding	Total
Gross revenues	96,026	2,002	1,003	41,443	0	140,474
EBITDA	6,905	510	(1,995)	6,464	(1,488)	10,396
EBIT	6,731	503	(2,011)	6,428	(1,565)	10,086

CONTINGENT ASSETS AND LIABILITIES

In May 2006, the parent company Digital Bros S.p.A. was audited by the local revenue office with regard to direct taxes and VAT for fiscal year 2002-2003. As of this writing, no assessment has been received and the audit is not expected to produce a tax liability.

There were no other contingent assets or liabilities at 30 June 2007 or at 30 June 2006.

RELATED PARTY TRANSACTIONS

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 the parent company and its direct subsidiaries and associates have been conducted under arm's-length conditions.

Non-consolidated subsidiaries

Below are key figures for the non-consolidated subsidiary D3DB S.r.l. (held 50%) at 31 March 2007, its year-end reporting date:

EUR/000	
Assets	1,283
Capital and reserves	2
Liabilities	1,281
Revenues	134
Costs	142
Net profit (loss) for the year	(8)

Key figures at 30 June 2007 for the non-consolidated company RCS DB Games S.p.A. (held 49%) are as follows:

EUR/000	
Assets	1,514
Capital and reserves	1,325
Liabilities	189
Revenues	0
Costs	175
Net profit (loss) for the year	(175)

Subsidiaries

The balances of commercial and financial transactions between Group companies at 30 June 2007 are shown below:

EUR/000	receivables		payables		revenues	costs
	comm.	finan.	comm.	finan.		
Digital Bros S.p.A.	6,449	4,194	(372)	(1,444)	4,614	(2,862)
505 Games S.r.l.	11,691	74	(3,941)	(750)	17,677	(1,610)
Game Media Networks S.r.l.	94	0	(392)	(1,957)	79	(311)
Game Service S.r.l.	0	1,015	(2,172)	0	333	(2,061)
Game Entertainment S.r.l.	0	574	(2,230)	0	90	(1,375)
Digital Bros France S.a.r.l.	0	0	(3,066)	(400)	265	(5,363)
505 Games Ltd.	0	0	(6,187)	(1,160)	0	(9,476)
Total	18,234	5,857	(18,360)	(5,711)	23,058	(23,058)

Other related parties

Transactions with other related parties consist of the legal counsel provided by director Dario Treves, for which €174 thousand was paid during the year, and the consulting performed by director Umberto Virri who received €12 thousand for his work.

Also during the year, Servizi 5 S.r.l. fulfilled its commitment to Digital Bros S.p.A. as required by the payment plan dated 25 February 2004, by repaying its remaining debt of €1,459 thousand.

Group tax election

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