



Digital Bros S.p.A.

**Half-year financial report
at 31 December 2008**

(1st half of fiscal year 2008-2009)

Digital Bros S.p.A.

Via Bisceglie, 76 – 20152 Milan, Italy

VAT and tax identification no. 09554160151

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

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

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OFFICERS AND CONTROL

Board of Directors

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

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

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

Internal control committee

Umberto Virri (Chairman)
Alberto Pianta
Bruno Soresina

Compensation Committee

Alberto Pianta (Chairman)
Bruno Soresina
Umberto Virri

Board of Statutory Auditors

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

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

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

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

External auditors

Reconta Ernst & Young S.p.A.

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

DIRECTORS' REPORT

1. GROUP STRUCTURE

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

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

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

Group operations are divided into the five segments described below:

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

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

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

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

fully operational since July 2008 and January 2009, respectively. These two companies support the process undertaken in the last two years to enter the Spanish and American markets.

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

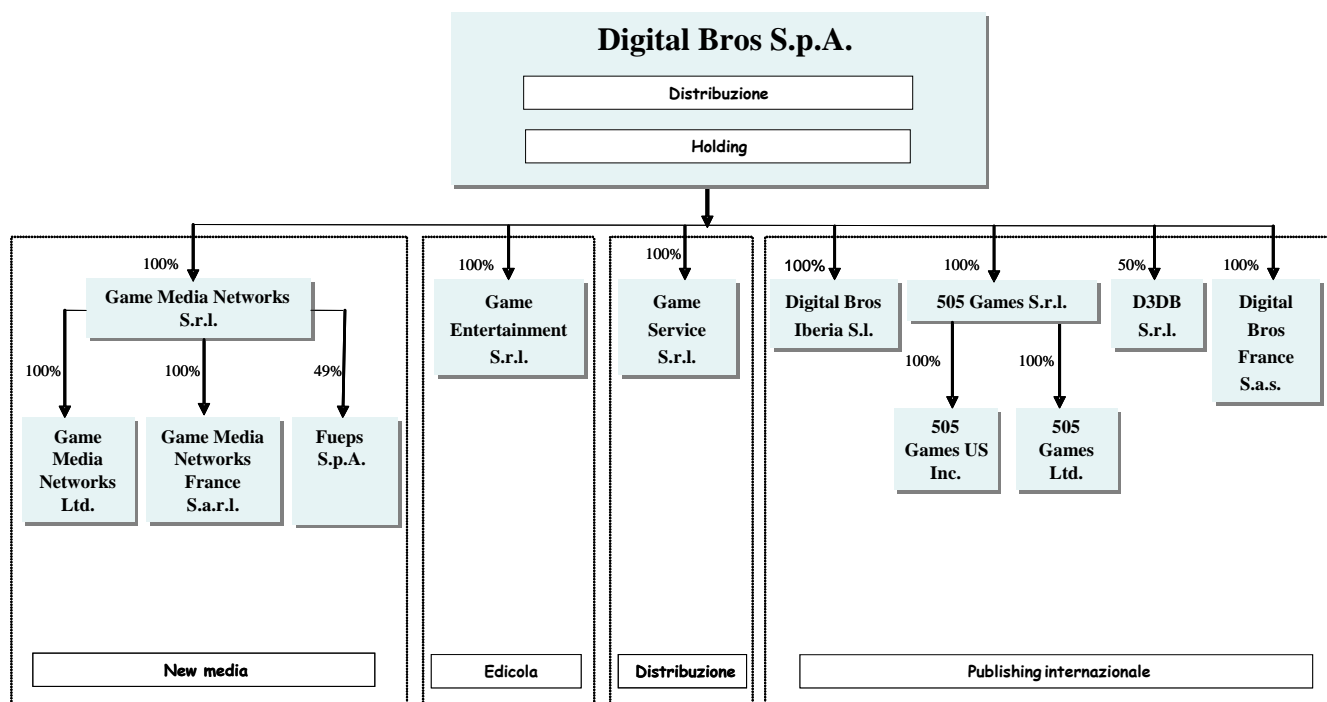
Operations in this segment are also performed by the joint venture Fueps S.p.A. (formerly RCS DB Games S.p.A.), created by the Digital Bros Group and RCS Mediagroup to develop an online gaming portal called www.fueps.com and e-commerce/d-commerce operations for the Italian market. Through its subsidiary Game Media Networks S.r.l., Digital Bros is the joint venture's sole supplier of entertainment content.

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

Newsstands: the distribution of video games as newspaper or magazine add-ons, and the distribution through newsstands of digital entertainment publications. Since 2005-2006, as a result of the streamlining process, these operations have been handled by the subsidiary Game Entertainment S.r.l.

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

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



During the period the Group operated from the following locations:

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

2. THE VIDEO GAMES MARKET

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

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

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

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

The macroeconomic trends that affected various sectors of the global economy in the last quarter had a pronounced impact in certain areas, like Spain and Great Britain, and a less visible impact in countries like Italy and France. The U.K. market was sharply penalized not only by the poor economy, but by the weakness of the local currency, which reduced profit margins in the sector where Digital Bros operates.

In Spain, there was an across-the-board drop in consumption that did not spare the video games market. In this light especially, performance in Italy and France was excellent, where at least through December 2008 the economic woes did not affect either the video game sector or the entertainment industry in general.

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

- Developers

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

Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film, a book and/or a cartoon, but can also take the form of simulation games that mimic sports, racecar driving, etc. The developers retain the intellectual property rights, but they transfer the exploitation rights—for a limited amount of time agreed by contract—to international video game publishers, who are therefore crucial for completing the game and giving it a global reputation and clientele.

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

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

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

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

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

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

3. SEASONAL TRENDS

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

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

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

Seasonal trends can be influenced by launching hit products at times other than the traditional Christmas period. This causes sales to build up just before the official release date (known as "day one"), as will occur, for example, with the launch of "Resident Evil 5" in March 2009.

4. SIGNIFICANT EVENTS DURING THE PERIOD

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

- July: the Group's Spanish subsidiary, Digital Bros Iberia S.I., opens for business on 1 July 2008. The impact is described in the section on economic performance in the half-year and in the notes to the financial statements;
- September: Digital Bros signs an agreement with Cooking Mama Ltd. for the rights to and the publication of Gardening Mama in Europe. The game is scheduled for release in June 2009 and is expected to gross about €4 million;
- October: the French subsidiary is converted from a limited-liability company (S.a.r.l.) to a simplified joint-stock company (S.a.s.), hence the name change to Digital Bros France S.a.s..

5. ECONOMIC PERFORMANCE IN THE HALF-YEAR TO 31 DECEMBER 2008

Below are the Group's results for the half-year to 31 December 2008, with comparative figures for last year:

	EUR/000	1H 2008-2009		1H 2007-2008		Change	
1	Gross revenues	102,432	119.6%	97,823	111.8%	4,609	4.7%
2	Revenue adjustments	(16,774)	-19.6%	(10,319)	-11.8%	(6,455)	62.6%
3	Total net revenues	85,658	100.0%	87,504	100.0%	(1,846)	-2.1%
4	Purchase of goods for resale	(56,675)	-66.2%	(60,693)	-69.4%	4,018	-6.6%
5	Purchase of services for resale	(1,056)	-1.2%	(1,091)	-1.2%	35	-3.2%
6	Royalties	(5,349)	-6.2%	(3,319)	-3.8%	(2,030)	61.2%
7	Change in inventories of finished products	2,038	2.4%	120	0.1%	1,918	n.a.
8	Total cost of goods sold	(61,042)	-71.3%	(64,983)	-74.3%	3,941	-6.1%
9	Gross profit (3+8)	24,616	28.7%	22,521	25.7%	2,095	9.3%
10	Other income	130	0.2%	3	0.0%	127	n.a.
11	Cost of services	(12,643)	-14.8%	(6,910)	-7.9%	(5,733)	83.0%
12	Rent and leasing	(351)	-0.4%	(195)	-0.2%	(156)	80.0%
13	Payroll costs	(6,975)	-8.1%	(5,565)	-6.4%	(1,410)	25.3%
14	Other operating expenses	(1,572)	-1.8%	(1,230)	-1.4%	(342)	27.8%
15	Total operating expenses	(21,541)	-25.1%	(13,900)	-15.9%	(7,641)	55.0%
16	EBITDA (9+10+15)	3,205	3.7%	8,624	9.9%	(5,419)	-62.8%
17	Depreciation and amortization	(376)	-0.4%	(290)	-0.3%	(86)	29.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(514)	-0.6%	514	-100.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(376)	-0.4%	(804)	-0.9%	428	-53.2%
22	EBIT (16+21)	2,829	3.3%	7,820	8.9%	(4,991)	-63.8%
23	Interest income	115	0.1%	61	0.1%	54	88.5%
24	Interest expense	(2,542)	-3.0%	(1,854)	-2.1%	(688)	37.1%
25	Net interest income (expense)	(2,427)	-2.8%	(1,793)	-2.0%	(634)	35.4%
26	Profit before taxes (22+25)	402	0.5%	6,027	6.9%	(5,625)	-93.3%
27	Current taxes	(1,921)	-2.2%	(2,477)	-2.8%	556	-22.4%
28	Deferred taxes	1,570	1.8%	(58)	-0.1%	1,628	n.a.
29	Total taxes	(351)	-0.4%	(2,535)	-2.9%	2,184	-86.2%
30	Net profit (26+29)	51	0.1%	3,492	4.0%	(3,441)	-98.5%
	Earnings per share:						
33	Basic earnings per share (in EUR)	0.004		0.25		(0.25)	n.a.
34	Diluted earnings per share (in EUR)	0.004		0.25		(0.25)	n.a.

In the first half of the year the Group earned gross revenues of €102,432 thousand and net revenues of €85,658 thousand, for an increase of €4,609 thousand in gross revenues and a decrease of €1,846 thousand in net revenues compared with the first half of 2007-2008. Below is the breakdown of first-half revenues by business segment for this and the previous year:

EUR/000	Gross revenues				Net revenues			
	2008	2007	Change		2008	2007	Change	
Italian distribution	72,708	72,401	307	0.4%	64,508	65,512	(1,004)	-1.5%
Newsstands	570	1,036	(466)	-45.0%	569	974	(405)	-41.5%
New media	315	164	151	92.1%	315	164	151	92.1%
International publishing	28,839	24,222	4,617	19.1%	20,266	20,854	(588)	-2.8%
Total gross revenues	102,432	97,823	4,609	4.7%	85,658	87,504	-1,846	-2.1%

The decrease in net revenues in the first half of 2008-2009 concerned the Distribution segment, where they fell from €65,512 thousand the previous year to €64,507 thousand, and the International Publishing segment, where they dipped from €20,854 thousand to €20,266 thousand.

Net revenues in the Newsstands segment dropped from €974 thousand to €570 thousand as a result of fewer releases, caused by a strategic decision to favor cover-mounts and reduce the risk of unsold merchandise at the expense of traditional publications.

In the New Media segment, sales were up sharply in percentage terms but only modestly in absolute terms, rising from €164 thousand in the first half of 2007-2008 to €315 thousand this period.

The cost of sales decreased as a percentage of revenues, from 74.3% to 71.3%, permitting a gross profit of €4,616 thousand for the quarter compared with €2,521 thousand the previous year (+€2,095 thousand). The cost of materials includes exchange losses by the U.K. subsidiary 505 Games Ltd., amounting to €1,398 thousand for the half-year.

Operating expenses rose by €7,641 thousand or 55%, growing at a faster pace than net sales. This is due primarily to the Group's higher costs in the International Publishing and New Media segments. The most significant increase in operating expenses pertained to the cost of services, which rose from €6,910 thousand to €12,643 thousand (+€5,733 thousand), due mainly to the advertising costs incurred to support video game sales (especially in the international market).

Payroll costs were up by €1,410 thousand, due to continued hiring in the International Publishing segment, with the opening of Digital Bros Iberia S.I. and 505 Games US Inc. The average number of employees increased by 22%, from 127 to 155.

As a result of these trends, EBITDA fell from €8,625 thousand to €3,205 thousand, a decrease of €5,420 thousand.

The heading "depreciation, amortization, provisions and impairment" (€76 thousand) refers exclusively to depreciation and amortization.

Performance for the half-year was in line with the Group's forecasts. Heavy losses were suffered due to the start-ups in the U.S. and Spain, which detracted €94 thousand and €21 thousand, respectively, from consolidated EBIT.

Due to the costs of the international network and an increase in advertising expenses, EBIT decreased by €4,991 thousand, from €7,820 thousand to €2,829 thousand. The net profit for the half-year to 31 December 2008 was €51 thousand, compared with €3,492 thousand for the first half of last year.

Basic and diluted earnings per share was €0.004, down from €0.25 for the first half of 2007-2008.

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

6. ANALYSIS OF THE BALANCE SHEET AT 31 DECEMBER 2008

The Group's balance sheet at 31 December 2008 is shown below, with comparative figures at 30 June 2008:

	EUR/000	31 December 2008	30 June 2008	Change	
	Non-current assets				
1	Property, plant and equipment	3,721	3,753	(32)	-0.9%
2	Investment property	455	455	0	0.0%
3	Intangible assets	722	680	42	6.2%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	136	132	4	3.0%
6	Deferred tax assets	3,673	2,103	1,570	74.7%
	Total non-current assets	9,447	7,863	1,584	20.1%
	Non-current liabilities				
7	Employee benefits	(523)	(555)	32	-5.8%
8	Non-current provisions	(268)	(249)	(19)	7.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(791)	(804)	13	-1.6%
	Net working capital				
10	Inventories	41,591	39,553	2,038	5.2%
11	Trade receivables	65,911	42,110	23,801	56.5%
12	Tax credits	1,420	1,440	(20)	-1.4%
13	Other current assets	16,582	14,682	1,900	12.9%
14	Trade payables	(24,209)	(14,436)	(9,773)	67.7%
15	Taxes payable	(4,889)	(5,202)	313	-6.0%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,257)	(2,477)	220	-8.9%
	Total net working capital	94,149	75,670	18,479	24.4%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,501)	(19,462)	(39)	0.2%
20	Treasury shares	1,232	717	515	71.8%
21	(Profits) losses carried forward	(9,051)	(10,113)	1,062	-10.5%
	Total capital and reserves	(32,964)	(34,502)	1,538	-4.5%
	Total net assets	69,841	48,227	21,614	44.8%
22	Cash and cash equivalents	12,639	11,279	1,360	12.1%
23	Short-term payables to banks	(71,269)	(49,730)	(21,539)	43.3%
24	Other current financial liabilities	(6,611)	(3,309)	(3,302)	99.8%
	Current net debt	(65,241)	(41,760)	(23,481)	56.2%
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(2,959)	(4,738)	1,779	-37.5%
27	Other non-current financial liabilities	(1,641)	(1,729)	88	-5.1%
	Non-current net debt	(4,600)	(6,467)	1,867	-28.9%
	Total net debt	(69,841)	(48,227)	(21,614)	44.8%

See the notes to the financial statements for comments on the most significant changes.

7. INTERCOMPANY AND RELATED PARTY TRANSACTIONS

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

The main intercompany transactions are the sale of video games by 505 Games S.r.l. to the local distributors in Italy and other countries. As is typical for the sector, another significant item is the portion of advertising costs incurred by distributors that are charged to the Group's publisher, 505 Games S.r.l. More minor transactions consist of administrative, financial, legal/advisory and general services performed by Digital Bros S.p.A. for the rest of the Group.

Group companies in Italy also transfer tax receivables and payables to the parent company in the context of the group tax election.

In the half-year financial report at 31 December 2008, all effects of intercompany transactions on the balance sheet and income statement have been eliminated. Related party transactions are discussed in the notes.

8. TREASURY SHARES

Pursuant to Art. 2428 (2) and (3) of the Italian Civil Code, at 31 December 2008 Digital Bros S.p.A. owned 326,024 treasury shares.

Pursuant to paragraph (2.4) of that article, we report that in the first half of 2008-2009 the company purchased 171,761 treasury shares and disposed of none.

The purchase, approved on 28 October 2008 by the general meeting of shareholders, will support any transactions such as the sale, transfer or swap of Digital Bros S.p.A. shares for the acquisition of equity investments and/or the conclusion of strategic agreements that further the Company's goals of expansion.

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

9. RESEARCH AND DEVELOPMENT

The Group did not engage in research and development during the period.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The main financial instruments used by Digital Bros are as follows:

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

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

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

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

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

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

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

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

Interest rate risk

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

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

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

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

Liquidity risk

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

Exchange rate risk

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

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

Credit risk

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

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

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Group has insurance covering the buyers that the credit committee deems less solvent and/or those with credit facilities of €250 thousand to €1500 thousand. The insurance policy does not eliminate all credit risk on the buyers covered, but considerably limits potential losses.

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

Derivative contracts

The policy for using derivative contracts is explained in the notes.

11. USE OF ESTIMATES

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

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

Sources of uncertainty in making estimates

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

Doubtful accounts

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

Inventory writedowns

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

Employee benefits

The Group offers no pension plans and/or other employee benefits, with the exception of the employee termination indemnities (trattamento di fine rapporto, or TFR) required by Italian law. Estimating those benefits requires an assessment of the future financial outlays that may arise as a result of employees'

voluntary and involuntary departure from the Company, in relation to their seniority and the revaluation rates these benefits enjoy by law.

The TFR system underwent significant changes during the year ended 30 June 2006. Estimating the liability is still complex, due to a small portion of benefits that have remained with Group companies. To arrive at this estimate, the Group has engaged a registered actuary to define the necessary parameters.

Revenue adjustments

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

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

Current and deferred taxes

Current and deferred taxes at 31 December 2008 are estimates based on the pre-tax income of each company and the local tax rates in force. Consolidated adjustments are duly reflected in the total.

12. CONTINGENT ASSETS AND LIABILITIES

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

There were no other contingent assets or liabilities at 31 December 2008.

13. SECURITY PLAN

The Group's Italian companies are compliant with Legislative Decree 196 of 30 June 2003 (the data protection code), and expressly confirm that they have taken appropriate security measures including with reference to knowledge acquired through technical advancement, the nature of the data obtained and the specific ways in which it is used, thus reducing to a minimum the risks of deliberate or accidental destruction or loss of the data, unauthorized access to the data, and use of the data that is unauthorized or inconsistent with stated ends.

The individual companies have each prepared a Security Plan, in accordance with Annex B of Decree 196.

14. SIGNIFICANT SUBSEQUENT EVENTS

The main events occurring since the close of the half-year are of a financial nature.

On 10 February 2009, the subsidiary 505 Games S.r.l. took out a three-year, €4 million loan from Gruppo Bancario Intesa San Paolo. The full amount was credited immediately to that company's account. The loan charges adjustable interest at the three-month Euribor plus 275 basis points. Interest is paid and the principal reimbursed in 12 quarterly installments, beginning on 21 April 2009. The loan has three covenants:

- consolidated net debt cannot be more than four times consolidated EBITDA;
- consolidated net debt cannot be more than twice the Group's tangible equity;
- consolidated capital and reserves cannot be less than €30 million.

Failure to respect these conditions would entitle the bank to demand reimbursement of the remaining principal, as of the date the broken covenant is reported following approval of the financial statements.

On 11 February 2009, 505 Games S.r.l. obtained a renewal of €2,050 thousand on the €5 million credit line granted on 24 April 2007 by Gruppo Bancario Unicredit Banca di Roma to finance the company's development. The facility is valid for 18 months less one day and charges annual interest at the three-month Euribor plus 200 basis points.

This medium-term financing allows the Group to offset the decrease in this form of funding that is evident in the half-year balance sheet. The allocation of medium-term financing to the subsidiary 505 Games S.r.l., whose financial needs are of longer duration than those of the distribution segment due to the nature of its business, will greatly simplify the flow of funds among Group companies.

15. OUTLOOK

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

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

The Group is investing constantly in the female gaming market given its powerful impact on the International Publishing segment, and offers its own innovative ideas to the social gaming market, but is also willing to remain a force in traditional video games. This balanced strategy, along with the development of the international distribution market—the Spanish subsidiary opened in July 2008 and the publishing and distribution company in the United States has been operational since the following January—will keep growth swift in this segment in 2008-2009. After incurring €1.3 million in start-up costs for the Spanish and U.S. operations and €1.4 million in exchange losses due to the steep depreciation of the pound, the Group should see operating profits recover to their customary levels during the second half of this year.

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

The New Media division, which took a substantial bite out of earnings this year, will see improved margins in 2008-2009 although it will probably still operate at a loss. A restructuring project is underway in this area, which will reduce costs including through the closure of the two foreign affiliates Game Media Networks Ltd. and Game Media Networks S.a.r.l.

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

The costs of the Holding segment will be essentially unchanged.

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



16. OTHER INFORMATIONS

EMPLOYEES

Below are the details of the period-end workforce with comparative figures at 30 June 2008:

Category	31 December 2008	30 June 2008	Change
Executives	9	10	(1)
White collar	137	121	16
Blue collar and trainees	13	10	3
Total employees	159	141	18

The same details for employees at the Group's foreign companies are as follows:

Category	31 December 2008	30 June 2008	Change
Executives	4	4	0
White collar	49	39	10
Total employees abroad	53	43	10

The most significant increase occurred at 505 Games US Inc. and Digital Bros Iberia S.I.

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

Category	Average in 1H 08-09	Average in 1H 07-08	Change
Executives	10	9	1
White collar	133	108	25
Blue collar and trainees	12	10	2
Total employees	155	127	28

The average headcount at foreign companies is as follows:

Category	Average in 1H 08-09	Average in 1H 07-08	Change
Executives	4	3	1
White collar	46	21	25
Total employees abroad	50	24	26

ENVIRONMENT

At 31 December 2008 there were no issues of an environmental nature, and as the Group's environment-related activities consist chiefly of packaging and shipping video games and affixing labels to boxes, there is no reason any such problems should arise.

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Financial statements at 31 December 2008

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FINANCIAL STATEMENTS

Digital Bros Group

Consolidated balance sheet at 31 December 2008

	EUR/000	31 December 2008	30 June 2008	Change	
	Non-current assets				
1	Property, plant and equipment	3,721	3,753	(32)	-0.9%
2	Investment property	455	455	0	0.0%
3	Intangible assets	722	680	42	6.2%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	136	132	4	3.0%
6	Deferred tax assets	3,673	2,103	1,570	74.7%
	Total non-current assets	9,447	7,863	1,584	20.1%
	Non-current liabilities				
7	Employee benefits	(523)	(555)	32	-5.8%
8	Non-current provisions	(268)	(249)	(19)	7.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(791)	(804)	13	-1.6%
	Net working capital				
10	Inventories	41,591	39,553	2,038	5.2%
11	Trade receivables	65,911	42,110	23,801	56.5%
12	Tax credits	1,420	1,440	(20)	-1.4%
13	Other current assets	16,582	14,682	1,900	12.9%
14	Trade payables	(24,209)	(14,436)	(9,773)	67.7%
15	Taxes payable	(4,889)	(5,202)	313	-6.0%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,257)	(2,477)	220	-8.9%
	Total net working capital	94,149	75,670	18,479	24.4%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,501)	(19,462)	(39)	0.2%
20	Treasury shares	1,232	717	515	71.8%
21	(Profits) losses carried forward	(9,051)	(10,113)	1,062	-10.5%
	Total capital and reserves	(32,964)	(34,502)	1,538	-4.5%
	Total net assets	69,841	48,227	21,614	44.8%
22	Cash and cash equivalents	12,639	11,279	1,360	12.1%
23	Short-term payables to banks	(71,269)	(49,730)	(21,539)	43.3%
24	Other current financial liabilities	(6,611)	(3,309)	(3,302)	99.8%
	Current net debt	(65,241)	(41,760)	(23,481)	56.2%
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(2,959)	(4,738)	1,779	-37.5%
27	Other non-current financial liabilities	(1,641)	(1,729)	88	-5.1%
	Non-current net debt	(4,600)	(6,467)	1,867	-28.9%
	Total net debt	(69,841)	(48,227)	(21,614)	44.8%

Digital Bros Group

Consolidated income statement for the half-year to 31 December 2008

	EUR/000	1H 2008-2009		1H 2007-2008		Change	
1	Gross revenues	102,432	119.6%	97,823	111.8%	4,609	4.7%
2	Revenue adjustments	(16,774)	-19.6%	(10,319)	-11.8%	(6,455)	62.6%
3	Total net revenues	85,658	100.0%	87,504	100.0%	(1,846)	-2.1%
4	Purchase of goods for resale	(56,675)	-66.2%	(60,693)	-69.4%	4,018	-6.6%
5	Purchase of services for resale	(1,056)	-1.2%	(1,091)	-1.2%	35	-3.2%
6	Royalties	(5,349)	-6.2%	(3,319)	-3.8%	(2,030)	61.2%
7	Change in inventories of finished products	2,038	2.4%	120	0.1%	1,918	n.a.
8	Total cost of goods sold	(61,042)	-71.3%	(64,983)	-74.3%	3,941	-6.1%
9	Gross profit (3+8)	24,616	28.7%	22,521	25.7%	2,095	9.3%
10	Other income	130	0.2%	3	0.0%	127	n.a.
11	Cost of services	(12,643)	-14.8%	(6,910)	-7.9%	(5,733)	83.0%
12	Rent and leasing	(351)	-0.4%	(195)	-0.2%	(156)	80.0%
13	Payroll costs	(6,975)	-8.1%	(5,565)	-6.4%	(1,410)	25.3%
14	Other operating expenses	(1,572)	-1.8%	(1,230)	-1.4%	(342)	27.8%
15	Total operating expenses	(21,541)	-25.1%	(13,900)	-15.9%	(7,641)	55.0%
16	EBITDA (9+10+15)	3,205	3.7%	8,624	9.9%	(5,419)	-62.8%
17	Depreciation and amortization	(376)	-0.4%	(290)	-0.3%	(86)	29.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(514)	-0.6%	514	-100.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(376)	-0.4%	(804)	-0.9%	428	-53.2%
22	EBIT (16+21)	2,829	3.3%	7,820	8.9%	(4,991)	-63.8%
23	Interest income	115	0.1%	61	0.1%	54	88.5%
24	Interest expense	(2,542)	-3.0%	(1,854)	-2.1%	(688)	37.1%
25	Net interest income (expense)	(2,427)	-2.8%	(1,793)	-2.0%	(634)	35.4%
26	Profit before taxes (22+25)	402	0.5%	6,027	6.9%	(5,625)	-93.3%
27	Current taxes	(1,921)	-2.2%	(2,477)	-2.8%	556	-22.4%
28	Deferred taxes	1,570	1.8%	(58)	-0.1%	1,628	n.a.
29	Total taxes	(351)	-0.4%	(2,535)	-2.9%	2,184	-86.2%
30	Net profit (26+29)	51	0.1%	3,492	4.0%	(3,441)	-98.5%
	Earnings per share:						
33	Basic earnings per share (in EUR)	0.004		0.25		(0.25)	n.a.
34	Diluted earnings per share (in EUR)	0.004		0.25		(0.25)	n.a.

Digital Bros Group**Consolidated cash flow statement for the half-year to 31 December 2008**

	EUR/000	1H 2008-2009	1H 2007-2008
A. Opening net debt		(48,227)	(33,942)
B. Cash flow from operating activities			
Group's share of net profit (loss) for the year		51	3,492
Depreciation, amortization and provisions			
Amortization		144	113
Depreciation		232	178
Net change in other provisions		19	28
Net change in employee benefit provisions		(32)	(54)
SUBTOTAL B.		414	3,757
C. Change in net working capital			
Inventories		(2,038)	(120)
Trade receivables		(23,801)	(32,323)
Tax credits		20	753
Other current assets		(1,900)	(2,309)
Trade payables		9,773	3,281
Taxes payable		(313)	1,173
Current provisions		0	0
Other current liabilities		(220)	(483)
SUBTOTAL C.		(18,479)	(30,028)
D. Cash flow from investing activities			
Net investments in intangible assets		(186)	(185)
Net investments in property, plant and equipment		(200)	(202)
Net investments in financial fixed assets		(1,574)	320
SUBTOTAL D.		(1,960)	(67)
E. Cash flow from financing activities			
Capital increases		0	0
SUBTOTAL E.		0	0
F. Movements in consolidated capital and reserves			
Dividends paid		(1,103)	(1,128)
Change in treasury shares held		(515)	(62)
Increases (decreases) in other components of capital and reserves		29	(15)
SUBTOTAL F.		(1,589)	(1,205)
G. Cash flow for the period (B+C+D+E+F)		(21,614)	(27,543)
H. Closing net debt (A+G)		(69,841)	(61,485)

Details of cash flow movements by maturity:

EUR/000	1H 2008-2009	1H 2007-2008
Increase (decrease) in securities and cash & cash equivalents	1,360	(1,340)
Decrease (increase) in short-term payables to banks	(21,539)	(15,592)
Decrease (increase) in other current financial liabilities	(3,302)	(3,292)
Short-term cash flow for the period	(23,481)	(20,224)
Medium-term cash flow for the period	1,867	(7,319)
<i>Cash flow for the period</i>	<i>(21,614)</i>	<i>(27,543)</i>

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 2007	5,644	16,954	1,129	1,367	7	19,457	(204)	3,663	3,830	7,493	32,390
Allocation of net profit						0		3,830	(3,830)	0	0
Dividend payments						0		(1,128)		(1,128)	(1,128)
Purchase of treasury shares						0	(62)			0	(62)
Other changes						0		(15)		(15)	(15)
Profit for the period						0			3,492	3,492	3,492
Total at 31 December 2007	5,644	16,954	1,129	1,367	7	19,457	(266)	6,350	3,492	9,842	34,677
Allocation of net profit						0				0	0
Dividend payments						0				0	0
Purchase of treasury shares						0	(451)			0	(451)
Other changes					5	5		15		15	20
Profit for the period						0			256	256	256
Total at 1 July 2008	5,644	16,954	1,129	1,367	12	19,462	(717)	6,365	3,748	10,113	34,502
Allocation of net profit						0		3,748	(3,748)	0	0
Dividend payments						0		(1,103)		(1,103)	(1,103)
Purchase of treasury shares						0	(515)			0	(515)
Other changes					39	39		(10)		(10)	29
Profit for the period						0			51	51	51
Total at 31 December 2008	5,644	16,954	1,129	1,367	51	19,501	(1,232)	9,000	51	9,051	32,964

Segment reporting

Consolidated income statement for the half-year to 31 December 2008

	Consolidated figures in EUR/000	Italian distribution	Newsstands	New media	Internat. publishing	Holding	Total
1	Revenues	72,708	570	315	28,839	0	102,432
2	Revenue adjustments	(8,201)	0	0	(8,573)	0	(16,774)
3	Total revenues	64,507	570	315	20,266	0	85,658
4	Purchase of goods for resale	(45,235)	0	(5)	(11,435)	0	(56,675)
5	Purchase of services for resale	0	(101)	(514)	(441)	0	(1,056)
6	Royalties	(101)	(402)	(282)	(4,564)	0	(5,349)
7	Change in inventories of finished products	(1,208)	21	0	3,225	0	2,038
8	Total cost of goods sold	(46,544)	(482)	(801)	(13,215)	0	(61,042)
9	Gross profit (3+8)	17,963	88	(485)	7,050	0	24,616
10	Other income	51	0	47	32	0	130
11	Cost of services	(6,495)	(92)	(558)	(5,302)	(196)	(12,643)
12	Rent and leasing	(157)	0	(37)	(156)	(1)	(351)
13	Payroll costs	(3,418)	0	(450)	(2,516)	(591)	(6,975)
14	Other operating expenses	(1,110)	(2)	(25)	(224)	(211)	(1,572)
15	Total operating expenses	(11,180)	(93)	(1,071)	(8,198)	(999)	(21,541)
16	EBITDA (9+10+15)	6,834	(5)	(1,509)	(1,116)	(999)	3,205
17	Depreciation and amortization	(230)	(1)	(18)	(74)	(53)	(376)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	0	0	0	0
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization, provisions and impairment	(230)	(1)	(18)	(74)	(53)	(376)
22	EBIT (16+21)	6,604	(6)	(1,527)	(1,190)	(1,051)	2,829

Digital Bros S.p.A.

Digital Bros S.p.A. balance sheet at 31 December 2008

	EUR/000	31 December 2008	30 June 2008	Change	
	Non-current assets				
1	Property, plant and equipment	3,243	3,261	(18)	-0.6%
2	Investment property	455	455	0	0.0%
3	Intangible assets	656	595	61	10.3%
4	Equity investments	2,240	2,204	36	1.6%
5	Non-current receivables and other assets	5	4	1	25.0%
6	Deferred tax assets	585	525	60	11.4%
	Total non-current assets	7,184	7,044	140	2.0%
	Non-current liabilities				
7	Employee benefits	(492)	(531)	39	-7.3%
8	Non-current provisions	(268)	(249)	(19)	7.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(760)	(780)	20	-2.6%
	Net working capital				
10	Inventories	29,488	31,401	(1,913)	-6.1%
11	Trade receivables	44,616	26,888	17,728	65.9%
12	Due from subsidiaries	26,601	13,131	13,470	102.6%
13	Tax credits	98	77	21	27.3%
14	Other current assets	4,659	6,441	(1,782)	-27.7%
15	Trade payables	(10,815)	(6,129)	(4,686)	76.5%
16	Due to subsidiaries	(1,551)	(1,451)	(100)	6.9%
17	Taxes payable	(3,808)	(4,190)	382	-9.1%
18	Current provisions	(999)	(2,230)	1,231	-55.2%
19	Other current liabilities	(1,887)	(2,280)	393	-17.2%
	Total net working capital	86,402	61,658	24,744	40.1%
	Capital and reserves				
20	Share capital	(5,644)	(5,644)	0	0.0%
21	Reserves	(17,965)	(17,965)	0	0.0%
22	Treasury shares	1,232	717	515	71.8%
23	(Profits) losses carried forward	(6,351)	(5,895)	(456)	7.7%
	Total capital and reserves	(28,728)	(28,787)	59	-0.2%
	Total net assets	64,098	39,135	24,963	63.8%
24	Cash and cash equivalents	6,526	8,014	(1,488)	-18.6%
25	Short-term payables to banks	(60,393)	(40,451)	(19,942)	49.3%
26	Other current financial liabilities	(6,611)	(1,803)	(4,808)	n.a.
	Current net debt	(60,478)	(34,240)	(26,238)	76.6%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(1,979)	(3,107)	1,128	-36.3%
29	Other non-current financial liabilities	(1,641)	(1,788)	147	-8.2%
	Non-current net debt	(3,620)	(4,895)	1,275	-26.0%
	Total net debt	(64,098)	(39,135)	(24,963)	63.8%

Digital Bros S.p.A.

Digital Bros S.p.A. income statement for the half-year to 31 December 2008

	EUR/000	1H 2008-2009		1H 2007-2008		Change	
1	Gross revenues	73,025	112.2%	72,989	108.1%	36	0.0%
2	Revenue adjustments	(7,915)	-12.2%	(5,472)	-8.1%	(2,443)	44.6%
3	Total net revenues	65,110	100.0%	67,517	100.0%	(2,407)	-3.6%
4	Purchase of goods for resale	(45,230)	-69.5%	(50,275)	-74.5%	5,045	-10.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(109)	-0.2%	(340)	-0.5%	231	-67.9%
7	Change in inventories of finished products	(1,913)	-2.9%	(3,206)	-4.7%	1,293	-40.3%
8	Total cost of goods sold	(47,252)	-72.6%	(53,821)	-79.7%	6,569	-12.2%
9	Gross profit (3+8)	17,858	27.4%	13,696	20.3%	4,162	30.4%
10	Other income	815	1.3%	765	1.1%	50	6.5%
11	Cost of services	(6,813)	-10.5%	(4,266)	-6.3%	(2,547)	59.7%
12	Rent and leasing	(158)	-0.2%	(144)	-0.2%	(14)	9.7%
13	Payroll costs	(4,330)	-6.7%	(4,399)	-6.5%	69	-1.6%
14	Other operating expenses	(1,317)	-2.0%	(1,086)	-1.6%	(231)	21.3%
15	Total operating expenses	(12,618)	-19.4%	(9,895)	-14.7%	(2,723)	27.5%
16	EBITDA (9+10+15)	6,055	9.3%	4,566	6.8%	1,489	32.6%
17	Depreciation and amortization	(277)	-0.4%	(228)	-0.3%	(49)	21.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(999)	-1.5%	(250)	-0.4%	(749)	n.a.
20	Impairment reversal	300	0.5%	0	0.0%	300	0.0%
21	Total depreciation, amortization, provisions and impairment	(976)	-1.5%	(478)	-0.7%	(498)	104.2%
22	EBIT (16+21)	5,079	7.8%	4,088	6.1%	991	24.2%
23	Interest income	112	0.2%	57	0.1%	55	96.5%
24	Interest expense	(2,073)	-3.2%	(1,529)	-2.3%	(544)	35.6%
25	Net interest income (expense)	(1,961)	-3.0%	(1,472)	-2.2%	(489)	33.2%
26	Profit before taxes (22+25)	3,118	4.8%	2,616	3.9%	502	19.2%
27	Current taxes	(1,620)	-2.5%	(1,457)	-2.2%	(163)	11.2%
28	Deferred taxes	61	0.1%	0	0.0%	61	0.0%
29	Total taxes	(1,559)	-2.4%	(1,457)	-2.2%	(102)	7.0%
30	Net profit (26+29)	1,559	2.4%	1,159	1.7%	400	34.5%

Reconciliation between the capital and reserves and net profit of Digital Bros S.p.A. and the corresponding consolidated figures at 31 December 2008

	Profit for the period	Capital and reserves
Profit for the period and capital & reserves of Digital Bros S.p.A.	1,559	28,728
Profit for the period and capital & reserves of subsidiaries	(1,981)	7,278
Carrying value of equity investments	0	(2,738)
Consolidation adjustments		
Writeback of equity investment	999	999
Elimination of intercompany profits	(772)	(1,549)
Other adjustments	246	246
Consolidated profit for the period and capital & reserves	51	32,964

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Notes to the accounts at 31 December 2008

1. FORM, CONTENT, AND OTHER GENERAL INFORMATION

Publication of the half-year financial report of the Digital Bros Group for the first half of fiscal year 2008-2009 was authorized by resolution of the board of directors on 25 February 2009. Digital Bros is a joint-stock company incorporated and domiciled in Italy. It is listed in the STAR segment of the MTAX market operated by Borsa Italiana S.p.A.

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

The financial statements have been prepared on a going concern basis. The Group has determined that the uncertainties and risks to which it is exposed, as described in section 7 of the notes, do not cast doubt on the Group's ability to operate as a going concern.

Accounting standards and compliance with IAS/IFRS

This half-year financial report, in consolidated form pursuant to Art. 154-ter of Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act), as amended, was prepared in accordance with the IFRS published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The term "IFRS" includes the International Accounting Standards (IAS) currently in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC).

This report, drawn up according to IAS 34 – Interim financial reporting, is based on the same accounting principles used to prepare the consolidated financial statements at 30 June 2008, which may be consulted for further information. It does not contain all of the information and notes included in the year-end financial statements, so it should be read in conjunction with the consolidated financial statements at 30 June 2008.

Reporting formats

The half-year financial report at 31 December 2008 has been prepared in accordance with Arts. 77 et seq. of CONSOB Regulation 11971/99 for issuers (as amended), with CONSOB Resolution 15519 of 27 July 2006 and with CONSOB announcement DEM/6064293 of 28 July 2006.

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

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

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

The financial statements that precede are comprised of:

- consolidated balance sheet at 31 December 2008 with comparative figures at 30 June 2008 (the previous year-end reporting date);
- consolidated income statement for the period from 1 July 2008 to 31 December 2008, in comparison with the consolidated income statement from 1 July 2007 to 31 December 2007;
- consolidated cash flow statement for the period under review, in comparison with figures for the previous year;
- details of cash flows by maturity, compared with movements taking place the previous year;
- statement of changes in consolidated shareholders' equity from 1 July 2007 to 31 December 2008;
- segment reporting: income statement;
- balance sheet of the parent company Digital Bros S.p.A. at 31 December 2008 with comparative figures at 30 June 2008 (the year-end reporting date);
- income statement of the parent company Digital Bros S.p.A. for the period from 1 July 2008 to 31 December 2008, in comparison with the income statement from 1 July 2007 to 31 December 2007.

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

The balance sheet format divides items into five categories:

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

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

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

Net working capital encompasses current assets and liabilities. Because of the commercial nature of the Group's operations, net working capital is especially significant, as it represents the amount the Group invests in operating activities to help increase its turnover. Its trend in relation to business volumes, and as a function of seasonal patterns in the market, is extremely important.

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

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

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

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

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

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

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

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

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

- cash flow from operating activities
- changes in net working capital
- cash flow from investing activities
- cash flow from financing activities

- movements in capital and reserves.

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

Minority interests are not reported because they do not exist.

2. ACCOUNTING STANDARDS

Figures in the consolidated half-year financial report were determined according to the International Accounting Standards and their interpretations in force as of 31 December 2008.

The consolidated financial statements were prepared on the basis of the accounts at 31 December 2008 submitted by the companies in the consolidation, which have been adjusted, where necessary, to bring them into line with Group accounting policies and IAS/IFRS. All comparative figures from prior periods have been modified as necessary in order to render them IAS/IFRS-compliant.

The accounting standards used for the half-year financial report at 31 December 2008 are consistent with those used to prepare the consolidated financial statements at 30 June 2008. Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of this half-year financial report.

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

New accounting standards

Below is a description of the new standards and interpretations approved by the EU and applied by the Group since 1 July 2008. Their adoption has not affected the consolidated interim financial statements at 31 December 2008.

IFRIC 11 - IFRS 2: Group and treasury share transactions

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

IFRIC 12 - Service concession arrangements

IFRIC 12 explains how companies should account for concession arrangements granted by public to private entities. Service concession arrangements are contracts with which a government or other entity allows a private company to provide public services relating, for example, to roads, prisons or hospitals. Neither Digital Bros nor its subsidiaries operate under this kind of contract, so the interpretation has no effect on the Group.

IFRIC 13 - Customer loyalty programs

In June 2007, IASB published IFRIC 13, effective for annual periods beginning on or after 1 July 2008.

This interpretation requires that award credits granted to customers be accounted for as a separate component of the sales transaction(s) in which they were earned, and therefore that part of the fair value of the consideration received be allocated to the credits and amortized until the awards are redeemed.

At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard.

Amendments to IAS 39 – Financial instruments: Recognition and measurement and to IFRS 7 – Financial instruments: Disclosures.

On 15 October 2008, with Regulation 1004/2008, the European Commission endorsed the amendments to IAS 39 – Financial instruments: Recognition and measurement and to IFRS 7 – Financial instruments: Disclosures. Under rare circumstances, the amendments permit the reclassification of certain financial instruments out of the fair-value-through-profit-or-loss category.

New standards and interpretations not yet effective

As required by IAS 8 (“*Accounting policies, changes in accounting estimates and errors*”), below is a brief description of the IFRS in effect as from 1 July 2008 or later. The Group has not applied any IFRS in advance of their effective date.

IFRS 8 - Operating Segments

On 21 November 2007, with Regulation no. 1358/2007, the European Commission ratified IFRS 8 - Operating Segments. The new accounting standard requires an entity to base the information contained in its segment reporting on factors used by management for taking operating decisions, thereby requiring the identification of operating segments based on internal reports that are regularly reviewed by the entity’s management in order to allocate resources to the different segments and to assess their performance.

IFRS 8 is mandatory for financial periods beginning on 1 January 2009 or later. The Group is evaluating the impact this standard will have on the consolidated financial statements.

IAS 1 - Presentation of financial statements

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

IAS 23 - Borrowing costs

During the course of 2007 the IASB issued a revised version of IAS 23 - Borrowing Costs, effective from 1 January 2009. The revised version has eliminated the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The Group does not expect these changes to affect the financial statements.

Amendments to IAS 32 and IAS 1 - "Puttable" Financial Instruments

The changes to IAS 32 and IAS 1 were approved in February and are effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires that certain "puttable" financial instruments and obligations arising on liquidation be classified as equity instruments if certain conditions are met. Per the amendment to IAS 1, the notes to the financial statements must provide information on "puttable" options classified as equity. The Group does not expect these changes to affect the financial statements.

IAS 38 - Intangible assets

Advertising costs and promotional expenses are charged as costs if the Group has taken possession of the goods or the provision of service is complete. This change has no impact on the Group.

Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate

In May 2008 the IASB published an amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards and IAS 27 – Consolidated and separate financial statements, with instructions on how to determine the cost of an investment in a subsidiary, jointly controlled entity or associate upon first-time adoption of IFRS.

IFRS 2 - Share-based payments

In January 2008 the IASB issued a revised version of IFRS 2 - Share-based payments, which specifies the accounting treatment for cancellation of equity instruments granted to employees and states that vesting conditions shall be limited to the employee's standard of service or the company's performance.

The new version of IFRS 2 is effective from 1 January 2009. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard.

The Group does not expect these changes to affect the financial statements.

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

In January 2008 the IASB issued a revised version of IFRS 3 - Business combinations and of IAS 27 - Consolidated and separate financial statements. IFRS 3 now requires the expensing of ancillary costs associated with business combinations and allows companies to recognize 100% of the goodwill of the acquired entity, including that attributable to minority investors (the "full goodwill method").

The new rules also change the way step acquisitions are disclosed, with the income statement showing the difference between the fair value of net assets previously held on the date control is acquired and their carrying value.

Also, the effects of acquiring additional shares of a subsidiary or partially disposing of a subsidiary without losing control are accounted for as equity transactions. If the partial disposal of an investment results in loss of control, the residual holding is remeasured to fair value, and any difference is included in the capital gain or loss on the disposal.

The revised versions of IFRS 3 and IAS 27 are effective from financial periods beginning on or after 1 July 2009. At the balance sheet date, the EU authorities had not yet finished the endorsement process necessary for applying this standard.

The Group does not expect these changes to affect the financial statements.

IFRS improvement

May 2008 the IASB issued a set of improvements to IFRS; information is provided below on those that according to the IASB entail changes for presentation, recognition or measurement purposes, while no mention is made of those involving only terminology or editorial changes with minimal effect on accounting.

- IFRS 5 – Non-current assets held for sale and discontinued operations: the change, effective from 1 January 2010, states that where there is a sale plan in place involving loss of control of a subsidiary, all of the subsidiary's assets and liabilities should be classified as held for sale, even if the parent entity will retain a minority interest;
- IFRS 7 – Financial instruments: the reference to total interest income as a component of financial costs has been removed;
- IAS 1 - Presentation of financial statements (revised in 2007): the amendment, effective from 1 January 2009, requires assets and liabilities arising from derivative financial instruments not held for trading purposes to be classified in the financial statements as current or non-current, as appropriate;
- IAS 8 - Accounting policies, changes in accounting estimates and errors: The amendment clarifies that in selecting an accounting policy, application of the implementation guidance is mandatory only when it is an integral part of the IAS in question;
- IAS 10 - Events after the balance sheet date: the amendment clarifies that dividends declared after the reporting period do not result in the recognition of a liability as no obligation existed as of the balance sheet date;
- IAS 16 - Property, plant and equipment: according to the amendment, effective from 1 January 2009, entities that routinely rent out items of property, plant and equipment must transfer such assets to inventories when they cease to be rented and are held for sale; the proceeds from their sale should be recognized as revenues. In the cash flow statement, payments to manufacture or acquire assets that are rented to others, and cash receipts

from the subsequent sale of such assets, constitute cash flows from operating activities and not from investing activities;

- IAS 19 – Employee benefits: effective from 1 January 2009 to changes in benefits occurring on or after that date, this amendment clarifies the definition of cost/income for past service and states that if a benefit plan is reduced, the only impact to be recognized immediately in the financial statements is the reduction in benefits for future periods, while the effect of any reduction for past service should be treated as a negative past service cost. It also clarifies the definition of "short-term employee benefits" and "long-term employee benefits" and revises the definition of "return on plan assets" to require the deduction of plan administration costs that are not reflected in the value of the obligation;
- IAS 20 – Accounting for government grants and disclosure of government assistance: to be applied prospectively from 1 January 2009, this amendment requires that government loans granted at a significantly below-market rate of interest be accounted for as government grants according to the rules of IAS 20;
- IAS 23 - Borrowing costs: effective from 1 January 2009, this amendment revises the definition of borrowing costs;
- IAS 28 - Investments in associates: Effective from 1 January 2009 (retroactively or prospectively), this amendment states that for investments valued using the equity method, an impairment loss should not be allocated against the individual assets (goodwill in particular) included in the equity-accounted investment balance, but against the value of the investment as a whole. Therefore, should the conditions be met for reversing the impairment loss, the reversal should be recognized in full;
- IAS 28 – Investments in associates and IAS 31 – Interests in joint ventures: these amendments are effective from 1 January 2009 and require additional disclosures for investments in associates and interests in joint ventures that are recognized at fair value in accordance with IAS 39. IFRS 7 – Financial instruments: disclosures and IAS 32 – Financial instruments: presentation have been amended accordingly;
- IAS 29 – Financial reporting in hyperinflationary economies: the previous version of this standard did not reflect the fact that some assets and liabilities may be measured at current values rather than historical cost. The amendment taking account of that fact is effective from 1 January 2009;
- IAS 34 - Interim financial reporting: the amendment clarifies that earnings per share in interim financial reports is within the scope of IAS 33;
- IAS 36 – Impairment of assets: effective from 1 January 2009, the amendment requires additional disclosures when an entity determines the recoverable amount of cash-generating units using the discounted cash flow method;

- IAS 38 - Intangible assets: this amendment is effective from 1 January 2009 and clarifies the recognition of advertising and promotional expenditure. It also states that if the entity makes prepayments without recognizing intangible assets, these should be recognized when the entity has the right to access the purchased goods or has received the contracted service. Finally, it allows use of the unit of production method to determine the amortization of intangible assets of finite useful life;
- IAS 39 - Financial instruments: recognition and measurement: effective from 1 January 2009, the amendment clarifies how to calculate the revised effective interest rate of a financial instrument on cessation of fair value hedge accounting. It also clarifies that the prohibition on classifying financial instruments into or out of the fair value through profit or loss category does not apply to derivatives that no longer qualify as hedging instruments or that newly qualify as hedging instruments. To avoid conflict with the new IFRS 8 – Operating segments, it removes references to the designation of hedging instruments at the segment level;
- IAS 40 - Investment property: effective prospectively from 1 January 2009, this amendment clarifies that property under construction is within the scope of IAS 40 rather than IAS 16.

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

In July 2007 IFRIC issued interpretation 14, "The limit on a defined benefit asset, minimum funding requirements and their interaction," which provides general guidance on how to assess the amount of surplus employee benefit provisions that can be recognized as an asset. It also sets the rules for recognizing the entity's right to refunds or to reductions in future contributions to employee benefit plans.

IFRIC 15 – Agreements for the construction of real estate

In July 2008, IFRIC issued IFRIC 15 – Agreements for the construction of real estate, which addresses the method of accounting for the revenues and associated costs of the construction of property. IFRIC 15 provides guidance on how to distinguish between "construction to order," which falls under IAS 11, and other contracts for the construction of real estate, which fall under IAS 18.

The interpretation must be applied from 1 January 2009.

IFRIC 16 – Hedges of a net investment in a foreign operation

IFRIC 16, "Hedges for a net investment in a foreign operation," was issued in July 2008 and eliminates the possibility of using hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. It also clarifies that for hedges of an investment in a foreign operation the hedging instrument can be held by any entity within the group, and that if the investment is disposed of, the amount to be reclassified from equity to profit or loss should be determined in accordance with IAS 21, "The effects of changes in foreign exchange rates."

The interpretation must be applied from 1 January 2009.

Amendments to IAS 39 – Financial instruments: recognition and measurement (eligible hedged items)

In July 2008 the IASB published an amendment to IAS 39 – Financial instruments: recognition and measurement, which clarifies the possibility of hedging against inflation and using options as a hedging instrument.

The interpretation must be applied from 1 July 2009.

3. USE OF ESTIMATES

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

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

Sources of uncertainty in making estimates

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

Doubtful accounts

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

Inventory writedowns

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

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

Employee benefits

The Group offers no pension plans and/or other employee benefits, with the exception of the employee termination indemnities (trattamento di fine rapporto, or TFR) required by Italian law. Estimating those benefits requires an

assessment of the future financial outlays that may arise as a result of employees' voluntary and involuntary departure from the Company, in relation to their seniority and the revaluation rates these benefits enjoy by law.

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

Revenue adjustments

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

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

Current and deferred taxes

Current and deferred taxes at 31 December 2008 are estimates based on the pre-tax income of each company and the local tax rates in force. Consolidated adjustments are duly reflected in the total.

4. 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 accounts of subsidiaries are included in the consolidated statement as from the date control is assumed until the date control ceases to exist.

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

Joint ventures are equity accounted.

Translation of foreign currency accounts

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

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

The exchange differences arising from this process are recognized directly to Capital and reserves, in a separate translation reserve under the heading "other reserves."

Transactions eliminated in the consolidation process

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

Scope of consolidation

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

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

Companies consolidated on a line-by-line basis:

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

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

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

Companies carried at equity:

Name	Head office	Share capital	% held directly
D3DB S.r.l.	Milan	EUR 10,000	50%
Fueps S.p.A. (2)	Milan	EUR 1,500,000	49%

5. BUSINESS COMBINATIONS

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

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

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

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

6. JOINT VENTURES

At 31 December 2008, the Group was involved in two joint ventures: a 50% interest in D3DB S.r.l., held jointly with Japan's D3 Publisher Inc. (€ thousand), and an interest of €735 thousand in Fueps S.p.A., a joint venture with RCS MediaGroup.

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

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

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

EUR/000	
Assets	1,619
Capital and reserves	(932)
Liabilities	(687)
Revenues	260
Costs	(847)
Net profit (loss) for the year	(587)

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The main financial instruments used by Digital Bros are as follows:

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

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

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

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

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

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

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

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

Interest rate risk

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

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

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

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

Liquidity risk

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

Exchange rate risk

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

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

Credit risk

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

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

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

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

Derivative contracts

The policy for using derivative contracts is explained in the notes.

8. ANALYSIS OF THE BALANCE SHEET

The consolidated balance sheet at 31 December 2008 is reported below, with comparative figures at 30 June 2008:

	EUR/000	31 December 2008	30 June 2008	Change	
Non-current assets					
1	Property, plant and equipment	3,721	3,753	(32)	-0.9%
2	Investment property	455	455	0	0.0%
3	Intangible assets	722	680	42	6.2%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	136	132	4	3.0%
6	Deferred tax assets	3,673	2,103	1,570	74.7%
	Total non-current assets	9,447	7,863	1,584	20.1%
Non-current liabilities					
7	Employee benefits	(523)	(555)	32	-5.8%
8	Non-current provisions	(268)	(249)	(19)	7.6%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(791)	(804)	13	-1.6%
Net working capital					
10	Inventories	41,591	39,553	2,038	5.2%
11	Trade receivables	65,911	42,110	23,801	56.5%
12	Tax credits	1,420	1,440	(20)	-1.4%
13	Other current assets	16,582	14,682	1,900	12.9%
14	Trade payables	(24,209)	(14,436)	(9,773)	67.7%
15	Taxes payable	(4,889)	(5,202)	313	-6.0%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,257)	(2,477)	220	-8.9%
	Total net working capital	94,149	75,670	18,479	24.4%
Capital and reserves					
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,501)	(19,462)	(39)	0.2%
20	Treasury shares	1,232	717	515	71.8%
21	(Profits) losses carried forward	(9,051)	(10,113)	1,062	-10.5%
	Total capital and reserves	(32,964)	(34,502)	1,538	-4.5%
	Total net assets	69,841	48,227	21,614	44.8%
22	Cash and cash equivalents	12,639	11,279	1,360	12.1%
23	Short-term payables to banks	(71,269)	(49,730)	(21,539)	43.3%
24	Other current financial liabilities	(6,611)	(3,309)	(3,302)	99.8%
	Current net debt	(65,241)	(41,760)	(23,481)	56.2%
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(2,959)	(4,738)	1,779	-37.5%
27	Other non-current financial liabilities	(1,641)	(1,729)	88	-5.1%
	Non-current net debt	(4,600)	(6,467)	1,867	-28.9%
	Total net debt	(69,841)	(48,227)	(21,614)	44.8%

As described in the "seasonal trends" section above, the video game distribution market shows some strong seasonal patterns. These trends have a substantial impact on the structure of the Group's income statement and balance sheet. The first half is normally when turnover is at its highest for the entire year, as the over-absorption of fixed costs provides a boost to profitability. 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.

To analyze these patterns, it is deemed preferable to compare the balance sheet figures at 31 December 2008 with those at the same date last year:

	EUR/000	31 December 2008	31 December 2007	Change	
	Non-current assets				
1	Property, plant and equipment	3,721	3,402	319	9.4%
2	Investment property	455	455	0	0.0%
3	Intangible assets	722	590	132	22.4%
4	Equity investments	740	476	264	55.5%
5	Non-current receivables and other assets	136	111	25	22.5%
6	Deferred tax assets	3,673	2,588	1,085	41.9%
	Total non-current assets	9,447	7,622	1,825	23.9%
	Non-current liabilities				
7	Employee benefits	(523)	(609)	86	-14.1%
8	Non-current provisions	(268)	(234)	(34)	14.5%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(791)	(843)	52	-6.2%
	Net working capital				
10	Inventories	41,591	39,160	2,431	6.2%
11	Trade receivables	65,911	63,480	2,431	3.8%
12	Tax credits	1,420	1,703	(283)	-16.6%
13	Other current assets	16,582	10,721	5,861	54.7%
14	Trade payables	(24,209)	(18,851)	(5,358)	28.4%
15	Taxes payable	(4,889)	(4,624)	(265)	5.7%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,257)	(2,206)	(51)	2.3%
	Total net working capital	94,149	89,383	4,766	5.3%
	Capital and reserves	0			
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,501)	(19,457)	(44)	0.2%
20	Treasury shares	1,232	266	966	n.a.
21	(Profits) losses carried forward	(9,051)	(9,842)	791	-8.0%
	Total capital and reserves	(32,964)	(34,677)	1,713	-4.9%
	Total net assets	69,841	61,485	8,356	13.6%
22	Cash and cash equivalents	12,639	5,740	6,899	120.2%
23	Short-term payables to banks	(71,269)	(48,268)	(23,001)	47.7%
24	Other current financial liabilities	(6,611)	(6,542)	(69)	1.1%
	Current net debt	(65,241)	(49,070)	(16,171)	33.0%
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(2,959)	(10,580)	7,621	-72.0%
27	Other non-current financial liabilities	(1,641)	(1,835)	194	-10.6%
	Non-current net debt	(4,600)	(12,415)	7,815	-62.9%
	Total net debt	(69,841)	(61,485)	(8,356)	13.6%

NON-CURRENT ASSETS

The investment policy during the period was geared mainly towards implementation of the new ERP system based on Microsoft Dynamics Navision. Total investments for the period came to €97 thousand, consisting of €186 thousand for the ERP system (particularly in support of the launch of Spanish and U.S. operations), €120 thousand for the purchase of industrial and office automation equipment, €36 thousand for improvements to the leased warehouse in Trezzano sul Naviglio, and €5 thousand for other fixed assets.

1. Property, plant and equipment

These were valued at €3,721 thousand at the close of the half-year, compared with €3,753 thousand at 30 June 2008. Changes during the period were as follows:

EUR/000	30 June 2008	Additions	Disposals	Depreciation	Use of accumulated depreciation	31 December 2008
Industrial buildings	2,079	36	0	(35)	0	2,080
Land	600	0	0	0	0	600
Plant and machinery	0	0	0	0	0	0
Industrial and commercial equipment	635	120	(7)	(111)	1	638
Other	358	52	(2)	(61)	0	347
Leasehold improvements	81	3	(3)	(25)	0	56
Total	3,753	211	(12)	(232)	1	3,721

Property, plant and equipment, with the exception of land, are depreciated over their individual useful lives.

The heading "Industrial buildings" refers to the warehouse in Trezzano sul Naviglio, which also accounts for the €600 thousand in land. These assets were acquired by the Group under a finance lease and are recognized in the balance sheet in accordance with IAS 17. The financial expenses relating to the lease have not been capitalized. No depreciation is charged on land.

For the other headings, the additions shown for the period primarily reflect the purchase of industrial and commercial equipment (€120 thousand) and other assets (mainly a car for €28 thousand and furniture and fittings for €4 thousand), as well as work on the warehouse in Trezzano sul Naviglio.

Leasehold improvements concern renovation work on the rented buildings where Group companies operate, which is depreciated over the residual term of the lease.

2. Investment property

There were no changes in this item during the year.

Investment property consists of one building owned in Milan for office and manufacturing use, which at the moment the Group is not using. It is held with a view to appreciation of the invested capital. In accordance with IAS 40, the Group has opted to carry the building at depreciated cost. An adjustment has therefore been made in order to bring its value into line with the figure at 1 July 2004.

The fair value of the investment property, based on figures in the real estate market review ("Osservatorio sul Mercato Immobiliare") published by the Milan Chamber of Commerce in September 2007, is higher than its cost, so there was no depreciation charge for the year. The building's fair value is €1,045 thousand.

3. Intangible assets

The following table presents movements during the year:

EUR/000	30 June 2008	Additions	Disposals	Amortization	31 December 2008
Concessions and licenses	675	186	0	(142)	719
Trademarks and similar rights	5	0	0	(2)	3
Other	0	0	0	0	0
Total	680	186	0	(144)	722

Concessions and licenses, worth €719 thousand, refer mainly to deferred charges for the second development phase of the Group's new ERP system based on Microsoft Dynamics Navision. The €186 thousand in additions concerns the development of software during the period in support of international operations, namely the development of EDI integration procedures which are far more widespread abroad than in Italy.

4. Equity investments

There were no movements in equity investments, worth €740 thousand, during the first half of the year. The Group's holdings consist of 50% of D3DB S.r.l., a joint venture with Japan's D3 Publisher Inc. (€ thousand), and the joint venture RCS DB Games S.p.A. with RCS MediaGroup (€735 thousand).

5. Non-current receivables and other assets

This item consists exclusively of security deposits.

6. Deferred tax assets

Deferred tax assets are calculated on prior fiscal losses and other temporary differences between values applicable for tax purposes and those recognized in the financial statements, and are estimated using the tax rate expected to be in force at the time of use. Changes are as follows:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Deferred tax assets	3,673	2,103	2,588	1,085
Total deferred tax assets	3,673	2,103	2,588	1,085

The increase reflects the negative earnings trend by foreign subsidiaries during the period. Much of the increase is likely to be absorbed during the year, in parallel with the expected improvement in margins in the second six months.

NON-CURRENT LIABILITIES

7. Employee benefits

This item amounts to €23 thousand, a decrease of €86 thousand for the period. The balance represents the actuarial value of the Company's effective liability to employees, calculated by an independent actuary in accordance with IAS 19.

The decrease takes account of the changes introduced by the Italian Finance Act, as mentioned in the section on accounting policies.

Movements in the provision for employee termination indemnities (TFR) are shown below:

EUR/000	1H08-09	1H07-08
Provision for employee termination indemnities at 1 July	555	663
Withdrawals for termination of service	(56)	(72)
Provisions during the half-year	148	18
Transfers to complementary pension funds	(137)	0
Actuarial adjustment	13	0
Provision for employee termination indemnities at 31 December 2008	523	609

The Company has no supplementary pension plans in course.

8. Non-current provisions

These refer wholly to the provision for agents' indemnities, which changed as follows during the period:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A- C)
Provision for agents' indemnities	(268)	(249)	(234)	(34)
Total	(268)	(249)	(234)	(34)

The only change concerned provisions of €34 thousand during the period.

9. Other non-current payables and liabilities

At 31 December 2008, as in previous periods, there were no other non-current payables or liabilities.



NET WORKING CAPITAL

Net working capital increased by €4,766 thousand with respect to 31 December 2007 (+5.3%), due primarily to a rise of €5,861 thousand in other current assets (mostly of advances to suppliers), an increase of €2,431 thousand in inventories, and a rise of €2,431 thousand in trade receivables. Trade payables also went up, from €18,851 thousand to €24,209 thousand.

An analysis of net working capital in comparison with figures at 30 June 2008 and 31 December 2007 is provided below:

	EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (A)	Change (A-C)
10	Inventories	41,591	39,553	39,160	2,431
11	Trade receivables	65,911	42,110	63,480	2,431
12	Tax credits	1,420	1,440	1,785	(365)
13	Other current assets	16,582	14,682	10,721	5,861
14	Trade payables	(24,209)	(14,436)	(18,851)	(5,358)
15	Taxes payable	(4,889)	(5,202)	(4,706)	(183)
16	Current provisions	0	0	0	0
17	Other current liabilities	(2,257)	(2,477)	(2,206)	(51)
	Total net working capital	94,149	75,670	89,383	4,766

10. Inventories

Inventories are comprised solely of finished products for resale. Below is the breakdown of inventories by distribution channel:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Halifax inventories	22,957	23,144	20,275	2,682
Returns to be received	2,128	1,547	2,045	83
Net Halifax inventories	25,085	24,691	22,320	2,765
DTI inventories	4,403	6,710	8,771	(4,368)
Game Service S.r.l. inventories	2,066	1,361	3,802	(1,736)
Italian distribution inventories (A)	31,554	32,762	34,893	(3,339)
Newsstands inventories (B)	1,209	1,188	1,504	(295)
505 Games S.r.l. inventories	371	352	236	135
Foreign subsidiary inventories	8,456	5,251	2,527	5,929
International publishing inventories (C)	8,827	5,603	2,763	6,064
Total inventories (A+B+C)	41,591	39,553	39,160	2,431

Inventories rose from €39,553 thousand at 30 June 2008 to €41,591 thousand at 31 December 2008, an increase of €2,038 thousand. In comparison with 31 December 2007, finished product inventories rose by €2,431 thousand, due essentially to an increase of €2,765 thousand for Halifax, decreases of €4,368 thousand for DTI and €1,736 thousand for Game Service, and an increase of €6,064 thousand for the International Publishing division. The increase is explained

by the growth of the commercial distribution structure. More specifically, the U.S. subsidiary made its first product launch on 7 January 2009, coinciding with the release of the movie Hotel for Dogs, so at the close of the half-year it already had finished product inventories in its warehouse.

The change in inventories at Halifax also increased due to an estimate of potential returns to be received, in the amount of €2,128 thousand, in accordance with last year's practice.

The writedown of gross inventories, reflecting potential losses due to a decrease in the market value of the goods, came to €4,500 thousand (€4,974 thousand for the first half of last year). Inventories are shown net of the writedown, which is charged to profit and loss.

11. Trade receivables

Amounts due from customers and for video game licenses showed the following movements for the year:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Due from customers: Italy	45,073	29,368	45,368	(295)
Due from customers: rest of EU	9,387	3,916	11,455	(2,068)
Due from customers: rest of the world	277	219	130	147
Provision for doubtful accounts	(1,576)	(1,524)	(1,374)	(202)
Total trade receivables	53,161	31,979	55,579	(2,418)
Receivables for video game licenses	12,140	9,718	7,383	4,757
Receivables for Disney products	610	413	517	92
Total trade receivables	65,911	42,110	63,480	2,431

Receivables due from customers in Italy include advances on receivables factored with and without recourse, amounting to €6,414 thousand at 31 December 2008 (€6,353 thousand at 31 December 2007 and €3,110 thousand at 30 June 2008), in accordance with IAS 39. Other current financial liabilities include the liability for the advances received.

The total figure for trade receivables at 31 December 2008 (€53,161 thousand) is €21,182 thousand higher than the figure at the close of the financial year (€31,979 thousand). The seasonal nature of the sector makes it more significant to compare trade receivables at 31 December 2008 with those at December 2007; on that basis, they decreased by €2,418 thousand or 4.3%.

The following table breaks down trade receivables by maturity:

EUR/000	not yet due	0 < 30 days	30 < 60 days	60 - 90 days	> 90 days	Total
Trade receivables	45,331	5,155	799	203	1,673	53,161
	85%	10%	2%	0%	3%	100%

The provision for doubtful accounts reflects potential losses on receivables due to customer default. It increased by €2 thousand with respect to 30 June 2008. The estimated losses are based on an analysis of each customer's degree of solvency. No payment problems emerged during the period.

Receivables for video game licenses and Disney products are advances paid for the acquisition of video game user licenses, the exploitation of which had not yet begun or been completed at the close of the year. The increase of €422 thousand in receivables for video game licenses with respect to 30 June 2008 and of €1,757 thousand with respect to 31 December 2007 stems from the acquisition of more licenses during the period than were actually used, in line with the growth of the International Publishing segment.

Receivables for video game licenses are broken down below at 31 December 2008, 30 June 2008 and 31 December 2007:

in EUR	31 December 2008	30 June 2008	31 December 2007
Advances to developers for licenses to be used in the future	10,188	8,411	6,337
Advances to developers for licenses partially used	1,952	1,307	1,046
Total receivables for video game licenses	12,140	9,718	7,383

12. Tax credits

Tax credits consist mainly of VAT credits owed to the parent company and to subsidiaries. They totaled €1,420 thousand at the close of the period, compared with €1,440 thousand at 30 June 2008:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Tax receivables	1,405	1,431	1,633	(228)
Other credits	15	9	70	(55)
Total tax credits	1,420	1,440	1,703	(283)

13. Other current assets

Other current assets are comprised of advances paid to suppliers, employees and sales representatives. They totaled €6,582 thousand at the close of the period, compared with €4,682 thousand at 30 June 2008.

Movements during the period were as follows:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A- C)
Insurance refunds to be received	7	14	0	7
Advances paid to suppliers	16,131	13,091	9,524	6,607
Advances paid to employees	104	96	96	8
Advances paid to sales representatives	326	1,467	1,013	(687)
Other receivables	14	14	88	(74)
Total other current assets	16,582	14,682	10,721	5,851

At €6,582 thousand, other current assets increased by €1,890 thousand with respect to 30 June 2008 and by €5,851 thousand with respect to 31 December 2007, due primarily to the rise in advances paid to suppliers against royalties for upcoming games.

14. Trade payables

Trade payables went from €4,436 thousand at 30 June 2008 to €24,209 thousand, an increase of €9,773 thousand, and consist mainly of amounts due to publishers for the purchase of finished products. Details are shown below:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A- C)
Trade payables: Italy	(5,730)	(4,368)	(12,855)	7,125
Trade payables: rest of EU	(13,111)	(5,066)	(2,614)	(10,497)
Trade payables: rest of the world	(5,368)	(5,003)	(3,382)	(1,985)
Total trade payables	(24,209)	(14,436)	(18,851)	(5,358)

Trade payables in Italy decreased by €7,125 thousand since the previous December, due mainly to the reduction in purchases from DTI suppliers.

Trade payables in the rest of the EU rose from €2,614 thousand at 31 December 2007 to €13,111 thousand at the close of the period, as a result of several major launches in the month of November and sizeable advertising investments by the foreign subsidiaries.

15. Taxes payable

These went from €5,202 thousand at 30 June 2008 to €4,889 thousand at the end of December, a decrease of €13 thousand. In detail:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Income taxes - IRAP/IRES	(3,542)	(2,226)	(2,463)	(1,079)
Due to the Treasury	(441)	(2,694)	(1,817)	1,376
Other taxes due	(906)	(282)	(344)	(562)
Total taxes payable	(4,889)	(5,202)	(4,624)	(265)

16. Current provisions

As in previous periods, there were no current provisions at 31 December 2008.

17. Other current liabilities

Totaling €2,257 thousand, as detailed below, this item showed a very slight increase with respect to 31 December 2007:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Due to social security institutions	(367)	(402)	(344)	(23)
Due to employees	(1,014)	(993)	(879)	(135)
Due to contract workers	(2)	(56)	(34)	32
Commissions due to sales representatives	(839)	(1,007)	(919)	80
Other	(36)	(19)	(30)	(6)
Total other current liabilities	(2,257)	(2,477)	(2,206)	(51)

NET SHAREHOLDERS' EQUITY

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

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Profit (losses) carried forward	Net profit (loss) for the year	Total unallocated income (D)	Consolidated capital and reserves: Group's share (A+B+C+D)
Total at 1 July 2008	5,644	16,954	1,129	1,367	12	19,462	(717)	6,365	3,748	10,113	34,502
Allocation of net profit						0		3,748	(3,748)	0	0
Dividend payments						0		(1,103)		(1,103)	(1,103)
Purchase of treasury shares						0	(515)			0	(515)
Other changes					39	0		(10)		(10)	29
Profit for the period						0			51	51	51
Total at 31 December 2008	5,644	16,954	1,129	1,367	51	19,501	(1,232)	9,000	51	9,051	32,964

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

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

During the half-year ended 31 December 2008, the company purchased treasury shares in the amount of €15 thousand.

At the close of the period it held 326,024 treasury shares valued at €1,232 thousand.

NET DEBT

Net debt rose by €1,614 thousand with respect to 30 June 2008. The trend is explained primarily by a rise in current payables to banks (+€1,539 thousand) and in payables to factoring companies, which rose from €3,110 thousand at 30 June 2008 to €6,414 thousand.

Debt increased by €8,346 thousand with respect to 31 December 2007, as a result of start-up investments in Spain (Digital Bros Iberia S.I.) and the United States (505 Games U.S. Inc.), and the growth of 505 Games S.r.l. in the International Publishing segment.

For a more in-depth analysis of cash flow, see the consolidated cash flow statement (attached).

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

	EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
22	Cash and cash equivalents	12,639	11,279	5,740	6,899
23	Short-term payables to banks	(71,269)	(49,730)	(48,268)	(23,001)
24	Other current financial liabilities	(6,611)	(3,309)	(6,542)	(69)
	Current net debt	(65,241)	(41,760)	(49,070)	(16,171)
25	Non-current financial assets	0	0	0	0
26	Non-current payables to banks	(2,959)	(4,738)	(10,580)	7,621
27	Other non-current financial liabilities	(1,641)	(1,729)	(1,835)	194
	Non-current net debt	(4,600)	(6,467)	(12,415)	7,815
	Total net debt	(69,841)	(48,227)	(61,485)	(8,356)

Below is a comparison between the carrying value and the fair value of the Group's financial instruments at 31 December 2008:

	EUR/000	Non-current		Current	
		Carrying value	Fair value	Carrying value	Fair value
22	Cash and cash equivalents	0	0	12,639	12,639
23	Short-term payables to banks	0	0	(71,269)	(71,269)
24	Other current financial liabilities	0	0	(6,611)	(6,611)
	Current net debt	0	0	(65,241)	(65,241)
25	Non-current financial assets	0	0	0	0
26	Non-current payables to banks	(2,959)	(2,959)	0	0
27	Other non-current financial liabilities	(1,641)	(1,641)	0	0
	Non-current net debt	(4,600)	(4,600)	0	0
	Total	(4,600)	(4,600)	(65,241)	(65,241)

The fair value of financial instruments is determined as follows:

- cash and cash equivalents: carrying value is a reasonable approximation of fair value, since these are highly liquid forms of investment;
- bank loans: carrying value is a reasonable approximation of fair value;

- finance lease liabilities (included with other financial liabilities): carrying value is a reasonable approximation of fair value as the lease contract is backed by an interest rate swap.

The following table shows the maturity of financial liabilities at 31 December 2008:

EUR/000	Within 1 year	1 - 5 years	Beyond 5 years	Total
Bank overdrafts	(8,084)	0	0	(8,084)
Import/export financing	(36,428)	0	0	(36,428)
Advances on invoices and subject to collection	(18,681)	0	0	(18,681)
Bank loans	(7,673)	(2,944)	0	(10,617)
Bank borrowings for fair value recognition of derivatives	(403)	(15)	0	(418)
Total due to banks (A)	(71,269)	(2,959)	0	(74,228)
Other financial liabilities (B)	(6,611)	(1,566)	(75)	(8,252)
Total (A+B)	(77,880)	(4,525)	(75)	(82,480)

Current net debt

Current net debt is made up as follows:

	EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
22	Cash and cash equivalents	12,639	11,279	5,740	6,899
23	Short-term payables to banks	(71,269)	(49,730)	(48,268)	(23,001)
24	Other current financial liabilities	(6,611)	(3,309)	(6,542)	(69)
	Total current net debt	(65,241)	(41,760)	(49,070)	(16,171)

22. Cash and cash equivalents

Cash and cash equivalents at 31 December 2008 are comprised of sight deposits at banks, units of money market funds used as short-term investments of cash, and a Quadrante policy taken out by Digital Bros S.p.A. on 21 October 2002 in connection with the Montepaschivita insurance scheme (€70 thousand).

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Cash on hand and bank deposits	10,111	8,834	3,310	6,801
Mutual fund units	2,258	2,178	2,163	95
Quadrante policy (Banca Toscana)	270	267	267	3
Total cash and cash equivalents	12,639	11,279	5,740	6,899

Cash and cash equivalents amount to €12,639 thousand, an increase of €1,360 thousand with respect to 30 June 2008.

23. Short-term payables to banks

Short-term payables to banks are comprised of account overdrafts, import-export financing, advances on invoices, advances subject to collection, and the portion of derivatives and bank loans due within 12 months. The amount due for short-term derivatives at 31 December 2008 is €403 thousand. The increase in short-term payables to banks with respect to 30 June 2008 is due chiefly to a rise in account overdrafts, import/export financing, advances on invoices and advances subject to collection.

Details are shown below:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Account overdrafts	(8,084)	(2,248)	(486)	(7,598)
Import-export financing	(36,428)	(25,079)	(27,564)	(8,864)
Advances on invoices and subject to collection	(18,681)	(14,878)	(17,264)	(1,417)
Loan installments due within 12 months	(7,673)	(7,222)	(2,554)	(5,119)
Fair value recognition of derivatives - due within 12 months	(403)	(303)	(400)	(3)
Total short-term payables to banks	(71,269)	(49,730)	(48,268)	(23,001)

Loan installments due within 12 months are shown below:

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
To Banca Intesa San Paolo	(740)	(730)	(703)	(37)
To UniCredit Banca	(5,268)	(4,867)	(268)	(5,000)
To Barclays Bank	(1,665)	(1,626)	(1583)	(82)
Total short-term loans and borrowings	(7,673)	(7,223)	(2,554)	(5,119)

No new loans were taken out during the half-year.

The increase with respect to 30 June 2008 is due essentially to the listing under "loan installments due within 12 months" of two loans from Unicredit Banca to 505 Games S.r.l., due on 26 August 2009 and 3 December 2009.

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

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

- a loan of €2.05 million granted by UniCredit Banca to 505 Games S.r.l. on 18 September 2007 to finance the company's development, due on 18 March 2009. The loan charges variable interest

starting at 6.80% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 18 September 2007, plus a 2-point spread for the year. Interest is paid quarterly, while the principal will be repaid in a lump sum on 18 March 2009 or before (with no penalties applying);

- a loan of €400 thousand granted by UniCredit Banca to 505 Games S.r.l. on 23 November 2007 to finance the company's development, due on 23 May 2009. The loan charges interest at 6.92% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 23 November 2007. Interest is paid quarterly, while the principal will be repaid in a lump sum on 23 May 2009 or before (with no penalties applying);
- a loan of €2,150 thousand granted by UniCredit Banca to 505 Games S.r.l. on 14 December 2007 to finance the company's development, due on 14 June 2009. The loan charges interest at 7.22% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 14 December 2007. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying);
- a loan of €300 thousand granted by UniCredit Banca to 505 Games S.r.l. on 26 February 2008, maturing on 26 August 2009. The loan charges interest at 7.22% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 26 February 2008. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying).
- a loan of €100 thousand granted by Unicredit Banca to 505 Games S.r.l. on 3 June 2008, maturing on 3 December 2009. The loan charges interest at 7.217% per year, calculated as the three-month Euribor times the coefficient 365/360 (rounded up to the nearest 0.50%) valid on 3 June 2008. Interest is paid quarterly, while the principal will be repaid in a lump sum, at maturity or before (with no penalties applying);

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

24. Other current financial liabilities

Other current financial liabilities consist of the portion of finance leases held with Intesa Leasing and SanPaolo Leasing falling due within 12 months, recognized in the amount of €197 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 with and without recourse, totaling €6,414 thousand in keeping with IAS 39.

The following table shows finance lease payments by maturity:

EUR/000	Nominal value of payments
Within 1 year	197
1 - 5 years	1,566
Beyond 5 years	75
Total	1,838

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

Non-current net debt

Non-current net debt is made up as follows:

	EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
25	Non-current financial assets	0	0	0	0
26	Non-current payables to banks	(2,959)	(4,738)	(10,580)	7,621
27	Other non-current financial liabilities	(1,641)	(1,729)	(1,835)	194
	Total non-current net debt	(4,600)	(6,467)	(12,415)	7,815

The reduction in non-current net debt is explained by the fact that a significant amount of medium-term installment loans will expire during the year in course. To maintain a healthy balance between current and non-current borrowings, in February 2009 the Group took out two new medium-term loans for a total of €6,050 thousand, as described in the section on significant subsequent events.

25. Non-current financial assets

No non-current financial assets were recognized at either 31 December 2008 or 30 June 2008.

26. Non-current payables to banks

Non-current payables to banks consist of the long-term portion of loans being paid in installments, for a total of €2,944 thousand, as well as €15 thousand in liabilities for derivative instruments due beyond 12 months.

At 31 December 2008 the relevant bank loans outstanding were as follows:

- a €1 million loan granted by Banca Intesa San Paolo on 14 March 2005, with a term of 56 months from the date of disbursement, with annual interest equal to the three-month Euribor plus a spread of 1.75 points. Installments fall due every quarter, with the last payment scheduled for November 2009;
- a €1 million loan granted by Unicredit Banca d'Impresa on 15 June 2005, maturing on 30 September 2010. Interest is charged at an annual rate of the three-month Euribor plus 1.5 points. In March 2007 the Group began to make equal payments against the principal at the end of every quarter. This loan is also secured by an interest rate swap taken out from the same bank on 15 June 2005, with a term of five years and notional principal of €1 million. Under the terms of the IRS, for the first year the Group collected the three-month Euribor while paying fixed interest of 2.30%; for the second year it collected the three-month Euribor and paid fixed interest of 2.75%; and for the final three years and three months it will collect the three-month Euribor and pay fixed interest of 3.30%. The IRS is settled upon payment of the loan installments;
- a five-year loan taken out on 2 February 2007 by 505 Games S.r.l. from Banca Intesa San Paolo. The €2 million borrowed will finance the purchase of new video game exploitation licenses. The loan charges floating annual interest at the three-month Euribor plus 2%. Interest and principal is being paid in 20 installments, at the end of every quarter, on a constant amortization basis;
- a loan of €5 million granted by Barclays Bank to Digital Bros S.p.A. on 19 December 2007. The interest rate is variable, amounting to the three-month Euribor plus a spread of 0.75%. The loan is being repaid in 12 quarterly installments, from 21 March 2008 until 21 December 2010.

Non-current payables to banks include the amount deriving from the fair value recognition of derivative instruments maturing beyond 12 months, for a total of €418 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 only derivative to which hedge accounting does not apply is the one arranged with Banca Intesa San Paolo on 27 December 2004, maturing on 28 December 2009 and with notional principal of €20 million. Under this arrangement the Group pays quarterly interest corresponding to the three-month Euribor ACT/360 +2% and collects a variable three-month Euribor. A ceiling of 7% applies.

The following table summarizes the interest rate swaps in effect at 31 December 2008 (in EUR/000):

Bank	Inception date	Expiry date	Fair value at 31 December 2008	Notional value at 31 December 2008
Intesa San Paolo	27 December 2004	28 December 2009	(397)	20,000
Intesa San Paolo	7 October 2005	28 November 2014	(17)	1,612
Unicredit Banca d'Impresa	15 June 2005	30 September 2010	(4)	467
Total			(418)	n.a.

27. Other non-current financial liabilities

Other non-current financial liabilities refer to the non-current portion of the finance lease for the purchase of the warehouse in Trezzano sul Naviglio.

EUR/000	31 December 2008 (A)	30 June 2008 (B)	31 December 2007 (C)	Change (A-C)
Leasing installments falling due beyond 12 months	(1,641)	(1,729)	(1,835)	194
Total non-current financial liabilities	(1,641)	(1,729)	(1,835)	194

Finance lease payments falling due beyond 12 months pertain to the lease for the purchase of the Trezzano sul Naviglio warehouse taken out on 25 November 2004.

The contract calls for 120 monthly payments of €6 thousand each, plus a payment upon delivery of €28 thousand and an end of lease purchase option of €92 thousand.

The nominal annual interest rate is 3.87%. Payments falling due after the building is delivered are indexed to the monthly average of the three-month Euribor. For each installment, the average rate is calculated for the period between the day prior to the due date of the payment to be indexed and the due date of the previous payment. The final installment will be calculated using the same average as for the second-to-last payment. The lease will mature on 30 November 2014. The installments falling due within 12 months total €22 thousand; those with a maturity of one to five years amount to €91 thousand, and those due beyond five years total €99 thousand.

To hedge the risk of rising interest rates during the term of the lease, the Group took out an interest rate swap with Banca Intesa San Paolo on 29 November 2005 with the same maturity as the leasing contract. Under the terms of the IRS, simultaneously with the payment of leasing installments the Group will pay interest of 3.35% annually and receive the three-month Euribor. The notional amount of the IRS varies according to the residual principal of the lease.



COMMITMENTS AND RISKS

The Group's commitments are restricted to the following bank guarantees:

EUR/000	Guarantor	31 December 2008	30 June 2008	Change
Konami of Europe GmbH	San Paolo IMI	(1,000)	(1,000)	0
Vivendi Universal Games	UniCredit Banca	0	(1,000)	1,000
Buena Vista Games	San Paolo IMI	(144)	(144)	0
Buena Vista Games	San Paolo IMI	(1,000)	(1,000)	0
Parallelo 90 and Bisceglie 91	San Paolo IMI	(142)	(142)	0
Total commitments		(2,286)	(3,286)	1,000

The guarantee in favor of Konami of Europe GmbH was issued on 13 September 2002 and is renewed each year. An annual fee of 0.18% is paid for each renewal. In exchange for this guarantee with Intesa San Paolo, the supplier agreed to extend its payment terms from advance payment to payment 30 days from the invoice date. This is a surety arrangement, since payment by the bank occurs at the supplier's request and does not depend on the receipt of additional documentation. The next expiration date is 30 August 2008.

The €1 million guarantee in favor of Vivendi Universal Games S.p.A. has been canceled as it is no longer needed. This is the only change with respect to the previous year.

The two guarantees from Intesa San Paolo in favor of Buena Vista Games, totaling €144 thousand, cover distribution agreements between the parent company and this supplier. On both of the guarantees, the company pays an annual fee of 0.18%.

The guarantees contracted with San Paolo IMI S.p.A. on 1 July 2004 in favor of Parallelo 90 S.r.l. and Bisceglie 91 S.r.l. will expire on 1 August 2016 and ensure punctual lease payments for the Group's office building at Via Bisceglie 76 in Milan. The company pays a charge on these guarantees amounting to 0.18% per year.

9. REVENUES BY GEOGRAPHICAL SEGMENT

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

Gross consolidated revenues increased by €4,609 thousand with respect to the first half of 2007-2008, from €97,823 thousand to €102,432 thousand (+4.7%):

EUR/000	1H 2008-2009	1H 2007-2008	Change	
Italy	73,319	73,495	(176)	-0.2%
Rest of Europe	27,997	24,328	3,669	15.1%
USA	747	0	747	n.a.
Rest of the world	369	0	369	n.a.
Total gross consolidated revenues	102,432	97,823	4,609	4.7%

As a percentage of total sales, revenues from European customers rose significantly, from 24.9% to 27.3%.

Sales in the rest of the world were made by the subsidiary 505 Games S.r.l. in Australia, Dubai and South Africa. U.S. revenues for the period came exclusively from sub-licensing with local publishers outside the Group, as direct sales did not begin until 7 January 2009.

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

EUR/000	1H 2008-2009	1H 2007-2008	Change	
New media	274	106	168	158.5%
International publishing	28,839	24,222	4,617	19.1%
Total gross foreign revenues	29,113	24,328	4,785	19.7%

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

10. PERFORMANCE BY BUSINESS SEGMENTS

The Group's business segments are as follows:

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

Below are the details of revenues by business segment for the period to 31 December 2008, with comparative figures for the first half of last year (the Holding segment does not produce revenues):

EUR/000	Gross revenues				Net revenues			
	2008	2007	Change		2008	2007	Change	
Italian distribution	72,708	72,401	307	0.4%	64,508	65,512	(1,004)	-1.5%
Newsstands	570	1,036	(466)	-45.0%	569	974	(405)	-41.5%
New media	315	164	151	92.1%	315	164	151	92.1%
International publishing	28,839	24,222	4,617	19.1%	20,266	20,854	(588)	-2.8%
Total gross revenues	102,432	97,823	4,609	4.7%	85,658	87,504	(1,846)	-2.1%

Profit margins for the segments were as follows:

	Consolidated figures in EUR/000	Italian distribution	Newsstands	New media	Internat. publishing	Holding	Total
1	Revenues	72,708	570	315	28,839	0	102,432
2	Revenue adjustments	(8,201)	0	0	(8,573)	0	(16,774)
3	Total revenues	64,507	570	315	20,266	0	85,658
4	Purchase of goods for resale	(45,235)	0	(5)	(11,435)	0	(56,675)
5	Purchase of services for resale	0	(101)	(514)	(441)	0	(1,056)
6	Royalties	(101)	(402)	(282)	(4,564)	0	(5,349)
7	Change in inventories of finished products	(1,208)	21	0	3,225	0	2,038
8	Total cost of goods sold	(46,544)	(482)	(801)	(13,215)	0	(61,042)
9	Gross profit (3+8)	17,963	88	(485)	7,050	0	24,616
10	Other income	51	0	47	32	0	130
11	Cost of services	(6,495)	(92)	(558)	(5,302)	(196)	(12,643)
12	Rent and leasing	(157)	0	(37)	(156)	(1)	(351)
13	Payroll costs	(3,418)	0	(450)	(2,516)	(591)	(6,975)
14	Other operating expenses	(1,110)	(2)	(25)	(224)	(211)	(1,572)
15	Total operating expenses	(11,180)	(93)	(1,071)	(8,198)	(999)	(21,541)
16	EBITDA (9+10+15)	6,834	(5)	(1,509)	(1,116)	(999)	3,205
17	Depreciation and amortization	(230)	(1)	(18)	(74)	(53)	(376)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	0	0	0	0
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization, provisions and impairment	(230)	(1)	(18)	(74)	(53)	(376)
22	EBIT (16+21)	6,604	(6)	(1,527)	(1,190)	(1,051)	2,829

Italian distribution

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

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

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

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

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

Key results

	Consolidated figures in EUR/000	Italian distribution					
		1H 2008-2009		1H 2007-2008		Change	
1	Revenues	72,708	112.7%	72,401	110.5%	307	0.4%
2	Revenue adjustments	(8,201)	-12.7%	(6,889)	-10.5%	(1,312)	19.0%
3	Total revenues	64,506	100.0%	65,512	100.0%	(1,006)	-1.5%
4	Purchase of goods for resale	(45,235)	-70.1%	(50,027)	-76.4%	4,793	-9.6%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(101)	-0.2%	(189)	-0.3%	87	-46.2%
7	Change in inventories of finished products	(1,208)	-1.9%	(486)	-0.7%	(721)	148.3%
8	Total cost of goods sold	(46,544)	-72.2%	(50,703)	-77.4%	4,159	-8.2%
9	Gross profit (3+8)	17,963	27.8%	14,809	22.6%	3,153	21.3%
10	Other income	51	0.1%	3	0.0%	48	n.a.
11	Cost of services	(6,495)	-10.1%	(3,925)	-6.0%	(2,571)	65.5%
12	Rent and leasing	(157)	-0.2%	(140)	-0.2%	(17)	12.1%
13	Payroll costs	(3,418)	-5.3%	(3,431)	-5.2%	12	-0.4%
14	Other operating expenses	(1,110)	-1.7%	(839)	-1.3%	(271)	32.3%
15	Total operating expenses	(11,180)	-17.3%	(8,334)	-12.7%	(2,846)	34.1%
16	EBITDA (9+10+15)	6,834	10.6%	6,478	9.9%	356	5.5%
17	Depreciation and amortization	(230)	-0.4%	(149)	-0.2%	(81)	54.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(250)	-0.4%	250	-100.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(230)	-0.4%	(399)	-0.6%	169	-42.3%
22	EBIT (16+21)	6,604	10.2%	6,080	9.3%	524	8.6%

The Italian distribution segment slightly increased its turnover, with gross revenues rising to €72,708 thousand, from €72,401 thousand in the first half of the previous year (+0,4%).

Net revenues decreased from €65,512 thousand to €64,506 thousand (-1.5%).

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

EUR/000	1H 2008-2009	1H 2007-2008	Change	
Distribution of video games for consoles	68,592	67,215	1,377	2.0%
Distribution of video games for PC/CD-ROM	4,191	5,176	(985)	-19.0%
Distribution of other products and services	183	279	(96)	-34.4%
Financial discounts	(258)	(269)	11	-4.1%
Total gross Italian distribution revenues	72,708	72,401	307	0.4%

Gross revenues from video game distribution rose by €307 thousand, from €72,401 thousand in the first half of 2007-2008 to €72,708 thousand, due to a rise in video game sales for consoles that offset a decline in the PC/CD-ROM category (which has always been a marginal contributor). Specifically, the increase in sales of console games (which amount to 94.3% of gross revenues for the segment and 67.3% of consolidated gross turnover) came to €1,377 thousand, while sales of games for PCs/CD-ROMs were down by 19%, from €5,176 thousand in the period to 31 December 2007 to €4,191 thousand this year.

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

EUR/000	1H 2008-2009		1H 2007-2008		Change	
	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>
Nintendo Gameboy Advance	38,232	136	75,863	1,074	-49.6%	-87.3%
Sony Playstation 2	697,931	14,123	1,184,699	31,415	-41.1%	-55.0%
Sony Playstation 3	421,340	20,216	185,976	9,299	126.6%	117.4%
Nintendo Wii	167,424	5,524	47,092	1,864	255.5%	196.4%
Microsoft Xbox 360	157,535	6,757	135,422	5,381	16.3%	25.6%
Nintendo DS	729,529	18,186	499,716	13,050	46.0%	39.4%
Sony PSP	165,920	3,654	195,341	5,071	-15.1%	-27.9%
Other consoles	296	(5)	11,018	61	-97.3%	-108.0%
Total revenues from distribution for consoles	2,378,207	68,592	2,335,127	67,215	1.8%	2.0%

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

Games for the Sony Playstation 3 sold well during the period, after the console failed to enjoy the immediate success of its predecessor, the PS2.

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

Special mention goes to the Microsoft Xbox 360, which despite its three years on the market saw game sales rise by 16.3% for the half-year. Since the manufacturer also reduced the price of the console, to around 180 euros, many homes installed it during the period and this had an immediate impact on sales of games.

The trend in average video game prices is shown below:

	1H 2008-2009	1H 2007-2008	Change
Nintendo Gameboy Advance	3.6	14.2	-74.8%
Sony Playstation 2	20.2	26.5	-23.7%
Sony Playstation 3	48.0	50.0	-4.0%
Nintendo Wii	33.0	39.6	-16.6%
Microsoft Xbox 360	42.9	39.7	8.0%
Nintendo DS	24.9	26.1	-4.5%
Sony PSP	22.0	26.0	-15.2%
Other consoles	n.a.	n.a.	n.a.
Average price	28.8	28.8	0.2%

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

The average retail price of €28.80 is essentially the same as last year, and is influenced by the fact that more games are being sold for new-generation consoles. As shown in the table below, Sony Playstation 3, whose games are the most expensive at an average of €48.00 each, now accounts for 29.5% of sales as opposed to 13.8% in the first half of 2007-2008. The same applies to games for Nintendo Wii, which grew from 2.8% to 8.1% of total sales:

	1H 2008-2009	1H 2007-2008	Change
Nintendo Gameboy Advance	0.2%	1.6%	-88%
Sony Playstation 2	20.6%	46.7%	-56%
Sony Playstation 3	29.5%	13.8%	113%
Nintendo Wii	8.1%	2.8%	190%
Microsoft Xbox 360	9.9%	8.0%	23%
Nintendo DS	26.5%	19.4%	37%
Sony PSP	5.3%	7.5%	-29%
Other consoles	n.a.	n.a.	n.a.
Total revenues from distribution for consoles	100%	100%	

The gross profit for the segment increased by €3,153 thousand, from €14,809 thousand to €17,963 thousand, growing at a faster pace (+21.3%) than net revenues. This is explained by two factors: the writedowns charged last year, which kept profitability high even for sales of merchandise in stock at 30 June 2008, and the gradual downsizing of DTI, whose profit margins were much lower than those of Halifax products.

The positive trend helped cover the rise in operating expenses, due essentially to the cost of services as a result of greater advertising investments (€2,571 thousand), and to other operating costs (€71 thousand).

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

EBIT rose from €6,080 thousand in the first half of last year to €6,604 thousand for the period to 31 December 2008 (+€524 thousand).

New media

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

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

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

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

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

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

Key results

	Consolidated figures in EUR/000	New media					
		1H 2008-2009		1H 2007-2008		Change	
1	Revenues	315	100.0%	164	100.0%	151	92.1%
2	Revenue adjustments	0	0.0%	0	0.0%	0	n.a.
3	Total revenues	315	100.0%	164	100.0%	151	92.1%
4	Purchase of goods for resale	(5)	-1.6%	(17)	-10.2%	12	-70.3%
5	Purchase of services for resale	(514)	-162.9%	(471)	-286.9%	(43)	9.1%
6	Royalties	(282)	-89.4%	(20)	-11.9%	(262)	n.a.
7	Change in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of goods sold	(801)	-253.8%	(507)	-309.0%	(293)	57.8%
9	Gross profit (3+8)	(485)	-153.8%	(343)	-209.0%	(142)	41.4%
10	Other income	47	14.9%	0	0.1%	47	n.a.
11	Cost of services	(558)	-177.0%	(191)	-116.3%	(367)	192.3%
12	Rent and leasing	(37)	-11.8%	(12)	-7.2%	(25)	216.2%
13	Payroll costs	(450)	-142.7%	(639)	-389.2%	189	-29.6%
14	Other operating expenses	(25)	-8.1%	(21)	-12.9%	(4)	20.3%
15	Total operating expenses	(1,071)	-339.5%	(863)	-525.6%	(208)	24.1%
16	EBITDA (9+10+15)	(1,509)	n.a.	(1,206)	n.a.	(303)	25.2%
17	Depreciation and amortization	(18)	-5.6%	(17)	-10.1%	(1)	6.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(264)	-160.8%	264	-100.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(18)	-5.6%	(281)	-170.9%	263	-93.7%
22	EBIT (16+21)	(1,527)	n.a.	(1,486)	n.a.	(40)	2.7%

Most revenues were earned through subscriptions to online games (€265 thousand) and the sale of digital entertainment content (€50 thousand).

At €801 thousand, the cost of sales increased by €293 thousand, and was influenced by the contractual expense of the online connections used by players to access the games, which was once in proportion to revenues but is now too high with respect to the numbers of players attracted. The contract expires in June 2009, and the terms and conditions should improve significantly as from next year.

Operating expenses (€1,071 thousand) decreased by €208 thousand on the same period last year, and stem mainly from advertising for the launch of the European portal.

EBIT performed consistently with EBITDA, moving from a negative €1,486 thousand in the first half of 2007-2008 to a negative €1,527 thousand this year.

During the half-year, some cost-cutting measures were implemented that had little effect on immediate results but will be more evident in the coming years. In particular, the number of employees has been reduced by three with respect to June 2008, as the reorganization of responsibilities made it possible not to replace outgoing personnel.



International publishing

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

For market reasons and in light of the segment's fast growth, since the second quarter of 2006-2007 International Publishing operations have been handled by the subsidiary 505 Games S.r.l. (following a name change from DB International S.r.l.), by the newly incorporated Digital Bros France S.a.s. and 505 Games Ltd. operating respectively in France and the United Kingdom, and by D3DB S.r.l., a 50-50 joint venture with Japan's D3 Publisher Inc. set up for the exclusive distribution in PAL system countries (Europe, Australia and South Africa) of games in the lower price range. In January 2008 the Group set up two new subsidiaries: Digital Bros Iberia S.I., operational since July 2008, and 505 Games U.S. Inc., which opened in January 2009. These two companies support the process undertaken in the last two years to enter the Spanish and the American markets.

Key results

	Consolidated figures in EUR/000	International publishing					
		1H 2008-2009		1H 2007-2008		Change	
1	Revenues	28,839	142.3%	24,222	116.2%	4,617	19.1%
2	Revenue adjustments	(8,573)	-42.3%	(3,368)	-16.2%	(5,205)	154.5%
3	Total revenues	20,266	100.0%	20,854	100.0%	(588)	-2.8%
4	Purchase of goods for resale	(11,435)	-56.4%	(9,580)	-45.9%	(1,855)	19.4%
5	Purchase of services for resale	(441)	-2.2%	(494)	-2.4%	53	-10.7%
6	Royalties	(4,564)	-22.5%	(2,816)	-13.5%	(1,748)	62.1%
7	Change in inventories of finished products	3,225	15.9%	(339)	-1.6%	3,564	n.a.
8	Total cost of goods sold	(13,215)	-65.2%	(13,229)	-63.4%	14	-0.1%
9	Gross profit (3+8)	7,050	34.8%	7,625	36.6%	(574)	-7.5%
10	Other income	32	0.2%	0	0.0%	32	n.a.
11	Cost of services	(5,302)	-26.2%	(2,343)	-11.2%	(2,959)	126.3%
12	Rent and leasing	(156)	-0.8%	(40)	-0.2%	(116)	289.0%
13	Payroll costs	(2,516)	-12.4%	(909)	-4.4%	(1,606)	176.7%
14	Other operating expenses	(224)	-1.1%	(121)	-0.6%	(103)	85.1%
15	Total operating expenses	(8,198)	-40.5%	(3,414)	-16.4%	(4,784)	140.2%
16	EBITDA (9+10+15)	(1,116)	-5.5%	4,211	20.2%	(5,327)	-126.5%
17	Depreciation and amortization	(74)	-0.4%	(38)	-0.2%	(36)	94.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(74)	-0.4%	(38)	-0.2%	(36)	94.7%
22	EBIT (16+21)	(1,190)	-5.9%	4,173	20.0%	(5,363)	-128.5%

Totaling €28,839 thousand for the period, revenues increased by €4,617 thousand with respect to the previous year's €24,222 thousand. The growth in turnover reflects a flurry of international license acquisitions and the healthy development of the foreign distribution network, especially through the subsidiaries 505 Games Ltd. and Digital Bros France S.a.s. Net revenues fell by €588 thousand, from €20,854 thousand to €20,266 thousand, due to an increase in revenue adjustments that outpaced the rise in gross sales.

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

As in the Italian distribution segment, the Group is strongly oriented toward games for consoles. The breakdown of gross revenues by type of video game is presented in the table below:

EUR/000	1H 2008-2009	1H 2007-2008	Change	
Publishing of video games for consoles	27,060	22,641	4,419	19.5%
Publishing of video games for PC/CD-ROM	1,779	1,566	213	13.6%
Publishing of other products and services	0	15	n.a	n.a
Gross revenues	28,839	24,222	4,617	19.1%

The increase in international publishing revenues with respect to last year is explained primarily by the strong penetration of games for today's most popular consoles, such as Nintendo DS and Nintendo Wii. These games make up 86% of products sold during the period, and were the focus of the Group's efforts to acquire international licenses.

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

EUR/000	1H 2008-2009		1H 2007-2008		Change	
	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>	<i>Units</i>	<i>Revenues</i>
Sony Playstation 2	23,978	466	66,129	525	-63.7%	-11.2%
Sony Playstation 3	24,284	1,222	3,303	121	635.2%	910.1%
Nintendo Wii	233,596	5,068	182,378	5,225	28.1%	-3.0%
Microsoft Xbox 360	37,220	1,443	6,245	188	496.0%	667.6%
Nintendo DS	884,501	18,370	887,725	16,131	-0.4%	13.9%
Sony PSP	18,252	489	26,761	449	-31.8%	9.0%
Other consoles	0	0	494	2	n.a	n.a
Total revenues from distribution for consoles	1,221,831	27,060	1,173,035	22,641	4.2%	19.5%

The significant increase in royalties (by €1,748 thousand) with respect to net revenue growth is due in part to the shift in sales mix by type of product. During the half-year the Group sold games with higher than average unit royalties, although royalties were still limited to 22.5% of net sales.

The cost of services for resale consists of localization, rating, and quality assurance expenses, which totaled €41 thousand as a result of investments in the quality of published games.

The change in finished product inventories increased due mainly to the expansion of the commercial network through DB France S.a.s. and 505 Games Ltd. In their two markets, France and the U.K., it is standard practice for retailers to return unsold goods to the supplier. As a result, revenue adjustments increased by €5,205 thousand (totaling 42.3% of net revenues for the period), so inventories rose by €3,564 thousand to reflect the risk of returns by end consumers. Another factor contributing to the rise in inventories is the opening of the Spanish subsidiary and the consequent build-up of goods for sale. This influenced first-half inventories by €2,040 thousand.

The total cost of goods sold fell by €14 thousand (from €3,229 thousand to €3,215 thousand), rising from 63.4% to 65.2% of the segment's total net revenues for the period. Note that the cost of materials includes €1,398 thousand in exchange losses by the U.K. subsidiary 505 Games Ltd.

The decrease in net revenues and the rise in the cost of goods sold reduced the gross profit by €74 thousand, from €7,625 thousand in the first half of last year to €7,050 thousand.

Operating expenses were up by €4,784 thousand, from €3,414 thousand to €8,198 thousand. The cost of services rose by €2,959 thousand (+126.3%), due mainly to advertising investments in support of international sales.

Payroll costs grew by 176.7% with respect to the first half of last year. During the period, the headcount increased both at established subsidiaries (particularly in the U.K. for international coordination staff) and at the newly opened branches: DB Iberia had operating expenses of €1,733 thousand, and 505 Games U.S. had expenses of €1,094 thousand.

The rise in operating expenses at the new international subsidiaries, which was not offset by volume growth during the period, led to losses of €1.2 million in addition to the exchange losses mentioned above and the rise in advertising expenses in the local markets. Together, these factors reduced EBIT by €5,363 thousand with respect to the first half of last year.

Newsstands

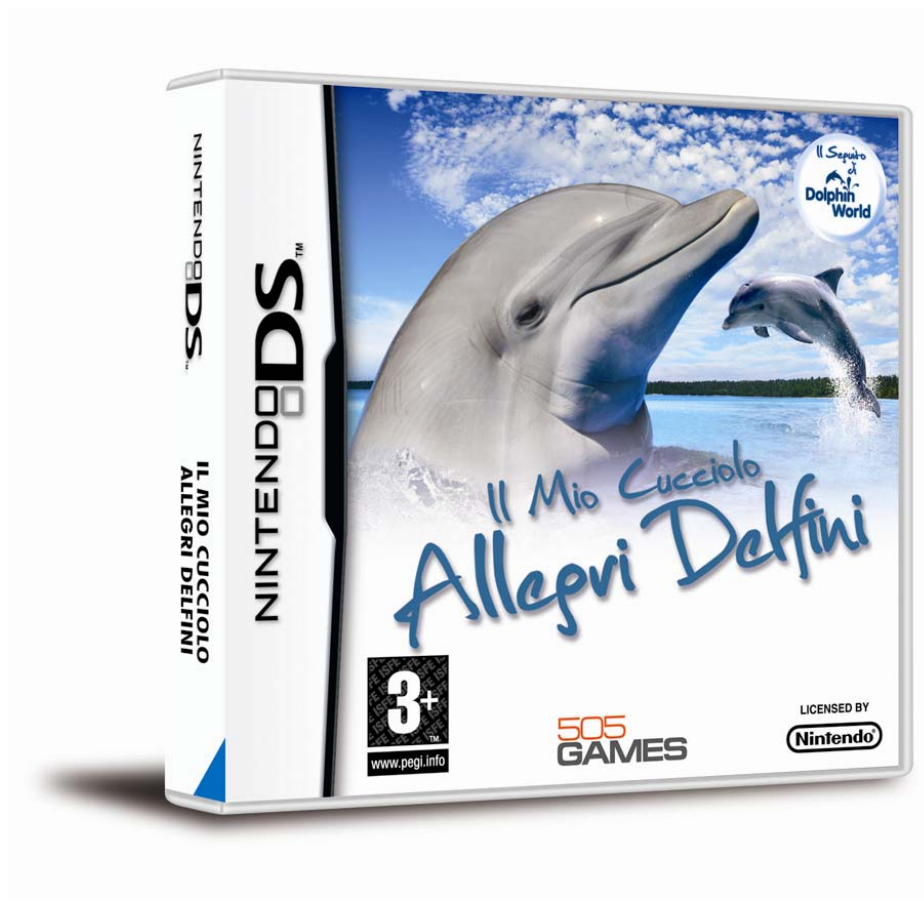
One of the Group's businesses is the distribution of video games as add-ons to products sold at newsstands, and the sale of multimedia DVDs and other entertainment-related publications. As a result of the streamlining process, newsstand distribution has been handled by the subsidiary Game Entertainment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

Key results

Consolidated figures in EUR/000		Newsstands					
		1H 2008-2009		1H 2007-2008		Change	
1	Revenues	570	100.0%	1,036	106.4%	(466)	-45.0%
2	Revenue adjustments	0	0.0%	(62)	-6.4%	62	-100.0%
3	Total revenues	570	100.0%	974	100.0%	(404)	-41.5%
4	Purchase of goods for resale	0	0.0%	(1,070)	-109.8%	1,070	-100.0%
5	Purchase of services for resale	(101)	-17.8%	(126)	-12.9%	24	0.0%
6	Royalties	(402)	-70.5%	(294)	-30.2%	(108)	36.6%
7	Change in inventories of finished products	21	3.7%	946	97.1%	(924)	-97.8%
8	Total cost of goods sold	(482)	-84.5%	(544)	-55.8%	62	-11.4%
9	Gross profit (3+8)	88	15.5%	431	44.2%	(342)	-79.5%
10	Other income	0	0.0%	0	0.0%	(0)	-100.0%
11	Cost of services	(92)	-16.1%	(403)	-41.4%	312	-77.3%
12	Rent and leasing	0	0.0%	0	0.0%	0	n.a.
13	Payroll costs	0	0.0%	0	0.0%	0	n.a.
14	Other operating expenses	(2)	-0.3%	(2)	-0.2%	(0)	5.9%
15	Total operating expenses	(93)	-16.4%	(405)	-41.5%	311	-76.9%
16	EBITDA (9+10+15)	(5)	-0.9%	26	2.7%	(31)	-120.1%
17	Depreciation and amortization	(1)	-0.1%	(2)	-0.2%	1	-64.4%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(1)	-0.1%	(2)	-0.2%	1	-64.4%
22	EBIT (16+21)	(6)	-1.1%	24	2.4%	(30)	-125.3%

In line with the downturn in the sale of "ancillary" products at newsstands, the Group decided to limit its newsstand operations to just five releases for the half-year. These were in addition to the cover-mounts distributed in early October with RCS Mediagroup publications. As a result, net revenues fell by €404 thousand with respect to the first half of last year.

In line with the trend in sales, the cost of goods sold decreased by €2 thousand and operating expenses by €11 thousand. In the first half of 2007-2008 the newsstands segment contributed a positive €4 thousand, then slowed down for the rest of the year. In the half-year under review its contribution was basically zero, with negative EBIT of €6 thousand.



Holding

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

Key results

	Consolidated figures in EUR/000	Holding					
		1H 2008-2009		1H 2007-2008		Change	
1	Revenues	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Total revenues	0	0.0%	0	0.0%	0	0.0%
4	Purchase of goods for resale	0	0.0%	0	0.0%	0	0.0%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Change in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of goods sold	0	0.0%	0	0.0%	0	0.0%
9	Gross profit (3+8)	0	0.0%	0	0.0%	0	0.0%
10	Other income	0	0.0%	0	0.0%	0	0.0%
11	Cost of services	(196)	0.0%	(49)	0.0%	(147)	300.7%
12	Rent and leasing	(1)	0.0%	(4)	0.0%	3	-70.6%
13	Payroll costs	(591)	0.0%	(586)	0.0%	(5)	0.8%
14	Other operating expenses	(211)	0.0%	(247)	0.0%	36	-14.5%
15	Total operating expenses	(999)	0.0%	(886)	0.0%	(113)	12.8%
16	EBITDA (9+10+15)	(999)	0.0%	(886)	0.0%	(113)	12.8%
17	Depreciation and amortization	(53)	0.0%	(85)	0.0%	32	-38.2%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization, provisions and impairment	(53)	0.0%	(85)	0.0%	32	-38.2%
22	EBIT (16+21)	(1,051)	0.0%	(971)	0.0%	(81)	8.3%

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

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

11. ANALYSIS OF THE INCOME STATEMENT

See the directors' report for an analysis of the income statement.

Below is a breakdown of net interest income and taxes, which are not included in the business segment analysis provided in the preceding section.

25. Net interest income

EUR/000	1H 2008-2009	1H 2007-2008	Change
Interest income	115	61	54
Interest expense	(2,542)	(1,854)	(688)
Net interest income (expense)	(2,427)	(1,793)	(634)

Interest income, amounting to €115 thousand for the half-year to 31 December 2008, increased by €54 thousand compared with the same period last year.

Below are the details of interest expense:

EUR/000	1H 2008-2009	1H 2007-2008	Change
Interest on account overdrafts and commercial transactions	254	210	44
Other interest expense	1,459	1,247	212
Interest on derivatives	254	42	212
Interest on loans and leasing agreements	451	224	227
Factoring interest	124	132	(7)
Total interest expense	2,542	1,854	688

This item increased by €688 thousand, due mainly to higher interest on import financing, advances on invoices, derivative instruments and outstanding loans.

28. Taxes

EUR/000	1H 2008-2009	1H 2007-2008	Change
Current taxes	(1,921)	(2,477)	556
Deferred taxes	1,570	(58)	1,628
Total taxes	(351)	(2,535)	2,184

Total taxes decreased by €2,184 thousand due to the reduction in taxable income, which led to a lower provision for current taxes, and a provision for deferred taxes calculated on the fiscal loss of certain Group companies for the period to 31 December 2008.

12. SIGNIFICANT SUBSEQUENT EVENTS

The main events occurring since the close of the half-year are of a financial nature.

On 10 February 2009, the subsidiary 505 Games S.r.l. took out a three-year, €4 million loan from Gruppo Bancario Intesa San Paolo. The full amount was credited immediately to that company's account. The loan charges adjustable interest at the three-month Euribor plus 275 basis points. Interest is paid and the principal reimbursed in 12 quarterly installments, beginning on 21 April 2009. The loan has three covenants:

- consolidated net debt cannot be more than four times consolidated EBITDA;
- consolidated net debt cannot be more than twice the Group's tangible equity;
- consolidated capital and reserves cannot be less than €30 million.

Failure to respect these conditions would entitle the bank to demand reimbursement of the remaining principal as of the date the covenant is broken.

On 11 February 2009, 505 Games S.r.l. obtained a renewal of €2,050 thousand on the €5 million credit line granted on 24 April 2007 by Gruppo Bancario Unicredit Banca di Roma to finance the company's development, under the same contractual terms and in variable installments falling due between March and September 2009. Each individual facility is valid for 18 months less one day and charges annual interest at the three-month Euribor plus 200 basis points.

This medium-term financing allows the Group to offset the decrease in this form of funding that is evident in the half-year balance sheet. The allocation of medium-term financing to the subsidiary 505 Games S.r.l., whose financial needs are of longer duration than those of the distribution segment due to the nature of its business, will greatly simplify the flow of funds among Group companies.

13. CONTINGENT ASSETS AND LIABILITIES

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

There were no other contingent assets or liabilities at 31 December 2008.

14. 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 Digital Bros S.p.A. and its direct subsidiaries and associates have been conducted under arm's-length conditions and do not qualify as atypical or unusual transactions.

Non-consolidated companies

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

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

Key figures at 30 September 2008 for the non-consolidated company Fueps S.p.A., formerly RCS DB Games S.p.A. (held 49%), are as follows:

EUR/000	
Assets	1,619
Capital and reserves	(932)
Liabilities	(687)
Revenues	260
Costs	(847)
Net profit (loss) for the year	(587)

Subsidiaries

Commercial and financial transactions between the parent company Digital Bros S.p.A. and other Group companies in the period to 31 December 2008 were settled under arm's-length conditions and are not necessarily reported in the consolidated financial statements. Such transactions are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
505 Games S.r.l.	375	13,302	(983)	0	462	(5,599)
Game Media Networks S.r.l.	17	3,312	(112)	0	168	0
Game Service S.r.l.	0	4,634	(1,551)	0	1,585	(31)
Game Entertainment S.r.l.	0	672	0	0	37	0
Digital Bros France S.a.s.	0	406	(11)	0	11	0
505 Games Ltd.	0	1,086	0	0	0	0
Digital Bros Iberia S.I.	0	1,598	0	0	132	0
505 Games US Inc.	0	1,232	0	0	0	0
Total	436	25,598	(2,657)	0	2,395	(5,630)

Commercial and financial transactions between 505 Games S.r.l. and other Group companies in the first half of 2008-2009 were settled under arm's-length conditions and are not necessarily reported in the consolidated financial statements. Such transactions are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Digital Bros France S.a.s.	3,309	0	0	0	3,596	(460)
505 Games Ltd.	10,413	74	0	0	7,577	(1,421)
Digital Bros Iberia S.I.	4,009	0	(706)	0	3,779	(706)
505 Games US Inc.	0	635	0	0	0	0
Total	17,731	1,066	(706)	0	14,952	(2,587)

Other intercompany transactions of a more modest size are the charge-back of costs from Game Media Network S.r.l. to 505 Games S.r.l. for €23 thousand, and the charge-back of costs from Game Media Networks France S.a.s. and Game Media Networks Ltd. to Game Media Networks S.r.l. (€185 thousand and €198 thousand, respectively).

Other related parties

Transactions with other related parties consist of the legal counsel provided by director Dario Treves, who received €90 thousand for the period, and the property leasing arrangement between Matov Immobiliare S.r.l. (owned by the Galante family) and Digital Bros France S.a.s., for which €1 thousand was paid.

Group tax election

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

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

15. OTHER INFORMATIONS

EMPLOYEES

Below are the details of the period-end workforce with comparative figures at 30 June 2008:

Category	31 December 2008	30 June 2008	Change
Executives	9	10	(1)
White collar	137	121	16
Blue collar and trainees	13	10	3
Total employees	159	141	18

The same details for employees at the Group's foreign companies are as follows:

Category	31 December 2008	30 June 2008	Change
Executives	4	4	0
White collar	49	39	10
Total employees abroad	53	43	10

The most significant increase occurred at 505 Games US Inc. and Digital Bros Iberia S.I.

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

Category	Average in 1H 08-09	Average in 1H 07-08	Change
Executives	10	9	1
White collar	133	108	25
Blue collar and trainees	12	10	2
Total employees	155	127	28

The average headcount at foreign companies is as follows:

Category	Average in 1H 08-09	Average in 1H 07-08	Change
Executives	4	3	1
White collar	46	21	25
Total employees abroad	50	24	26

16. INFORMATION ON ASSETS SUBJECT TO REVALUATION IN ACCORDANCE WITH SPECIAL LAWS

No revaluations have been carried out on the Company's assets pursuant to Art. 10 of Law 72/83.

17. LOANS GRANTED TO MEMBERS OF ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES

Pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC, no loans have been granted to members of the Company's administrative, managerial and supervisory bodies.

18. RESEARCH AND DEVELOPMENT COSTS

Digital Bros S.p.A. did not engage in research and development during the year.

STATEMENT PURSUANT TO ART. 154-BIS (5) OF THE CONSOLIDATED FINANCE ACT

We, the undersigned, Abramo Galante as chairman of the board of directors and Stefano Salbe as financial reporting officer of the Digital Bros Group, hereby declare, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of 24 February 1998:

- the adequacy of in relation to the characteristics of the business; and
- due compliance with

the administrative and accounting procedures for the preparation of the condensed half-year financial statements during the first half of 2008-2009.

We also confirm that:

1. the condensed half-year financial statements of the Digital Bros Group at 31 December 2008:
 - a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19th, 2002, in particular with IAS 34 - Interim Financial Reporting, and comply with the measures enacted for the implementation of Art. 9 of Legislative Decree 38/2005;
 - b) correspond to the ledgers and accounting entries;
 - c) provide fair and truthful disclosure of the financial status and performance of Digital Bros S.p.A. and of the companies included in the consolidation;

2. the interim directors' report contains information on the key events that took place during the first six months of the year and their impact on the condensed half-year financial statements and describes the main risks and uncertainties for the remaining six months of the year. The interim directors' report also includes information on significant related party transactions.

Milan, 25 February 2009

Signed

Abramo Galante

Stefano Salbe

Chairman of the board of directors

Financial reporting officer