



Digital Bros S.p.A.

Consolidated quarterly report at 30 June 2008

(4th quarter of fiscal year 2007-2008)

Digital Bros S.p.A.

Via Bisceglie, 76 – 20152 Milan, Italy

VAT and tax identification no. 09554160151

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

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

This report can be downloaded from the Investor Relations section
at www.digital-bros.net.

CONTENTS

Directors' report:	
Corporate officers	3
Group structure and scope of consolidation	4
The video games market	9
Seasonal trends in the market	12
Significant events during the period	13
Economic performance in the year ended 30 June 2008	16
Significant subsequent events	19
Outlook	20
Financial statements:	
Consolidated balance sheet at 30 June 2008	23
Consolidated income statement for the 12 months to 30 June 2008	24
Consolidated income statement for the fourth quarter of 2007-2008	25
Consolidated cash flow statement	26
Statement of changes in consolidated shareholders' equity	28
Consolidated income statement by segments for the year to 30 June 2008	29
Digital Bros S.p.A. balance sheet at 30 June 2008	30
Digital Bros S.p.A. income statement for the 12 months to 30 June 2008	31
Notes:	
Accounting standards and principles	32
Accounting policies	36
Use of estimates	41
Consolidation methods	43
Analysis of the balance sheet	44
Revenues by geographical segment	54
Performance of business segments	55
Contingent assets and liabilities	72
Related party transactions	73
Management of financial risks	75
Other information	78
Declaration by the financial reporting officer	79

DIRECTORS' REPORT

CORPORATE OFFICERS

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 (2)

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

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

Internal Control Committee

Umberto Virri (Chairman)
Alberto Pianta
Bruno Soresina

Compensation Committee

Alberto Pianta (Chairman)
Bruno Soresina
Umberto Virri

Board of Statutory Auditors

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

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

On 14 November 2005 the Board of Directors granted to managing directors Abramo and Raffaele Galante powers of ordinary and extraordinary administration, to be exercised individually up to amounts of €5,000,000 and jointly for amounts in excess of that figure. The managing directors do not have authority over the matters reserved to the Board of Directors or those reserved by law or by the company's by-laws to the shareholders.

By resolution of 7 August 2007, 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.

GROUP STRUCTURE AND SCOPE OF CONSOLIDATION

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

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

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

Group operations are divided into the five segments described below:

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

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

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

Since October 2006 International Publishing operations have been handled by the subsidiary 505 Games S.r.l. (following a name change from DB International S.r.l.), together with the newly incorporated Digital Bros France S.a.r.l. and 505 Games Ltd. operating respectively in France and the United Kingdom, and by D3DB S.r.l., a 50-50 joint venture with Japan's D3 Publisher Inc. set up for the exclusive distribution of games in the lower price range in PAL system countries (Europe, Australia and South Africa). In January 2008 the Group formed two additional subsidiaries, Digital Bros Iberia S.L. and 505 Games U.S. Inc., which will become fully operational in fiscal year 2008-2009. These two companies will support the process undertaken in the last two years to enter the Spanish and American markets.

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

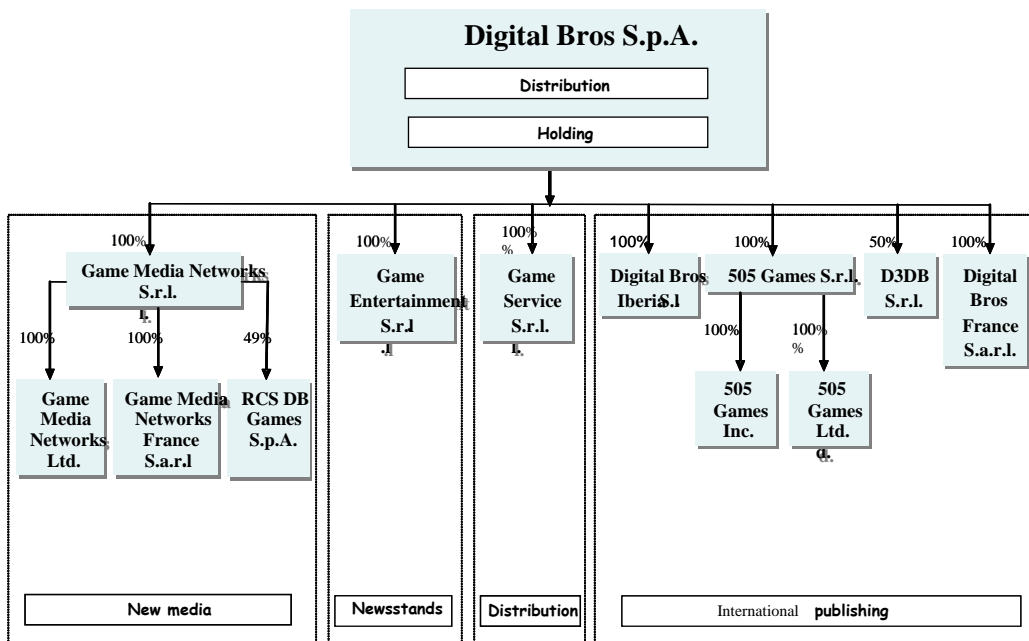
In 2006-2007, the Digital Bros Group and RCS Mediagroup formed the joint venture RCS DB Games S.p.A. to develop an online gaming portal called www.fueps.com and e-commerce/d-commerce operations for the Italian market. Through its subsidiary Game Media Networks S.r.l., Digital Bros is the joint venture's sole supplier of entertainment content.

In May 2007 the Group incorporated Game Media Networks Ltd. in the United Kingdom, and in July 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 2006-2007, as a result of the streamlining process, these operations have been handled by the subsidiary Game Entertainment S.r.l.

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

The following chart presents the Group's structure by business segment in 2007-2008.



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

The new subsidiary Digital Bros Iberia S.L. has been operational since July 2008, while 505 Games U.S. Inc. will open for business in the third quarter of next year. These two companies will support the process undertaken in the last two years to enter the Spanish and American markets.

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.(3)	Milan	EUR 100,000	100%	
Game Media Networks S.r.l.	Milan	EUR 10,000	100%	
Game Service S.r.l.	Milan	EUR 50,000	100%	
505 Games S.r.l. (2)	Milan	EUR 100,000	100%	
Digital Bros France S.a.r.l.	Lyons	EUR 100,000	100%	
505 Games Ltd. (1)	London	GBP 100,000		100%
Game Media Networks Ltd. (4)	Northampton	GBP 50,000		100%
Game Media Networks France S.a.r.l. (4)	Lyons	EUR 50,000		100 %
Digital Bros Iberia S.L.	Madrid	EUR 100,000	100%	
505 Games U.S. Inc. (1)	Los Angeles	USD 100,000		100%

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

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

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

(4) 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%
RCS DB Games S.p.A.	Milan	EUR 1,500,000	49%

During the period the Group operated from the following locations:

Company	Address	Type
Digital Bros S.p.A.	Via Bisceglie 76, Milan	Offices
Digital Bros S.p.A.	Via Petrella, Trezzano sul Naviglio (MI)	Warehouse
505 Games Ltd.	Court Silbury Boulevard, Milton Keynes, U. K.	Offices
Game Service S.r.l.	Via Bisceglie 76, Milan	Offices
505 Games S.r.l.	Via Bisceglie 76, Milan	Offices
Game Entertainment S.r.l.	Via Bisceglie 76, Milan	Offices
Game Media Networks S.r.l.	Via Bisceglie 76, Milan	Offices
Digital Bros France S.a.r.l.	2, Chemin de la Chauderaie, Francheville, Lyons, France	Offices
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
Digital Bros Iberia S.L.	Calle Londres 138, Las Rozas de Madrid, Spain	Offices
505 Games U.S. Inc.	Chesebro Rd. Suite 102, Agoura Hills, CA, U.S.A.	Offices

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 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. In Europe, thanks to these trends, the video game sector now accounts for 34% of the total entertainment market.

Over the past year or so, several games have been launched that are perfect for mass consumption, in particular for the Nintendo DS console. 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.

Meanwhile, technological development allows hardware manufacturers to launch more powerful consoles than ever that can also improve the quality of games. In fiscal year 2006-2007, the Nintendo Wii reached stores just before Christmas, and was joined by the Sony Playstation 3 in March.

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

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

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

Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film, a book and/or a cartoon. The developers retain the intellectual property rights, but they transfer the exploitation rights—for a limited amount of time 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 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 media relations events. 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.

In Italy, the market is made up approximately 50% of mass retail outlets and 50% of independent, specialized stores. The Group has therefore set up an internal key account network to serve the former and a team of sales representatives to serve the latter. 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.

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

SEASONAL TRENDS IN THE MARKET

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

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

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

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

SIGNIFICANT EVENTS DURING THE PERIOD

- August 2007: On the basis of results at 30 June 2007, the Board of Directors approves forecasts for fiscal year 2007-2008. Board member Stefano Salbe is named financial reporting officer, pursuant to Art. 154 bis of Legislative Decree 58/98, and given the appropriate powers. In the International Publishing segment, through its subsidiary 505 Games S.r.l. the Group signs an agreement with Cooking Mama Ltd. for the publication of "Cooking Mama 2," the sequel to the game for Nintendo DS and Wii. "Cooking Mama 2" is then released in March 2008;
- September 2007: launch of www.fueps.com, the vertical gaming portal created by RCS DB Games S.r.l.: the Group's online entertainment joint venture. The JV 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.). Fueps, an acronym for "Faccio l'Ultima e Poi Smetto" ("one more game, then I'll stop") offers a wide range of high-quality games and an innovative community and ranking system. Users can also shop from the site, choosing from around 3,000 titles for all consoles and PCs; download games directly to their computers; or browse a broad selection of cell phone games.
- October 2007: on 30 October the annual general meeting of Digital Bros S.p.A. resolves to:
 - approve the financial statements for the year ended 30 June 2007, along with the directors' and statutory auditors' reports;
 - allocate the net profit for the year, €2,045,555.30, as follows:
 - a dividend of €0.08 per share for a maximum payout of €1,128,867;
 - the remaining €16,688.30 to be carried forward.

At the meeting, the shareholders also:

- extend Reconta Ernst & Young S.p.A.'s assignment to audit the separate and consolidated financial statements for the years ending 30 June 2010, 2011 and 2012;
- determine directors' fees for the year ending 30 June 2008;
- authorize the purchase and sale of treasury shares. Specifically, until the date on which the financial statements at 30 June 2008 are approved, the Board of Directors is authorized to buy a maximum of one million treasury shares representing no more than 10% of the currently existing share capital, at a price that cannot be lower than €0.40 per share or higher than €10.00 per share. The Board is simultaneously authorized, with no timing restrictions, to dispose of treasury shares previously acquired.

- November 2007: Digital Bros S.p.A. rolls out the seventh edition of the soccer simulation game PES 2008, which sells 610,000 units during its first month on Italian shelves, topping the first-month record for the sixth edition by 60,000 units and grossing €24.4 million. This confirms its position as the best-selling soccer title in the Italian video games market;
- December 2007: the Nintendo DS and Nintendo Wii game "Cooking Mama," published and distributed in Europe through the subsidiary 505 Games S.r.l., tops one million units sold in Europe in just over a year since its release and proves to be the revelation of 2007;
- December 2007: Digital Bros S.p.A. strikes a deal with Russia's 1C Company, which leads the Central and Eastern European market in the development, publishing and distribution of video games for personal computers. Under the agreement, worth €15 million for calendar year 2008, the new brand 1C Games will be launched in Western Europe;
- March 2008: management announces the Group's debut in the U.S. market with the new subsidiary 505 Games U.S. Inc., and simultaneously in the Spanish market with the subsidiary Digital Bros Iberia S.L.; the latter will become operational in July 2008. These two companies will further the internationalization process undertaken in the last two years, with the formation of the U.K. subsidiary 505 Games Ltd. and the French subsidiary Digital Bros France S.a.r.l. In addition to direct operations in four countries (Italy, the United Kingdom, France and Spain) that together account for more than 70% of the European video games market, the Group now has a foothold in the American market as well. Through its indirect sales network, the Group's products are sold in 20 different countries;
- March 2008: the Nintendo DS game Cooking Mama 2, published and distributed in Europe through the subsidiary 505 Games S.r.l., records its eleventh week in a row at the very top of Italy's Nintendo DS charts with more than 70,000 units sold. Cooking Mama 2 is also one of the ten best-selling games in Europe and fourth on the U.K. chart, confirming its status as the most popular game in Europe for the Nintendo DS console among those not published directly by Nintendo;
- March 2008: management announces the European release of two new games for Nintendo DS: Kira Kira Pop Princess and Princess on Ice, both published by the subsidiary 505 Games S.r.l.

ECONOMIC PERFORMANCE IN THE YEAR ENDED 30 JUNE 2008

Below is the consolidated income statement for the 12 months to 30 June 2008, with comparative figures for the previous year:

	EUR/000	2007-2008		2006-2007		Change	
1	Gross revenues	178,789	114.1%	133,926	110.7%	44,863	33.5%
2	Revenue adjustments	(22,027)	-14.1%	(12,994)	-10.7%	(9,033)	69.5%
3	Total net revenues	156,762	100.0%	120,932	100.0%	35,830	29.6%
4	Purchase of goods for resale	(103,095)	-65.8%	(91,693)	-75.8%	(11,402)	12.4%
5	Purchase of services for resale	(2,764)	-1.8%	(1,124)	-0.9%	(1,640)	n.a.
6	Royalties	(8,130)	-5.2%	(7,686)	-6.4%	(444)	5.8%
7	Change in inventories of finished products	990	0.6%	12,591	10.4%	(11,601)	-92.1%
8	Total cost of goods sold	(112,999)	-72.1%	(87,912)	-72.7%	(25,087)	28.5%
9	Gross profit (3+8)	43,763	27.9%	33,020	27.3%	10,743	32.5%
10	Other income	117	0.1%	113	0.1%	4	3.5%
11	Cost of services	(16,620)	-10.6%	(10,997)	-9.1%	(5,623)	51.1%
12	Rent and leasing	(434)	-0.3%	(427)	-0.4%	(7)	1.6%
13	Payroll costs	(11,398)	-7.3%	(9,491)	-7.8%	(1,907)	20.1%
14	Other operating expenses	(2,437)	-1.6%	(2,160)	-1.8%	(277)	12.8%
15	Total operating expenses	(30,889)	-19.7%	(23,075)	-19.1%	(7,814)	33.9%
16	EBITDA (9+10+15)	12,991	8.3%	10,058	8.3%	2,933	29.2%
17	Depreciation and amortization	(656)	-0.4%	(818)	-0.7%	162	-19.8%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(694)	-0.4%	(96)	-0.1%	(598)	n.a.
20	Impairment reversal	0	0.0%	234	0.2%	(234)	-100.0%
21	Total depreciation, amortization and impairment	(1,350)	-0.9%	(680)	-0.6%	(670)	98.5%
22	EBIT (16+21)	11,641	7.4%	9,378	7.8%	2,263	24.1%
23	Interest income	360	0.2%	74	0.1%	286	n.a.
24	Interest expense	(3,973)	-2.5%	(2,670)	-2.2%	(1,303)	48.8%
25	Net interest income (expense)	(3,613)	-2.3%	(2,596)	-2.1%	(1,017)	39.2%
26	Profit before taxes (22+25)	8,028	5.1%	6,782	5.6%	1,246	18.4%
27	Current taxes	(4,036)	-2.6%	(1,473)	-1.2%	(2,563)	n.a.
28	Deferred taxes	(244)	-0.2%	(1,479)	-1.2%	1,235	-83.5%
29	Total taxes	(4,280)	-2.7%	(2,952)	-2.4%	(1,328)	45.0%
30	Net profit (26+29)	3,748	2.4%	3,830	3.2%	(82)	-2.1%
Earnings per share:							
31	Basic earnings per share (in EUR)	0.27		0.27		(0.00)	0.0%
32	Diluted earnings per share (in EUR)	0.27		0.27		(0.00)	0.0%

In the 12 months of 2007-2008, the Group earned gross revenues of €178,789 thousand and net revenues of €156,762 thousand, for respective increases on the previous year's figures of €44,863 thousand and €35,830 thousand. Below is the breakdown of revenues by business segment for this and the previous year:

EUR/000	Gross revenues				Net revenues			
	2007-08	2006-07	Change		2007-08	2006-07	Change	
Distribution	119,440	111,107	8,332	7.5%	107,360	102,059	5,301	5.2%
Newsstands	1,319	2,338	(1,019)	-43.6%	1,240	2,338	(1,098)	-47.0%
New Media	486	514	(28)	-5.4%	486	514	(28)	-5.4%
International Publishing	57,544	19,967	37,577	188.2%	47,676	16,021	31,655	197.6%
Total gross revenues	178,789	133,926	44,863	33.5%	156,762	120,932	35,830	29.6%

Revenue growth in 2007-2008 results from ongoing expansion in the International Publishing division, where sales soared from €19,967 thousand in 2006-2007 to €57,544 thousand this year. Growth was also swift (although less spectacular) in the Distribution segment, coming to +7.5% for gross revenues and +5.2% on a net-revenue basis.

The cost of sales decreased as a percentage of revenues, from 72.7% to 72.1%, permitting a gross profit of €43,763 thousand for the year compared with €33,020 thousand in 2006-2007 (+€10,743 thousand).

Operating expenses rose by €7,814 thousand or 33.9%, growing at a faster pace than sales because of the higher costs incurred by the International Publishing and New Media segments. The most significant increase in operating expenses pertained to the cost of services, which rose from €10,997 thousand to €16,620 thousand (+€5,623 thousand), due mainly to the advertising costs incurred to support video game sales in the local and international market and the amount spent by the International Publishing segment for the localization of games. Payroll costs were up by €1,907 thousand, due to constant hiring in the New Media and International Publishing segments.

EBITDA rose from €10,058 thousand to €12,991 thousand, an increase of €2,933 thousand (+29.2%).

Depreciation, amortization and writedowns of €1,350 thousand mainly reflect a provision of €400 thousand for doubtful accounts, €94 thousand for the impairment of RCS DB Games S.p.A. as a result of its losses, and €656 thousand in depreciation and amortization.

EBIT increased by €2,263 thousand, from €9,378 thousand to €11,641 thousand (+24.1%).

With the performance of the Distribution and International Publishing segments buoying all of the Group's profit indicators, results have surpassed not only management's initial projections (EBITDA of €10,396 thousand and EBIT of €10,086 thousand), but also the revised forecast of April 2008, which called for EBITDA and EBIT of respectively €11,396 thousand and €11,086 thousand.

The net profit of €3,748 thousand dipped by €2 thousand with respect to the previous year. This trend is a result of taxation, aggravated by the non-deductibility of certain costs and the change in IRES and IRAP rates, which for the Group led to a reduction in deferred tax assets. All told, the final tax charge was approximately €500 thousand greater than normal.

Basic and diluted earnings per share, both totaling €0.27, were in line with the previous year.

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

SIGNIFICANT SUBSEQUENT EVENTS

No significant events have occurred since 30 June 2008, except for the commencement of business by the subsidiary Digital Bros Iberia S.L.

OUTLOOK

The market has grown substantially over the past 12 months, especially for female players and casual gamers. Another vibrant slice of the market is social gaming, e.g. when friends gather around the console after a dinner party. Examples of social gaming 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 a female audience 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, flight simulators, and strategic games for PC/ROM, Microsoft Xbox 360 and Sony Playstation 3.

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

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

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

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

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

The costs of the Holding segment will be essentially unchanged.

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



Financial statements

FINANCIAL STATEMENTS

Digital Bros Group

Consolidated balance sheet at 30 June 2008

	EUR/000	30 June 2008	30 June 2007	Change	
	Non-current assets				
1	Property, plant and equipment	3,753	3,378	375	11.1%
2	Investment property	455	455	0	0.0%
3	Intangible assets	680	517	163	31.5%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	132	61	71	116.4%
6	Deferred tax assets	2,103	2,695	(592)	-22.0%
	Total non-current assets	7,863	7,846	17	0.2%
	Non-current liabilities				
7	Employee benefits	(555)	(663)	108	-16.3%
8	Non-current provisions	(249)	(206)	(43)	20.9%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(804)	(869)	65	-7.5%
	Net working capital				
10	Inventories	40,030	39,040	990	2.54%
11	Trade receivables	41,633	31,157	10,476	33.62%
12	Tax credits	2,630	2,538	92	3.6%
13	Other current assets	14,682	8,412	6,270	74.5%
14	Trade payables	(14,436)	(15,570)	1,134	-7.3%
15	Taxes payable	(6,391)	(3,533)	(2,858)	80.9%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,478)	(2,689)	211	-7.8%
	Total net working capital	75,670	59,355	16,315	27.5%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,462)	(19,457)	(5)	0.0%
20	Treasury shares	717	204	513	n.a.
21	(Profits) losses carried forward	(10,113)	(7,493)	(2,620)	35.0%
	Total capital and reserves	(34,502)	(32,390)	(2,112)	6.5%
	Total net assets	48,227	33,942	14,285	42.1%
22	Cash and cash equivalents	11,279	7,080	4,199	59.3%
23	Short-term payables to banks	(49,536)	(32,676)	(16,860)	51.6%
24	Other current financial liabilities	(3,309)	(3,250)	(59)	1.8%
	Current net debt	(41,566)	(28,846)	(12,720)	44.1%
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(4,873)	(2,673)	(2,200)	82.3%
27	Other non-current financial liabilities	(1,788)	(2,423)	635	-26.2%
	Non-current net debt	(6,661)	(5,096)	(1,565)	30.7%
	Total net debt	(48,227)	(33,942)	(14,285)	42.1%

Digital Bros Group
Consolidated income statement for the 12 months to 30 June 2008

	EUR/000	12M 2007-2008		12M 2006-2007		Change	
1	Gross revenues	178,789	114.1%	133,926	110.7%	44,863	33.5%
2	Revenue adjustments	(22,027)	-14.1%	(12,994)	-10.7%	(9,033)	69.5%
3	Total net revenues	156,762	100.0%	120,932	100.0%	35,830	29.6%
4	Purchase of goods for resale	(103,095)	-65.8%	(91,693)	-75.8%	(11,402)	12.4%
5	Purchase of services for resale	(2,764)	-1.8%	(1,124)	-0.9%	(1,640)	n.a.
6	Royalties	(8,130)	-5.2%	(7,686)	-6.4%	(444)	5.8%
7	Change in inventories of finished products	990	0.6%	12,591	10.4%	(11,601)	-92.1%
8	Total cost of goods sold	(112,999)	-72.1%	(87,912)	-72.7%	(25,087)	28.5%
9	Gross profit (3+8)	43,763	27.9%	33,020	27.3%	10,743	32.5%
10	Other income	117	0.1%	113	0.1%	4	3.5%
11	Cost of services	(16,620)	-10.6%	(10,997)	-9.1%	(5,623)	51.1%
12	Rent and leasing	(434)	-0.3%	(427)	-0.4%	(7)	1.6%
13	Payroll costs	(11,398)	-7.3%	(9,491)	-7.8%	(1,907)	20.1%
14	Other operating expenses	(2,437)	-1.6%	(2,160)	-1.8%	(277)	12.8%
15	Total operating expenses	(30,889)	-19.7%	(23,075)	-19.1%	(7,814)	33.9%
16	EBITDA (9+10+15)	12,991	8.3%	10,058	8.3%	2,933	29.2%
17	Depreciation and amortization	(656)	-0.4%	(818)	-0.7%	162	-19.8%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(694)	-0.4%	(96)	-0.1%	(598)	n.a.
20	Impairment reversal	0	0.0%	234	0.2%	(234)	-100.0%
21	Total depreciation, amortization and impairment	(1,350)	-0.9%	(680)	-0.6%	(670)	98.5%
22	EBIT (16+21)	11,641	7.4%	9,378	7.8%	2,263	24.1%
23	Interest income	360	0.2%	74	0.1%	286	n.a.
24	Interest expense	(3,973)	-2.5%	(2,670)	-2.2%	(1,303)	48.8%
25	Net interest income (expense)	(3,613)	-2.3%	(2,596)	-2.1%	(1,017)	39.2%
26	Profit before taxes (22+25)	8,028	5.1%	6,782	5.6%	1,246	18.4%
27	Current taxes	(4,036)	-2.6%	(1,473)	-1.2%	(2,563)	n.a.
28	Deferred taxes	(244)	-0.2%	(1,479)	-1.2%	1,235	-83.5%
29	Total taxes	(4,280)	-2.7%	(2,952)	-2.4%	(1,328)	45.0%
30	Net profit (26+29)	3,748	2.4%	3,830	3.2%	(82)	-2.1%
Earnings per share:							
31	Basic earnings per share (in EUR)	0.27		0.27		(0.00)	0.0%
32	Diluted earnings per share (in EUR)	0.27		0.27		(0.00)	0.0%

Digital Bros Group

Consolidated income statement for the fourth quarter of 2007-2008

	EUR/000	4Q 2007-2008		4Q 2006-2007		Change	
1	Gross revenues	34,331	106.5%	26,373	107.3%	7,958	30.2%
2	Revenue adjustments	(2,093)	-6.5%	(1,796)	-7.3%	(297)	16.5%
3	Total net revenues	32,238	100.0%	24,577	100.0%	7,661	31.2%
4	Purchase of goods for resale	(15,731)	-48.8%	(17,239)	-70.1%	1,508	-8.7%
5	Purchase of services for resale	(2,612)	-8.1%	(387)	-1.6%	(2,225)	n.a.
6	Royalties	(2,209)	-6.9%	(3,103)	-12.6%	894	-28.8%
7	Change in inventories of finished products	(2,923)	-9.1%	4,070	16.6%	(6,993)	n.a.
8	Total cost of goods sold	(23,475)	-72.8%	(16,659)	-67.8%	(6,816)	40.9%
9	Gross profit (3+8)	8,763	27.2%	7,918	32.2%	845	10.7%
10	Other income	91	0.3%	28	0.1%	63	n.a.
11	Cost of services	(3,713)	-11.5%	(4,394)	-17.9%	681	-15.5%
12	Rent and leasing	(126)	-0.4%	(90)	-0.4%	(36)	40.0%
13	Payroll costs	(2,958)	-9.2%	(2,183)	-8.9%	(775)	35.5%
14	Other operating expenses	(666)	-2.1%	(170)	-0.7%	(496)	n.a.
15	Total operating expenses	(7,463)	-23.1%	(6,837)	-27.8%	(626)	9.2%
16	EBITDA (9+10+15)	1,391	4.3%	1,109	4.5%	282	25.4%
17	Depreciation and amortization	(195)	-0.6%	(118)	-0.5%	(77)	65.3%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(30)	-0.1%	0	0.0%	(30)	100.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(225)	-0.7%	(118)	-0.5%	(107)	90.7%
22	EBIT (16+21)	1,166	3.6%	991	4.0%	175	17.7%
23	Interest income	260	0.8%	21	0.1%	239	n.a.
24	Interest expense	(1,025)	-3.2%	(646)	-2.6%	(379)	58.7%
25	Net interest income (expense)	(765)	-2.4%	(625)	-2.5%	(140)	22.4%
26	Profit before taxes (22+25)	401	1.2%	366	1.5%	35	9.6%
27	Current taxes	(275)	-0.9%	1,280	5.2%	(1,555)	n.a.
28	Deferred taxes	(644)	-2.0%	(1,334)	-5.4%	690	-51.7%
29	Total taxes	(919)	-2.9%	(54)	-0.2%	(865)	n.a.
30	Net profit (26+29)	(518)	-1.6%	312	1.3%	(830)	n.a.
	Earnings per share:						
33	Basic earnings per share (in EUR)	(0.04)		0.02		(0.06)	n.a.
34	Diluted earnings per share (in EUR)	(0.04)		0.02		(0.06)	n.a.

Digital Bros Group

Consolidated cash flow statement for the period ended 30 June 2008

EUR/000	2007-2008	2006-2007
A. Opening net debt	(33,942)	(20,741)
Cash flow from operating activities:		
Group's share of net profit (loss) for the year	3,748	3,830
Depreciation, amortization and provisions:		
Amortization	312	557
Depreciation	344	260
Net change in other provisions	44	51
Net change in employee benefit provisions	(108)	(17)
B. TOTAL	4,340	4,681
Change in net working capital:		
Inventories	(513)	(12,590)
Trade receivables	(10,953)	(8,485)
Tax credits	(92)	(2,101)
Other current assets	(6,270)	(7,417)
Trade payables	(1,134)	10,157
Taxes payable	2,858	2,375
Current provisions	0	0
Other current liabilities	(211)	451
C. TOTAL	(16,315)	(17,610)
Cash flow from investing activities:		
Investments in intangible assets	(474)	(390)
Investments in property, plant and equipment	(720)	(340)
Investments in financial fixed assets	521	1,099
D. TOTAL	(673)	369
cash flow from financing activities:		
Capital increases	0	0
E. TOTAL	0	0
Movements in consolidated capital and reserves:		
Dividends paid	(1,128)	(1,117)
Change in treasury shares held	(513)	467
Increases (decreases) in other components of capital and reserves	5	9
F. TOTAL	(1,636)	(641)
G. Cash flow for the period (B+C+D+E+F)	(14,285)	(13,201)
H. Closing net debt (A+G)	(48,227)	(33,942)

Details of consolidated cash flow movements by maturity

EUR/000	2007-2008	2006-2007	% change
Increase (decrease) in securities and cash & cash equivalents	4,199	3,086	36.1%
Decrease (increase) in short-term payables to banks	(16,860)	(13,189)	27.8%
Decrease (increase) in other current financial liabilities	(59)	(1,899)	n.a.
Total short-term cash flow for the period	(12,720)	(12,002)	6.0%
Total medium-term cash flow for the period	(1,565)	(1,199)	30.5%
Total cash flow for the period	(14,285)	(13,201)	8.2%

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 2006	5,644	16,954	1,129	1,367	(9)	19,441	(671)	965	3,823	4,788	29,202
Allocation of net profit						0		3,823	(3,823)	0	0
Dividend payments						0		(1,117)		(1,117)	(1,117)
Purchase of treasury shares						0	467			0	467
Other changes					16	16		(8)		(8)	8
Net profit for the period						0			3,830	3,830	3,830
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	(513)			0	(513)
Other changes					5	5				0	5
Net profit for the period						0			3,748	3,748	3,748
Total at 30 June 2008	5,644	16,954	1,129	1,367	12	19,462	(717)	6,365	3,748	10,113	34,502

Segment reporting

Consolidated income statement for the 12 months to 30 June 2008

	Consolidated figures in EUR/000	Distribution	Newsstands	New Media	Publishing	Holding	Total
1	Gross revenues	119,440	1,319	486	57,544	0	178,789
2	Revenue adjustments	(12,080)	(79)	0	(9,869)	0	(22,027)
3	Total net revenues	107,360	1,240	486	47,676	0	156,762
4	Purchase of goods for resale	(75,456)	(1,044)	(21)	(26,575)	0	(103,095)
5	Purchase of services for resale	0	(193)	(973)	(1,598)	0	(2,764)
6	Royalties	(357)	(423)	(102)	(7,247)	0	(8,130)
7	Change in inventories of finished products	(2,855)	866	0	2,979	0	990
8	Total cost of goods sold	(78,668)	(794)	(1,096)	(32,441)	0	(112,999)
9	Gross profit (3+8)	28,692	446	(610)	15,235	0	43,763
10	Other income	33	0	0	83	0	117
11	Cost of services	(8,389)	(402)	(915)	(6,786)	(128)	(16,620)
12	Rent and leasing	(295)	0	0	(139)	0	(434)
13	Payroll costs	(6,862)	0	(906)	(2,417)	(1,213)	(11,398)
14	Other operating expenses	(1,706)	(2)	(47)	(352)	(329)	(2,436)
15	Total operating expenses	(17,252)	(404)	(1,868)	(9,695)	(1,670)	(30,889)
16	EBITDA (9+10+15)	11,473	43	(2,478)	5,623	(1,670)	12,991
17	Depreciation and amortization	(375)	(7)	(54)	(80)	(141)	(656)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(400)	0	(294)	0	0	(694)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(775)	(7)	(348)	(80)	(14)	(1,350)
22	EBIT (16+21)	10,698	36	(2,825)	5,543	(1,811)	11,641

Digital Bros S.p.A. balance sheet at 30 June 2008

	EUR/000	30 June 2008	30 June 2007	Change	
	Non-current assets				
1	Property, plant and equipment	3,261	3,253	8	0.2%
2	Investment property	455	456	(1)	-0.2%
3	Intangible assets	595	466	129	27.7%
4	Equity investments	2,204	1,355	849	62.7%
5	Non-current receivables and other assets	4	4	0	0.0%
6	Deferred tax assets	524	1,027	(503)	-49.0%
	Total non-current assets	7,043	6,561	482	7.3%
	Non-current liabilities				
7	Employee benefits	(531)	(653)	122	-18.7%
8	Non-current provisions	(249)	(206)	(43)	20.9%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(780)	(859)	79	-9.2%
	Net working capital				
10	Inventories	31,401	34,298	(2,897)	-8.4%
11	Trade receivables	27,388	18,758	8,630	46.0%
12	Due from subsidiaries	13,131	10,626	2,505	23.6%
13	Tax credits	1,051	1,694	(643)	-38.0%
14	Other current assets	5,941	3,558	2,383	67.0%
15	Trade payables	(6,129)	(8,739)	2,610	-29.9%
16	Due to subsidiaries	(1,451)	(1,801)	350	-19.4%
17	Taxes payable	(5,163)	(1,746)	(3,417)	n.a.
18	Current provisions	(2,230)	0	(2,230)	0.0%
19	Other current liabilities	(2,280)	(2,180)	(100)	4.6%
	Total net working capital	61,659	54,468	7,191	13.2%
	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	717	204	513	n.a.
23	(Profits) losses carried forward	(5,895)	(5,704)	(191)	3.3%
	Total capital and reserves	(28,787)	(29,109)	322	-1.1%
	Total net assets	39,134	31,061	8,073	26.0%
24	Cash and cash equivalents	8,014	6,739	1,275	18.9%
25	Short-term payables to banks	(40,451)	(31,007)	(9,444)	30.5%
26	Other current financial liabilities	(1,803)	(3,250)	1,447	-44.5%
	Current net debt	(34,240)	(27,518)	(6,722)	24.4%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(3,107)	(1,120)	(1,987)	n.a.
29	Other non-current financial liabilities	(1,788)	(2,423)	635	-26.2%
	Non-current net debt	(4,895)	(3,543)	(1,352)	38.2%
	Total net debt	(39,135)	(31,061)	(8,074)	26.0%

Digital Bros S.p.A. income statement for the 12 months to 30 June 2008

	EUR/000	2007-2008		2006-2007		Change	
1	Gross revenues	125,767	110.6%	113,824	108.3%	11,943	10.5%
2	Revenue adjustments	(12,013)	-10.6%	(8,692)	-8.3%	(3,321)	38.2%
3	Total net revenues	113,754	100.0%	105,132	100.0%	8,622	8.2%
4	Purchase of goods for resale	(82,817)	-72.8%	(83,950)	-79.9%	1,133	-1.3%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(701)	-0.6%	(3,178)	-3.0%	2,477	-77.9%
7	Change in inventories of finished products	(2,896)	-2.5%	8,001	7.6%	(10,897)	-136.2%
8	Total cost of goods sold	(86,414)	-76.0%	(79,127)	-75.3%	(7,287)	9.2%
9	Gross profit (3+8)	27,340	24.0%	26,005	24.7%	1,335	5.1%
10	Other income	1,957	1.7%	1,598	1.5%	359	22.5%
11	Cost of services	(8,703)	-7.7%	(9,747)	-9.3%	1,044	-10.7%
12	Rent and leasing	(295)	-0.3%	(316)	-0.3%	21	-6.6%
13	Payroll costs	(8,673)	-7.6%	(7,634)	-7.3%	(1,039)	13.6%
14	Other operating expenses	(2,013)	-1.8%	(1,924)	-1.8%	(89)	4.6%
15	Total operating expenses	(19,684)	-17.3%	(19,621)	-18.7%	(63)	0.3%
16	EBITDA (9+10+15)	9,613	8.5%	7,982	7.6%	1,631	20.4%
17	Depreciation and amortization	(503)	-0.4%	(741)	-0.7%	238	-32.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(2,631)	-2.3%	(512)	-0.5%	(2,119)	413.9%
20	Impairment reversal	600	0.5%	234	0.2%	366	0.0%
21	Total depreciation, amortization and impairment	(2,534)	-2.2%	(1,019)	-1.0%	(1,515)	148.7%
22	EBIT (16+21)	7,079	6.2%	6,963	6.6%	116	1.7%
23	Interest income	350	0.3%	72	0.1%	278	386.1%
24	Interest expense	(3,275)	-2.9%	(2,569)	-2.4%	(706)	27.5%
25	Net interest income (expense)	(2,925)	-2.6%	(2,497)	-2.4%	(428)	17.1%
26	Profit before taxes (22+25)	4,154	3.7%	4,466	4.2%	(312)	-7.0%
27	Current taxes	(2,332)	-2.1%	(911)	-0.9%	(1,421)	156.0%
28	Deferred taxes	(502)	-0.4%	(1,510)	-1.4%	1,008	-66.8%
29	Total taxes	(2,834)	-2.5%	(2,421)	-2.3%	(413)	17.1%
30	Net profit (26+29)	1,320	1.2%	2,045	1.9%	(725)	-35.5%

ACCOUNTING STANDARDS AND PRINCIPLES

The consolidated quarterly report of the Digital Bros Group for the fourth quarter of fiscal year 2007-2008 was approved by resolution of the Board of Directors on 6 August 2008. Digital Bros S.p.A. 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.

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

In addition, the consolidated financial statements at 30 June 2008, which are compliant with IAS 34, have been prepared in accordance with Art. 82 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.

The interim report does not contain all of the information and notes included in the year-end financial statements, so they should be read in conjunction with the Digital Bros Group's consolidated financial statements at 30 June 2007.

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 2007.

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. In accordance with 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 are made up of:

- consolidated balance sheet at 30 June 2008 with comparative figures at 30 June 2007 (the previous year-end reporting date);

- consolidated income statement for the 12 months ended 30 June 2008, with comparative figures for the previous year;
- consolidated income statement for the quarter ended 30 June 2008 (fourth quarter of 2007-2008), with comparative figures for the fourth quarter of the previous year;
- consolidated cash flow statement for the 12 months under review, in comparison with the consolidated cash flow statement for the same period last year;
- details of cash flows by maturity, compared with movements taking place in the same period of 2006-2007;
- statement of changes in consolidated shareholders' equity, preceded by changes in consolidated shareholders' equity taking place between 1 July 2006 and 30 June 2007;
- segment reporting: consolidated income statement by segments for the 12 months to 30 June 2008;
- balance sheet of the parent company Digital Bros S.p.A. at 30 June 2008 with comparative figures at 30 June 2007 (the year-end reporting date);
- Digital Bros S.p.A. income statement for the 12 months of 2007-2008, with comparative figures for the previous year.

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 used in the business, equity investments, and receivables due in subsequent years. They also include investment property and deferred tax assets.

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. The trend in net working capital in relation to business volumes 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 reserves by the shareholders), as adjusted by treasury shares.

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

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 expenses;
- EBIT, the difference between EBITDA and total depreciation, amortization 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, of changes in net working capital, and of cash flows arising 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.

Minority interests are not reported because they do not exist.

ACCOUNTING POLICIES

Figures were determined according to the interpretations of the International Accounting Standards in force as of 30 June 2008.

The consolidated financial statements were prepared on the basis of the accounts at 30 June 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 policies used for the consolidated quarterly accounts at 30 June 2008 are consistent with those used to prepare the consolidated financial statements at 30 June 2007. Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of this consolidated quarterly report.

Below is a summary of the more recent changes effective during the period:

IFRS 7 – Financial instruments: disclosures

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

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

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

IFRIC 8 - Scope of IFRS 2

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

IFRIC 9 – Reassessment of embedded derivatives

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

IFRIC 10 – Interim financial reporting and impairment

On 1 June 2007, the European Commission (Regulation EC No. 610-2007) adopted IFRIC Interpretation 10 (Interim financial reporting and impairment). IFRIC 10 addresses the interaction between IAS 34 on interim financial reporting and the recognition of impairment losses on goodwill (IAS 36) and on certain financial assets (IAS 39), and the effect of this interaction on subsequent interim and annual financial statements. It clarifies the treatment to be applied in the annual financial statements or in subsequent interim accounts for impairment losses recognized in an interim (e.g. quarterly or half-year) report that by the end of the subsequent period are no longer justified. Compliance with this interpretation has had no effect on the financial statements.

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

As required by IAS 8 (“Accounting policies, changes in accounting estimates and errors”), below is a brief description of the IFRS in effect as from 1 January 2008 or later. In 2007-2008 the Group did not apply any IFRS in advance of their effective date.

IFRS 8- Operating Segments

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

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

On 1 June 2007, the European Commission (Regulation EC No. 611-2007) adopted IFRIC Interpretation 11 on Group and treasury share transactions. IFRIC 11 states that share-based payment, in which an entity receives services (e.g. from employees) in exchange for its own shares, must be accounted for as equity-

settled transactions regardless of whether the entity chooses or is required to buy its own shares from a third party to settle the obligation.

It 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. IFRS 11 is mandatory for financial periods beginning on 1 March 2007 or later. The Group is evaluating the impact this interpretation will have on the consolidated financial statements.

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

IAS 1 - Presentation of financial statements

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

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 is evaluating the impact it will have on the consolidated financial statements.

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

In January 2008 the IASB issued a revised version of IFRS 3 - Business combinations and of IAS 27 - Consolidated and separate financial statements. IFRS 3 now requires the expensing of ancillary costs associated with business combinations and allows companies to recognize 100% of the goodwill of the acquired entity, including that attributable to minority investors (the "full goodwill method"). The new rules also change the way step acquisitions are disclosed, with the income statement showing the difference between the fair value of net assets previously held on the date control is acquired and their carrying value. Also, the effects of acquiring additional shares of a subsidiary or partially disposing of a subsidiary without losing control are accounted for as equity transactions. If the partial disposal of an investment results in loss of control, the residual holding is remeasured to fair value, and any difference is included in the capital gain or loss on the disposal.

The revised versions of IFRS 3 and IAS 27 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 is evaluating the impact it will have on the consolidated financial statements.

IAS 23 - Borrowing costs

In March 2007, the IASB issued a revised version of IAS 23 - Borrowing costs, effective for annual periods beginning on or after 1 January 2009. The standard now requires the capitalization of borrowing costs that refer to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for use or sale. In accordance with the transitional provisions of this standard, the Group will apply it prospectively. Thus, borrowing costs will be capitalized on qualifying assets starting subsequent to 1 January 2009. No change will be made for borrowing costs incurred up to that date that have been charged to profit or loss.

IFRIC 12 - Service concession arrangements

In November 2006, IFRIC 12 was issued, effective for annual periods beginning on or after 1 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations they undertake and rights they receive in service concession arrangements. No member of the Group is a service concession operator, so IFRIC 12 will have no effect on the financial statements.

IFRIC 13 - Customer loyalty programs

In June 2007, IFRIC 13 was issued, 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. The Group does not expect this interpretation to affect the financial statements, as it has no loyalty programs in course.

IFRIC 14 IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

In July 2007, IFRIC 14 was issued, effective for annual periods starting on or after 1 July 2008. The interpretation provides guidance on how to assess the limit on the amount of the surplus of a defined benefit plan that can be recognized as an asset in accordance with IAS 19 - employee benefits. The Group does not expect this to affect its financial position or results, as all defined benefit plans are currently in a deficit position.

USE OF ESTIMATES

Use of estimates

The preparation of the quarterly financial statements and notes requires the company 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 relies on the opinion of 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 every quarter by the sales department. The forecasts are also the basic documents used to draw up budgets. 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.

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 relies on 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.

CONSOLIDATION METHODS

Subsidiaries

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

The statements 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;
- the components of capital and reserves were translated at historical exchange rates, maintaining any stratification of reserves.

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

Transactions eliminated in the consolidation process

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

ANALYSIS OF THE BALANCE SHEET AT 30 JUNE 2008

The consolidated balance sheet at 30 June 2008 is reported below, in comparison with the situation at 30 June 2007:

	EUR/000	30 June 2008	30 June 2007	Change	
	Non-current assets				
1	Property, plant and equipment	3,753	3,378	375	11.1%
2	Investment property	455	455	0	0.0%
3	Intangible assets	680	517	163	31.5%
4	Equity investments	740	740	0	0.0%
5	Non-current receivables and other assets	132	61	71	116.4%
6	Deferred tax assets	2,103	2,695	(592)	-22.0%
	Total non-current assets	7,863	7,846	17	0.2%
	Non-current liabilities				
7	Employee benefits	(555)	(663)	108	-16.3%
8	Non-current provisions	(249)	(206)	(43)	20.9%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(804)	(869)	65	-7.5%
	Net working capital				
10	Inventories	40,030	39,040	990	2.54%
11	Trade receivables	41,633	31,157	10,476	33.62%
12	Tax credits	2,630	2,538	92	3.6%
13	Other current assets	14,682	8,412	6,270	74.5%
14	Trade payables	(14,436)	(15,570)	1,134	-7.3%
15	Taxes payable	(6,391)	(3,533)	(2,858)	80.9%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(2,478)	(2,689)	211	-7.8%
	Total net working capital	75,670	59,355	16,315	27.5%
	Capital and reserves				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,462)	(19,457)	(5)	0.0%
20	Treasury shares	717	204	513	n.a.
21	(Profits) losses carried forward	(10,113)	(7,493)	(2,620)	35.0%
	Total capital and reserves	(34,502)	(32,390)	(2,112)	6.5%
	Total net assets	48,227	33,942	14,285	42.1%
	Current net debt				
22	Cash and cash equivalents	11,279	7,080	4,199	59.3%
23	Short-term payables to banks	(49,536)	(32,676)	(16,860)	51.6%
24	Other current financial liabilities	(3,309)	(3,250)	(59)	1.8%
	Current net debt	(41,566)	(28,846)	(12,720)	44.1%
	Non-current net debt				
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(4,873)	(2,673)	(2,200)	82.3%
27	Other non-current financial liabilities	(1,788)	(2,423)	635	-26.2%
	Non-current net debt	(6,661)	(5,096)	(1,565)	30.7%
	Total net debt	(48,227)	(33,942)	(14,285)	42.1%

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 €1,194 thousand, consisting of €333 thousand for the ERP system, €98 thousand for the new online gaming platform used by www.gametribe.com, €473 thousand for the purchase of office automation machines and €219 thousand for other fixed assets.

NET WORKING CAPITAL

Net working capital increased by €16,315 thousand with respect to 30 June 2007 (+27.5%). The change is explained by a rise of €10,953 thousand in trade receivables and by an increase of €6,270 thousand in other current assets. This trend, in line with the seasonal pattern described earlier, should also be viewed in light of the Group's marked increase in net sales during the fourth quarter (+€7,661 thousand on the same period last year).

The rise in inventories, by just €13 thousand compared with the same period in 2006-2007, is mostly the combined effect of two factors: although inventories increased by €2,977 thousand in the International Publishing segment and by €66 thousand in the Newsstands segment, the Distribution segment was able to reduce year-end inventories to around €2,855 thousand.

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

	EUR/000	30 June 2008	30 June 2007	Change	
10	Inventories	40,030	39,040	990	2.54%
11	Trade receivables	41,633	31,157	10,476	33.62%
12	Tax credits	2,630	2,538	92	3.6%
13	Other current assets	14,682	8,412	6,270	74.5%
14	Trade payables	(14,436)	(15,570)	1,134	-7.3%
15	Taxes payable	(6,391)	(3,533)	(2,858)	80.9%
17	Other current liabilities	(2,478)	(2,689)	211	-7.8%
	Total net working capital	75,670	59,355	16,315	27.5%

The upturn in trade receivables with respect to 31 June 2007 (+€10,953 thousand) reflects the Group's results for the fourth quarter of this year, when net sales increased by €7,661 thousand (+31.2%) on the previous year, and the growth of the International Publishing segment in terms of trade receivables and especially receivables for video game licenses (€8,689 thousand at period end).

At €14,682 thousand, other current assets increased by €6,270 thousand with respect to 30 June 2007, due primarily to the rise in advances paid to suppliers, employees and sales representatives. More specifically, during the second half only the Group advanced €8 million in production costs for video games in the International Publishing segment that will reach store shelves in coming months, including about €4 million for Cooking Mama 2.

CAPITAL AND RESERVES

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 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	(513)			0	(513)
Other changes					5	5				0	5
Net profit for the period						0			3,748	3,748	3,748
Total at 30 June 2008	5,644	16,954	1,129	1,367	12	19,462	(717)	6,365	3,748	10,113	34,502

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.

On 14 December 2007 Digital Bros S.p.A. made a dividend payment of €1,128 thousand for a unit dividend of €0.08, approved by the shareholders' meeting of 30 October 2007.

During the period ended 30 June 2008, the company purchased treasury shares in the amount of €13 thousand.

At 30 June 2008 it held 154,263 treasury shares valued at €17 thousand.

NET DEBT

Less than proportionally to the rise in net working capital (€16,315 thousand), net debt grew by €14,285 thousand with respect to 30 June 2007. The trend is explained by a rise in current and non-current payables to banks. The rise in debt also reflects the Group's fourth quarter results, when net sales increased by €7,661 thousand (+31.2%) compared with the same period last year.

For a more in-depth analysis of cash flow, see the consolidated cash flow statement attached to this report.

The breakdown of consolidated net debt with comparative figures at 30 June 2007 is as follows:

	EUR/000	30 June 2008	30 June 2007	Change
22	Cash and cash equivalents	11,279	7,080	4,199
23	Short-term payables to banks	(49,536)	(32,676)	(16,860)
24	Other current financial liabilities	(3,309)	(3,250)	(59)
	Current net debt	(41,566)	(28,846)	(12,720)
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(4,873)	(2,673)	(2,200)
27	Other non-current financial liabilities	(1,788)	(2,423)	635
	Non-current net debt	(6,661)	(5,096)	(1,565)
	Total net debt	(48,227)	(33,942)	(14,285)

Current net debt

Current net debt is made up as follows:

	EUR/000	30 June 2008	30 June 2007	Change
22	Cash and cash equivalents	11,279	7,080	4,199
23	Short-term payables to banks	(49,536)	(32,676)	(16,860)
24	Other current financial liabilities	(3,309)	(3,250)	(59)
	Total current net debt	(41,566)	(28,846)	(12,720)

22. Cash and cash equivalents

Cash and cash equivalents at 30 June 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 (€267 thousand).

EUR/000	30 June 2008	30 June 2007	Change
Cash on hand and bank deposits	8,835	4,689	4,146
Mutual fund units	2,177	2,129	48
Quadrante policy (Banca Toscana)	267	262	5
Total cash and cash equivalents	11,279	7,080	4,199

Cash and cash equivalents amount to €1,279 thousand, an increase of €4,199 thousand with respect to 30 June 2007.

23. Short-term payables to banks

Short-term payables to banks are comprised of account overdrafts, import-export financing, advances on invoices, advances subject to collection, and the portion of derivatives and bank loans due within 12 months. The amount due for short-term derivatives at 30 June 2008 is €303 thousand. The increase in short-term payables to banks with respect to the previous year is explained by a rise in import-export financing, advances on invoices and advances subject to collection to finance the Group's development.

EUR/000	30 June 2008	30 June 2007	Change
Account overdrafts	(2,548)	(2,314)	(234)
Import-export financing	(24,780)	(18,709)	(6,071)
Advances on invoices and subject to collection	(14,877)	(10,170)	(4,707)
Loan installments due within 12 months	(7,028)	(1,082)	(5,946)
Fair value recognition of derivatives - due within 12 months	(303)	(401)	98
Total short-term payables to banks	(49,536)	(32,676)	(16,860)

Loan installments due within 12 months are shown below:

EUR/000	30 June 2008	30 June 2007	Change
To Banca Intesa San Paolo	(532)	(816)	284
To Unicredit Banca	(4,867)	(266)	(4,601)
To Barclays Bank	(1,629)	0	(1,629)
Total short-term loans and borrowings	(7,028)	(1,082)	(5,946)

The increase in loan installments due within 12 months refers to (1) the short-term portion of a new €5 million loan taken out from Barclays Bank on 19 December 2007, which matures on 21 December 2010, and (2) the short-term portion of loans contracted with Unicredit Banca by the subsidiary 505 Games S.r.l., maturing between March and June 2009.

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 €198 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 €3,110 thousand in keeping with IAS 39.

Non-current net debt

Non-current net debt is made up as follows:

	EUR/000	30 June 2008	30 June 2007	Change
26	Non-current payables to banks	(4,873)	(2,673)	(2,200)
27	Other non-current financial liabilities	(1,788)	(2,423)	635
	Total non-current net debt	(6,661)	(5,096)	(1,565)

26. Non-current payables to banks

Non-current payables to banks consist of the portion of loans being paid in installments that is due after 30 June 2009, for a total of €4,873 thousand.

At 30 June 2008 the Group had the following bank loans outstanding:

- a € 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 € 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 € million. Under the terms of the IRS, for the first year the Group collects the three-month Euribor while paying fixed interest of 2.30%; for the second year it will collect the three-month Euribor and pay 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 € 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 will be paid in 20 installments, at the end of every quarter, on a constant amortization basis;
- 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 €2.15 million granted by UniCredit Banca to 505 Games S.r.l. on 14 December 2007, maturing on 14 June 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 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 7.217% 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);
- a loan of €5 million granted by Barclays Bank to Digital Bros S.p.A. on 19 December 2007. The interest rate is variable, amounting to the three-month Euribor plus a spread of 0.75%. The loan is being repaid in 12 quarterly installments, from 21 March 2008 until 21 December 2010.

27. Other non-current financial liabilities

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

In detail:

EUR/000	30 June 2008	30 June 2007	Change
Leasing installments falling due beyond 12 months	(1,729)	(1,875)	146
Fair value recognition of derivatives - beyond 12 months	(59)	(548)	489
Total non-current financial liabilities	(1,788)	(2,423)	635

Leasing installments falling due beyond 12 months pertain to the leasing contract 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 €528 thousand and an end of lease purchase option of €792 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 €190 thousand; those with a maturity of one to five years amount to €53 thousand, and those due beyond five years total €805 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.

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

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

- an interest rate swap taken out on 27 December 2004 with Banca Intesa San Paolo, maturing on 28 December 2009 with a notional principal amount of €20 million. Under this arrangement the Group pays quarterly interest corresponding to the three-month Euribor ACT/360 +2% and collects a variable three-month Euribor. A ceiling of 7% applies;
- an interest rate swap taken out on 21 July 2003 with Banca Intesa San Paolo, maturing on 21 July 2008 with a notional principal amount of €3 million. With this instrument, the Group pays the maximum quarterly interest rate (2 x 3M Euribor in arrears - 2.25%) with a ceiling of 5.50% per quarter, and collects the variable three-month Euribor.

REVENUES BY GEOGRAPHICAL SEGMENT

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

Gross consolidated revenues outside Italy increased by €37,437 thousand, from €20,319 thousand in the first nine months of 2006-2007 to €57,756 thousand for the period under review.

EUR/000	2007-2008	2006-2007	Change	
Italy	121,033	112,904	8,129	7.2%
Elsewhere	57,756	20,319	37,437	184.2%
Total consolidated revenues	178,789	133,926	44,863	33.4%

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

Foreign revenues are broken down below by business segment:

EUR/000	2007-2008	2006-2007	Change	
New Media	212	352	(140)	-39.8%
International Publishing	57,544	19,967	37,577	188.2%
Total gross foreign revenues	57,756	20,319	37,437	184.2%

The decrease in foreign revenues by the New Media segment stems from the restructuring process, which involves the launch of new interactive entertainment operations for which sales during the year were not yet substantial, in line with strategic plans.

PERFORMANCE BY BUSINESS SEGMENTS

The Group's business segments are as follows:

- Distribution;
- International Publishing;
- New Media;
- Newsstands;
- Holding.

Below are the details of revenues by business segment for the year ended 30 June 2008, with comparative figures for the previous year.

EUR/000	Gross revenues				Net revenues			
	2007-2008	2006-2007	Change		2007-2008	2006-2007	Change	
Distribution	119,440	111,107	8,333	7.5%	107,360	102,059	5,301	5.2%
Newsstands	1,319	2,338	(1,019)	-43.6%	1,240	2,338	(1,098)	-47.0%
New Media	486	514	(28)	-5.4%	486	514	(28)	-5.4%
International Publishing	57,544	19,967	37,577	188.2%	47,676	16,021	31,655	197.6%
Total gross revenues	178,789	133,926	44,863	33.5%	156,762	120,932	35,830	29.6%

Profit margins for the segments are reported below.

	Consolidated figures in EUR/000	Distribution	Newsstands	New Media	Publishing	Holding	Total
1	Gross revenues	119,440	1,319	486	57,544	0	178,789
2	Revenue adjustments	(12,080)	(79)	0	(9,869)	0	(22,027)
3	Total net revenues	107,360	1,240	486	47,676	0	156,762
4	Purchase of goods for resale	(75,456)	(1,044)	(21)	(26,575)	0	(103,095)
5	Purchase of services for resale	0	(193)	(973)	(1,598)	0	(2,764)
6	Royalties	(357)	(423)	(102)	(7,247)	0	(8,130)
7	Change in inventories of finished products	(2,855)	866	0	2,979	0	990
8	Total cost of goods sold	(78,668)	(794)	(1,096)	(32,441)	0	(112,999)
9	Gross profit (3+8)	28,692	446	(610)	15,235	0	43,763
10	Other income	33	0	0	83	0	117
11	Cost of services	(8,389)	(402)	(915)	(6,786)	(128)	(16,620)
12	Rent and leasing	(295)	0	0	(139)	0	(434)
13	Payroll costs	(6,862)	0	(906)	(2,417)	(1,213)	(11,398)
14	Other operating expenses	(1,706)	(2)	(47)	(352)	(329)	(2,436)
15	Total operating expenses	(17,252)	(404)	(1,868)	(9,695)	(1,670)	(30,889)
16	EBITDA (9+10+15)	11,473	43	(2,478)	5,623	(1,670)	12,991
17	Depreciation and amortization	(375)	(7)	(54)	(80)	(141)	(656)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(400)	0	(294)	0	0	(694)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(775)	(7)	(348)	(80)	(141)	(1,350)
22	EBIT (16+21)	10,698	36	(2,825)	5,543	(1,811)	11,641

Distribution

Distribution 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 a key account structure for major chains;
- DTI (Distribuzione Trade Italia), using the small retail channel only, distributes games produced by publishers with their own organization in Italy, such as Electronic Arts, Activision Italia, Vivendi Universal Games and THQ Italia.

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

Key results

	EUR/000	Distribution					
		2007-2008		2006-2007		Change	
1	Gross revenues	119,440	100.0%	111,107	100.0%	8,333	7.5%
2	Revenue adjustments	(12,080)	-10.1%	(9,048)	-8.1%	(3,032)	33.5%
3	Total net revenues	107,360	89.9%	102,059	91.9%	5,301	5.2%
4	Purchase of goods for resale	(75,456)	-63.2%	(84,560)	-76.1%	9,104	-10.8%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	(357)	-0.3%	(1,747)	-1.6%	1,390	-79.6%
7	Change in inventories of finished products	(2,855)	-2.4%	8,430	7.6%	(11,285)	-133.9%
8	Total cost of goods sold	(78,668)	-65.9%	(77,876)	-70.1%	(792)	1.0%
9	Gross profit	28,692	24.0%	24,183	21.8%	4,509	18.6%
10	Other income	33	0.0%	46	0.0%	(13)	-29.1%
11	Cost of services	(8,389)	-7.0%	(7,329)	-6.6%	(1,060)	14.5%
12	Rent and leasing	(295)	-0.2%	(317)	-0.3%	22	-7.0%
13	Payroll costs	(6,862)	-5.7%	(6,216)	-5.6%	(646)	10.4%
14	Other operating expenses	(1,706)	-1.4%	(1,809)	-1.6%	103	-5.7%
15	Total operating expenses	(17,252)	-14.4%	(15,671)	-14.1%	(1,581)	10.1%
16	EBITDA	11,473	9.6%	8,557	7.7%	2,916	34.1%
17	Depreciation and amortization	(375)	-0.3%	(440)	-0.4%	65	-14.7%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(400)	-0.3%	(96)	-0.1%	(304)	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(775)	-0.6%	(536)	-0.5%	(239)	44.6%
22	EBIT	10,698	9.0%	8,021	7.2%	2,677	33.4%

Thanks to performance in the fourth quarter of the year, the Distribution segment increased its turnover, with gross revenues rising to €19,440 thousand compared with €11,107 thousand for the same period in 2006-2007.

Net revenues increased as a result, from €102,059 thousand to €107,360 thousand (+5.2%).

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

EUR/000	2007-2008	2006-2007	Change	
Distribution of video games for consoles	111,036	100,395	10,641	10.6%
Distribution of video games for PC/CD-ROM	7,783	10,477	(2,694)	-25.7%
Distribution of other products and services	984	696	288	41.4%
Financial discounts	(363)	(461)	98	-21.3%
Gross revenues	119,440	111,107	8,333	7.5%

Gross revenues from video game distribution rose by €8,333 thousand, from €11,107 thousand in 2006-2007 to €19,440 thousand, due to a rise in video game sales for consoles that offset a decline in the

PC/CD-ROM category. Specifically, the increase in sales of console games (which in any case amount to 92.9% of gross revenues for the segment and 62.1% of consolidated gross turnover) came to €10,641 thousand, while sales of games for PCs/CD-ROMs were down by 25.7%, from €10,477 thousand for the 12 months to 30 June 2007 to €7,783 thousand this year.

Over the past 12 months, several games have been launched that are perfect for mass consumption, in particular for the Nintendo DS console. As shown in the table below, sales of Nintendo DS games increased by 156.6% in terms of units sold and by 148.6% in terms of revenues. 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.

Figures for the 12 months of 2007-2008 reflect two factors: a decline in the average unit prices of games for the mature console (Sony Playstation 2), whose volumes however remained high, and the fact that the new console (Sony Playstation 3)—while gaining fast—is not yet present in enough homes to make up the difference.

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	2007-2008		2006-2007		Change	
	Units	Revenues	Units	Revenues	Units	Revenues
Nintendo Gameboy Advance	91,391	1,044	298,171	6,427	-69.3%	-83.8%
Sony Playstation 2	1,442,001	35,199	2,057,128	59,105	-29.9%	-40.4%
Sony Playstation 3	482,253	23,204	74,004	3,635	551.7%	538.4%
Nintendo Wii	148,223	5,747	38,410	1,550	285.9%	270.8%
Microsoft Xbox 360	204,881	8,628	150,979	7,115	35.7%	21.3%
Nintendo DS	1,066,965	28,089	415,759	11,297	156.6%	148.6%
Sony PSP	289,430	7,590	324,917	10,245	-10.9%	-25.9%
Other consoles	188,879	1,536	283,032	1,021	-33.3%	50.5%
Total revenues from distribution for consoles	3,914,023	111,036	3,642,400	100,395	7.5%	10.6%

Revenue growth for the console market was influenced by two contrasting trends:

- a decrease in products sold for consoles long on the market, which was partially offset by an increase of 630,476 units for new-generation consoles such as Sony Playstation 3 and Nintendo Wii;
- a 2.9% rise in average unit selling prices, as shown in the table below, with games for new-generation consoles costing the most (an average of €48.10 for Sony Playstation 3).

Two new consoles have been launched in the last 18 months: the Nintendo Wii (December 2006), with a controller designed for highly interactive play, and the Sony Playstation 3 (March 2007) which will gradually replace Sony's PS2. However, because the PS3 is not fully backward compatible (not all

Playstation 2 games can be played on it) and because so many Italian households already have the PS2, the life cycle of the older console and its games has been extended.

The trend in average video game prices is shown below:

EUR/000	2007-2008	2006-2007	Change
Nintendo Gameboy Advance	11.4	21.6	-47.0%
Sony Playstation 2	24.4	28.7	-15.0%
Sony Playstation 3	48.1	49.1	-2.0%
Nintendo Wii	38.8	40.4	-3.9%
Microsoft Xbox 360	42.1	47.1	-10.6%
Nintendo DS	26.3	27.2	-3.1%
Sony PSP	26.2	31.5	-16.8%
Other consoles	8.1	3.6	125.5%
Average price	28.4	27.6	2.9%

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, and the Microsoft Xbox, now replaced by the Xbox 360).

Product obsolescence is typical of the media industry in general, with no exception for video games, and during the transition from an old-generation console to a new one it accelerates. The Group thus increased its inventory writedowns for the quarter, which had only a minor effect on gross profit and other margins.

Nevertheless, the gross profit increased from €4,183 thousand to €8,692 thousand, growing by 18.6%.

This helped cover the rise in operating expenses, due essentially to the cost of services as a result of greater advertising investments (€00 thousand), and to payroll costs (€46 thousand).

EBIT went from €8,021 thousand in 2006-2007 to €10,698 thousand this year.

There was a rise during the year in depreciation, amortization and writedowns, due mostly to a provision for doubtful accounts of €400 thousand. EBIT, at €10,698 thousand, rose by 33.4% or €2,677 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 five Kong Kong go-kart simulation games, the multiplayer soccer game Kicks Online, the fantasy role-play games Dream of Mirror Online and 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 new 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 RCS DB Games S.p.A., the new company is owned 51% by RCS MediaGroup and 49% by Game Media Networks S.r.l. (a wholly-owned subsidiary of Digital Bros S.p.A.). With an initial investment of €735 thousand from the Digital Bros Group, its purpose is to manage and develop an online portal for single- and multi-player gaming.

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 two companies were not active during the period; their purpose is to provide commercial, promotional and media relations support in those countries for the Group's European online gaming portal, www.gametribe.com.

Key results

	EUR/000	New Media					
		2007-2008		2006-2007		Change	
1	Gross revenues	486	100.0%	514	100.0%	(28)	-5.4%
2	Revenue adjustments	0	0.0%	0	0.0%	(0)	0.0%
3	Total net revenues	486	100.0%	514	100.0%	(28)	-5.4%
4	Purchase of goods for resale	(21)	-4.4%	0	0.0%	(21)	100.0%
5	Purchase of services for resale	(973)	-200.1%	(796)	n.a.	(177)	22.3%
6	Royalties	(102)	-21.1%	(68)	-13.2%	(34)	50.5%
7	Change in inventories of finished products	0	0.0%	0	0.0%	0	0.0%
8	Total cost of goods sold	(1,096)	-225.6%	(864)	-168.1%	(233)	26.9%
9	Gross profit	(610)	-125.6%	(350)	-68.1%	(260)	74.5%
10	Other income	0	0.1%	48	9.4%	(48)	-99.2%
11	Cost of services	(915)	-188.2%	(268)	-52.1%	(647)	241.6%
12	Rent and leasing	0	0.0%	(53)	-10.3%	53	-100.0%
13	Payroll costs	(906)	n.a.	(697)	n.a.	(209)	30.0%
14	Other operating expenses	(47)	-9.6%	(20)	-4.0%	(26)	n.a.
15	Total operating expenses	(1,868)	n.a.	(1,038)	-202.1%	(829)	79.9%
16	EBITDA	(2,478)	n.a.	(1,340)	n.a.	(1,138)	84.9%
17	Depreciation and amortization	(54)	-11.0%	(45)	-8.8%	(9)	19.2%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(294)	-60.5%	0	0.0%	(294)	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(348)	-71.5%	(45)	-8.8%	(303)	n.a.
22	EBIT	(2,825)	n.a.	(1,385)	n.a.	(1,441)	104.0%

Most revenues were earned through subscriptions to online games (€288 thousand) and the sale of digital entertainment content (€198 thousand).

Revenues from "Legend of Mir" and "Myth of Soma" subscriptions fell from €70 thousand to €105 thousand, while the new generation of games accessed from the portal for the European market, www.gametribe.com, brought in €10 thousand for the period to 30 June 2008.

At €1,096 thousand, the cost of sales increased by €233 thousand, and was influenced by the contractual expense of the online connections used by players to access the games, which was once in proportion to revenues but is now too high with respect to the numbers of players attracted. The offer of more content through the portal should attract significant numbers of new players, thereby reducing the influence of this expense on the overall income statement structure. Investments were ongoing during the period with a view to completing the portal.

Operating expenses (€1,868 thousand) increased by €29 thousand with respect to the previous year, mostly as a result of advertising investments for the European portal and the increase in personnel.

The combination of these factors led to negative EBITDA of €2,478 thousand, compared with a negative €1,340 thousand for the period ended 30 June 2007.

Depreciation, amortization and writedowns of €348 thousand showed an increase of €303 thousand, including a provision of €94K for the impairment of RCS DB Games S.p.A. as a result of its losses at 31 December 2007.

EBIT performed consistently with EBITDA, moving from a negative €1,385 thousand in 2006-2007 to a negative €2,825 thousand this year.

The New Media division, which took a substantial bite out of earnings this year, will enjoy much improved margins in 2008-2009 although it will still be operating at a loss.

International Publishing

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

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

Key results

	EUR/000	International Publishing					
		2007-2008		2006-2007		Change	
1	Gross revenues	57,544	120.7%	19,967	124.6%	37,578	188.2%
2	Revenue adjustments	(9,869)	-20.7%	(3,945)	-24.6%	(5,923)	150.1%
3	Total net revenues	47,676	100.0%	16,021	100.0%	31,654	197.6%
4	Purchase of goods for resale	(26,575)	-55.7%	(6,854)	-42.8%	(19,721)	n.a.
5	Purchase of services for resale	(1,598)	-3.4%	(19)	-0.1%	(1,579)	n.a.
6	Royalties	(7,247)	-15.2%	(5,024)	-31.4%	(2,223)	44.2%
7	Change in inventories of finished products	2,979	6.2%	3,602	22.5%	(623)	-17.3%
8	Total cost of goods sold	(32,441)	-68.0%	(8,295)	-51.8%	(24,146)	291.0%
9	Gross profit	15,235	32.0%	7,726	48.2%	7,509	97.2%
10	Other income	83	0.2%	18	0.1%	64	348.6%
11	Cost of services	(6,786)	-14.2%	(2,446)	-15.3%	(4,340)	n.a.
12	Rent and leasing	(139)	-0.3%	(55)	-0.3%	(84)	153.3%
13	Payroll costs	(2,417)	-5.1%	(1,476)	-9.2%	(942)	63.8%
14	Other operating expenses	(352)	-0.7%	(181)	-1.1%	(171)	94.4%
15	Total operating expenses	(9,695)	-20.3%	(4,158)	-26.0%	(5,537)	133.2%
16	EBITDA	5,623	11.8%	3,586	22.4%	2,036	56.8%
17	Depreciation and amortization	(80)	-0.2%	(20)	-0.1%	(60)	n.a.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	234	1.5%	(234)	0.0%
21	Total depreciation, amortization and impairment	(80)	-0.2%	214	1.3%	(295)	-137.4%
22	EBIT	5,543	11.6%	3,800	23.7%	1,742	45.8%

The trend in gross revenues was especially vibrant. Totalling €57,544 thousand for the period, they increased by €35,578 thousand with respect to the previous year's €19,967 thousand. The growth in turnover reflects a flurry of international license acquisitions and the healthy development of the foreign distribution network, especially through the subsidiaries 505 Games Ltd. and Digital Bros France S.a.r.l. Net revenues show a similar year-on-year trend.

The policy of content expansion pursued by the Group in the last two years now gives it more than 130 international licenses for video games, of which many are already in stores, including Cooking Mama 2 for Nintendo DS; Cooking Mama for Nintendo DS and Nintendo Wii; ArmA: Armed Assault for PC/CD-ROM; and Armored Core for Sony Playstation 3. Games to be launched next year are mentioned in the "Outlook" section.

Profitability was especially high during the period, as sales of Cooking Mama 2 and Fashion Designer for Nintendo DS and of Lupin III for Sony Playstation 2 were complemented by the ongoing success of

games launched the previous year, particularly: Cooking Mama for Nintendo DS and Wii and Bust a Move for Nintendo Wii.

Gross revenues by type of video game distributed are presented in the table below, which shows that the segment's revenue growth is due exclusively to games for consoles:

EUR/000	2007-2008	2006-2007	Change	
Publishing of video games for consoles	54,998	17,295	37,703	218.0%
Publishing of video games for PC/CD-ROM	2,530	2,609	(79)	-3.0%
Publishing of other products and services	16	63	(47)	-75.0%
Gross revenues	57,544	19,967	37,577	188.2%

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	2007-2008		2006-2007		Change	
	Units	Revenues	Units	Revenues	Units	Revenues
Sony Playstation 2	104,871	1,465	203,799	2,848	-48.5%	-48.6%
Sony Playstation 3	23,984	1,056	32,933	923	-27.2%	14.4%
Nintendo Wii	401,706	11,326	121,849	2,937	229.7%	285.6%
Microsoft Xbox 360	35,483	1,360	32,218	877	10.1%	55.1%
Nintendo DS	1,844,247	39,128	542,857	8,561	239.7%	357.1%
Sony PSP	37,260	662	55,080	1,024	-32.4%	-35.3%
Other consoles	451	2	8,809	125	n.a	n.a
Total revenues from distribution for consoles	2,448,002	54,998	997,545	17,295	145.4%	218.0%

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 91.7% of products sold during the period, and were the focus of the Group's efforts to acquire international licenses. In particular, the success of video games for Nintendo DS stems from the launch of simple, user-friendly games that are perfect for players ranging from teenage girls to young children, i.e. for the market segments known as casual gaming, female gaming and social gaming.

This success offset the decline in game sales for the Sony Playstation 2, caused largely by the lack of games published during the quarter by the joint venture D3DB, of which the Group owns 50%.

The trend in average video game prices per console is shown below:

EUR/000	2007-2008	2006-2007	Change
Sony Playstation 2	14.0	14.0	-0.1%
Sony Playstation 3	44.0	28.0	57.0%
Nintendo Wii	28.2	24.1	17.0%
Microsoft Xbox 360	38.3	27.2	40.8%
Nintendo DS	21.2	15.8	34.5%
Sony PSP	17.8	18.6	-4.4%
Average price	22.5	17.3	29.6%

The cost of sales increased by €24,146 thousand, from €8,295 thousand to €32,441 thousand. That trend, due essentially to the segment's good performance, was also influenced by a rise of €2,223 thousand in royalty costs (+44.2%) and by an increase in localization expenses (€1,640 thousand), but was less than proportional to revenue growth thanks to improved license exploitation.

Operating expenses were up by €5,537 thousand, from €4,158 thousand to €9,695 thousand, due to advertising investments in support of international operations (€4,800 thousand) and especially to an increase of €42 thousand in payroll costs as a result of hiring by the foreign subsidiaries.

The two new subsidiaries, Digital Bros Iberia S.L. and 505 Games U.S. Inc., generated operating expenses for the period (respectively €200 thousand and €171 thousand) without contributing revenues.

The hearty growth of the International Publishing segment is clear from its EBITDA figure of €5,623 thousand, a rise of €2,036 thousand on the previous year, which is mirrored by an EBIT increase of €1,742 thousand.

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 DVDs and other entertainment-related publications. As a result of the streamlining process, newsstand distribution has been handled by the subsidiary Game Entertainment S.r.l. since fiscal year 2006-2007.

Key results

	EUR/000	Newsstands					
		2007-2008		2006-2007		Change	
1	Gross revenues	1,319	106.4%	2,338	100.0%	(1,019)	-43.6%
2	Revenue adjustments	(79)	-6.4%	0	0.0%	(79)	-100.0%
3	Total net revenues	1,240	100.0%	2,338	100.0%	(1,098)	-47.0%
4	Purchase of goods for resale	(1,044)	-84.2%	(279)	-11.9%	(765)	274.2%
5	Purchase of services for resale	(193)	-15.6%	(309)	-13.2%	116	-37.5%
6	Royalties	(423)	-34.1%	(847)	-36.2%	424	-50.1%
7	Change in inventories of finished products	866	69.8%	559	23.9%	307	100.0%
8	Total cost of goods sold	(794)	-64.0%	(876)	-37.5%	82	-9.4%
9	Gross profit	446	36.0%	1,462	62.5%	(1,016)	-69.5%
10	Other income	0	0.0%	1	0.0%	(1)	100.0%
11	Cost of services	(402)	-32.4%	(759)	-32.5%	357	-47.0%
12	Rent and leasing	0	0.0%	0	0.0%	0	0.0%
13	Payroll costs	0	0.0%	0	0.0%	0	0.0%
14	Other operating expenses	(2)	-0.2%	(18)	-0.8%	16	-88.6%
15	Total operating expenses	(404)	-32.6%	(777)	-33.2%	373	-48.0%
16	EBITDA	43	3.4%	686	29.3%	(643)	-93.7%
17	Depreciation and amortization	(7)	-0.6%	0	0.0%	(7)	-100.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(7)	-0.6%	0	0.0%	(7)	-100.0%
22	EBIT	36	2.9%	686	29.3%	(650)	-94.7%

Revenues were earned from the distribution of the following products:

- the DVD series "WWE Wrestling Megastars" and "Greatest Hits," on the lives of popular wrestlers;
- the DVD series "Wanted," inspired by hit TV shows including Desperate Housewives and E.R.;
- the first issues of "DVD-games," a new series of games played on a DVD player using the remote control, based on popular Dreamworks titles;

- the game series "The Sims," a real-life simulation game, distributed as an add-on with newspapers published by the RCS Group;
- the "Maxima 2" and "Maxima 3" series of video games for PC/CD-ROM, also sold as add-ons to RCS Group newspapers.

Total net revenues amounted to €1,240 thousand, showing a decrease on the previous year due mainly to lower sales of the series "DVD-games."

Operating expenses (-€373 thousand) are closely correlated with newsstands' management of the distribution process during the period under review.

As a result, EBITDA and EBIT for 2007-2008 respectively amounted to 3.4% and 2.9% of total net sales.

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 improve its profit margins.

Holding

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

Key results

	EUR/000	Holding					
		2007-2008		2006-2007		Change	
1	Gross revenues	0	0.0%	0	0.0%	0	0.0%
2	Revenue adjustments	0	0.0%	0	0.0%	0	0.0%
3	Total net 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	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	(128)	0.0%	(195)	-1.2%	67	-34.2%
12	Rent and leasing	0	0.0%	(1)	0.0%	1	-100.0%
13	Payroll costs	(1,213)	0.0%	(1,102)	-6.9%	(111)	10.0%
14	Other operating expenses	(329)	0.0%	(132)	-0.8%	(197)	149.6%
15	Total operating expenses	(1,670)	-3.5%	(1,430)	-8.9%	(240)	16.8%
16	EBITDA	(1,670)	-3.5%	(1,430)	-8.9%	(240)	16.8%
17	Depreciation and amortization	(141)	-0.3%	(313)	-2.0%	172	-55.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	0	0.0%	0	0.0%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total depreciation, amortization and impairment	(141)	-0.3%	(313)	-2.0%	172	-55.1%
22	EBIT	(1,811)	-3.80%	(1,743)	-10.9%	(68)	3.9%

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

Depreciation, amortization and writedowns refer to the depreciation of the Group's warehouse at Trezzano sul Naviglio and the amortization of brands. The reduction is due essentially to the previous year's writedown of the Game Network brand, previously used for retail operations conducted over the satellite channel.

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 the Group still feels that no tax liability will arise.

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

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 subsidiaries

Below are key figures for the non-consolidated subsidiary D3DB S.r.l. (held 50%) at 31 March 2008:

EUR/000	
Assets	1,219
Capital and reserves	76
Liabilities	(1,295)
Revenues	0
Costs	(76)
Net profit (loss) for the period	(76)

Key figures at 31 December 2007 for the non-consolidated company RCS DB Games S.p.A. (held 49%) are as follows:

EUR/000	
Assets	1,535
Capital and reserves	(918)
Liabilities	(617)
Revenues	55
Costs	(637)
Net profit (loss) for the period	(582)

Subsidiaries

Commercial and financial transactions between the parent company Digital Bros S.p.A. and other Group companies in 2007-2008 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.	fin.	comm.	fin.		
505 Games S.r.l.	500	2,064	0	0	786	(7,739)
Game Media Networks S.r.l.	0	4,833	0	0	891	0
Game Service S.r.l.	0	3,712	(1,451)	0	2,794	0
Game Entertainment S.r.l.	0	215	0	0	1,164	(10)
Digital Bros France S.a.r.l.	0	395	0	0	6	(10)
505 Games Ltd.	0	1,086	0	0	0	0
Digital Bros Iberia	0	326	0	0	7	0
Total	500	12,631	(1,451)	0	5,648	(7,759)

Other related parties

Transactions with other related parties consist of the legal counsel provided by director Dario Treves, who received €201 thousand for the period, and the property leasing arrangement between Matov Immobiliare S.r.l. (owned by the Galante family) and Digital Bros France S.a.r.l., for which €22 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” now provided for by Italian law.

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

MANAGEMENT OF FINANCIAL RISKS

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

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

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

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

The Company maintains a balance between short-term and long-term financial instruments. The Company'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 Company's financial instruments are:

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

Interest rate risk

Exposure by the Company's financial instruments to interest rate fluctuations is marginal for the medium- and long-term instruments, which were originally designated as fixed-rate instruments or else 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 Company 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.

Liquidity risk

The Company's activities present no significant liquidity risk. Due to the seasonal nature of its 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 Company is not heavily influenced by exchange rate fluctuations. Purchases in currencies other than the euro are marginal, and are almost entirely in British pounds. Royalties on international video game exploitation rights are paid in Japanese yen. Payments are made in advance, so the company knows the actual cost of royalties ahead of time and is able to transfer any higher charges due to exchange rates onto its prices.

Credit risk

In Italy the Company 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 Company 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 Company 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 the parent company does not feel are excessively risky.

OTHER INFORMATION

Employees

Below are the details of the period-end workforce with comparative figures at 30 June 2007:

Category	30 June 2008	30 June 2007	Change
Executives	9	8	1
White collar	95	84	11
Blue collar and trainees	10	10	0
Total employees	114	102	12

STATEMENT BY THE FINANCIAL REPORTING OFFICER

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

I, the undersigned, Stefano Salbe, financial reporting officer of the Digital Bros Group, hereby declare in accordance with the second paragraph of Art. 154-bis, Part IV, Title III, Chapter II, Section V-bis of Legislative Decree 58 of 24 February 1998 that to the best of my knowledge, the consolidated quarterly report at 30 June 2008 corresponds to the Group's records, ledgers and accounting entries.

Signed

Stefano Salbe

Signed

Abramo Galante
Chairman of the Board of Directors