



PRESS RELEASE

Board of Directors approves consolidated six-month report at December 31<sup>st</sup> 2006  
(first half of fiscal year July 1<sup>st</sup> 2006 to June 30<sup>th</sup> 2007)

**Digital Bros six-month report: Revenues +11,4%,  
EBT +27,7% and Net Profit +51%**

**Forecast revenues and profitability margins positively reviewed  
for the whole fiscal year**

**Signed agreements for new licenses and new contents**

Consolidated income statement (in thousands of Euros)	31.12.06	31.12.05	Change	Increase %
Consolidated revenues	81.684	73.335	8.349	11,4%
EBITDA	7.702	7.397	305	4,1%
EBIT	7.035	5.701	1.334	23,4%
EBT	5.894	4.614	1.280	27,7%
Net profit	3.478	2.303	1.175	51%

*Thank to the positive results of the first six months the management positively reviews the forecast for the whole fiscal year: consolidated revenues to 125 millions of Euros from 115 millions of Euros previously foreseen. Estimated EBITDA to 10.300 thousands of Euros (from 8.000 thousands of Euros)*

*Digital Bros Group confirms the new guideline of Game Entertainment Company thank to new license agreements with Mediaset Group and to development agreements for new videogames signed through 505 Games*

Milan, March 28<sup>th</sup> 2007 – The Board of Directors of **Digital Bros**, a "digital entertainment" Group listed on the TechSTAR segment of the Milan Stock Exchange, **approved today the consolidated six-month report at December 31<sup>st</sup> 2006** (first half of fiscal year July 1<sup>st</sup> 2006 to June 30<sup>th</sup> 2007).

Significant results of the Digital Bros Group for the first six months of 2006-2007 and comparative figures for the same period of the previous fiscal year are listed below:

- **Consolidated revenues** peak at **81.684 thousands of Euros**, with an increase of **11,4%** yoy (73.335 thousands of Euros);

- **EBITDA** is positive for **7.702 thousands of Euros**, showing an **increase of 4,1%** yoy (7.397 thousands of Euros);
- **EBIT** reaches **7.035 thousands of Euros**, with an **increase of 23,4%** yoy (5.701 thousands of Euros);
- **EBT** is positive for **5.894 thousands of Euros**, with an **increase of 27,7%** yoy (4.614 thousands of Euros);
- The **net profit** is **3.478 thousands of Euros**, showing an **increase of 51%** yoy.

The first half of the fiscal year 2006-2007 shows an important improvement of the consolidated revenues of the Group subsequent to the good core business performance of distribution (+11,4%), which confirms the validity of the strategic view in the entertainment business, notwithstanding the effect of the typical seasonal nature of the entertainment market. Below the contribution of the different business segments of the Digital Bros Group:

<b>Consolidated data (thousands of Euros)</b>	<b>Distribution</b>	<b>Newsstand</b>	<b>New Media</b>	<b>International Publishing</b>	<b>Holding</b>	<b>Total</b>
Sales revenues	68.555	1.593	250	4.792	0	75.190
Ebitda	7.593	508	(636)	920	(682)	7.702
Ebit	7.225	503	(648)	914	(958)	7.035

The **net profit** at December 31<sup>st</sup> 2006 is at 3.478 thousands of Euros with respect to the 2.240 thousands of Euros yoy (+ 55,3%).

In line with revenues growth (+12%), the **total net debt** of the Digital Bros Group at December 31<sup>st</sup> 2006 shows a net debt of 46.721 thousands of Euros with respect to the 39.574 of December 31<sup>st</sup> 2005 (+18%), also due to the investments of the Group for the start up of the two international subsidiaries, the English 505 Games and the French DB France, and to the acquisition of new videogames' licenses for the international publishing segment.

At December 31<sup>st</sup> 2006, **the parent company Digital Bros S.p.A.** maintains its leadership of the Italian digital entertainment market with **revenues of 69.881 thousands of Euros, with an increase of 1,4%** yoy. The profitability margins show the following results:

- **EBITDA** at **7.216 thousands of Euros**, with a slight drop of 11,1% yoy;
- **EBIT** stands at **6.073 thousands of Euros**, with an increase of 12,7% yoy;
- **EBT** positive at **4.936 thousands of Euros** (+13,9% yoy);
- The **net profit** is **3.136 thousands of Euros**, with an increase of 47,2%.

Due to the brilliant results of the Digital Bros Group in the first six months of the fiscal year and thank to the positive perspectives of the reference markets, **the company management has decided to positively review the forecasts for the revenues growth and the profitability margins for the Group for the fiscal year 2006-2007**, stated to the market on last July 13<sup>th</sup> 2006. The new values foresee an increase of

the previously approved forecast for **consolidated revenues from 115 millions of Euros to 125 millions of Euros, an EBIT from 8.000 to 10.300 thousands of Euros.**

Thousands of Euros	Actual forecast	Previous forecast	Change %
Consolidated revenues	125.000	115.000	+8,7%
EBIT	10.300	8.000	+28,8%

### Significant events after December 31<sup>st</sup> 2006

- On February 1<sup>st</sup> 2007 Digital Bros has signed an agreement with Bohemia Interactive, international videogames' development company, for the exclusive publishing on the PAL markets of the videogame ArmA: Armed Assault. The game is published by Digital Bros through its subsidiary, 505 Games. The forecasted value of the operation is of roughly 2 millions of Euros for the fiscal year 2006/2007;
- On February 15<sup>th</sup> 2007 the Digital Bros Group has formalized the constitution of RCS DB Games, newco born from the joint venture with RCS Group, announced to the market on November the 11<sup>th</sup>, 2006, for the online entertainment field. The primary focus of the company will be the creation, management and development of an online game channel for the RCS Group's information portals. RCS DB Games will be held 51% by RCS Quotidiani SpA (a subsidiary of RCS MediaGroup) and 49% by Game Media Networks (a wholly owned subsidiary of the Digital Bros Group). The starting total value is 1,5 millions of Euros.

### FURTHER RESOLUTIONS

#### New content providing and publishing activities

Further, the Board of Directors has approved the license agreements recently signed with Mediaset Group for the development of videogames dedicated to the following Italian TV formats: RIS - Delitti Imperfetti and Lucignolo. The agreements foresee the distribution of the games for PC-CD in Italy as well as in the Republic of San Marino and the Vatican City.

The Board of Directors has viewed and approved the activities' plan studied to increase publishing and content providing within the Group's core business, activities wholly in line with the aim to be a Game Entertainment Company.

The most relevant publishing and content providing activities approved today are the following:

1) Digital Bros Group, through its subsidiary 505 Games, has signed the following agreements for the development of videogames, releasing within 2007.

In particular:

- during February 2007, 505 Games has signed an agreement with the Californian company Pronto Games to develop a game for Nintendo Wii related to the popular saga of Zorro;
- during March 2007, 505 Games has signed an agreement with the French games' developer Creative Patterns for the publishing of two new Nintendo DS games, which are part of the kind "life simulation", new gaming style which simulates real life situations through play activities, for example, the preparation of special dishes or the creation of fashion outfits.

2) Finally, the BoD has viewed the key releases for 2007 published by 505 Games, principally for the platforms Nintendo Wii, Xbox360, PSP and Nintendo DS. Among the most relevant there are *Armored Core 4* (PS3 and Xbox360), *Cooking Mama* (Nintendo Wii) and *Bust a Move* (Nintendo Wii, PS2 and PSP).

### **Digital Bros**

*Listed on the Milan Stock Exchange since October 2000 and in the TechSTAR segment as from April 2004, the Digital Bros Group is the largest video game distributor in Italy and one of the leading distributors in the European market.*

*In 1999, Digital Bros began to diversify into new areas of business: video game publishing, the production of game-related television programs, and online gaming.*

*Today the Group operates in three distinct areas of business:*

- *Distribution of video games in Italy: Halifax, DTI and Game Service*
- *International publishing and distribution of games: 505 Games S.r.l. and DB France S.a.r.l.*
- *New Media, production and distribution of entertainment content for the platforms Internet and mobile: Game Media Networks.*

*For further informations:*

**Digital Bros SpA**  
Stefano Salbe  
CFO  
Tel. 02/413031

**Mirella Villa Comunicazione Srl**  
Tel. 02-4980162  
Mirella Villa / Adriana Liguori  
Cell. 335 7592701 / 334 3202718  
[adriana.liguori@villacomunicazione.it](mailto:adriana.liguori@villacomunicazione.it)

**Digital Bros Group**  
**Consolidated balance sheet**

<b>EUR/000</b>	<b>31 december 2006</b>	<b>30 june 2006</b>	<b>31 december 2005</b>
<b>Non-current assets</b>			
Property, plant and equipment	3.286	3.299	3.376
Investment property	455	455	455
Intangible assets	450	684	596
Equity investments	5	5	0
Non-current receivables and other assets	53	53	1.350
Deferred tax assets	4.537	4.537	5.286
<b>Total non-current assets</b>	<b>8.786</b>	<b>9.033</b>	<b>11.063</b>
<b>Non-current liabilities</b>			
Employee benefits	(936)	(803)	(706)
Non-current provisions	(202)	(155)	(116)
Other non-current payables and liabilities	0	0	0
<b>Total non-current liabilities</b>	<b>(1.138)</b>	<b>(958)</b>	<b>(822)</b>
<b>Net working capital</b>			
Inventories	30.058	26.450	23.657
Trade receivables	53.013	22.672	49.173
Tax credits	1.006	437	182
Other current assets	5.892	995	1.201
Trade payables	(14.548)	(5.413)	(8.460)
Taxes payable	(2.669)	(1.158)	(4.024)
Current provisions	0	0	0
Other current liabilities	(2.134)	(2.115)	(3.166)
<b>Total net working capital</b>	<b>70.618</b>	<b>41.868</b>	<b>58.563</b>
<b>Capital and reserves</b>			
Share capital	5.644	5.644	5.644
Reserves	19.443	19.441	18.977
Treasury shares	(671)	(671)	(115)
Earnings (losses) carried forward	7.129	4.788	4.656
<b>Total capital and reserves</b>	<b>31.545</b>	<b>29.202</b>	<b>29.162</b>
<b>Minority interest in capital and reserves</b>	<b>0</b>	<b>0</b>	<b>68</b>
<b>Total</b>	<b>46.721</b>	<b>20.741</b>	<b>39.574</b>
Cash and cash equivalents	5.371	3.994	3.757
Short-term payables to banks	(39.179)	(19.087)	(27.464)
Other current financial liabilities	(8.093)	(1.351)	(10.371)
<b>Current net debt</b>	<b>(41.901)</b>	<b>(16.444)</b>	<b>(34.078)</b>
Non-current financial assets	0	0	0
Non-current payables to banks	(2.925)	(1.006)	(1.879)
Other non-current financial liabilities	(1.895)	(3.291)	(3.617)
<b>Non-current net debt</b>	<b>(4.820)</b>	<b>(4.297)</b>	<b>(5.496)</b>
<b>Total net debt</b>	<b>(46.721)</b>	<b>(20.741)</b>	<b>(39.574)</b>

**Digital Bros Group**  
**Consolidated income statement**

EUR/000	31 december 2006 H1		31 december 2005 H1		Change	
Revenues	81.684	108,6%	73.335	107,7%	8.349	11,4%
Revenue adjustments	(6.494)	-8,6%	(5.213)	-7,7%	(1.281)	24,6%
<b>Total revenues</b>	<b>75.190</b>	<b>100,0%</b>	<b>68.122</b>	<b>100,0%</b>	<b>7.068</b>	<b>10,4%</b>
Purchase of goods for resale	(57.041)	-75,9%	(50.805)	-74,6%	(6.236)	12,3%
Purchase of services for resale	(667)	-0,9%	(148)	-0,2%	(519)	n.s.
Royalties	(2.629)	-3,5%	(2.144)	-3,1%	(485)	22,6%
Change in inventories of finished products	3.608	4,8%	1.468	2,2%	2.140	n.s.
<b>Total cost of goods sold</b>	<b>(56.729)</b>	<b>-75,4%</b>	<b>(51.629)</b>	<b>-75,8%</b>	<b>(5.100)</b>	<b>9,9%</b>
<b>Gross profit (3+8)</b>	<b>18.461</b>	<b>24,6%</b>	<b>16.493</b>	<b>24,2%</b>	<b>1.968</b>	<b>11,9%</b>
Other income	11	0,0%	280	0,4%	(269)	-96,1%
Cost of services	(4.652)	-6,2%	(3.806)	-5,6%	(846)	22,2%
Rent and leasing	(196)	-0,3%	(216)	-0,3%	20	-9,3%
Payroll costs	(4.680)	-6,2%	(4.392)	-6,4%	(288)	6,6%
Other operating expenses	(1.242)	-1,7%	(962)	-1,4%	(280)	29,1%
<b>Total operating expenses</b>	<b>(10.770)</b>	<b>-14,3%</b>	<b>(9.376)</b>	<b>-13,8%</b>	<b>(1.394)</b>	<b>14,9%</b>
<b>EBITDA (9+10+15)</b>	<b>7.702</b>	<b>10,2%</b>	<b>7.397</b>	<b>10,9%</b>	<b>305</b>	<b>4,1%</b>
Depreciation and amortization	(570)	-0,8%	(303)	-0,4%	(267)	88,1%
Provisions	0	0,0%	0	0,0%	0	0,0%
Asset impairment charge	(97)	-0,1%	(1.393)	-2,0%	1.296	-93,0%
Impairment reversal	0	0,0%	0	0,0%	0	0,0%
<b>Total amortization, depreciation and impairment</b>	<b>(667)</b>	<b>-0,9%</b>	<b>(1.696)</b>	<b>-2,5%</b>	<b>1.029</b>	<b>-60,7%</b>
<b>EBIT (16+21)</b>	<b>7.035</b>	<b>9,4%</b>	<b>5.701</b>	<b>8,4%</b>	<b>1.334</b>	<b>23,4%</b>
Interest income	8	0,0%	8	0,0%	(0)	-2,5%
Interest expense	(1.149)	-1,5%	(1.095)	-1,6%	(54)	4,9%
<b>Net interest income (expense)</b>	<b>(1.141)</b>	<b>-1,5%</b>	<b>(1.087)</b>	<b>-1,6%</b>	<b>(54)</b>	<b>5,0%</b>
<b>Profit before taxes (22+25)</b>	<b>5.894</b>	<b>7,8%</b>	<b>4.614</b>	<b>6,8%</b>	<b>1.280</b>	<b>27,7%</b>
Current taxes	(2.416)	-3,2%	(2.311)	-3,4%	(105)	4,5%
Deferred taxes	0	0,0%	0	0,0%	0	0,0%
<b>Total taxes</b>	<b>(2.416)</b>	<b>-3,2%</b>	<b>(2.311)</b>	<b>-3,4%</b>	<b>(105)</b>	<b>4,5%</b>
<b>Net profit (26+29)</b>	<b>3.478</b>	<b>4,6%</b>	<b>2.303</b>	<b>3,4%</b>	<b>1.175</b>	<b>51,0%</b>
Net (Income) loss pertainign to minority	0	0,0%	(63)	-0,1%	63	n.s.
<b>Net profit (30-31)</b>	<b>3.478</b>	<b>4,6%</b>	<b>2.240</b>	<b>3,3%</b>	<b>1.238</b>	<b>55,3%</b>
<b>Earnings per share:</b>						
Basic earnings per share (in EUR)	<b>0,25</b>		<b>0,16</b>		<b>0,09</b>	
Diluted earnings per share (in EUR)	<b>0,25</b>		<b>0,16</b>		<b>0,09</b>	

Income statement Digital Bros S.p.A.

EUR/000	31 december 2006 H1		31 december 2005 H1		Change	
Revenues	74.990	107,3%	74.076	107,5%	914	1,2%
Revenue adjustments	(5.109)	-7,3%	(5.163)	-7,5%	54	-1,0%
<b>Total revenues</b>	<b>69.881</b>	<b>100,0%</b>	<b>68.913</b>	<b>100,0%</b>	<b>968</b>	<b>1,4%</b>
Purchase of goods for resale	(54.076)	-77,4%	(52.070)	-75,6%	(2.006)	3,9%
Purchase of services for resale	0	0,0%	(148)	-0,2%	148	n.s.
Royalties	(1.781)	-2,5%	(2.137)	-3,1%	356	-16,7%
Change in inventories of finished products	1.886	2,7%	1.436	2,1%	450	31,3%
<b>Total cost of goods sold</b>	<b>(53.971)</b>	<b>-77,2%</b>	<b>(52.919)</b>	<b>-76,8%</b>	<b>(1.052)</b>	<b>2,0%</b>
<b>Gross profit (3+8)</b>	<b>15.910</b>	<b>22,8%</b>	<b>15.994</b>	<b>23,2%</b>	<b>(84)</b>	<b>-0,5%</b>
Other income	1.826	2,6%	825	1,2%	1.001	n.s.
Cost of services	(5.281)	-7,6%	(3.503)	-5,1%	(1.778)	50,8%
Rent and leasing	(171)	-0,2%	(150)	-0,2%	(21)	14,7%
Payroll costs	(3.985)	-5,7%	(4.122)	-6,0%	137	-3,3%
Other operating expenses	(1.083)	-1,5%	(925)	-1,3%	(158)	17,1%
<b>Total operating expenses</b>	<b>(10.520)</b>	<b>-15,1%</b>	<b>(8.700)</b>	<b>-12,6%</b>	<b>(1.820)</b>	<b>20,9%</b>
<b>EBITDA (9+10+15)</b>	<b>7.216</b>	<b>10,3%</b>	<b>8.119</b>	<b>11,8%</b>	<b>(903)</b>	<b>-11,1%</b>
Depreciation and amortization	(543)	-0,8%	(215)	-0,3%	(328)	n.s.
Provisions	0	0,0%	0	0,0%	0	0,0%
Asset impairment charge	(600)	-0,9%	(2.514)	-3,6%	1.914	-76,1%
Impairment reversal	0	0,0%	0	0,0%	0	0,0%
<b>Total amortization, depreciation and impairment</b>	<b>(1.143)</b>	<b>-1,6%</b>	<b>(2.729)</b>	<b>-4,0%</b>	<b>1.586</b>	<b>-58,1%</b>
<b>EBIT (16+21)</b>	<b>6,073</b>	<b>8,7%</b>	<b>5,390</b>	<b>7,8%</b>	<b>683</b>	<b>12,7%</b>
Interest income	8	0,0%	7	0,0%	1	14,3%
Interest expense	(1.145)	-1,6%	(1.063)	-1,5%	(82)	7,7%
<b>Net interest income (expense)</b>	<b>(1.137)</b>	<b>-1,6%</b>	<b>(1.056)</b>	<b>-1,5%</b>	<b>(81)</b>	<b>7,7%</b>
<b>Profit before taxes (22+25)</b>	<b>4.936</b>	<b>7,1%</b>	<b>4.334</b>	<b>6,3%</b>	<b>602</b>	<b>13,9%</b>
Current taxes	(1.800)	-2,6%	(2.203)	-3,2%	403	-18,3%
Deferred taxes	0	0,0%	0	0,0%	0	0,0%
<b>Total taxes</b>	<b>(1.800)</b>	<b>-2,6%</b>	<b>(2.203)</b>	<b>-3,2%</b>	<b>403</b>	<b>-18,3%</b>
<b>Net profit (26+29)</b>	<b>3.136</b>	<b>4,5%</b>	<b>2.131</b>	<b>3,1%</b>	<b>1.005</b>	<b>47,2%</b>