



PRESS RELEASE

**DIGITAL BROS GROUP:  
The BoD APPROVES THE RESULTS OF THE FIRST NINE MONTHS  
OF FY 2010-2011**

**Registered a negative quarter, closing nine months where the company chose to postpone the launch of new products due to the market weakness, in the fourth quarter Digital Bros is ready to view the results of Zumba® Fitness, already at the first place in UK charts**

- ✓ *Consolidated gross revenues at € 97.2 Million, down yoy by 19.2% compared to € 120.4 Million at 31 March 2010, in line with market trend and with management forecasts;*
- ✓ *EBITDA negative at € 2,353 thousand (1,434 in the third quarter), against € 4,530 thousand of the same period of previous fiscal year;*
- ✓ *EBIT negative for 2,966 thousand (1,640 in the third quarter), against € 4,105 thousand at 31 March 2010;*
- ✓ *EBT negative for € 5,671 thousand against € 1,425 thousand of the same period of FY 2009-2010;*
- ✓ *Net profit negative at € -3,981 thousand, down if compared to € 421 thousand registered in the same period of previous FY;*
- ✓ *Consistent improvement of the Financial net debt, decreasing for € 7,606 thousand compared to 31 December 2010.*

*Milan, 11 May 2011 – The BoD of Digital Bros, Group listed on the Star segment of the Italian Stock Exchange and active in digital entertainment, has approved today the third quarterly report at 31 March 2011 (3° quarter and first nine months of FY lasting from 1 July 2010 to 30 June 2011).*

Below the main results of the Digital Bros Group showing the Consolidated Income Statement of the first nine months of FY 2010-2011, compared with the previous FY .

The first nine months of FY 2010-2011 register **Gross revenues at € 97.2 Million, down yoy by 19.2% compared to € 120.4 Million**. The reduction of gross revenues is in line with management forecasts and market trend, facing the launch of Microsoft Kinect and Nintendo 3DS and therefore having to manage an important offer of previous gen consoles' products with a consequent decrease in sales prices.

In a market, moving onward very slowly at the moment, and demanding cheaper and less selected products, the Digital Bros Group has chosen to launch internationally only two titles (Grease for Nintendo Wii and DS and HOP for Nintendo DS) and **to postpone to September 2011 the global release of Supremacy MMA** for Microsoft Xbox and Sony Playstation3.

Among the most popular products there is **Zumba® Fitness for Nintendo Wii** released on the English market at the end of March by the subsidiary 505 Games and constantly at the first place in the English charts for game platform during the first five weeks from launch and which maintains the absolute 1st place since two weeks. Thank to the upcoming distribution of the videogame on the French, German and Australian markets, **Zumba® Fitness will lead to a consistent increase in the revenues of International Publishing, enabling to achieve a definitely positive EBIT in the fourth quarter of the current FY.**

The Digital Bros Group has closed the first nine months of FY 2010-2011 with:

- **Consolidated gross revenues** at € 97.2 Million, down yoy by 19.2% compared to € 120.4 Million;
- **EBITDA** negative for € 2,353 thousand (1,434 in the third quarter), down compared to € 4,530 thousand of the first nine months of FY 2009-2010;

- **EBIT** negative for € 2,966 thousand (1,640 in the third quarter), decreasing compared to € 4,105 thousand of the same period of the previous FY;
- **EBT** negative for € 5,671 thousand, down compared to € 1,425 thousand at 31 March 2010;
- **Net profit** negative for € 3,981 thousand, decreasing compared to € 421 thousand of the first nine months of FY 2009-2010.

#### PERFORMANCE BY BUSINESS SEGMENT

The traditional activity of videogames Distribution in Italy registered at 31 March 2011 gross revenues for € 68.2 Million, down yoy by 21.5% compared to € 86.9 Million. In line with the Italian videogame market trend the downsize is the result of the launch of Microsoft Kinect and Nintendo 3DS, which brought the Group to focus more on the sales of products targeted to old gen consoles with consequently reduction in sales prices.

At 31 March 2011 the International Publishing has generated gross revenues for € 28.7 Million, down by 12.4% compared to € 32.7 Million. The decrease in gross revenues is the result of the rationalization of new products' releases which has brought to the launch of only two global products: Grease for Nintendo Wii and Nintendo DS and HOP for Nintendo DS.

The Newsstand segment achieved in the first nine months of FY 2010-2011 sales for € 352 thousand, up yoy (+44.9%) compared to € 243 thousand at 31 March 2010.

The contribution to Revenues and Profitability Margins of the different business areas of the Digital Bros Group in the first nine months of FY 2010-2011 is detailed below:

<i>Consolidated figures in EUR/000</i>	<b>Distribution</b>	<b>Newsstand</b>	<b>Publishing</b>	<b>Holding</b>	<b>Total</b>
GROSS REVENUES	68,204	352	28,700	0	97,256
NET REVENUES	61,820	352	24,002	0	86,174
EBITDA	3,830	(197)	(4,779)	(1,207)	(2,353)
EBIT	3,425	(207)	(4,914)	(1,270)	(2,966)

#### THE FINANCIAL NET POSITION

During the last nine months the Digital Bros Group has reduced significantly the financial net debt, € 50,880 thousand at 31 March 2011, that in fact is decreased of € 4,733 thousand (-8.5%) compared to € 55,613 thousand at 30 June 2010 and of € 7,606 thousand, if compared to € 58,486 thousand (-13%) at 31 December 2010.

#### THE PARENT COMPANY DIGITAL BROS S.p.A.

At 31 March 2011, the parent company Digital Bros S.p.A. has recorded gross revenues for roughly € 66 Million, registering yoy a reduction of 21% compared to roughly € 84 million. In terms of profitability margins, the EBITDA is at € 1,130 thousand, down compared to € 7,596 thousand of the same period of the previous FY; the EBIT is at € 2,670 thousand, decreasing compared to € 6,495 thousand of the same period of FY 2009-2010.

#### BUY BACK

At 31 March 2011 Digital Bros S.p.A. owns 525,247 treasury shares (3.72% of the share capital). During the first nine months of FY 2010-2011 the company didn't purchase nor sell any of them.

#### SIGNIFICANT EVENTS OF THE FIRST NINE MONTHS OF FY 2010-2011

At 21 March 2011 the parent company Digital Bros S.p.A. has signed an agreement with THQ UK Ltd., subsidiary of THQ Inc., for the exclusive distribution on the Italian market of the new videogames series of the global American company releasing over the next twelve months. The Group management has foreseen that the agreement will have an impact on the upcoming year revenues of at least € 10 Million.

#### OUTLOOK

The elements that influenced the market in the first nine months of 2010-2011, in other words the propensity to purchase economic products by final consumers and the selection of a few products, will last over the fourth quarter of the current fiscal year.

The Group will benefit from continue sales of Zumba® Fitness for Nintendo Wii in the fourth quarter as on the English market, where the game was released in the third quarter, as well as on the German, French and Australian markets, where it will release in the fourth quarter. A constant sales flow is foreseen due also to the fact that, during the first five weeks after release on the English market, the product remained among the most sold Wii products and at the first place in charts for over two weeks.

The market trend concerning further products has caused the decision to postpone the release of Supremacy MMA for Microsoft Xbox and Sony Playstation® 3 to September 2011, originally foreseen for June 2011.

Regarding consolidated financial results the fourth quarter should show positive profit margins such to offset partially the loss of the first three quarters of FY. This positive evolution will allow to close FY with a slight decrease in net revenues and a consistent reduction in net loss at 31 March 2011.

**ART. 154-BIS DEL T.U.F.**

*As required by paragraph 2, Art. 154-bis of the Consolidated Finance Act, the financial reporting officer of the Digital Bros Group, Stefano Salbe, declares that the information contained herein corresponds to the Group's records, ledgers and accounting entries.*

**Digital Bros** - [www.digital-bros.net](http://www.digital-bros.net)

Listed on the Milan Stock Exchange since October 2000 and in the STAR section since April 2004, Digital Bros was founded in 1989 as a distributor of video games. Today, the Digital Bros Group is a full-fledged game entertainment corporation: the number one games distributor in Italy and one of the leading players in Europe.

A digital entertainment pioneer and a close watcher of market trends, in recent years the Digital Bros Group has diversified into two main segments:

- **Distribution of video games in Italy:** through the divisions Halifax and DTI and the subsidiaries Game Service and Game Entertainment;
- **International publishing and distribution of games:** through the subsidiary 505 Games and direct operations in the U.K., France, Spain and the USA.

Contacts:

**Digital Bros SpA**

Stefano Salbe  
CFO  
Tel. 02/413031

**Mirella Villa Comunicazione Srl**

Mirella Villa  
Caterina Ruggi d'Aragona  
Tel. 02/4980162

# FINANCIAL STATEMENTS

## DIGITAL BROS GROUP

### CONSOLIDATED BALANCE SHEET AT 31 MARCH 2011

	Eur/000	31 March 2011	30 June 2010	Changes	
	<b>Non-current assets</b>				
1	Property, plant and equipment	4,225	4,146	79	1.9%
2	Investment property	455	455	0	0.0%
3	Intangible assets	435	589	(154)	-26.1%
4	Equity investments	0	0	0	0.0%
5	Non-current receivables and other assets	744	774	(30)	-3.9%
6	Deferred tax assets	4,742	3,581	1,161	32.4%
	<b>Total non-current assets</b>	<b>10,601</b>	<b>9,545</b>	<b>1,056</b>	<b>11.1%</b>
	<b>Non-current liabilities</b>				
7	Employee benefits	(467)	(487)	20	-4.1%
8	Non-current provisions	(310)	(302)	(8)	2.7%
9	Other non-current payables and liabilities	0	0	0	0.0%
	<b>Total non-current liabilities</b>	<b>(777)</b>	<b>(789)</b>	<b>12</b>	<b>-1.5%</b>
	<b>Net working capital</b>				
10	Inventories	32,444	42,029	(9,585)	-22.8%
11	Trade receivables	37,303	43,421	(6,119)	-14.1%
12	Tax credits	2,590	2,194	396	18.1%
13	Other current assets	7,926	6,195	1,731	27.9%
14	Trade payables	(8,744)	(13,862)	5,118	-36.9%
15	Taxes payable	(2,785)	(1,967)	(818)	41.6%
16	Current provisions	0	0	0	0.0%
17	Other current liabilities	(4,622)	(4,584)	(37)	0.8%
	<b>Total net working capital</b>	<b>64,112</b>	<b>73,426</b>	<b>(9,314)</b>	<b>-12.7%</b>
	<b>Capital and reserves</b>				
18	Share capital	(5,644)	(5,644)	0	0.0%
19	Reserves	(19,675)	(19,207)	(468)	2.4%
20	Treasury shares	1,574	1,574	0	0.0%
21	Profit (losses) carried forward	689	(3,292)	3,981	n.s.
	<b>Total capital and reserves</b>	<b>(23,056)</b>	<b>(26,569)</b>	<b>3,513</b>	<b>-13.2%</b>
	<b>Total net assets</b>	<b>50,880</b>	<b>55,613</b>	<b>(4,733)</b>	<b>-8.5%</b>
	<b>Current net debt</b>				
22	Cash and cash equivalents	5,430	5,015	415	8.3%
23	Short-term payables to banks	(52,487)	(57,068)	4,581	-8.0%
24	Other current financial liabilities	(2,102)	(1,507)	(595)	39.4%
	<b>Current net debt</b>	<b>(49,159)</b>	<b>(53,560)</b>	<b>4,401</b>	<b>-8.2%</b>
	<b>Non-current net debt</b>				
25	Non-current financial assets	0	0	0	0.0%
26	Non-current payables to banks	(20)	(390)	370	-94.8%
27	Other non-current financial liabilities	(1,701)	(1,663)	(38)	2.3%
	<b>Non-current net debt</b>	<b>(1,721)</b>	<b>(2,053)</b>	<b>332</b>	<b>-16.2%</b>
	<b>Total net debt</b>	<b>(50,880)</b>	<b>(55,613)</b>	<b>4,733</b>	<b>-8.5%</b>

**DIGITAL BROS GROUP**
**CONSOLIDATED INCOME STATEMENT AT 31 March 2011**

	EUR/000	31 March 2011		31 March 2010		Changes	
1	Gross revenues	97,256	112.9%	120,420	117.0%	(23,164)	-19.2%
2	Revenue adjustments	(11,082)	-12.9%	(17,476)	-17.0%	6,394	-36.6%
<b>3</b>	<b>Total net revenues</b>	<b>86,174</b>	<b>100.0%</b>	<b>102,944</b>	<b>100.0%</b>	<b>(16,770)</b>	<b>-16.3%</b>
4	Purchase of goods for resale	(48,872)	-56.7%	(66,149)	-64.3%	17,277	-26.1%
5	Purchase of services for resale	(554)	-0.6%	(2,161)	-2.1%	1,607	-74.4%
6	Royalties	(5,600)	-6.5%	(5,877)	-5.7%	277	-4.7%
7	Change in inventories of finished products	(9,585)	-11.1%	(647)	-0.6%	(8,938)	n.s.
<b>8</b>	<b>Total cost of goods sold</b>	<b>(64,611)</b>	<b>-75.0%</b>	<b>(74,834)</b>	<b>-72.7%</b>	<b>10,223</b>	<b>-13.7%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>21,563</b>	<b>25.0%</b>	<b>28,110</b>	<b>27.3%</b>	<b>(6,547)</b>	<b>-23.3%</b>
10	Other income	129	0.2%	202	0.2%	(73)	-36.1%
11	Cost of services	(12,016)	-13.9%	(11,268)	-10.9%	(748)	6.6%
12	Rent and leasing	(854)	-1.0%	(716)	-0.7%	(138)	19.4%
13	Payroll costs	(9,840)	-11.4%	(9,883)	-9.6%	43	-0.4%
14	Other operating expenses	(1,335)	-1.5%	(1,915)	-1.9%	580	-30.3%
<b>15</b>	<b>Total operating expenses</b>	<b>(24,039)</b>	<b>-27.9%</b>	<b>(23,782)</b>	<b>-23.1%</b>	<b>(257)</b>	<b>1.1%</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>(2,353)</b>	<b>-2.7%</b>	<b>4,530</b>	<b>4.4%</b>	<b>(6,883)</b>	<b>n.s.</b>
17	Depreciation and amortization	(597)	-0.7%	(615)	-0.6%	18	-3.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(16)	0.0%	0	0.0%	(16)	0.0%
20	Impairment reversal	0	0.0%	190	0.2%	(190)	-100.0%
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>(613)</b>	<b>-0.7%</b>	<b>(425)</b>	<b>-0.4%</b>	<b>(188)</b>	<b>44.3%</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>(2,966)</b>	<b>-3.4%</b>	<b>4,105</b>	<b>4.0%</b>	<b>(7,071)</b>	<b>n.s.</b>
23	Interest income	547	0.6%	363	0.4%	184	50.5%
24	Interest expense	(3,252)	-3.8%	(3,043)	-3.0%	(209)	6.9%
<b>25</b>	<b>Net interest income (expense)</b>	<b>(2,705)</b>	<b>-3.1%</b>	<b>(2,680)</b>	<b>-2.6%</b>	<b>(25)</b>	<b>1.0%</b>
<b>26</b>	<b>Profit before taxes (22+25)</b>	<b>(5,671)</b>	<b>-6.6%</b>	<b>1,425</b>	<b>1.4%</b>	<b>(7,096)</b>	<b>n.s.</b>
27	Current taxes	529	0.6%	(915)	-0.9%	1,444	n.s.
28	Deferred taxes	1,161	1.3%	(89)	-0.1%	1,250	n.s.
<b>29</b>	<b>Total taxes</b>	<b>1,690</b>	<b>2.0%</b>	<b>(1,004)</b>	<b>-1.0%</b>	<b>2,694</b>	<b>n.s.</b>
<b>30</b>	<b>Net profit (26+29)</b>	<b>(3,981)</b>	<b>-4.6%</b>	<b>421</b>	<b>0.4%</b>	<b>(4,402)</b>	<b>n.s.</b>
	<b>Earnings per share:</b>						
<b>33</b>	<b>Basic earnings per share (in EUR)</b>	<b>(0.29)</b>		<b>0.03</b>		<b>(0.32)</b>	<b>n.s.</b>
<b>34</b>	<b>Diluted earnings per share (in EUR)</b>	<b>(0.29)</b>		<b>0.03</b>		<b>(0.32)</b>	<b>n.s.</b>

## DIGITAL BROS GROUP

### CONSOLIDATED CASH FLOW STATEMENT AT 31 MARCH 2011

	EUR/000	31 March 2011	31 March 2010
<b>A, Opening net debt</b>		<b>(55,613)</b>	<b>(60,013)</b>
<b>B, Cash flow from operating activities</b>			
Group's share of net profit (loss) for the year		(3,981)	421
Depreciation, amortization and provisions:			0
Amortization		201	246
Depreciation		396	369
Net change in other provisions		(20)	30
Net change in employee benefit provisions		8	(5)
<b>TOTAL</b>		<b>(3,396)</b>	<b>1,061</b>
<b>C, Change in net working capital</b>			
Inventories		9,585	647
Trade receivables		6,119	2,394
Tax credits		(396)	878
Other current assets		(1,731)	5,214
Trade payables		(5,118)	(3,441)
Taxes payable		818	735
Current provisions		0	0
Other current liabilities		37	1,105
<b>TOTAL</b>		<b>9,314</b>	<b>7,532</b>
<b>D, Cash flow from investing activities</b>			
Investments in intangible assets		(47)	(154)
Investments in property, plant and equipment		(475)	(701)
Investments in financial fixed assets		(1,131)	1,112
<b>TOTAL</b>		<b>(1,653)</b>	<b>257</b>
<b>E, Cash flow from financing activities</b>			
Capital increases		0	0
<b>TOTAL</b>		<b>0</b>	<b>0</b>
<b>F, Movements in consolidated capital and reserves</b>			
Dividends paid		0	0
Change in treasury shares held		0	0
Increases (decreases) in other components of capital and reserves		468	(14)
<b>TOTAL</b>		<b>468</b>	<b>(14)</b>
<b>G, Cash flow for the period (B+C+D+E+F)</b>		<b>4,733</b>	<b>8,836</b>
<b>H, Final financial net position (A+G)</b>		<b>(50,880)</b>	<b>(51,177)</b>

## SEGMENT REPORTING

### CONSOLIDATED INCOME STATEMENT AT 31 MARCH 2011

	Consolidated figures in EUR/000	Distribution Italy	Kiosk	New media	International Publishing	Holding
1	Gross revenues	68,204	352	28,700	0	97,256
2	Revenue adjustments	(6,384)	0	(4,698)	0	(11,082)
<b>3</b>	<b>Total net revenues</b>	<b>61,820</b>	<b>352</b>	<b>24,002</b>	<b>0</b>	<b>86,174</b>
4	Purchase of goods for resale	(38,792)	(184)	(9,896)	0	(48,872)
5	Purchase of services for resale	0	(39)	(515)	0	(554)
6	Royalties	(92)	0	(5,508)	0	(5,600)
7	Change in inventories of finished products	(7,225)	(275)	(2,085)	0	(9,585)
<b>8</b>	<b>Total cost of goods sold</b>	<b>(46,109)</b>	<b>(498)</b>	<b>(18,004)</b>	<b>0</b>	<b>(64,611)</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>15,711</b>	<b>(146)</b>	<b>5,998</b>	<b>0</b>	<b>21,563</b>
10	Other income	84	0	46	0	129
11	Cost of services	(6,148)	(51)	(5,690)	(127)	(12,016)
12	Rent and leasing	(580)	0	(273)	(1)	(854)
13	Payroll costs	(4,450)	0	(4,470)	(920)	(9,840)
14	Other operating expenses	(786)	0	(390)	(159)	(1,335)
<b>15</b>	<b>Total operating expenses</b>	<b>(11,964)</b>	<b>(51)</b>	<b>(10,823)</b>	<b>(1,207)</b>	<b>(24,045)</b>
<b>16</b>	<b>EBITDA (9+10+15)</b>	<b>3,830</b>	<b>(197)</b>	<b>(4,779)</b>	<b>(1,207)</b>	<b>(2,353)</b>
17	Depreciation and amortization	(399)	0	(135)	(63)	(597)
18	Provisions	0	0	0	0	0
19	Asset impairment charge	(6)	(10)	0	0	(16)
20	Impairment reversal	0	0	0	0	0
<b>21</b>	<b>Total depreciation, amortization and impairment</b>	<b>(405)</b>	<b>(10)</b>	<b>(135)</b>	<b>(63)</b>	<b>(613)</b>
<b>22</b>	<b>EBIT (16+21)</b>	<b>3,425</b>	<b>(207)</b>	<b>(4,914)</b>	<b>(1,270)</b>	<b>(2,966)</b>