



## PRESS RELEASE

The Board Approves the Consolidated Six-month Report to 31 December 2004

The Digital Bros Group closed the first six months of fiscal year 2004-05 with revenue of € 60.9 million (+ 25%), EBITDA of € 8.5 million (+55%), EBIT of € 6.0 million (+155%) and pretax earnings of € 3.8 million.

*The consolidated net financial position at 31 Dec 04 was € 22.4 million, in line with the position at 31 Dec 2003, despite € 3.7 million in investments to enhance distribution synergies. These included an investment of € 2.5 million for a new logistics facility of 3,400 m<sup>2</sup>.*

*Forecasts for the year ending 30 June 2005 confirmed:  
Sales of € 87.1 million, EBITDA of € 7.4 million,  
EBIT of € 5.4 million and pretax earnings of € 3 million.*

Milan, 24 March 2005 - The Board of Directors of Digital Bros, a “digital entertainment” group listed on techSTAR of the Italian Stock Exchange, meeting today under the chairmanship of Abramo Galante, approved the six-month report to 31 Dec 04 showing greatly improved results in terms of both revenue and profit margins.

Highlights of the consolidated income state compared with the results for the first six months of 2003-04:

- Consolidated revenues of € 60.877 million, with growth of 25%.
- Gross operating margin (EBITDA) rose 55% to € 8.546 million, corresponding to 14% of revenue;
- Operating result (EBIT) was € 5.983 million, 155% greater than in the six months ended 31 Dec 03 (€ 2.345 million);
- Earnings before taxes (EBT) were a positive € 3.750 million, with an improvement of € 6.668 million.

Parent company Digital Bros S.p.A. reported half-year revenue of € 60.234 million, versus € 47.785 million in the corresponding period of 2002-03, thus confirming its position of leadership in the Italian digital entertainment market.

During the first six months of the year, Digital Bros intensified investment activity, equal to € 3.7 million, following the guidelines of a strategy aimed at exploiting distribution synergies. This required, among other things, investing in a new logistics facility, with the purchase of a 3,400-m2 building at a cost of € 2.5 million.

Profit performance in the period enabled the group to keep net financial debt at the same level as 31 December 2003, despite the intensified investment activity. The consolidated net financial position at 31 December 2004 was € 22.4 million, in line with that at 31 December 2003 (22.3 million).

Based on the results of the first six months, the company confirms its forecasts for the fiscal year ending 30 June 2005: consolidated revenue of € 87.1 million, EBITDA of € 7.4 million, EBIT of € 5.4 million and pretax earnings of € 3 million.



### **Salient events since the end of the first six months of fiscal year 2004-05:**

January 2005: Digital Bros announced the creation of a new division—DTI, Distribution Trade Italy—completely dedicated to international publishers that operate directly in the domestic market through their own branches. Through DTI, Digital Bros will provide these publishers value-added services related to distribution, logistics and CRM, enhancing the effectiveness of their strategies in Italy.

February 2005: Digital Bros announced the formation of D3DB, a 50/50 joint venture with D3 Publisher, a Tokyo-based company world leader in the development and publishing of economical console videogames. D3DB's objective is to become the principal player in the economical videogames market through the distribution of D3 Publisher titles in Europe, the Middle East, Australia and New Zealand.

March 2005: On the day of its launch in Italy, the new videogame Metal Gear Solid 3 “Snake Eater”, third chapter in the popular saga produced by Konami Corporation and distributed in the Italian market by Digital Bros, sold 150,000 copies, generating revenue of € 6.6 million.

March 2005: On 23 March 2005 Société Générale converted 800 convertible bonds valued at € 800,000 into 254,777 common shares of Digital Bros, equal to 1.86% of the post-conversion capital stock.

#### **Digital Bros**

*Listed on the Stock Exchange in October 2000 and on TechSTAR of the Nuovo Mercato in April 2004, the Digital Bros Group has been operating since 1989 in the videogames distribution sector. Today it is absolute leader in that activity in the Italian market and among the top players in Europe.*

*In 1999, Digital Bros initiated a process to diversify its activities by forming three new businesses: videogames publishing, a thematic digital TV channel that broadcasts videogame-dedicated programming 24 hours a day, and online gaming activity.*

*Today, therefore, the Group operates in four distinct business areas:*

- Videogames distribution: Halifax and DTI (Distribution Trade Italia)
- Publishing: 505 Game Street
- Digital television: Game Network TV
- Pay-to-Play Online Gaming: Game Network Online.

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## Consolidated Six-month Situation to 31 December 2004

### Balance Sheet

Amounts in € thousands

<b>ASSETS:</b>	<b>31 December 2004</b>	<b>30 June 2004</b>	<b>31 December 2003</b>
<b>B) Non-current assets</b>			
I - Intangible assets			
1) organization and expansion costs	386	659	1,196
4) concessions, licenses, trademarks and similar rights	947	714	1,423
5) goodwill	0	467	524
6) noncurrent assets in process and payments on account	922	909	587
7) other	80	76	147
<b>Total intangible assets</b>	<b>2,335</b>	<b>2,825</b>	<b>3,877</b>
II - Property, plant and equipment			
1) land and buildings	2,946	455	461
2) plant and machinery	3	6	9
3) Industrial and commercial equipment	448	450	523
4) other assets	3	1	2
<b>Total Property, Plant and Equipment</b>	<b>3,400</b>	<b>912</b>	<b>995</b>
III - Noncurrent financial assets			
2) receivables			
e) due from others			
b) Amounts collectible beyond 12 months	44	47	7
<b>Total noncurrent financial assets</b>	<b>44</b>	<b>47</b>	<b>7</b>
<b>Total Noncurrent Assets (B)</b>	<b>5,779</b>	<b>3,784</b>	<b>4,879</b>
<b>C) Current assets</b>			
I - Inventories			
4) finished goods and goods for resale	20,304	18,672	17,980
<b>Total Inventories</b>	<b>20,304</b>	<b>18,672</b>	<b>17,980</b>
II - Receivables (net)			
1) trade			
a) Amounts collectible within 12 months	27,474	18,545	22,967
b) Amounts collectible beyond 12 months	1,740	2,414	2,851
2) subsidiaries			
b) Amounts collectible beyond 12 months	3,640	3,639	3,636
6) others			
a) Amounts collectible within 12 months	3,212	2,401	1,365
b) Amounts collectible beyond 12 months	2,305	2,542	2,427
<b>Total Receivables</b>	<b>38,371</b>	<b>29,541</b>	<b>33,246</b>
III - Investments not carried as noncurrent assets			
4) own shares	97	97	0
5) other securities	2,583	3,293	3,502
<b>Total financial assets</b>	<b>2,680</b>	<b>3,390</b>	<b>3,502</b>
IV - Cash and cash equivalents			
1) bank and P.O. deposits	1,523	1,691	1,830
3) cash and valuables on hand	6	24	5
<b>Total Cash and cash equivalents</b>	<b>1,529</b>	<b>1,715</b>	<b>1,835</b>
<b>Total current assets (C)</b>	<b>62,884</b>	<b>53,318</b>	<b>56,563</b>
D) Prepaid expense and accrued income			
<b>b) Prepaid expense (D)</b>	<b>319</b>	<b>402</b>	<b>564</b>
<b>Total assets (B+C+D)</b>	<b>68,982</b>	<b>57,504</b>	<b>62,006</b>



<b>LIABILITIES:</b>	<b>31 December 2004</b>	<b>30 June 2004</b>	<b>31 December 2003</b>
A) Shareholders' equity			
I - Capital	5,388	5,388	5,388
II - Share premium reserve	37,685	37,688	37,785
IV - Legal reserve	260	258	258
VI Own shares in portfolio	97	97	0
VIII - Retained earnings (losses)	(22,737)	(23,196)	(23,196)
<b>Sub-total</b>	<b>20,693</b>	<b>20,235</b>	<b>20,235</b>
IX - New profit (loss) for the period	3,749	457	255
<b>Total Shareholders' equity (A)</b>	<b>24,442</b>	<b>20,692</b>	<b>20,490</b>
B) Provisions			
2) for taxes	0	0	54
3) other	4,911	4,018	3,101
<b>Total Provisions (B)</b>	<b>4,911</b>	<b>4,018</b>	<b>3,155</b>
<b>Staff severance indemnity fund (C)</b>	<b>603</b>	<b>589</b>	<b>555</b>
D) Payables:			
2) convertible bonds			
a) Amounts payable within 12 months	2,170	0	0
b) Amounts payable beyond 12 months	0	2,170	2,170
4) amounts owed to banks			
a) Amounts payable within 12 months	22,564	18,711	25,345
5) amounts owed to other lenders			
a) Amounts payable within 12 months	96		
b) Amounts payable within 12 months	1,777	168	169
6) payments on account			
a) Amounts payable within 12 months	271	0	0
7) trade payables			
a) Amounts payable within 12 months	9,398	7,495	7,060
12) taxes payable			
a) Amounts payable within 12 months	399	1,977	1,774
13) amounts payable to pension and social-security institutes			
a) Amounts payable within 12 months	190	163	187
14) other payables			
a) Amounts payable within 12 months	733	767	513
<b>Total Payables (D)</b>	<b>37,598</b>	<b>31,451</b>	<b>37,218</b>
E) Accrued expense and deferred income			
a) Accrued expense	1,292	621	588
b) Deferred income	136	133	0
<b>Total Accrued Expense and Deferred Income (E)</b>	<b>1,428</b>	<b>754</b>	<b>588</b>
<b>Total liabilities and shareholders' equity (A+B+C+D+E)</b>	<b>68,982</b>	<b>57,504</b>	<b>62,006</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
a) Guarantees granted	4,356	3,354	775
b) Derivatives contracts	23,000	10,888	28,446
e) Commitments	0	0	2,777
<b>Total off-balance sheet items</b>	<b>27,356</b>	<b>14,242</b>	<b>31,998</b>



## Consolidated Income Statement

Amounts in □ thousands

	1st half 2003-04	1st half 2002-03
A) Value of production		
1) revenue from sales and services	60,877	48,513
2) changes in inventories of finished goods	1,632	2,363
5) other revenue and gains:		
a) other revenue	292	328
<b>Total value of production</b>	<b>62,801</b>	<b>51,204</b>
B) Costs of production		
6) raw materials, ancillaries, consumables and goods for resale	44,290	37,244
7) services acquired	7,239	6,024
8) use of third-party assets	172	252
9) personnel-related expense:		
a) salaries and wages	1,436	1,156
b) payroll contributions	445	426
c) severance indemnity	97	96
10) amortization/depreciation and write-downs:		
a) amortization of intangible assets	1,543	1,821
b) depreciation of property, plant and equipment	123	111
d) write-downs of receivables included in current assets	173	876
12) provisions	897	366
14) other operating expenses	404	487
<b>Total costs of production</b>	<b>56,819</b>	<b>48,859</b>
<b>Difference between value and costs of production (A-B)</b>	<b>5,982</b>	<b>2,345</b>
C) Financial income (expense)		
16) other financial income		
c) from investments carried as current assets	0	19
e) other income	65	5
17) interest and other financial expense		
e) other interest and financial expense	(1,612)	(1,339)
<b>Total interest and financial expense</b>	<b>(1,547)</b>	<b>(1,315)</b>
D) Impairment losses on financial assets		
19) impairment losses		
a) equity investments	0	(566)
b) investments carried as noncurrent assets	0	(3,069)
<b>Total impairment losses</b>	<b>0</b>	<b>(3,635)</b>
E) Extraordinary income (expense)		
20) income		
b) other income	43	36
21) expense		
c) other expense	(729)	(349)
<b>Total extraordinary items, net (20-21)</b>	<b>(686)</b>	<b>(313)</b>
<b>Pre-tax result (A-B+C+-D+-E)</b>	<b>3,749</b>	<b>(2,918)</b>