



## PRESS RELEASE

The BoD approved the consolidated quarterly report as at 30 June 2006

### The Digital Bros Group closes the 2005-2006 financial year with Revenues growing by 18.8% yoy and Pre-tax profit increasing by 16.2% yoy

2005-2006 Operating results (in thousands of Euros)	30.06.06	30.06.05	Change	% Change
Consolidated Gross Revenues	113,022	95,150	17,872	18.8%
Gross operating margin (Ebitda)	10,074	8,681	1,393	16.0%
Operating margin (Ebit)	8,083	8,103	(20)	-0.2%
Pre-tax profit (Ebt)	5,873	5,055	818	16.2%

**During the financial year closed on 30 June 2006, the Digital Bros Group recorded an annual increase in revenues of 18.8% and a growth of Ebitda (+16%) and Ebt (+16.2%) in line with the forecast announced last 13 May already upgrading the budget forecasted at the beginning of the fiscal year.**

*Milan, 2 August 2006* – The Board of Directors of **Digital Bros** - Group operating in the “*digital entertainment*” sector and listed on the TechSTAR of the Italian Stock Exchange - met today **under the chairmanship of Abramo Galante** for the approval of the Quarterly Report as at 30 June 2006, which represents the last quarter of the Group’s financial year.

Consolidated Profit and Loss Account realized in the financial year from 1 July 2005 to 30 June 2006 and the results achieved to the fourth quarter closed on 30 June 2006 are indicated below. The results are compared with those relating to the same period of the previous fiscal year, and prepared in line with the IAS/IFRS accounting principles.

The Consolidated profit and loss account as at 30 June 2006 shows growing revenues and profitability margins, in line with the last forecast prepared by the company management at the third quarter report approval. The figures of the profit and loss account correspond to, and in some cases are slightly higher than, the highest range values expected and announced last 13 May, which were the results of an upgrading compared to the values forecasted in the budget prepared at the beginning of the fiscal year.

The Group recorded **Euro 113 million consolidated gross revenues** in the 2005-2006 financial year, exceeding the last forecasted, ranging from Euro 108 to 110 million. **Gross Operating Margin (Ebitda)** grows by **+16%**, equal to Euro 10,074 million compared to Euro



8,681 million realized last year. **Ebit** is equal to Euro **8,083 million** in line with previous year (-0.2%). **Pre-tax profit** is equal to Euro 5,873 million, showing an yoy increase of **+16.2%**.

During the **2005-2006 financial year** the Digital Bros Group recorded an increase of 18,8% in the consolidated Gross Revenues, mainly due to the **positive trend of the core business of distribution (86% of consolidated revenues) and to the growing contribution of the international publishing activities and kiosk distribution**. This is the result of the internationalisation strategy implemented by the Group over the last two years. It is expected that the two segment will continue to represent high profitability strategic activities in the next future.

The increase in the income margins is due to several factors, in particular:

- to the international publishing activity; where the Group realized higher margins compared to the core business. In this activity, the Group recorded in the more than a 100% revenue growth from Euro 4 million realized in the previous fiscal year to Euro 8.6 million of the current fiscal year. EBIT shows a growth equal to Euro 2.641 million and represents the 30.5% of total gross revenues of the segment;
- to the diversification in distribution due to the continuous research by the Group of new sales channels, such as newsstands that will enhance the distribution network with a capillar presence in the Italian territory. The EBIT of the segment is Euro 2.528 million and represents more than 40% of total gross revenues of the segment;

The following table shows Revenues and profitability margins by the different business segment of the Digital Bros group:

<b>2005-2006 Operating results by business area</b> (in thousands of Euros)	<b>Distribution</b>	<b>Publishing</b>	<b>Newsstand</b>	<b>New Media</b>	<b>Holding</b>	<b>Consolidated</b>
Sales Revenues	97,809	8,655	6,055	503	0	113,022
Gross operating margin (Ebitda)	8,677	2,757	2,528	(2,228)	(1,661)	10,074
Operating result (Ebit)	7,567	2,641	2,528	(2,791)	(1,861)	8,084

The Profit and Loss Account of **the fourth quarter of the 2005-2006 financial year** are set below. The results are compared with those relating to the same period of the previous fiscal year:

- Consolidated revenues equal to Euro 15.007 million, compared to Euro 13.578 million realized in the last quarter of the previous financial year, with a growth of 10.5%;



- Gross operating margin (Ebitda) equal to Euro 800 thousands compared to 811 thousands of the previous financial year;
- Operating result (Ebit) equal to Euro 667 thousands, compared to Euro 792 thousands;
- Pre-tax profit (Ebt) at Euro 87 thousands compared to Euro 272 thousand of the previous financial year.

**Consolidated Net Financial Debts** of the Digital Bros Group at 30 June 2006 was Euro 20.741 million, declining from Euro 27.436 million at 31 March 2006 (Euro 21.700 million of the previous year).

#### 2006-2007 outlook

Digital Bros Group estimates for the financial year from 1 July 2006 to 30 June 2007 **consolidated gross revenues for Euro 115.1 million (+1.8% yoy)**, and an **EBIT equal to Euro 8 million**, in line with the EBIT realized the current fiscal year. The table below shows the expected consolidated revenues by segment for the next fiscal year compared with actual figures:

Turnover in thousands of Euros	30 June 2006 ACTUAL	30 June 2007 BUDGET	Changes	Changes %
Distribution	97,809	92,000	-5,809	-6.0%
Newsstand	6,055	5,200	-855	-14.1%
New Media	503	900	397	78.9%
Publishing	8,655	17,000	8,345	96.4%
<b>Total</b>	<b>113,022</b>	<b>115,100</b>	<b>2,078</b>	<b>1.8%</b>

During the financial year closed at 30 June 2006, the **Holding Company Digital Bros S.p.A** achieved net revenues for Euro 100.808 million with a 14.7% growth compared to the previous financial year (Euro 87.896 million in the previous financial year). Pre-tax profit (Ebt) is equal to Euro 4.971 million, with a 19,2% growth (Euro 4.170 million in the previous financial year).

#### 4th quarter main events

Digital Bros Group signed two significant **exclusive agreements** with international publishers, **Square Enix** - a Japanese company developing, publishing and distributing software for interactive entertainment - and **Sega Europe Limited**, European division of Sega Japan during the fourth quarter. The agreements provide for the exclusive distribution of some new successful videogame products in Italy through Halifax - Group division operating in the localisation and distribution of video games on the Italian market.



**Raphael Galante, Managing Director of Digital Bros**, commented: *“The operating results are extremely positive and above expectations, confirming the validity of the strategies implemented by Digital Bros. Once again, we have efficiently met market requirements and managed to face up the temporary moment related to the launch of the new consoles. Internationalisation mainly related to the publishing activity and to the innovations in distribution adopted over the last months was a key factor of the Group's success. We are more than optimist for the year 2007, during which a further 2% growth is expected.”*

### **Digital Bros**

*Listed on the Stock Exchange since October 2000 and at the TechSTAR of the Italian Stock Exchange since April 2004, the Digital Bros Group has been working in the field of videogame distribution since 1989; today, it is an absolute leading group in this business on the Italian market and among the first players of the European market.*

*In 1999, Digital Bros started a business diversification process that led to new business areas: videogame publishing, production of television programs related to the world of video games, online gaming.*

*Today the Group works in three separate business areas:*

- Videogame distribution in Italy: Halifax, DTI and Game Service*
- International publishing and distribution of video games: 505 Games Ltd and DB France S.a.r.l.*
- Production and distribution of contents related to entertainment for the television, Internet and mobile platforms: Game Media Networks.*

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## Annex 1

### Profitability Margins:

12 months consolidated in thousands of euros	30 June 2006	30 June 2005	Changes	
Gross revenues	113,022	95,150	17,872	18.8%
Gross operating margin (EBITDA)	10,074	8,681	1,393	16.0%
Operating result (EBIT)	8,083	8,103	(20)	-0.2%
Pre-tax profit (EBT)	5,873	5,055	818	16.2%

3 months consolidated in thousands of euros	30 June 2006	30 June 2005	Changes	
Gross revenues	15,007	13,578	1,429	10.5%
Gross operating margin (EBITDA)	800	811	(11)	-1.4%
Operating result (EBIT)	667	792	(125)	-15.8%
Pre-tax profit (EBT)	87	272	(185)	-68.0%

### Holding company profitability margins:

Digital Bros S.p.A. 12 months in thousands of euros	30 June 2006	30 June 2005	Changes	
Gross revenues	100,808	87,896	12,912	14.7%
Gross operating margin (EBITDA)	9,474	9,037	437	4.8%
Operating result (EBIT)	7,159	7,151	8	0.1%
Pre-tax profit (EBT)	4,971	4,170	801	19.2%



## Annex 2

### Digital Bros Group - Quarterly Report at 30 June 2006

#### Consolidated financial statement at 30 June 2006

	Thousands of euros	30 June 2006	30 June 2005
	<b>Non-current assets</b>		
1	Real estate property, plants and machinery	3,328	3,479
2	Investment property	455	455
4	Intangible fixed assets	684	613
5	Equity investments in subsidiary companies	5	0
6	Receivables and other non-current assets	52	1,714
7	Pre-paid taxes	4,495	5,287
	<b>Total non-current assets</b>	<b>9,019</b>	<b>11,548</b>
	<b>Non-current liabilities</b>		
8	Employee benefits	(803)	(626)
9	Non-current funds	(155)	(71)
10	Other payables and non-current liabilities	0	0
	<b>Total non-current liabilities</b>	<b>(958)</b>	<b>(697)</b>
	<b>Net working capital</b>		
11	Inventory	26,450	22,189
12	Trade receivables	22,673	22,320
13	Tax receivables	437	599
15	Other current assets	1,267	1,331
16	Trade payables	(4,114)	(4,183)
17	Accounts payables	(1,703)	(1,388)
18	Current funds	0	0
19	Other current liabilities	(2,115)	(2,112)
	<b>Total net working capital</b>	<b>42,895</b>	<b>38,756</b>
	<b>Shareholders' equity</b>		
20	Share Capital	5,644	5,644
21	Reserves	19,339	40,857
30	Treasury stock	(671)	(268)
22	Retained earnings (losses)	5,903	(18,326)
	<b>Total shareholders' equity</b>	<b>30,215</b>	<b>27,907</b>
	<b>Total</b>	<b>20,741</b>	<b>21,700</b>
23	Cash and cash equivalents	3,354	5,218
24	Bank borrowings- Short-term	(18,447)	(18,886)
25	Other short-term financial liabilities	(1,351)	(3,255)
	<b>Current net financial position</b>	<b>(16,444)</b>	<b>(16,923)</b>
26	Non-current financial assets	0	0
27	Bank borrowings – Non-current	(2,367)	(1,000)
28	Other non-current financial liabilities	(1,930)	(3,777)
	<b>Non-current net financial position</b>	<b>(4,297)</b>	<b>(4,777)</b>
	<b>Total net financial position</b>	<b>(20,741)</b>	<b>(21,700)</b>



## Consolidated Profit and Loss account of the 2005/2006 financial year

	Thousands of euros	30 June 2006		30 June 2005		Changes	
1	Gross revenues	113.022	106.4%	95.150	106.3%	17.872	18.8%
2	Revenue adjustments	(6,811)	-6.4%	(5,677)	-6.3%	(1,134)	20.0%
<b>3</b>	<b>Total Net revenues</b>	<b>106,211</b>	<b>100.0%</b>	<b>89,473</b>	<b>100.0%</b>	<b>16,738</b>	<b>18.7%</b>
4	Purchase of products	(76,452)	-72.0%	(67,672)	-75.6%	(8,780)	13.0%
5	Purchase of services	(1,429)	-1.3%	(615)	-0.7%	(814)	n.s.
6	Royalties	(5,013)	-4.7%	(2,873)	-3.2%	(2,140)	74.5%
7	Change in inventory	3,926	3.7%	4,307	4.8%	(381)	-8.8%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(78,968)</b>	<b>-74.4%</b>	<b>(66,853)</b>	<b>-74.7%</b>	<b>(12,115)</b>	<b>18.1%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>27,243</b>	<b>25.6%</b>	<b>22,620</b>	<b>25.3%</b>	<b>4,623</b>	<b>20.4%</b>
10	Other revenues	194	0.2%	426	0.5%	(232)	-54.5%
11	Costs for services	(7,083)	-6.7%	(5,247)	-5.9%	(1,836)	35.0%
12	Rents and leases	(459)	-0.4%	(429)	-0.5%	(30)	7.0%
13	Salaries and Wages	(8,174)	-7.7%	(7,127)	-8.0%	(1,047)	14.7%
14	Other operating costs	(1,647)	-1.6%	(1,562)	-1.7%	(85)	5.4%
<b>15</b>	<b>Total operating costs</b>	<b>(17,363)</b>	<b>-16.3%</b>	<b>(14,365)</b>	<b>-16.1%</b>	<b>(2,998)</b>	<b>20.9%</b>
<b>16</b>	<b>Gross operating margin (9+10+15)</b>	<b>10,074</b>	<b>9.5%</b>	<b>8,681</b>	<b>9.7%</b>	<b>1,393</b>	<b>16.0%</b>
17	Amortizations and depreciations	(595)	-0.6%	(504)	-0.6%	(91)	18.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-offs	(1,396)	-1.3%	(74)	-0.1%	(1,322)	n.s.
20	Revaluations	0	0.0%	0	0.0%	0	0.0%
<b>21</b>	<b>Total net non-monetary operating costs</b>	<b>(1,991)</b>	<b>-1.9%</b>	<b>(578)</b>	<b>-0.6%</b>	<b>(1,413)</b>	<b>244.5%</b>
<b>22</b>	<b>Operating margin (16+21)</b>	<b>8,083</b>	<b>7.6%</b>	<b>8,103</b>	<b>9.1%</b>	<b>(20)</b>	<b>-0.2%</b>
23	Interest receivables	45	0.0%	202	0.2%	(157)	-77.7%
24	Interest payables	(2,255)	-2.1%	(3,250)	-3.6%	995	-30.6%
<b>25</b>	<b>Total net interest</b>	<b>(2,210)</b>	<b>-2.1%</b>	<b>(3,048)</b>	<b>-3.4%</b>	<b>838</b>	<b>-27.5%</b>
<b>26</b>	<b>Pre-tax profit (22+25)</b>	<b>5,873</b>	<b>5.5%</b>	<b>5,055</b>	<b>5.6%</b>	<b>818</b>	<b>16.2%</b>
27	Current income taxes	(2,861)	-2.7%	(2,294)	-2.6%	(567)	24.7%
28	Deferred income taxes	834	0.8%	1,641	1.8%	(807)	-49.2%
<b>29</b>	<b>Total taxes</b>	<b>(2,027)</b>	<b>-1.9%</b>	<b>(653)</b>	<b>-0.7%</b>	<b>(1,374)</b>	<b>210.4%</b>
<b>30</b>	<b>Net profit (26+29)</b>	<b>3,846</b>	<b>3.6%</b>	<b>4,402</b>	<b>4.9%</b>	<b>(556)</b>	<b>-12.6%</b>
	<b>Net earnings per share:</b>						
33	Base earnings per share (in Euro)	0,27		0,31		(0,04)	
34	Diluted earnings per share (in Euro)	0,27		0,31		(0,04)	



## Consolidated profit and loss account of the fourth quarter of the 2005/2006 financial year

	Thousands of euros	30 June 2006 Q4		30 June 2005 Q4		Changes	
1	Gross revenues	15,754	105.0%	15,842	116.7%	(88)	-0.6%
2	Revenue adjustments	(747)	-5.0%	(2,264)	-16.7%	1,517	-67.0%
<b>3</b>	<b>Total Net revenues</b>	<b>15,007</b>	<b>100.0%</b>	<b>13,578</b>	<b>100.0%</b>	<b>1,429</b>	<b>10.5%</b>
4	Purchase of products	(9,602)	-64.0%	(8,422)	-62.0%	(1,180)	14.0%
5	Purchase of services	(296)	-2.0%	(615)	-4.5%	319	n.s.
6	Royalties	(1,039)	-6.9%	(980)	-7.2%	(59)	6.0%
7	Change in inventory	1,153	7.7%	(65)	-0.5%	1,218	-1873.8%
<b>8</b>	<b>Total cost of goods sold</b>	<b>(9,784)</b>	<b>-65.2%</b>	<b>(10,082)</b>	<b>-74.3%</b>	<b>298</b>	<b>-3.0%</b>
<b>9</b>	<b>Gross profit (3+8)</b>	<b>5,223</b>	<b>34.8%</b>	<b>3,496</b>	<b>25.7%</b>	<b>1,727</b>	<b>49.4%</b>
10	Other revenues	2	0.0%	71	0.5%	(69)	-97.2%
11	Costs for services	(2,093)	-13.9%	(417)	-3.1%	(1,676)	401.9%
12	Rents and leases	(121)	-0.8%	(62)	-0.5%	(59)	95.2%
13	Salaries and Wages	(1,894)	-12.6%	(1,900)	-14.0%	6	-0.3%
14	Other operating costs	(317)	-2.1%	(377)	-2.8%	60	-15.9%
<b>15</b>	<b>Total operating costs</b>	<b>(4,425)</b>	<b>-29.5%</b>	<b>(2,756)</b>	<b>-20.3%</b>	<b>(1,669)</b>	<b>60.6%</b>
<b>16</b>	<b>Gross operating margin (9+10+15)</b>	<b>800</b>	<b>5.3%</b>	<b>811</b>	<b>6.0%</b>	<b>(11)</b>	<b>-1.4%</b>
17	Amortizations and depreciations	(133)	-0.9%	(126)	-0.9%	(7)	5.6%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-offs	0	0.0%	107	0.8%	(107)	0.0%
20	Revaluations	0	0.0%	0	0.0%	0	0.0%
<b>21</b>	<b>Total net non-monetary operating costs</b>	<b>(133)</b>	<b>-0.9%</b>	<b>(19)</b>	<b>-0.1%</b>	<b>(114)</b>	<b>600.0%</b>
<b>22</b>	<b>Operating margin (16+21)</b>	<b>667</b>	<b>4.4%</b>	<b>792</b>	<b>5.8%</b>	<b>(125)</b>	<b>-15.8%</b>
23	Interest receivables	0	0.0%	122	0.9%	(122)	-100.0%
24	Interest payables	(580)	-3.9%	(642)	-4.7%	62	-9.7%
<b>25</b>	<b>Total net interest</b>	<b>(580)</b>	<b>-3.9%</b>	<b>(520)</b>	<b>-3.8%</b>	<b>(60)</b>	<b>11.5%</b>
<b>26</b>	<b>Pre-tax profit (22+25)</b>	<b>87</b>	<b>0.6%</b>	<b>272</b>	<b>2.0%</b>	<b>(185)</b>	<b>-68.0%</b>
27	Current income taxes	(187)	-1.2%	(63)	-0.5%	(124)	196.8%
28	Deferred income taxes	560	3.7%	288	2.1%	272	94.4%
<b>29</b>	<b>Total taxes</b>	<b>373</b>	<b>2.5%</b>	<b>225</b>	<b>1.7%</b>	<b>148</b>	<b>65.8%</b>
<b>30</b>	<b>Net profit (26+29)</b>	<b>460</b>	<b>3.1%</b>	<b>497</b>	<b>3.7%</b>	<b>(37)</b>	<b>-7.4%</b>
<b>Net earnings per share:</b>							
33	Base earnings per share (in Euro)	0,03		0,03		0,00	
34	Diluted earnings per share (in Euro)	0,03		0,03		0,00	

