

PRESS RELEASE

Board of Directors approves consolidated quarterly report at September 30th, 2006
(first quarter of fiscal year July 1st, 2006 to June 30th, 2007)

Digital Bros Group closes the first quarter of 2006-2007 with results in line with forecasts

(EUR/000)	30.09.06	30.09.05	Change	Percent change
Gross consolidated revenues	15,364	15,018	346	2.3%
EBITDA	440	412	28	6.8%
EBIT	318	328	(10)	(3.0%)
Pre-tax profit	(120)	(98)	(22)	<i>n.a.</i>

The Group closes the first quarter with revenues up by 2.3% on the same period in 2005-2006, in line with management's forecasts.

***Profitability held back by the start-up of international subsidiaries:
505 Games (U.K.) and DB France.***

Milan, November 9th, 2006 - The Board of Directors of **Digital Bros**, the Italian digital entertainment company listed in the TechStar segment of the Milan Stock Exchange, **has approved the quarterly report at September 30th, 2006** (the first quarter of fiscal year 2006-2007).

Below are the main results of the Digital Bros Group for the first three months of 2006-2007 and comparative figures for the first quarter of the previous year.

- 1 **Consolidated revenues** came to €15,364 million, an increase of **2.3%** with respect to the €15,018 million earned in the first quarter of 2005-2006;
- 2 **EBITDA** was a positive €440 thousand, up from the €412 thousand in the first quarter of the previous year (**+6.8%**);
- 3 **EBIT** stood at €318 thousand, a slight drop with respect to the prior year's €328 thousand;
- 4 **The pre-tax profit** came in at a loss of €120 thousand, versus a loss of €98 thousand the previous year.

In the **first quarter of 2006-2007**, the Group's results and profit margins were quite stable with respect to the same period of the previous year, confirming the forecasts announced by management on July 13th.

More specifically, consolidated revenues were up by 2.3% (from €15,018 million to €15,364 million),

perfectly matching the company's projections.

Profitability was affected by investments in the Group's two start-ups, DB France and the U.K.'s 505 Games, which will develop the international publishing business. With these new companies the Group covers more than 60% of the European videogames market, and will soon enjoy better profit margins than afforded by its core business.

The **net debt** of the Digital Bros Group at September 30th, 2006 was €21,700 million, an improvement with respect to the €21,894 million reported a year earlier (€20,741 million at June 30th, 2006).

Digital Bros **confirmed the forecast** for 2006-2007 announced by management on July 13th and reiterated when Sony Corporation announced the delayed launch of the PS3: gross consolidated revenues of €115.1 million (+1.9% on preliminary figures for 2005-2006) and EBIT of €8 million.

In the quarter under review, **the parent company Digital Bros S.p.A.** maintained its leadership of the Italian digital entertainment market with revenues of €13.828 million, essentially unchanged over the first quarter of the previous year (€13,934 million).

Significant events in the first quarter

The Digital Bros Group has struck a €3 million deal with the California firm Crave Entertainment, a leading creator and publisher of videogames for consoles. Under the agreement, the U.K. subsidiary 505 Games will have exclusive distribution rights for Europe, South Africa and Australia of eight successful new titles.

Digital Bros

Listed on the Milan Stock Exchange since October 2000 and in the TechSTAR segment as of April 2004, the Digital Bros Group is the largest videogame 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 games.

Today the Group operates in three distinct areas:

- Distribution of videogames 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.*
- Production and distribution of entertainment content for television, Internet and mobile phones: Game Media Networks.*

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ANNEX 1

Consolidated profit margins

€000	30 September 2006	30 September 2005	Change	
Gross revenues	15,364	15,018	346	2.3%
EBITDA	440	412	28	6.8%
EBIT	318	328	-10	-3.0%
Pre-tax profit	(120)	(98)	(22)	22.4%
Net profit	(227)	(226)	(1)	0.4%

Digital Bros Group

Consolidated balance sheet

€'000	30 Sept. 2006	30 June 2006	Change	
Non-current assets				
1 Property, plant and equipment	3,302	3,299	3	0.1%
2 Investment property	455	455	0	0.0%
3 Intangible assets	684	684	0	0.0%
4 Equity investments	5	5	0	0.0%
5 Non-current receivables and other assets	52	53	(1)	-1.9%
6 Deferred tax assets	4,752	4,537	215	4.7%
Total non-current assets	9,250	9,033	217	2.4%
Non-current liabilities				
7 Employee benefits	(858)	(803)	(55)	6.8%
8 Non-current provisions	(167)	(155)	(12)	7.7%
9 Other non-current payables and liabilities	0	0	0	0.0%
Total non-current liabilities	(1,025)	(958)	(67)	7.0%
Net working capital				
10 Inventories	27,491	26,450	1,041	3.9%
11 Trade receivables	27,070	22,672	4,398	19.4%
12 Tax credits	622	437	185	42.3%
13 Other current assets	1,910	995	915	n.a.
14 Trade payables	(11,312)	(5,413)	(5,899)	n.a.
15 Taxes payable	(1,435)	(1,158)	(277)	23.9%
16 Current provisions	0	0	0	0.0%
17 Other current liabilities	(1,823)	(2,115)	292	-13.8%
Total net working capital	42,523	41,868	655	1.6%
Capital and reserves				
18 Share capital	5,644	5,644	0	0.0%
19 Reserves	19,457	19,441	16	0.1%
20 Treasury shares	(671)	(671)	0	0.0%
21 Unallocated earnings (losses carried forward)	4,522	4,788	(266)	-5.6%
Total capital and reserves	28,952	29,202	(250)	-0.9%
Total	21,796	20,741	1,055	5.1%
22 Cash and cash equivalents	4,026	3,994	32	0.8%
23 Short-term payables to banks	(19,644)	(19,087)	(557)	2.9%
24 Other current financial liabilities	(1,792)	(1,351)	(441)	32.6%
Current net debt	(17,410)	(16,444)	(966)	5.9%
25 Non-current financial assets	0	0	0	0.0%
26 Non-current payables to banks	(2,399)	(1,006)	(1,393)	n.a.
27 Other non-current financial liabilities	(1,987)	(3,291)	1,304	-39.6%
Non-current net debt	(4,386)	(4,297)	(89)	2.1%

Total net debt		(21,796)	(20,741)	(1,055)	5.1%

Consolidated income statement for the first quarter of 2006-2007

	€000	30 September 2006: 1Q		30 September 2005: 1Q		Change	
1	Revenues	15,364	104.7%	15,018	105.8%	346	2.3%
2	Revenue adjustments	(688)	-4.7%	(822)	-5.8%	134	-16.3%
3	Total revenues	14,676	100.0%	14,196	100.0%	480	3.4%
4	Purchase of goods for resale	(10,614)	-72.3%	(10,203)	-71.9%	(411)	4.0%
5	Purchase of services for resale	(304)	-2.1%	(309)	-2.2%	5	-1.6%
6	Royalties	(723)	-4.9%	(302)	-2.1%	(421)	n.a.
7	Change in inventories of finished products	1,066	7.3%	140	1.0%	926	n.a.
8	Total cost of goods sold	(10,575)	-72.1%	(10,674)	-75.2%	99	-0.9%
9	Gross profit (3+8)	4,101	27.9%	3,522	24.8%	579	16.4%
10	Other income	1	0.0%	167	1.2%	(166)	-99.4%
11	Cost of services	(1,350)	-9.2%	(1,130)	-8.0%	(220)	19.5%
12	Rent and leasing	(102)	-0.7%	(100)	-0.7%	(2)	2.0%
13	Payroll costs	(1,850)	-12.6%	(1,756)	-12.4%	(94)	5.4%
14	Other operating expenses	(360)	-2.5%	(291)	-2.0%	(69)	23.7%
15	Total operating expenses	(3,662)	-25.0%	(3,277)	-23.1%	(385)	11.7%
16	EBITDA (9+10+15)	440	3.0%	412	2.9%	28	6.8%
17	Amortization and depreciation	(122)	-0.8%	(50)	-0.4%	(72)	-15.0%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(34)	-0.2%	34	7.1%
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total amortization, depreciation and impairment	(122)	-0.8%	(84)	-0.6%	(38)	45.2%
22	EBIT (16+21)	318	2.2%	328	2.3%	(10)	-3.0%
23	Interest income	3	0.0%	4	0.0%	(1)	-25.0%
24	Interest expense	(441)	-3.0%	(430)	-3.0%	(11)	2.6%
25	Net interest income (expense)	(438)	-3.0%	(426)	-3.0%	(12)	2.8%
26	Profit before taxes (22+25)	(120)	-0.8%	(98)	-0.7%	(22)	22.4%
27	Current taxes	(107)	-0.7%	(128)	-0.9%	21	-16.4%
28	Deferred taxes	0	0.0%	0	0.0%	0	0.0%

29	Total taxes	(107)	-0.7%	(128)	-0.9%	21	0.0%
30	Net profit (26+29)	(227)	-1.5%	(226)	-1.6%	(1)	0.4%
	Earnings per share:						
33	Basic earnings per share (in EUR)	(0.02)		(0.02)		0.0%	
34	Diluted earnings per share (in EUR)	(0.02)		(0.02)		0.0%	

Segment reporting (IAS 14)

	Consolidated figures in €000	Distribution	Newsstands	New Media	Int. Publishing	Holding	Total
1	Revenues	13,490	582	178	1,114	0	15,364
2	Revenue adjustments	(688)	0	0	0	0	(688)
3	Total revenues	12,802	582	178	1,114	0	14,676
4	Purchase of goods for resale	(9,840)	(115)	0	(659)	0	(10,614)
5	Purchase of services for resale	0	(102)	(202)	0	0	(304)
6	Royalties	(25)	(96)	(18)	(584)	0	(723)
7	Change in inventories of finished products	636	0	0	430	0	1,066
8	Total cost of goods sold	(9,229)	(313)	(220)	(813)	0	(10,575)
9	Gross profit (3+8)	3,573	269	(42)	301	0	4,101
10	Other income	1	0	0	0	0	1
11	Cost of services	(1,140)	(28)	(38)	(72)	(72)	(1,350)
12	Rent and leasing	(90)	0	(9)	(3)	0	(102)
13	Payroll costs	(1,124)	(3)	(210)	(242)	(271)	(1,850)
14	Other operating expenses	(247)	0	(21)	(13)	(79)	(360)
15	Total operating expenses	(2,601)	(31)	(278)	(330)	(422)	(3,662)
16	EBITDA (9+10+15)	973	238	(320)	(29)	(422)	440
17	Amortization and depreciation	(67)	0	(6)	(2)	(47)	(122)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	0	0	0	0	0	0
20	Impairment reversal	0	0	0	0	0	0
21	Total amortization, depreciation and impairment	(67)	0	(6)	(2)	(47)	(122)
22	EBIT (16+21)	906	238	(326)	(31)	(469)	318

Digital Bros S.p.A.

Consolidated income statement for the first quarter of 2006-2007

	€000	30 September 2006:		30 September 2005: 1Q		Change	
		1Q					
1	Revenues	14,427	104.3%	14,709	105.6%	(282)	-1.9%
2	Revenue adjustments	(599)	-4.3%	(775)	-5.6%	176	-22.7%
3	Total revenues	13,828	100.0%	13,934	100.0%	(106)	-0.8%
4	Purchase of goods for resale	(10,279)	-74.3%	(10,142)	-72.8%	(137)	1.4%
5	Purchase of services for resale	0	0.0%	(148)	-1.1%	148	n.a.
6	Royalties	(608)	-4.4%	(279)	-2.0%	(329)	n.a.
7	Change in inventories of finished products	951	6.9%	146	1.0%	805	n.a.
8	Total cost of goods sold	(9,936)	-71.9%	(10,423)	-74.8%	487	-4.7%
9	Gross profit (3+8)	3,892	28.1%	3,511	25.2%	381	10.9%
10	Other income	104	0.8%	451	3.2%	(347)	-76.9%
11	Cost of services	(1,182)	-8.5%	(1,239)	-8.9%	57	-4.6%
12	Rent and leasing	(89)	-0.6%	(71)	-0.5%	(18)	25.4%
13	Payroll costs	(1,547)	-11.2%	(1,556)	-11.2%	9	-0.6%
14	Other operating expenses	(340)	-2.5%	(281)	-2.0%	(59)	21.0%
15	Total operating expenses	(3,158)	-22.8%	(3,147)	-22.6%	(11)	0.3%
16	EBITDA (9+10+15)	838	6.1%	815	5.8%	23	2.8%
17	Amortization and depreciation	(113)	-0.8%	(26)	-0.2%	(87)	82.1%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	0	0.0%	(461)	-3.3%	461	n.a.
20	Impairment reversal	0	0.0%	0	0.0%	0	0.0%
21	Total amortization, depreciation and impairment	(113)	-0.8%	(487)	-3.5%	374	-76.8%
22	EBIT (16+21)	725	5.2%	328	2.4%	397	n.a.
23	Interest income	3	0.0%	4	0.0%	(1)	-25.0%
24	Interest expense	(441)	-3.2%	(430)	-3.1%	(11)	2.6%
25	Net interest income (expense)	(438)	-3.2%	(426)	-3.1%	(12)	2.8%
26	Profit before taxes (22+25)	287	2.1%	(98)	-0.7%	385	n.a.
27	Current taxes	(107)	-0.8%	(128)	-0.9%	21	-16.4%
28	Deferred taxes	0	0.0%	0	0.0%	0	0.0%
29	Total taxes	(107)	-0.8%	(128)	-0.9%	21	-16.4%
30	Net profit (26+29)	180	1.3%	(226)	-1.6%	406	n.a.

