



a Game Entertainment Company

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1. Digital Bros today: a Game Entertainment Company

Today Digital Bros is a *Game Entertainment Company*: the biggest Italian player in the domestic distribution of videogames with a market share of more than 40%.

The Parent Company Digital Bros, was founded in Milan in 1989 under the name of Halifax, by the brothers Abramo and Raffaele Galante, Chairman and Managing Director respectively, who currently are also the largest shareholders.

Pioneers in digital entertainment with a special eye for market trends, over the last few years the Digital Bros Group has undergone a diversification process resulting in the creation of specific business units that reflect the company's innovative approach.

Today the Digital Bros Group, that closed fiscal year 2008-2009 last June 30th with consolidated sales of approximately € 176 million, is active in three main areas of business:

- Distribution of videogames in Italy, through the division Halifax and the subsidiaries Game Service and Game Entertainment;
- International distribution and publishing of videogames, through its subsidiary 505 Games and foreign branches located in the UK, France, Spain, Germany, the Nordic Regions and the USA;
- New Media, through the subsidiary Game Media Networks that develops digital entertainment for all new generation platforms (online gaming, mobile gaming, e-commerce, d-commerce and IP-TV).

2. The best player in the Italian videogame market

Throughout its years of operations, the Group has anticipated the changes that were key to the international videogame market: from the introduction of the first electronic "games" (Nintendo, Master System, etc.) to the success of PlayStation and, subsequently, to the arrival of the last generation consoles by Microsoft, Nintendo and Sony.

As of the second half of the 1990s, the videogame market grew exponentially reaching numbers equal to those of the film business. Digital Bros was able to become the absolute leader in the Italian market thanks to the timely implementation of innovative strategic choices (digital TV, online gaming, mobile gaming etc.), to a profound understanding of its market, important technical expertise and great strategic vision.

Underlying the Group's strong growth is also a unique business model that is based on a multi-channel distribution approach that includes both the traditional distribution model (GDO, specialized retail shops, newsstands) and digital delivering (online, mobile and digital terrestrial).



The distribution business, that represents 85% of the Group's sales and involves approximately 45 exclusive agents, is focused on the Italian market and involves the division Halifax and the dedicated subsidiaries Game Service and Game Entertainment who are active, respectively, in the development of the non-specialized distribution and newsstand channels.

3. Among the key European players

Digital Bros international presence is also growing at a robust pace, primarily in Europe and in the United States. The company has positioned itself to strengthen its presence in the global market focusing on a flexible growth strategy that calls for specific investments in carefully selected, top quality publishing products. In the second half of 2006, in fact, two new branches were opened in France and the UK, Digital Bros France and 505 Games UK, while in July 2008 started the activity of the new Spanish subsidiary Digital Bros Iberia. Furthermore, the new subsidiary 505 Games US, based in Los Angeles, is active since May 2008. In July 2009 two new subsidiaries have started their activity, 505 Games Nordic AB and 505 Games GmbH, the first is located in Uppsala (Sweden), the second in Regensburg (Germany). These new subsidiaries strengthen further the strategic coverage of the European territory. All companies are wholly-owned subsidiaries of the Digital Bros Group.

Digital Bros France and Digital Bros Iberia distribute 505 Games and third party titles on the French, Spanish and Portuguese markets respectively, while 505 Games UK and 505 Games US distribute 505 Games titles in Europe, the Middle East, Africa, Australia and North America, respectively, through a large number of local partners. The recently born 505 Games Nordic AB and 505 Games GmbH are focused on the marketing activities for the 505 Games' products in the Nordic Regions and in Germany respectively.

The foreign branches in UK and USA are dedicated to the development of international videogame publishing and have exclusive publishing rights with different international developers for "localization" within individual, local national markets (thanks to the translation in five different languages). The core business, in particular, consists in the selection of quality international video game licenses that are then adapted to and distributed in the PAL markets (EMEA area and Australia) and North America.

4. Digital Bros is listed on the Italian Stock Exchange's STAR segment

The only Italian company representing the digital entertainment sector, Digital Bros has been listed on the Italian Stock Exchange since October 2000 and is part of the STAR segment since April 2004.

From its listing on the stock exchange through today, the Group has increased sales significantly with a decided improvement in margins: both EBITDA and sales have more than tripled when compared to the pre-IPO figures.



The Digital Bros Group closed the first nine months of 2009-2010 with gross consolidated revenues of €120.4 million, down from €145 million for the first nine months of the previous year (-17%); EBITDA of €4,530K, up from €4,382K (+3.4%) - the EBITDA margin also increased, from 3.6% to 4.4% of consolidated net revenues, due mainly to a 21.9% reduction in operating expenses; EBIT of €4,105K, compared with €3,803K the previous year (+7.9%); net profit of €421K, compared with a loss of €424K for the first nine months of last year. Over the past 12 months the Digital Bros Group has reduced net debt by €13.1 million (-20.4%), thanks to its policy of reducing inventory.

5. Digital Bros's core business: distribution in Italy

The division Halifax along with the subsidiaries Game Service and Game Entertainment are key to Digital Bros' strategic mission: the development of Italian videogame distribution.

Halifax is active in the exclusive distribution of the most prestigious international videogames on the Italian market that are adapted to the linguistic and cultural context of the reference market. Currently Halifax, with a sales network of 45 exclusive agents, covers the entire Italian market. Halifax's deeply rooted presence in the domestic market is based on its ability to offer complete service that is of great importance to the international publishers and includes the primary activities tied to corporate marketing and commercial activities: purchasing, logistics and shipping, credit management, product management, public relations, graphics, promotion and advertising.

The subsidiary Game Service, active since April 2004, has an important role within the Digital Bros Group that is complementary to the distribution activities, precisely the development of business through non-specialized channels. This is a high value added commercial service that involves the direct management of gaming displays (Shelf Management) in non-specialised points of sale, an area with great growth potential.

Through Game Entertainment, the Digital Bros Group develops videogame distribution through newsstands. The offer features new formats, DVD games, special theme collections distributed under official, exclusive license from the publisher and, since May 2009, the Trading Cards of Yu-Gi-OH!

6. International publishing and distribution: 505 Games, Digital Bros France and Digital Bros Iberia

Strengthened by its deep understanding of the videogame market, the Digital Bros Group expanded its activities in the world of international publishing through its subsidiary 505 Games, which has been hugely successful with the general public over the past few years. 505 Games operates directly in the United Kingdom, the primary European digital entertainment market, through 505 Games UK, and in the USA, with 505 Games US; furthermore, in France, Spain and Portugal through Digital Bros France and Digital Bros Iberia, respectively, who sell 505 Games and third party titles on the French, Spanish and Portuguese markets. In addition to that, in July 2009 two new subsidiaries have started their activity, 505 Games Nordic



AB and 505 Games GmbH, the first is located in Uppsala (Sweden), the second in Regensburg (Germany). These new subsidiaries strengthen further the strategic coverage of the European territory.

The company 505 Games is active in international videogame publishing, in their subsequent distribution in PAL markets (EMEA area and Australia) and North America through a dedicated sales network and has great growth potential within the Digital Bros Group.

505 Games is an official publisher for Sony PS 2 and 3, Xbox360, Nintendo Wii as well as for old and new generation consoles like Sony PSP and Nintendo DS. Since the end of 2006 the company has also become active in the distribution and publishing of new PC videogames.

7. Game Media Networks: the new media for the world of videogames

Game Media Networks, a Digital Bros Group subsidiary, is responsible for the strategic development of production, as well as commercialisation of digital entertainment game content for television, internet and mobile platforms in order to cover the amplest range of videogames made available by modern communication technologies: on-line gaming, mobile gaming, e-commerce, d-commerce and IP-TV.

Thanks to its ability to anticipate market trends and to Game Media Networks, today Digital Bros represents an international point of reference for online gaming.

Greatly ahead of its time, the Group was one of the very first to bring the so-called role games accessible online in pay-per-play mode to Europe.

8. A successful track record

As mentioned above, the Digital Bros Group's core business consists in the domestic distribution of videogame products produced by the most prestigious international publishers, that are carefully selected and adapted by Digital Bros to meet the needs and preferences of Italian game players. The "localization" process consists in the linguistic and cultural adaptation of the video game to meet the needs of the Italian market (translation of the manuals, dubbing of audio content, etc.), that is done in close cooperation with the product management department, the press office and the publisher's graphics department. It is a long and labour intensive process that requires specific cultural and technical expertise as well as market vision.

In this activity Digital Bros has reached levels of excellence, facilitating the success in Italy of titles that were key to the evolution of the videogame market. Following are a few of the most recent success stories.

Pro Evolution Soccer

The edition 2010 of Pro Evolution Soccer (PES), the most popular videogame in Italy, has overcome the sales record after less than two months from launch, with 725,000 units sold, 50,000 more compared to the previous edition (+7.5%).

With revenues over € 26.5 million, PES is the most successful videogame ever sold and it confirms the leadership of the publisher Konami regarding sports' and football games.



Cooking Mama

Record of sales for Cooking Mama, published by 505 Games: after one year from launch the videogame for “kitchen passionates” exceeded one million units sold on the European market, generating revenues for over € 14 million. The success of Cooking Mama has been followed in 2009 by the launch of the sequels “Gardening Mama”, “Cooking Mama 2” and “Cooking Mama 3”.

Further successful titles distributed by Digital Bros

“**Football Manager 2010**” and “**Mario & Sonic at the Olympic Winter Games**” (Sega) for Sony Playstation 3, Sony PSP, Microsoft Xbox360, PC and Nintendo Wii and DS; “**Final Fantasy XIII**” and “**Kingdom Hearts 358/2 Days**” (Square Enix) for Playstation 3, Microsoft Xbox360, Nintendo Wii and DS; “**G-Force**” and “**The Princess and the Frog**” (Disney Interactive Studios), for Sony Playstation 3 and 2, Sony PSP, Nintendo DS and Wii, Microsoft Xbox360 and PC; “**MotoGP 09/10**” and “**Resident Evil 5**” (Capcom) for Sony Playstation 3, Microsoft Xbox360, PC and Nintendo Wii; “**Divagirls: Diva Ballerina**” and “**II-2 Sturmovik: Birds of prey**” (505 Games) for Sony Playstation 3, Sony PSP, Microsoft Xbox360, PC and Nintendo Wii and DS; “**Batman: Arkham Asylum**” and “**Tomb Raider Underworld**” (Square Enix/Eidos) for Sony Playstation 3 and 2, Nintendo DS, Microsoft Xbox360 and PC.

9. Digital Bros's future

Strengthened by its Italian market leadership, the Digital Bros Group continues to grow both domestically and internationally. Digital Bros's new objective is to become a *Game Entertainment Company* offering complete coverage of the digital entertainment sector in order to consolidate and develop its presence in Italy and abroad through continuous innovation and development in its successful areas of business:

- distribution in Italy: continue with the development of new distribution channels;
- publishing and international distribution: continuous and systematic acquisition of new licenses and content;
- new media: push research and development of new high potential videogame access channels (web, mobile, digital) through strategic alliances and partnerships.

For further information: <http://www.digital-bros.net/it/>