



a Game Entertainment Company

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INDEX

- 1. Digital Bros today: a *Game Entertainment Company***
- 2. The best player in the Italian videogame market**
- 3. Among the key European players**
- 4. Digital Bros is listed on the Italian Stock Exchange's STAR segment**
- 5. Digital Bros core business: distribution in Italy**
- 6. International publishing and distribution: 505 Games**
- 8. A successful track record**



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 2010-2011 last June 30th with consolidated sales of approximately € 128.5 million, is active in two 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 and the USA.

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 (today 505 Games France) and 505 Games UK, while in July 2008 started the activity of the new Spanish subsidiary Digital Bros Iberia (today 505 Games Spain). Furthermore, the new subsidiary 505 Games US, based in Los Angeles, is active since May 2008.

Last but not least, 505 Games GmbH located in Regensburg (Germany) strengthens further the strategic coverage of the European territory. All companies are wholly-owned subsidiaries of the Digital Bros Group.

505 Games France and 505 Games Spain 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 GmbH is focused on the marketing activities for the 505 Games' products in Germany.

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 FY 2010-2011 with Consolidated Net Revenues at € 115.6 Million, down yoy by 11.5% compared to € 130.6 Million.

At 30 September 2011, the Group has registered Gross revenues for € 51.3 Million, with an increase of € 18,715 thousand (+57.4% yoy) and Net revenues at € 45,649 thousand, up by € 17,677 thousand (+63.2% yoy). The strong growth of Revenues and margins of the quarter has to be attributed, on the one hand, to the extraordinary continuous International success of Zumba® Fitness and Rugby World Cup, that hauled the International revenues of the Group, on the other hand to the launch of the successful videogame of soccer simulation Pro Evolution Soccer – PES 2012 that, together with the sales of the whole catalogue, has heavily affected the revenues of the quarter of Italian Distribution.

5. Digital Bros 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, 505 Games France and 505 Games Spain

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 505 Games France and 505 Games



Spain, respectively, who sell 505 Games and third party titles on the French, Spanish and Portuguese markets. Last but not least, 505 Games GmbH located in Regensburg (Germany) strengthens 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, Microsoft 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. 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

Pro Evolution Soccer (PES), the most popular videogame in Italy, represents the record saga of digital entertainment, that, since 2001 till today, has registered year after year huge successes in terms of sales and popularity. Each new edition offers to passionate revolutionary new game experiences followed every time by extremely intense emotions.

In particular, the edition 2010 of Pro Evolution Soccer 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.

Zumba® Fitness

Game revelation of 2011, Zumba® Fitness is the official videogame of the revolutionary fitness program Zumba fitness, available for Nintendo Wii, Sony Playstation 3 Move and Microsoft Xbox 360, that gained a huge success in Europe and among the further PAL territories with over 1.5 million units sold from launch till today. The reason for this success is very simple: ZUMBA® is the fitness program studied to remain fit while dancing sensual choreographies based on a mix of international Latin rhythms, combining quick and slow



movements easily, for an extremely amusing training. One of the most influential phenomenon in the wellness world, as more than 12 million devotees attend weekly Zumba classes across 125 countries in 110,000 locations.

Cooking Mama

Released for Nintendo DS in 2006, the first *Cooking Mama*, published by 505 Games, gained the gamers' attention thank to its extraordinary graphic style, the mini-games variety and the educational gameplay.

The *Cooking Mama* series has sold over 2 million copies in UK and the series *Cooking Mama World* sold in Europe over 3.5 million units and over 12 million worldwide.

Part of the series are "Gardening Mama", "Cooking Mama 2" and "Cooking Mama 3", "Cooking Mama World: Babysitting Mama" and "Cooking Mama World: Hobbies & Fun". Furthermore, on 25 November 2011, have been released the new titles "Cooking Mama 4" for Nintendo 3DS and "Cooking Mama World: Outdoor Adventures" for Nintendo DS.

Further successful titles distributed by Digital Bros

"**Football Manager 2012**" for Sony PSP and PC/MAC, "**Sonic Generations**" for Microsoft Xbox360 and Sony Playstation 3 and "**Mario&Sonic at the London 2012 Olympic Games**" for Nintendo Wii; ; "**DEUS EX: Human Revolution**" for PC, Sony Playstation 3 and Microsoft Xbox360 and "**Dungeon Siege 3**" for PC, Sony Playstation 3 and Microsoft Xbox360; "**Cars 2**" for Sony Playstation 3 and Microsoft Xbox360, Nintendo DS, 3DS and Wii and "**Disney Universe**" for Sony Playstation 3, Microsoft Xbox360, Nintendo Wii and PC; "**MotoGP 10/11**" and "**Marvel vs Capcom 3**" for Sony Playstation 3, Microsoft Xbox360; "**Saints Row: The Third**" for Playstation 3 and Xbox360; "**Rugby World Cup 2011**" for Sony Playstation 3 and Microsoft Xbox360 and "**Michael Phelps: Push the limit**" for Microsoft Xbox360 Kinect.

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