

# **CDC GROUP**



## **CONSOLIDATED QUARTERLY** **REPORT** **AS OF MARCH 31, 2005**



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## 1. CORPORATE BOARDS

### **BOARD OF DIRECTORS**

<b>Name and surname</b>	<b>Position</b>	<b>Duration of appointment</b>
Giuseppe Diomelli	Chairman	Approval of 2007 accounts
Leonardo Pagni	Managing Director	Approval of 2007 accounts
Claudio Andolfi	Managing Director	Approval of 2007 accounts
Enrico Barachini	Director	Approval of 2007 accounts
Paolo Gualtieri	Director	Approval of 2007 accounts
Luciano Zottola	Director	Approval of 2007 accounts
Emilio Vitale	Director	Approval of 2007 accounts

Giuseppe Diomelli is Chairman and Legal Representative with responsibility on supervising corporate activities and corporate functions for carrying on the corporate strategic plans.

Leonardo Pagni is Managing Director with responsibility for Commercial Activities and Operations, with delegation of authority on Sales, Purchase, Production, Logistics, Information Technology, Strategic Planning and Investor Relations.

Claudio Andolfi is Managing Director with responsibility for the Administration and Staff Direction, with delegation of authority on Finance, Administration and Control, Human Resources, New Openings of Point of Sales, Legal and General Consel, Internal Auditing.

Enrico Barachini, Paolo Gualtieri, Emilio Vitale and Luciano Zottola are Independent Directors.

Luciano Zottola, as Chairman, Enrico Barachini and Emilio Vitale are members of the Internal Audit Committee.

Paolo Gualtieri as Chairman, Enrico Barachini and Emilio Vitale are members of the Remuneration Committee.

### **BOARD OF STATUTORY AUDITORS**

<b>Name and surname</b>	<b>Position</b>	<b>Duration of appointment</b>
Carlo Bossi	Chairman	Approval of 2007 accounts
Daniela Carli	Statutory Auditor	Approval of 2007 accounts
Alberto Lang	Statutory Auditor	Approval of 2007 accounts
Enzo Polidori	Alternate Auditor	Approval of 2007 accounts
Enrico Fabbri	Alternate Auditor	Approval of 2007 accounts

### **ACCOUNTING AUDITOR**

Deloitte & Touche S.p.A. Duration of appointment 2005 Financial Statement



## **MARKET SPECIALIST**

Caboto Sim S.p.A.

## **2. BUSINESSES AND STRUCTURE OF THE CDC GROUP**

### **BUSINESS**

CDC Point S.p.A., listed on the Italian Stock Exchange TechStar, is Italy's leading producer and distributor of Information Technology ("IT") products.

Its retail distribution network – the largest of Italy in terms of sales and brand awareness – serves the consumer and SOHO segments with over 450 outlets, organized into three distinct chains operating under the Computer Discount, Compy and Amico trademarks.

The Group also manages a network of 29 proprietary Cash & Carry outlets, two of these opened during the 2004 year, Forli (November 2004) and Udine (December 2004), while the last Cash & Carry started on April 2005 (Lecce). These outlets distribute to over 30,000 specialist IT resellers.

The cash&carry outlets, with a sales area of about 1,000 sqm, operate in the IT business; the distributed categories of products were recently extended to areas converging to computer technology (audio, video and telephony).

Since 2001 CDC decided to penetrate in the government and large-corporate markets, via the specialist Direct Sales division.

CDC covers these markets by leveraging on the following strengths:

- strong corporate reputation, as historical player of Italian ICT industry;
- skills in R&D which allow CDC to design high quality Personal Computers able to face the needs of different client segments;
- capillarity of commercial network, consisting of about 500 point of sales, able to cover all the Italian country and to offer technical assistance services;
- logistic platform (on of the most advanced in Europe) able to deliver up to 10,000 outputs per hour.

Among the main awards in this field:

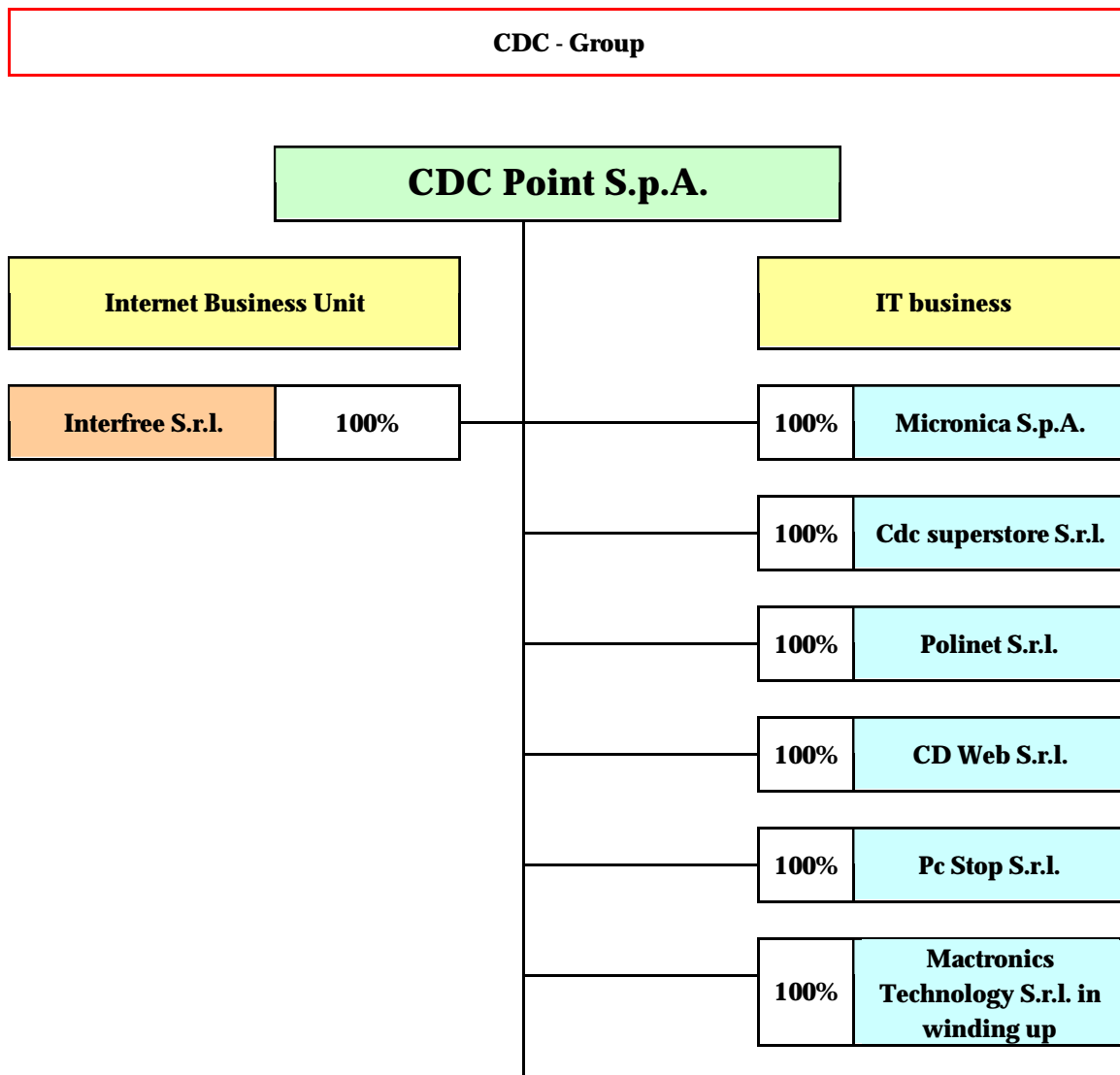
- 2002 year  
Supply to Italia Lavoro for the "In" Project for the computer technology alphabetisation of young people of Southern Italy (extended to 2003 year).  
Consip S.p.A. tender to supply PCs to central and local government entities, for 36,000 desktop PCs with a value of over € 30 million;
- 2003 year. Consip S.p.A. tender to supply PCs to central and local government entities, with a worth of over € 16 million;
- 2004 year. Order to supply IT products to Credito Emiliano Bank, with a worth of € 160 thousands. Order to supply IT products to Sogei, Società Generale d'Informatica S.p.A., with a worth of € 800 thousands. November 2004. Partnership agreement achieved with the company Getronics for IT products supplies. Getronics has relationships with some major customers of the Italian market; therefore the agreement is strategic for CDC.

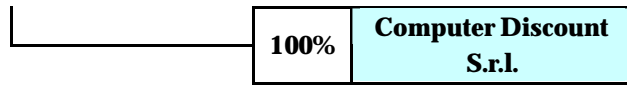
In addition to its core business (IT production and distribution), the CDC Group also operates in the Internet market via Interfree, Internet Service Provider and Group's portal focused on IT.

On December 06, 2004, the Parent Company CDC Point acquired the 1% share of Direct S.r.l., currently fully owned by CDC.

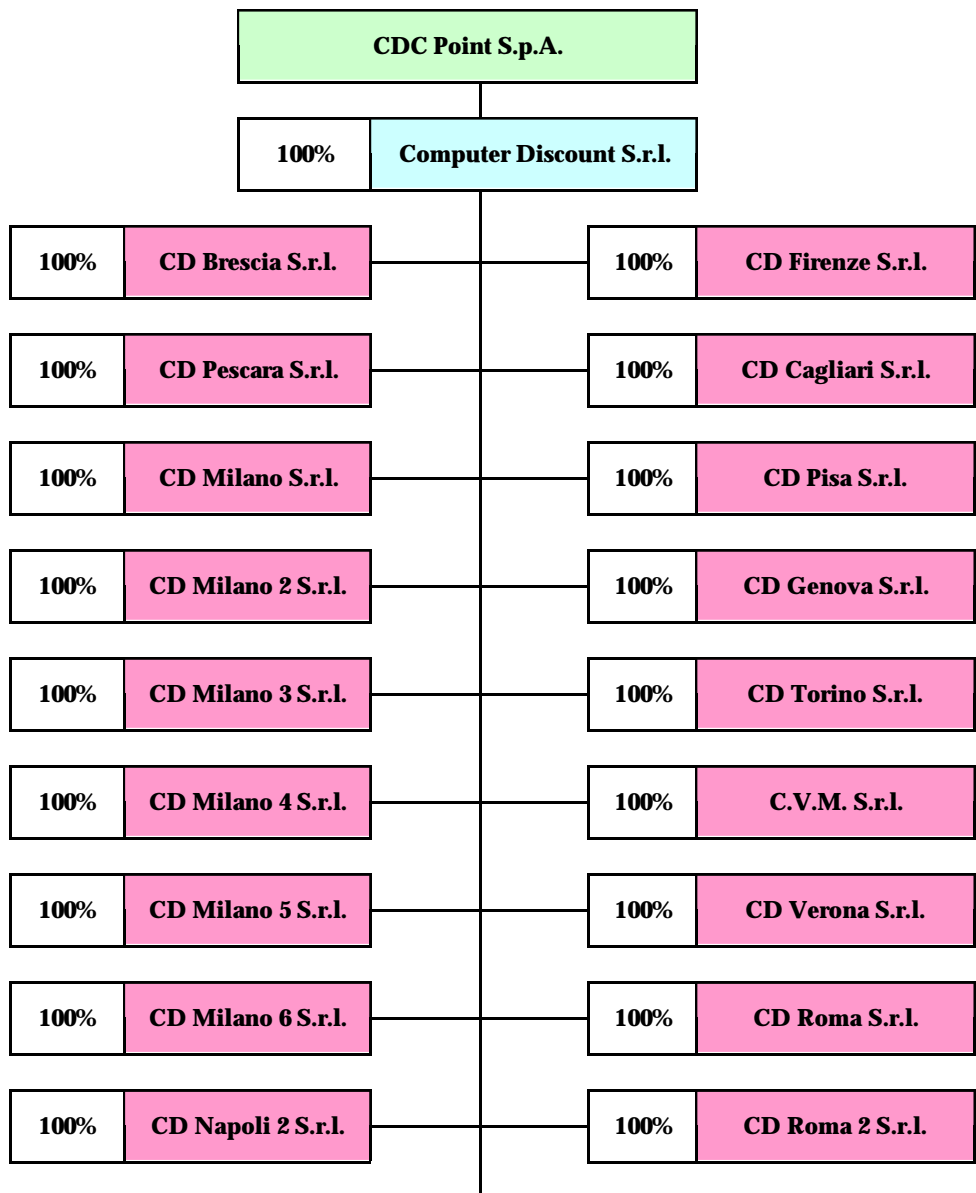
Starting from 2005, in order to take the opportunities deriving from the integration of digital technologies and to consolidate the leadership on the retail market, the CDC Group decided to launch a new network of consumer electronics superstores, focused on digital technology with a medium - large sales surface. The first superstore will be opened in the second half of 2005. The superstores will be managed through the fully owned subsidiary CDC Superstore S.r.l..

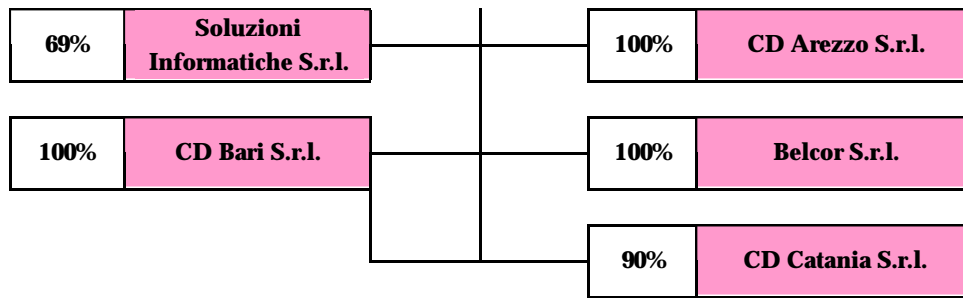
**GROUP STRUCTURE**





**CDC Group - Details on Computer Discount S.r.l.'s subsidiaries**





**CDC Point S.p.A.**

Registered Office: Via Tosco Romagnola, 61 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01250630504

Parent Company and operative holding company

- Business: sale of IT products

**Micronica S.p.A. one-shareholder company**

Registered Office: Via Calabria, 1 GELLO - PONTEDERA (PI)

Member of the Chamber of Commerce of Pisa number 01144430509

Fully owned. - Business: production of personal computers and management of the Group's logistics platform

**PC Stop S.r.l. one-shareholder company**

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01341600508

Fully owned

- Business: sales of IT products

**Cd Web S.r.l. one-shareholder company**

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01515060505

Fully owned

- Business: sales of IT product via e-commerce

**Polinet S.r.l. one-shareholder company**

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01515070504

Fully owned

- Business: real estate

**Interfree S.r.l. one-shareholder company**

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01499020509

Fully owned

- Business: Internet Service Provider

**CDC Superstore one-shareholder company (ex Direct S.r.l. one-shareholder company)**

Registered Office: Via Mazzini, 74 56025 PONTEDERA (PI)

Member of the Chamber of Commerce of Pisa number 01459540504

Fully owned



- Business: distribution of IT products

**Mactronics Technology S.r.l. one-shareholder company – in winding-up**

Registered Office: Via Tosco-Romagnola, 61 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01622090502

Fully owned

- Business: design and sales of storage systems

**Computer Discount S.r.l. one-shareholder company**

Registered Office: Via Mazzini, 74 56025 PONTEDERA (PI)

Member of the Chamber of Commerce of Pisa number 01125180503

Fully owned

- Business: holding company. The company holds interests in IT retail outlets, affiliated to Computer Discount network

**The one-shareholder company Computer Discount S.r.l. controls the following companies:**

**CD FIRENZE S.r.l. one-shareholder company.** Registered Office in Firenze Viale Matteotti 9/r, Member of the Chamber of Commerce of Firenze n° 03950910483, Tax number and VAT registration number 03950910483, Share Capital €26,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO S.r.l. one-shareholder company** Registered Office in Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 09194930153, Tax number and VAT registration number 09194930153, Share Capital €20,400 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD PISA S.r.l. one-shareholder company** Registered Office in Pisa Viale Gramsci 13/a, Member of the Chamber of Commerce of Pisa n° 01096500507, Tax number and VAT registration number 01096500507, Share Capital €10,400 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD GENOVA S.r.l. one-shareholder company** Registered Office in Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 03097430106, Tax number and VAT registration number 03097430106, Share Capital €41,600 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD TORINO S.r.l. one-shareholder company** Registered Office in Torino Via Lanzo 15, Member of the Chamber of Commerce of Torino n° 01145660500, Tax number 01145660500 and VAT registration number 06408470018, Share Capital €20,800 fully owned by Computer Discount S.r.l. one-shareholder company.

**C.V.M. S.r.l. one-shareholder company** Registered Office in Bologna Via S. Donato 2/d, Member of the Chamber of Commerce of Bologna n° 03997720374, Tax number and VAT registration number 03997720374, Share Capital €26,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD VERONA S.r.l. one-shareholder company** Registered Office in V Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 01173640507, Tax number and VAT registration number 01173640507, Share Capital €15,600 fully owned by Computer Discount S.r.l. one-shareholder company.



**CD ROMA S.r.l. one-shareholder company** Registered Office in Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 04265461006, Tax number and VAT registration number 04265461006, Share Capital €56,100 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD BRESCIA S.r.l. one-shareholder company** Registered Office in Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 03191550171, Tax number and VAT registration number 03191550171, Share Capital €20,800 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD PESCARA S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 01351540685, Tax number and VAT registration number 01351540685, Share Capital €25,882 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 2 S.r.l. one-shareholder company** Registered Office in Pontedera (PI), Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 11412800150, Tax number and VAT registration number 11412800150, Share Capital €52,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 3 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 11412780154, Tax number and VAT registration number 02844360962, Share Capital €51,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 4 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 11412790153, Tax number and VAT registration number 11412790153, Share Capital €51,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 5 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 11429220152, Tax number and VAT registration number 11429220152, Share Capital €51,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD ROMA 2 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 04931601001, Tax number and VAT registration number 04931601001, Share Capital €51,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD NAPOLI 2 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 06939510639, Tax number and VAT registration number 06939510639, Share Capital €52,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD CAGLIARI S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 02265710927, Tax number and VAT registration number 02265710927, Share Capital €51,645 fully owned by Computer Discount S.r.l. one-shareholder company.



**SOLUZIONI INFORMATICHE S.r.l.** Registered Office in Pontedera (PI) Via Calabria 1, Member of the Chamber of Commerce of Pisa n° 11644770155, Tax number and VAT registration number 11644770155, Share Capital €52,000 whose 69% owned by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 6 S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Calabria 1 resort Gello, Member of the Chamber of Commerce of Pisa n° 02696400965, Tax number and VAT registration number 02696400965, Share Capital €26,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD AREZZO S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 01386290512, Tax number and VAT registration number 01386290512, Share Capital €10,200 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD BARI 2 S.r.l. one-shareholder company.** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 01570990505, Tax number and VAT registration number 01570990505, Share Capital €50,000 fully owned by Computer Discount S.r.l. one-shareholder company.

**BELCOR S.r.l. one-shareholder company** Registered Office in Pontedera (PI) Via Mazzini 74, Member of the Chamber of Commerce of Pisa n° 13152200153, Tax number and VAT registration number 13152200153, Share Capital €10,200 fully owned by Computer Discount S.r.l. one-shareholder company.

**CD CATANIA S.r.l.** Registered Office in Pontedera (PI) Via Calabria 1, Member of the Chamber of Commerce of Pisa n° 04079520872, Tax number and VAT registration number 04079520872. Share Capital €100,000 whose 90% owned by Computer Discount S.r.l. one-shareholder company.

### **3. USEFUL INFORMATION**

**CDC Point S.p.A.**

CDC Point S.p.A.

Via Tosco Romagnola 61

56012 Fornacette (PI)

Registered in the Companies' Registry of Pisa number 01250630504

Tel: +39 0587 2882

Fax: +39 0587 288514

**Investor relations**

investorrelations@cdcpoint.it

**Internet Address**

<http://www.cdc.it>

<http://www.interfree.it>





#### 4. SCOPE OF CONSOLIDATION, ACCOUNTING PRINCIPLES AND POLICIES, CONSOLIDATION METHODS



##### SCOPE OF CONSOLIDATION

All the subsidiaries of CDC Point S.p.A. have been consolidated on a line-by-line basis.

The companies listed below were included in the consolidation scope:

**CDC Point S.p.A.** – Parent Company

**Micronica S.p.A.** - Fully owned

**PC Stop S.r.l.** - Fully owned

**Cd Web S.r.l.** - Fully owned

**Polinet S.r.l.** - Fully owned

**Interfree S.r.l.** - Fully owned

**CDC Superstore S.r.l.** - Fully owned

**Computer Discount S.r.l.** - Fully owned. The company holds equities in computer technology retail shops, affiliated to Computer Discount network

The basis of consolidation includes all the companies owned by Computer Discount S.r.l..

The company Macronics Technology S.r.l. was not consolidated for the period under review, as currently in winding-up.

##### CHANGE IN THE BASIS OF CONCOLIDATION

The basis of consolidation as of March 31, 2005 was unchanged compared to December 31, 2004, except for the interest held by Computer Discount S.r.l. in Soluzioni Informatiche S.r.l. which increased from 51% to 69%.

The basis of consolidation as of March 31, 2005 compared to March 31, 2004 reflected the following changes:

- Interest held in CDC Superstore S.r.l. (ex Direct S.r.l.) from 99% to 100%;
- The company Macronics Tecnology S.r.l. consolidated as of March 31, 2004 was not included in the basis of consolidation as of March 31, 2005 as currently in winding – up;



- The company Pc Stop S.r.l. not included in the basis of consolidation as of March 31, 2004 as non active, was consolidated as of March 31 2005;
- Interest held in CD Firenze S.r.l. from 56% to 100%;
- Interest held in Soluzioni Informatiche S.r.l. from 51% to 69%;
- Interest held in CD Bari 2 S.r.l. from 51% to 100%
- 90% interest held in CD Catania S.r.l. acquired during the second half of 2004

### **TRANSIZIONE AI PRINCIPI CONTABILI INTERNAZIONALI (IFRS)**

Starting from fiscal year 2005 CDC Group will adopt the international accounting standards IAS/IFRS for drafting of its consolidated financial statement as rules by the current Italian legislation. CDC started a specific project in order to manage the change to the new accounting practices which will be closed within May 2005. For the time being the analysis identified the items subject to change; currently we are quantifying the related changes.

On the basis of this analysis, not finished yet, the main items influenced by the new accounting standards will be intangible fixed assets and, in particular, brands amortization, treasury shares and stock options accounting criteria, derivatives and provisions for employee severance indemnities.

The new structure of the financial statement will include a different reclassification of economic and financial items.

Following the Consob (Italian Stock Exchange Authority) regulation produced by communication of March 10, 2005 and April 15, 2005, we announce that the CDC Group will adopt the new IAS/IFRS starting from the drafting of the Consolidated Financial Statement as of June 30, 2005. We also announce that CDC Group gave to Deloitte & Touche S.p.A., auditor for the Financial Statement as of December 31, 2004, the charge of the full audit on the changes resulting from IFRS 1 adoption.

The results of the IFRS 1 adoption will be disclosed to the market together with audited Financial Statements.

### **CONSOLIDATION PRINCIPLES**

The assets and liabilities of consolidated companies are posted in accordance with the line-by-line method, eliminating the book value of consolidated equity investments against the related shareholders' equity.

The difference between the purchase cost of the consolidated equity investments and the corresponding interest in shareholders' equity is posted to the various assets and liabilities on the basis of values current at the time of the purchase, or to the item "Consolidation differences" and charged to the income statement in accordance with the criteria applied to goodwill.

Profits and losses deriving from intercompany transactions, if not yet realized on third-party transactions, are eliminated, if significant, and at the same time are eliminated the intercompany accounts receivable and payable, revenues and costs, guarantees, commitments and risks.

Amounts posted solely for tax purposes are eliminated and financial lease was registered by the financial method of the international accounting principle IAS 17.

Minority interests in the shareholders' equity of consolidated companies are shown in a specific item.



Minority interests in the income statement is also shown separately. Such minority interests are calculated on the basis of the book value of shareholders' equity and the results of consolidated companies in the under review period.

### **ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the Quarterly Report as of December 31, 2004 comply with the laws related to such financial statements and are unchanged compared to the previous fiscal year and the consolidated Quarterly Report as of September 30, 2004.

#### **Intangible fixed assets**

Such assets are recorded at purchase or production cost, including any incidental expenses, and amortized over their estimated useful lives.

Research and development costs have been capitalized only if they are due to the production of prototypes of new goods whose commercial launch will be held in future fiscal years. The amortization of this costs starts when the development process is completed. They are amortized over three year.

Start-up and development costs are amortized over five years.

Industrial patents and licenses are amortized over five years.

Advertising costs are fully expensed as incurred, except those sustained during the start-up phase.

Trademarks are amortized over a period of ten years.

Consolidation difference consisting of the higher value paid for shareholdings acquisition is amortized over 10 year at the latest.

Purchased goodwill is amortized over a period of five years.

Assets are written down in order to reflect any permanent impairments in value, independent of accumulated amortization; the appropriate value of such assets, adjusted solely to take account of accumulated amortization, is reinstated in future periods should the reasons for such write-down cease to apply.

#### **Tangible fixed assets**

Tangible fixed assets are recorded at purchase or production cost. The stated cost includes incidental expenses and the direct and indirect costs that may be reasonably attributed to the asset concerned.

Tangible fixed assets are depreciated on a straight-line basis by applying the economic and technical rates shown in the Assets section of these Notes.

Assets are written down in order to reflect any permanent impairment in value, independent of accumulated depreciation; the appropriate value of such assets, adjusted solely to take account of accumulated depreciation, is reinstated in future periods should the reasons for such write-down cease to apply.

Finance leases are accounted for on the basis of finance accounting-method.

Ordinary maintenance costs are expensed as incurred. Improvements are capitalized and depreciated on the basis of the remaining useful life of the asset to which they relate.

#### **Financial fixed assets**

Long-term accounts receivable are recorded at their estimated realizable value.



Equity investments in unconsolidated subsidiaries and in associated companies are valued in accordance with the equity method, after deducting any dividends and applying the adjustments required by consolidation principles. The purchase or subscription cost is therefore adjusted in order to reflect any change in the shareholders' equity of such companies since the acquisition of the investment. The Parent Company's share of net income or losses realized by subsidiaries or associated companies is thus posted to the income statement for the period.

Equity investments in other companies are valued at cost and written down in order to reflect any impairments in value.

Any option to buy shareholdings is posted among financial fixed assets and valued with the same criteria applicable to such shareholdings. In alternative, the options are expensed out at the time they are not expected to be exercised.

### **Inventories**

For the IT distribution business, inventories are recorded at the lower of purchase or production cost, on the basis of the F.I.F.O. method, or their estimated realizable value, calculated as the average market price of the month of December 2004.

Cost is determined on the same basis as used for fixed assets; the estimated realizable value is calculated taking into account any production costs still to be incurred and direct selling costs. Obsolete and slow-moving stocks are written down on the basis of their estimated useful lives or realizable values.

### **Accounts receivable**

Accounts receivable are recorded at their estimated realizable value via the posting of provisions for doubtful accounts. Such provisions have been calculated on the basis of an evaluation of recoverability, carried out via analysis of individual accounts and of the overall risk associated with accounts receivable, taking account of any existing guarantees and insurance cover.

### **Factoring**

The factoring of receivables without recourse result in the reversal of the corresponding entries under trade receivables at the time of the payment by the factor. The factoring of receivables with recourse is recorded by posting to the item "Due to other lenders" the advance loans received from factors, and maintaining, therefore, the related receivables recorded under the item "Trade receivable".

### **Treasury Shares**

Treasury shares are valued at average cost, adjusted, in the case of a reduction, on the basis of their market value at the end of the period. The appropriate value of such assets is reinstated in future periods should the reasons for such write-down cease to apply up to the limit of the purchase price.

### **Accruals and deferrals**

These include share of incomes and costs referring to different account periods, recorded on an accrual basis method.



### **Allowances for risks and charges**

Allowances for risks and charges represent provisions for liabilities or losses that are either likely or certain to be incurred but uncertain as to the amount or as to the date on which they will arise. The provisions reflect the best possible estimate of such liabilities based on the information. Risks giving rise to liabilities that are solely possible are reported in the notes of memorandum account, without any provisions being made.

### **Provisions for employee severance indemnities**

Provisions for employee severance indemnities represent the accrued liability to employees in accordance with established legislation, collective labour contracts and company agreements. Such provisions are subject to revaluation on the basis of indexes.

### **Accounts payable**

Accounts payable are recorded at their nominal value.

### **Revenue recognition**

Sales revenues are recognized on transfer of title, which generally coincides with shipment. The revenues deriving from sales of products subject to the approval are recorded on the approval. Service revenues are accounted at the time the service has been completed. Revenues from the sale of advertising space are recognized on the date of publication.

### **Income taxes**

Income taxes are calculated on the basis of taxable income estimated in compliance with established legislation, taking account of any allowable deductions and tax credits due. Deferred tax assets and liabilities, deriving from temporary differences between the carrying value of an asset or liability and its tax base, are also recognized. Deferred tax assets are only recognized where there is reasonable certainty that they will be recovered and taking into account the estimated tax rate to which the Company will be liable in future years. The tax benefit deriving from the carrying forward of tax losses is posted to the accounts where there is reasonable certainty that it will be realized, and in any event not before the period in which the Company effectively benefits.

The Quarterly Report as of March 31, 2005 did not include current taxes, neither deferred taxes for the period under review.

### **Capital grants**

Capital grants are posted to deferred income until title to such grants is reasonably certain. They are posted to the income statement over the useful life of the asset to which they refer.

### **Foreign currency translation**

Accounts receivable and payable originally denominated in foreign currency are translated into euros on the basis of historical exchange rates at the end of the period under review, considering the relative hedging currency agreements. Foreign currency translation gains or losses realized on collection of foreign currency accounts receivable and payment of foreign currency accounts payable are posted to the income statement under financial income/expense.

### **Derivatives**

Such instruments are posted to commitments at their nominal value, based on the forward price, with the exception of options, which are posted to accounts receivable. The gains and losses resulting from the application of closing exchange rates to forward currency agreements, where there is a net exposure not related to specific transactions, are posted to financial income and expense. Contracts relating to specific transactions, such as public tenders, are valued on the basis of a strategic hedging plan designed to assess the effectiveness of existing transactions by relating them to foreign currency commitments on the basis of the relevant due dates and amounts involved.

Interest rate swaps, if used to hedge the interest rate risk associated with the Company's debt, are posted to the Notes of the memorandum accounts, whilst the related effects are posted to the income statements matched with the relevant interest expense. The interest rate swaps not held for hedging purposes are valued on the basis of market prices at the end of the period, and any resulting loss recorded in the accounts.

### **Finance leases**

Assets purchased via finance leases are recorded among tangible fixed assets and depreciated over their estimated useful lives, whilst the principal of the debt outstanding with the leasing company is included among amounts payable to other lenders. Depreciation and interest expense are thus posted to the income statement.

### **Risks, commitments and guarantees**

Contract commitments and guarantees are recorded in the memorandum accounts at the value shown in the relevant contracts.

### **Exceptions pursuant to section 4 of art. 2423**

It was not necessary to apply any such exceptions in the preparation of the attached accounts.

### **Change to the international accounting practises (IFRS)**

The Group started a specific test in order to identify the differences and the actions to manage the change to the new international accounting principles.

### **Other Information**



For information about the nature of the company, the subsequent events, the transactions with parent companies, unconsolidated subsidiaries, associated and other companies as well as other related information on the various business activities, reference should be made to the Report on operations.

## **5. CONSOLIDATED ACCOUNTS OF THE CDC GROUP AND RELATED NOTES**

### **5.1. GROUP OPERATING PERFORMANCE**

In order to represent the financial results in a more comparable way with the other companies operating in the same industry of CDC, starting from the current fiscal year (First Quarter of 2005 included) we adopted a new reclassification of the income statement.

The Financial Statement as of March 31, 2005 was compared to the Financial Statement as of March 31, 2004, classified according to both the new and the old reclassification criteria. The analysis of changes Year on Year derived from a comparison based on the new reclassification criteria.

The main changes resulting from the adoption of new classification criteria referred to the following items:

*Revenues from sales and services.* Internet revenues resulting from reverse charges from telecom carriers were recorded net of direct costs.

*Costs of raw and ancillary materials and goods for resale.* End period marketing contributions to clients of GDO and consumer electronics channel were recorded under this item, before the gross commercial margin. Previously they were recorded under marketing costs. Purchase shipping costs, repairing and warranties and subcontractors were recorded under this item, while they were previously recorded under Service Costs.

*Service Costs.* According to the new reclassification criteria this item do not include the following costs: - internet direct costs deducted from internet revenues in order to represent the net reverse charge;

- costs for marketing contributions to clients of consumer electronics e mass merchandising channel, purchase shipping costs, repairing and warranties and subcontractors which were directly recorded under the item “Costs of raw and ancillary materials and goods for resale”. According to the new reclassification criteria, the item Service Costs includes financial services costs referring to factoring fees, bank and credit cards commissions, previously recorded under Financial Expense item.

*Payroll costs.* According to the new reclassification criteria they do not include costs for corporate canteen and employees ticket restaurant, currently included under the item Service Costs.

*Other operating costs.* The new reclassification scheme is unchanged compared to the previous except for the item “Good with a value under one million of Italian lire” which was recorded under this item.

We also provided more details on item Period-end bonuses, stock protection and coop rebate from suppliers in order to reach a better allocation of these amounts. As a results, we reclassified as period-end bonuses and stock protection, before the gross commercial margin, amounts previously recorded as coop-rebate under the item marketing costs. The gross margin reflected positively this reallocation.

All the figures in the tables below are in thousands of euros (€) unless otherwise noted.

Total **consolidated revenues** as of March 31, 2005 were equal to € 148.550 million against € 155.008 million as of March 31, 2004.

Revenues decreased by 4.17%, mainly due the suspension of Consip tenders during the full 2004 year, which during the First Quarter of 2004 generated revenues for over € 10 million, while in the under review period produced revenues less than € 1 million.

Revenues, net of sales generated by Consip public tenders, were 2.5% higher than the previous year, from € 144.483 million of 2004 to € 147.889 of 2005.

The Italian PC Market over the same period grew by 5.8%, while the Italian Hardware and Software Market declined by 0.6% and the total Italian IT market decreased by 0.3% (source Sirmi, total turnover for the First Quarter of 2005).

The performance of revenues reflected the following contribution of Group’s companies (revenues net of inter-company relationships):

<b>Business Units</b>	<b>March 31, 2005</b>	<b>%</b>	<b>March 31, 2004</b>	<b>%</b>	<b>Dec 31, 2004</b>	<b>%</b>
CDC Point S.p.A.	133,922	90.12%	139,876	90.23%	498,463	90.13%
Interfree	1,549	1.04%	1,808	1.17%	6,251	1.13%
Computer Discount	12,950	8.71%	13,101	8.45%	48,048	8.69%
Other	180	0.12%	235	0.15%	271	0.05%
<b>Total Revenues</b>	<b>148,601</b>	<b>100.00%</b>	<b>155,020</b>	<b>100.00%</b>	<b>553,033</b>	<b>100.00%</b>

Total revenues of the Parent Company CDC Point Spa, equal to € 133.922 million, mainly consisted of:

- revenues of the IT Distribution Division (generated by the network of Cash & Carry and the B2B - Amico platform) grew by 5.5%, to € 86.221 million as of March 31, 2005 from 81.735 million as of March 31, 2004 (including sales generated in the First Quarter of 2004 through Direct S.r.l.’s cash & carry outlets acquired by CDC Point S.p.a. during 2004 year);
- revenues of the Retail Chains Division (Computer Discount, GDO and Consumer Electronics) decreased by 5.3%, to € 44.756 million as of March 31, 2005, from € 47.219 as of March 31, 2004
- revenues from Direct Sales Division and services decreased by 73.17% to € 2.945 million as of March 31, 2005, from € 10.976 million as of March 31, 2004 (including revenues from Consip tenders equal to over € 10 million in 2004)

Interfree's revenues mainly referred to reverse charge from telecom carriers equal to € 2.305 million, declining by 20.3% compared to € 2.889 million as of March 31, 2004 and to internet services for € 116 thousands. Revenues, recorded net of direct costs in order to represent the net reverse charge from telecom carriers, reached € 1.549 million as of March 31, 2005 compared to € 1.808 as of March 31, 2004 (down of 14.4%).

Computer Discounts shops directly owned by the Group reached revenues for € 12.950 million as of March 31, 2005 compared to € 13.101 million as of March 31, 2004 with a decline of 1.2%, mainly resulting from the disposal of no 1 store compared to March 31, 2004.

**Gross commercial margin** earned during the First Quarter of 2005 was equal to € 19,227 thousand (12.94% on consolidated sales) against € 18,139 thousand reached during the same period of 2004 (11.70% on consolidated sales). The gross margin increased both in terms of absolute value (by € 1,088 thousand) and in terms of percentage on sales, from 11.70% as of March 31, 2004 to 12.94% in the under review period. This increase was mainly due to the higher weight of own branded products (Personal Computer Desktop, Notebook and accessories), the wider range of products offered to the clients and to the greater efficiency in the purchase policies. The increase was also attributable to the reclassification of contributions from suppliers previously recorded under the item marketing costs. This reclassification was obtained thanks to the higher cooperation of suppliers which provided details on premiums and bonuses granted to the Parent Company CDC Point S.p.A.

During the First Quarter of 2005, the CDC Group registered a decrease in the operating profitability, reaching an **EBITDA** equal to € 6,412 thousand (4.32% on sales), against € 7,330 thousand of 2004 (4.73% on sales), keeping unchanged the EBITDA ratio on sales (4.82%). This decrease was due to the lower exploitation of the operating leverage resulting from the decline of revenues.

After charges for amortization and depreciation totalling € 1,410 thousand as of March 31, 2005, the operating profit before the amortization of goodwill and the listing costs on the stock exchange (EBITA) was equal to € 5,002 thousand against € 5,639 thousand as of March 31, 2004.

**The goodwill and the listing costs on the stock exchange** amounted to € 410 thousand, while net financial and extraordinary expenses were equal to € 574 thousand against € 757 thousand in the First Quarter of 2004.

The **pre-tax profit** was positive for € 4,019 thousand as of March 31, 2005, against € 4,288 thousand recorded in the same period of 2004.

The following table shows the reclassified consolidated income statement of the CDC Group for the First Quarter of 2005 according to the current Italian regulation, in comparison with the income statement of the First Quarter of 2004 reclassified according to the new criteria adopted by the current Quarterly report and the 2005 Budget and the old reclassification criteria adopted by the Financial Statement as of March 31, 2004.

The reclassification of Income Statement as of March 31, 2005 complies with the regulation provided by art. no 2425 of Italia C.C., to furnish a clear representation of the economic situation of the CDC Group. As all the companies included in basis of consolidation are focused on businesses similar or integrated to the activity of the Parent Company CDC Point S.p.A., we decided not to provide details on the single Group's companies. We provide specific information on the two Group's business units: Information Technology (IT) and Internet. We enclose reports on income statement of both the business units.



CONSOLIDATED INCOME STATEMENT AS OF MARCH 2005

	Pro-forma as of 03-31-04 reclassification			new Reclassification published as of 03-31-04				
	March 31, 2005	March 31, 2004	Change %	March 31, 2004	Change %			
Revenues from sales and services	148,550	99.97%	155,008	99.99%	-4.17%	156,156	99.86%	-4.87%
Other revenues and income	51	0.03%	12	0.01%	325.41%	213	0.14%	-76.03%
<b>Total Revenues</b>	<b>148,601</b>	<b>100.00%</b>	<b>155,020</b>	<b>100.00%</b>	<b>-4.14%</b>	<b>156,369</b>	<b>100.00%</b>	<b>-4.97%</b>
Cost of raw and ancillary materials and goods for resale	(128,336)	-86.36%	(110,117)	-71.03%	16.55%	(108,836)	-69.60%	17.92%
Change in inventories of goods for resale	(1,038)	-0.70%	(26,764)	-17.26%	-96.12%	(26,764)	-17.12%	-96.12%
<b>Cost of goods</b>	<b>(129,374)</b>	<b>-87.06%</b>	<b>(136,881)</b>	<b>-88.30%</b>	<b>-5.48%</b>	<b>(135,600)</b>	<b>-86.72%</b>	<b>-4.59%</b>
<b>Gross margin</b>	<b>19,227</b>	<b>12.94%</b>	<b>18,139</b>	<b>11.70%</b>	<b>6.00%</b>	<b>20,769</b>	<b>13.28%</b>	<b>-7.42%</b>
Service costs	(5,766)	-3.88%	(4,167)	-2.69%	38.38%	(6,062)	-3.88%	-4.88%
Lease expenses	(1,221)	-0.82%	(1,322)	-0.85%	-7.63%	(1,322)	-0.85%	-7.63%
Payroll costs	(5,620)	-3.78%	(5,104)	-3.29%	10.10%	(5,206)	-3.33%	7.95%
Other operating costs	(208)	-0.14%	(216)	-0.14%	-3.66%	(205)	-0.13%	1.51%
<b>Ebitda</b>	<b>6,412</b>	<b>4.32%</b>	<b>7,330</b>	<b>4.73%</b>	<b>-12.52%</b>	<b>7,974</b>	<b>5.10%</b>	<b>-19.59%</b>
Depreciation	(1,322)	-0.89%	(1,521)	-0.98%	-13.07%	(1,521)	-0.97%	-13.07%
Provisions and write-downs	(88)	-0.06%	(170)	-0.11%	-48.53%	(170)	-0.11%	-48.53%
<b>Ebita</b>	<b>5,003</b>	<b>3.37%</b>	<b>5,639</b>	<b>3.64%</b>	<b>-11.29%</b>	<b>6,283</b>	<b>4.02%</b>	<b>-20.38%</b>
Goodwill amortization and stock market listing costs	(410)	-0.28%	(594)	-0.38%	-31.02%	(594)	-0.38%	-31.02%
<b>Ebit</b>	<b>4,593</b>	<b>3.09%</b>	<b>5,045</b>	<b>3.25%</b>	<b>-8.97%</b>	<b>5,689</b>	<b>3.64%</b>	<b>-19.27%</b>
Financial income (expense), net	(648)	-0.44%	(723)	-0.47%	-10.44%	(1,367)	-0.87%	-52.63%
Extraordinary income (expense), net	(37)	-0.03%	(88)	-0.06%	-57.65%	(88)	-0.06%	-57.65%
Adjustments to financial fixed assets	111	0.07%	54	0.03%	106.24%	54	0.03%	106.24%
<b>Income before taxes</b>	<b>4,019</b>	<b>2.70%</b>	<b>4,288</b>	<b>2.77%</b>	<b>-6.27%</b>	<b>4,288</b>	<b>2.74%</b>	<b>-6.27%</b>
Income (loss) attributable to minority interests	(9)	-0.01%	(4)	0.00%	124.95%	(4)	0.00%	124.95%
<b>Consolidated net income of CDC Group</b>	<b>4,010</b>	<b>2.70%</b>	<b>4,284</b>	<b>2.76%</b>	<b>-6.39%</b>	<b>4,284</b>	<b>2.74%</b>	<b>-6.39%</b>

**Revenues from sales and services**

Consolidated revenues, net of returns, discounts and allowances, derived almost entirely from sales in Italy.

Business Units	Pro-forma as of 03-31-04 new reclassification			Reclassification published as of 03-31-04	
	March 31, 2005	March 31, 2004	Change	March 31, 2004	Change
IT distribution	146,129	152,003	(5,874)	153,152	(7,023)
Internet	2,421	3,005	(584)	3,005	(584)
Other	51	12	39	212	(161)
<b>Revenues from sales and services</b>	<b>148,601</b>	<b>155,020</b>	<b>(6,419)</b>	<b>156,369</b>	<b>(7,768)</b>



### Others revenues and income

Others revenues and income, amounting in the First Quarter of 2005 to € 51 thousand, mainly consist of rental income, insurance refunds, income from the recovery of costs related to sales and gains on disposals.

They do not include advertising refunds, franchising fees received from new franchisees and marketing contribution from suppliers, amounting to € 2,087 thousand as of March 31, 2005 against € 3,345 thousand as of March 31, 2004, which were classified as a reduction of marketing costs under the item Service Costs.

Period-end bonuses from suppliers and stock protection, amounting to € 10,809 thousand as of March 31, 2005 against € 6,643 thousand in the same period of 2004, were classified as a reduction of Costs for raw materials and goods for resale.

### Operating costs

The following table shows the main Group operating costs, per Business Unit:

		Pro-forma as of 03-31-04 new reclassification		Reclassification published as of 03-31-04	
<b>Operating costs</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change</b>	<b>March 31, 2004</b>	<b>Change</b>
<b>Cost of goods for resale</b>	<b>(128,336)</b>	<b>(110,117)</b>	<b>(18,219)</b>	<b>(108,836)</b>	<b>(19,500)</b>
<b>Change in inventories of goods for resale</b>	<b>(1,038)</b>	<b>(26,764)</b>	<b>25,726</b>	<b>(26,764)</b>	<b>25,726</b>
<b>Payroll costs</b>	<b>(5,620)</b>	<b>(5,104)</b>	<b>(516)</b>	<b>(5,206)</b>	<b>(414)</b>
<i>IT distribution</i>	<i>(5,487)</i>	<i>(4,973)</i>	<i>(514)</i>	<i>(5,075)</i>	<i>(412)</i>
<i>Internet</i>	<i>(133)</i>	<i>(131)</i>	<i>(2)</i>	<i>(131)</i>	<i>(2)</i>
<b>Total service costs</b>	<b>(5,766)</b>	<b>(4,167)</b>	<b>(1,599)</b>	<b>(6,062)</b>	<b>296</b>
of which Marketing expenses	(980)	764	(1,744)	276	(1,256)
<i>IT distribution</i>	<i>(978)</i>	<i>876</i>	<i>(1,854)</i>	<i>388</i>	<i>(1,366)</i>
<i>Internet</i>	<i>(2)</i>	<i>(112)</i>	<i>110</i>	<i>(112)</i>	<i>110</i>
of which Shipping and logistics	(971)	(1,058)	87	(1,889)	918
of which Other service costs	(3,815)	(3,873)	58	(4,449)	634
<b>Lease expenses</b>	<b>(1,221)</b>	<b>(1,322)</b>	<b>101</b>	<b>(1,322)</b>	<b>101</b>
<b>Other operating costs</b>	<b>(208)</b>	<b>(216)</b>	<b>8</b>	<b>(205)</b>	<b>(3)</b>
<b>TOTAL</b>	<b>(142,189)</b>	<b>(147,690)</b>	<b>5,501</b>	<b>(148,395)</b>	<b>6,206</b>

The amount of **change in inventories** essentially relates to the Parent Company CDC Point S.p.A., which is involved in the IT core business.

**Marketing costs** were equal to € 3,156 thousand (€ 2,581 thousand in 2004) gross of advertising refunds, entry right fees of new affiliations and marketing contributions from suppliers, totalling € 2,087 thousand (€ 3,345 thousand in 2004).

**Others service costs**, equal to € 3,815 thousand, primarily regard utilities, external consultants, emoluments paid to corporate bodies, training, maintenance, commercial fees, repayments for travel expenses, bank commissions and factoring fees.



As of March 31, 2005 **payroll costs** were equal to € 5,620 thousand, increasing by € 516 thousand compared to the same period of 2004. The change was mainly attributable to the IT business unit, while the number of employees of Internet business, and the related costs, were substantially stable (€ 133 thousand in the First Quarter of 2005 against € 130 thousand in the same period of 2004).

The employees of IT business increased by 7 units, with a consequent increase of the related costs. The 7 units net increase was mainly due to the new openings of Cash&Carry outlets.

The following table highlights a breakdown of the average employees by business unit for the period ending March 31, 2005, compared to the same period of 2004:

<b>Employees</b>	<b>03/31/05</b>	<b>03/31/04</b>	<b>Change</b>	<b>Average employees 01/01/05-03/31/04</b>
<b>IT Distribution</b>	<b>597</b>	<b>589</b>	<b>8</b>	<b>599.67</b>
<i>Managers</i>	15	16	-1	15
<i>Supervisors</i>	30	31	-1	30.67
<i>White-collar</i>	405	384	21	403.67
<i>Blue-collar</i>	135	146	-11	140.33
<i>Trainees</i>	12	12	0	10
<b>Internet</b>	<b>11</b>	<b>12</b>	<b>-1</b>	<b>11.33</b>
<i>Managers</i>	0	0	0	0
<i>Supervisors</i>	1	1	0	1
<i>White-collar</i>	10	11	-1	10.33
<b>TOTAL</b>	<b>608</b>	<b>601</b>	<b>7</b>	<b>611.00</b>

#### **Amortization, depreciation and write-downs**

In addition to the charges relating to individual companies, **amortization and depreciation** also include the recalculation of lease transactions according to financial lease accounting.

**Allowances for bad debts and write-downs** were mainly due to adjustments to trade and other receivables and allowances for future risk. Total allowances and write-downs amounted to € 88 thousand, fully referred to the Parent Company CDC Point S.p.A.

#### **Financial income and expenses**

**Financial income and expenses** break down as follows:



		Pro-forma as of 03-31-04 new reclassification		Reclassification published as of 03-31-04	
<b>Financial income (expenses)</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change</b>	<b>March 31, 2004</b>	<b>Change</b>
Interest and other financial income	52	85	(33)	85	(33)
Interest Expenses	(536)	(752)	216	(751)	215
Net foreign currency translation adjustment	(164)	(57)	(107)	(57)	(107)
Bank Commissions	0	0	0	(111)	111
Commissions on credit cards, POS payments and factoring fees	0	0	0	(533)	533
Premiums on options	0	0	0	0	0
<b>Total</b>	<b>(648)</b>	<b>(724)</b>	<b>76</b>	<b>(1,367)</b>	<b>719</b>

Financial income and expenses are essentially attributable to the Parent Company, which mainly manages the Group's funding activity. We notice a decrease in interest expenses, net of interest income, by € 183 thousand. This downturn was achieved thanks to the continuous renegotiation of the bank interest rates and the decrease of net financial position.

Net foreign currency translation adjustment increased from a negative result of € 57 thousand in 2004, to a loss of € 164 as of March 31, 2005. The decrease was mainly due to the trend of the exchange rate Euro/US Dollar.

### **Financial position**

<b>Net Financial Position</b>	<b>March 31, 2005</b>	<b>Dec 31, 2004</b>	<b>Change</b>	<b>March 31, 2004</b>
Bank debts payable within 12 months	(2,675)	(8)	(2,667)	(12,852)
Cash and cash equivalents	4,928	22,507	(17,579)	9,239
(Amounts due to) Due from factoring companies	0	0	0	(81)
<b>Liquidity (borrowing) within 12 months</b>	<b>2,253</b>	<b>22,499</b>	<b>(20,246)</b>	<b>(3,694)</b>
Short-term loan	(12,500)	(12,500)	0	0
Amounts due to other lenders for leases falling due within 12 months	(814)	(808)	(6)	(729)
<b>Net Financial Position within 12 months</b>	<b>(13,314)</b>	<b>(13,308)</b>	<b>(6)</b>	<b>(729)</b>
<b>Net Financial Position within 12 months</b>	<b>(11,061)</b>	<b>9,191</b>	<b>(20,252)</b>	<b>(4,423)</b>
Amounts due to other lenders for leases falling due after 12 months	(1,070)	(1,279)	209	(1,962)
Bank debts payable beyond next 12 months	(12,500)	(12,500)	0	(25,000)
<b>Net Financial Position beyond next 12 months</b>	<b>(13,570)</b>	<b>(13,779)</b>	<b>209</b>	<b>(26,962)</b>
<b>Total Net Financial Position</b>	<b>(24,631)</b>	<b>(4,588)</b>	<b>(20,043)</b>	<b>(31,385)</b>

Net financial position as of March 31, 2005 strongly improved compared to the same period of previous year (€ 24,631 thousand versus € 31,385 thousand, decreasing by 22%).

The positive performance of net financial position, obtained thanks to the strong cash flows driven by operating profitability and the growing efficiency in working capital management, confirms the Group's financial standing and the tenability of the dividend distribution plan adopted by the company (€ 6

million the total amount of dividend distribution during 2004 year) and confirmed by the approval of the new business plan on Autumn 2004.

### **Extraordinary items**

Extraordinary costs were equal to € 37 thousand as of March 31, 2005, mainly consisting of non recurrent liabilities deriving from shipping, deposit and stockpiling costs referring to the previous year and not recorded in the Financial Statement as of December 31, 2004 as not communicated by services within the closing of drafting of 2004 Annual Report.

### **INVESTMENTS**

<b>Consolidated net investments</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change</b>
Intangible fixed assets	236	111	125
Tangible fixed assets	1,213	325	888
Financial fixed assets	0	5	(5)
<b>Total</b>	<b>1,449</b>	<b>441</b>	<b>1,008</b>

During the First Quarter of 2005, the investments, net of disinvestments and depreciation, increased by € 1,449 thousand.

Works on third-parties buildings of the Parent Company CDC Point, recorded under intangible fixed assets, increased due to the opening of the new Cash & Carry located in Lecce, on April 2005, and to the change of the Cash&Carry site of Reggio Emilia (€ 50 thousand). Moreover the building where is located the Interfree S.r.l.'s server farm was restructured (€ 54 thousand).

Tangible fixed assets included investments for € 95 thousand related to plants, € 98 thousand referred to office equipments and € 170 thousand for other goods. These investments were mainly attributable to cash & carry network of the Parent Company.

Tangible fixed assets under construction increased by € 850 thousand as a result of a payment of the same amount referring to a preliminary purchase agreement.

### **5.2. PERFORMANCE OF THE IT CORE BUSINESS**

During the First Quarter of 2005, the CDC Group has proceeded to distribute IT products in accordance with its multi-channel strategy, serving the following markets:

- a. the consumer and SOHO segments, where CDC Group is the leader of the Italian market with more than 450 outlets, including shops under Computer Discount trademark, corners under Compy trademark and outlets of consumer electronics. This channel, together with mass merchandising, achieved revenues for € 57,510 thousand, decreasing by 4.68% compared to the same period of 2004 (€ 60,334 thousand);
- b. IT resellers, system integrators and other IT dealers, via its network of 29 Cash & Carry outlets, the outlets under the Amico trademarks and the B2B e-commerce channel; in the period under review



the Group achieved revenues for € 86,221 thousand compared to € 81,735 thousand in the same period of 2004, with an increase of 5.5%;

- c. government and large-scale users segments, served by CDC group since the end of 2002, earned revenues for € 2,927 thousand in the period under review, compared to € 10,976 thousand in the same period of 2004 (of this over € 10,000 thousand resulting from Consip tenders ended within the end of 2004 year).

In the First Quarter of 2005, the CDC Group achieved revenues for € 146,180 thousand from its IT core business, compared to € 152,015 thousand in the same period of 2004, decreasing by 3.84%. The trend of revenues, not including sales derived from Consip tenders, which strongly influenced sales of 2004 year, rose by about 3%, compared to: an Italian PC Market growing by 5.8%; an Italian IT Market decreasing by 0.3% in terms of total value and by 0.6% considering only hardware and software segments (source Sirmi, data in value for the First Quarter of 2005).

During the First Quarter of 2005 the Ebitda reached € 5,434 thousand, decreasing by 14.19% compared to the same period of 2004 (€ 6,332 thousand).

Despite the growth of gross margin (from 9.96% on sales in the First Quarter of 2004 to 11.50% on sales as of March 31, 2005), the Ebitda margin decreased from 4.17% to 3.72% as a result of higher payroll costs (which increased from 3.27% on sales to 3.75% on sales) and marketing investments.

During the First Quarter of 2005, the Ebit reached € 3,710 thousand, after goodwill amortization and stock market listing costs for € 410 thousand and fixed assets amortization and provisions for € 1,315 thousand. The First Quarter of 2005 Ebit result decreased by 10% compared to the same period of 2004, when it amounted to € 4,161 thousand after goodwill amortization and stock market listing costs for € 594 thousand and fixed assets amortization and provision for € 1,577 thousand.

Hereafter the reclassified consolidated income statement of the IT business unit (IT production and distribution), for the First Quarter of 2005, compared to the same period of 2004, prepared in a concise form, before the shareholding depreciation and the consolidation adjustments.



<b>Consolidated Income Statement for the IT Business</b>	<b>March 31, 2005</b>		<b>March 31, 2004</b>		<b>Change %</b>
Revenues from sales and services	146,129	99.97%	152,003	99.99%	-3.86%
Other revenues and income	51	0.03%	12	0.01%	325.39%
<b>Total Revenues</b>	<b>146,180</b>	<b>100.00%</b>	<b>152,015</b>	<b>100.00%</b>	<b>-3.84%</b>
Cost of raw and ancillary materials and goods for resale	(128,333)	-87.79%	(110,114)	-72.44%	16.55%
Change in inventories of goods for resale	(1,038)	-0.71%	(26,764)	-17.61%	-96.12%
<b>Cost of goods</b>	<b>(129,371)</b>	<b>-88.50%</b>	<b>(136,878)</b>	<b>-90.04%</b>	<b>-5.48%</b>
<b>Gross margin</b>	<b>16,809</b>	<b>11.50%</b>	<b>15,137</b>	<b>9.96%</b>	<b>11.05%</b>
Service costs	(4,474)	-3.06%	(2,334)	-1.54%	91.70%
Lease expenses	(1,208)	-0.83%	(1,306)	-0.86%	-7.53%
Payroll costs	(5,487)	-3.75%	(4,974)	-3.27%	10.32%
Other operating costs	(206)	-0.14%	(191)	-0.13%	8.07%
<b>Ebitda</b>	<b>5,434</b>	<b>3.72%</b>	<b>6,332</b>	<b>4.17%</b>	<b>-14.19%</b>
Depreciation	(1,227)	-0.84%	(1,407)	-0.93%	-12.81%
Provisions and write-downs	(88)	-0.06%	(170)	-0.11%	-48.53%
<b>Ebita</b>	<b>4,119</b>	<b>2.82%</b>	<b>4,755</b>	<b>3.13%</b>	<b>-13.37%</b>
Goodwill amortization and stock market listing costs	(410)	-0.28%	(594)	-0.39%	-31.02%
<b>Ebit</b>	<b>3,710</b>	<b>2.54%</b>	<b>4,161</b>	<b>2.74%</b>	<b>-10.85%</b>
Financial income (expense), net	(648)	-0.44%	(754)	-0.50%	-14.12%
Adjustments to financial fixed assets	0	0.00%	0	0.00%	n.s.
Extraordinary income (expense), net	(36)	-0.02%	(103)	-0.07%	-64.69%
<b>Income before taxes</b>	<b>3,026</b>	<b>2.07%</b>	<b>3,304</b>	<b>2.17%</b>	<b>-8.42%</b>

During the First Quarter of 2005, **IT revenues**, net of returns, discounts and allowances, deriving almost entirely from sales in Italy, amounted to € 146,180 thousand against € 152,015 thousand in the same period of 2004, decreasing by 3.84%.



<b>Change od commercial network</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change</b>
Cash & Carry *	69,802	70,023	(221)
Computer Discount	40,407	40,063	344
Mass merchandising and Consumer electronics (Compy)	16,817	20,271	(3,454)
Amico/B2B	16,653	11,712	4,941
Direct Sales (Large-scale users and Public Authorities)	2,927	10,976	(8,049)
Other sales (technical assistance, advices, training)	(477)	(1,042)	565
<b>Total</b>	<b>146,129</b>	<b>152,003</b>	<b>(5,874)</b>

\* Included sales of outlet

Retail revenues, achieved via Computer Discount, Compy and mass merchandising channels, decreased by 5.2% compared to the same period of the previous year.

Distribution revenues, achieved through Cash & Carry, Amico and e-commerce B2B channels, grew by 5.5% compared to 2004.

Direct sales channel recorded a strong downturn (73.4%), due to the extraordinary trend of sales generated during the First Quarter of 2004.

The CDC Group continued to develop its commercial network both under the Computer Discount, Compy and Amico trademarks and through its Cash & Carry channel.

<b>Change of commercial network</b>	<b>Turnover</b>		<b>Sales network</b>	
	<b>12/31/05</b>	<b>12/31/04</b>	<b>12/31/05</b>	<b>12/31/04</b>
Cash & Carry	69,802	70,023	29	26
Computer Discount	40,407	40,055	209	235
IT corners, Consumer electronics shops and Mass merchandising	16,817	20,271	408	271
Amico/B2B	16,653	11,712	144	126
Government, Tenders and Large-scale users	2,927	10,976	-	-
Other sales (technical assistance, advices, training)	1,944	(1,034)	-	-
<b>Total</b>	<b>148,550</b>	<b>152,003</b>	<b>790</b>	<b>658</b>

**Others revenues and income**, amounting in the First Quarter of 2005 to € 51 thousand, mainly consist of rental income, insurance refund, income from the recovery of costs related to sales and gains on disposals.

Period-end bonuses from suppliers and stock protection, amounting to € 10,809 thousand as of March 31, 2005, were classified as a reduction of costs for raw materials and goods for resale.

**Service costs** increased (€ 4.474 million against € 2.334 million in 2004), mainly due to the change in marketing and insurance costs.



Shipping costs slightly decreased from € 1.058 million as of March 31, 2004 to € 971 thousand as of December 31, 2004.

Maintenance and utilities were substantially stable (€ 495 thousand in 2005 against € 541 thousand in 2004).

The other service costs also include factoring, bank and credit card/pos transaction fees, reimbursement to employees, subcontractors and other lower costs.

<b>SERVICE COSTS IT buiness</b> <b>(€ * 1,000)</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change</b>
Shipping and logistics	971	1,058	(87)
Subcontractors	0	0	0
Maintenance and utilities	495	541	(46)
Marketing expenses	978	(876)	1,854
Insurance premiums	277	231	46
Technical, legal, administrative and fiscal advices	211	261	(50)
Emoluments paid to corporate officers	671	689	(18)
Other service costs	871	430	441
<b>TOTAL</b>	<b>4,474</b>	<b>2,334</b>	<b>2,140</b>

The **amortization costs** included the amortization of trademark CDC Point S.p.A. (bought in 1999 from the Parent Company CDC Sr.l. for a price of € 12.911 million, determined on the basis of a valuation prepared by an external consultant) for € 332 thousand and the amortization of the other intangible and tangible fixed assets referring to the corporate activity.

**Allowances and write-downs** mainly resulted from provisions for future risk. Total allowances and write-downs amounted to € 87 thousand, fully attributable to the Parent Company CDC Point SpA.

**Goodwill and stock exchange listing costs amortizations as of March 31, 2005**, amounting to € 0.410 million, consisted of the following items:

- |    |  |                 |
|----|--|-----------------|
| a. | goodwill Computer Discount S.r.l. (ex Sofim) | € 0.198 million |
| b. | goodwill Armonia Computers                   | € 47 thousand   |
| c. | goodwill Test                                | € 81 thousand   |
| d. | stock exchange listing costs                 | € 83 thousand   |

**Net Financial Expense** recorded a decrease in the period under review due to lower interest paid (€ 0.536 million in 2005 compared to € 0.752 million in 2004).



### **5.3. BUSINESS UNIT - INTERNET SERVICE PROVIDER AND PORTAL ACTIVITIES**

The company Interfree S.r.l., which represents the Internet Group's business unit, is fully owned by CDC Point S.p.A.

During the First Quarter of 2005, the company generated a pre-tax profit for € 0.882 million against € 0.930 million reached in the same period of 2004.

Internet revenues as of March 31, 2005 were equal to € 2.421 million, compared to € 3.005 million of the same period of 2004. This item, slightly decreasing compared to the previous year, includes revenues and charges (gross revenue per minute of internet traffic and separated charge of reverse and service costs) related to revenue sharing from telecom carriers (Telecom S.p.A., Wind S.p.A. and Albacom S.p.A.) for internet traffic generated by Interfree as Internet Service Provider. As for the carrier Telecom S.p.A., the business is carried on through the Parent Company CDC Point S.p.A.

Interfree also generated revenues from services to end users, through the portal [www.interfree.it](http://www.interfree.it).

Service costs, equal to € 1.292 million, decreased by 29.52% compared to the previous year (€ 1.833 million).

During the period under review the gross operating profit (Ebitda) reached € 0.979 million against € 0.998 million in 2004, while the operating income (Ebit) was equal to € 0.883 million against € 0.885 million in the same period of 2004.

The employees of the company as at March 31, 2005 amounted to 11 units, decreasing by 1 unit compared to March 31, 2004.

Hereafter the reclassified Income Statement, in a concise form, before write-downs and consolidation adjustments for the Internet Business Unit as of March 31, 2005 compared to March 31, 2004.



**CDC GROUP – Consolidated Quarterly report as of March 31, 2005**

<b>Income Statement for the Internet Business</b>	<b>Pro-forma as of 03-31-04 new reclassification</b>			<b>Reclassification published as of 03-31-04</b>		
	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>Change %</b>	<b>March 31, 2004</b>	<b>Change %</b>	
Revenues from sales and services	2,421 100.00%	3,005 100.00%	-19.43%	3,005 99.97%	-19.43%	
Other revenues and income	0 0.00%	0 0.00%	n.s.	1 0.03%	-99.75%	
<b>Total Revenues</b>	<b>2,421 100.00%</b>	<b>3,005 100.00%</b>	<b>-19.43%</b>	<b>3,006 100.00%</b>	<b>-19.46%</b>	
Cost of raw and ancillary materials and goods for resale	(3) -0.11%	(3) -0.10%	-9.71%	(3) -0.10%	-9.71%	
Change in inventories of goods for resale	0 0.00%	0 0.00%	n.s.	0 0.00%	n.s.	
<b>Cost of goods</b>	<b>(3) -0.11%</b>	<b>(3) -0.10%</b>	<b>-9.71%</b>	<b>(3) -0.10%</b>	<b>-9.71%</b>	
<b>Gross margin</b>	<b>2,418 99.89%</b>	<b>3,002 99.90%</b>	<b>-19.44%</b>	<b>3,003 99.90%</b>	<b>-19.47%</b>	
Service costs	(1,292) -53.36%	(1,833) -61.00%	-29.52%	(1,832) -60.94%	-29.48%	
Lease expenses	(14) -0.56%	(16) -0.53%	-15.61%	(16) -0.53%	-15.61%	
Payroll costs	(133) -5.48%	(130) -4.33%	2.02%	(131) -4.36%	1.24%	
Other operating costs	(2) -0.07%	(25) -0.83%	-93.26%	(24) -0.80%	-92.28%	
<b>Ebitda</b>	<b>979 40.42%</b>	<b>998 33.21%</b>	<b>-1.94%</b>	<b>1,000 33.27%</b>	<b>-2.14%</b>	
Depreciation	(95) -3.94%	(113) -3.76%	-15.53%	(113) -3.76%	-15.53%	
Provisions and write-downs	0 0.00%	0 0.00%	n.s.	0 0.00%	n.s.	
<b>Ebit</b>	<b>883 36.48%</b>	<b>885 29.45%</b>	<b>-0.21%</b>	<b>887 29.51%</b>	<b>-0.44%</b>	
Financial income (expense), net	0 0.00%	30 1.00%	-99.96%	28 0.93%	-99.96%	
Extraordinary income (expense), net	(1) -0.04%	15 0.50%	-106.01%	15 0.50%	-106.01%	
<b>Income before taxes</b>	<b>882 36.44%</b>	<b>930 30.95%</b>	<b>-5.13%</b>	<b>930 30.94%</b>	<b>-5.13%</b>	

## 6. INFORMATION ON GROUP COMPANIES

### PARENT COMPANY

#### CDC Point S.p.A.

The Company is the Italian market leader in the production and distribution of IT products for the consumer and SOHO segments.

Revenues were earned through a retail distribution network of about 500 outlets operating under the Computer Discount, Compy and Amico trademarks and 29 Cash and Carry stores distributing to IT dealers and resellers, also served by the e-commerce B2B platform, [www.cdcpoint.it](http://www.cdcpoint.it).

Since the end of 2002 Fiscal Year, CDC Point S.p.A. made a successful move into the government and large-scale users.

The Company closed the period as of March 31, 2005 with revenues for € 145.484 million (€ 151.398 million in the same period of 2004), an Ebitda result for € 5.031 million (€ 5.247 million as of March 31, 2004), an Ebit result for € 3.951 million (€ 4.147 million as of March 31, 2004) and a pre-tax profit for € 3.756 million (€ 4.262 million as of March 31, 2004).

### SUBSIDIARIES

#### Micronica S.p.A.

The company carries out the assembly of personal computers, on behalf of the Parent Company CDC Point S.p.A., and manages the Group's logistics platform.

During the under review period, revenues from the assembly business amounted to € 0.533 million (€ 0.609 million as of March 31, 2004), whilst logistics generated income for € 1.234 million (€ 1.284 million in the previous year) and other services were equal to € 0.361 million (€ 0.487 million in 2004).

The under review period closed with a pre-tax profit for € 0.055 million.

#### CD Web S.p.A.

The company operates in the field of e-commerce, through Interfree as internet portal and the Computer Discount commercial network for the products distribution. The company is fully owned by CDC Point S.p.A. and does not have any personnel.

The First Quarter of 2005 closed with a pre-tax loss for € 0.883 thousand

#### Polinet S.r.l.

During 2001 year the company acquired from Gruppo Editoriale Futura S.p.A. an office building located in Milan.

Currently the office building is not rented.

The First Quarter of 2005 closed with a pre-tax loss of € 21 thousand.

#### Interfree S.r.l.

Interfree S.r.l. represents the Internet Service Provider and Portal business unit of the CDC Group. The company is fully owned by CDC Point S.p.A. The revenues mainly derived from the reverse charge from telecom carriers (Telecom S.p.A., Wind S.p.A. and Albacom S.p.A.) for the internet traffic generated as Internet Service Provider.

The First Quarter of 2005 closed with a pre-tax profit for € 0.882 million.

#### Computer Discount S.r.l.



The company holds equities in computer technology retail shops, affiliated to Computer Discount network.

During the First Quarter of 2005 the subsidiaries owned by Computer Discount S.r.l. generated revenues for € 12.934 million compared to 13.133 million of the same period of 2004.

The First Quarter of 2005 closed with a pre-tax profit of € 0.165 million.

#### **PC STOP S.r.l.**

The company has operated since September 2004, managing a retail outlet.

As of March 31, 2005 the company earned revenues for € 0.23 million and recorded a profit of € 3 thousand

#### **CDC Superstore S.r.l. (ex Direct S.r.l.)**

Direct S.r.l. managed until July 31, 2004 through a lease branch agreement the commercial activities of Test S.p.A., company operating in the field of IT distribution. The sales network consisted of 5 Cash & Carry outlets located in Padova, Reggio Emilia, Sassari, Firenze, Perugia, which distributed IT products to resellers.

On December 06, 2004, the Parent Company CDC Point acquired the 1% share of Direct S.r.l., reaching a fully control of the company.

On March 24, 2005 the Extraordinary Shareholders' Meeting modified the legal title from Direct S.r.l. to CDC Superstore S.r.l. The company will represent the corporate vehicle for the launch of a new format of superstore shops focused on consumer electronics.

The First Quarter of 2005 closed with a loss of € 0.266 million.

#### **ASSOCIATED COMPANIES**

Equity investments in associated companies mainly consist of the CDC Point S.p.A.'s legally required investment held in the Conai Consortium, with a value of € 0.5 thousand.

#### **RELATED COMPANIES**

Related-party transactions are solely of a commercial nature and were managed under market conditions.

The table below summarizes the economic and financial relationships between the Parent Company and the related companies.

The most significant of such transactions were:



<b>CDC Group</b>				
<b>(000's of Euro)</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>	<b>Revenues</b>	<b>Costs</b>
Mactronics S.r.l.	72	0	1	0
<b>Subsidiaries</b>	<b>72</b>	<b>0</b>	<b>1</b>	<b>0</b>
CDC S.r.l.	1	0	0	0
<b>Parent company</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
CD Napoli S.r.l.	98	0	360	0
Cd Pistoia S.r.l.	0	0	0	0
Cd Salerno S.r.l.	86	0	129	0
<b>Associated companies</b>	<b>184</b>	<b>0</b>	<b>489</b>	<b>0</b>
Imo 1 S.r.l.	0	0	0	(57)
Imo 2 S.r.l.	0	0	0	(22)
Wal S.p.A. winding up	0	0	0	0
Gap S.r.l.	0	(6)	0	(2)
Icube S.r.l.	0	0	0	0
CTY S.r.l.	256	0	271	0
Tradesoft Technologies S.r.l.	2	0	1	0
Diomelli Giuseppe	0	0	0	0
Andolfi Floriana	0	0	0	0
<b>Related companies</b>	<b>258</b>	<b>(6)</b>	<b>272</b>	<b>(81)</b>

## 7. OTHER INFORMATION

### **RESEARCH AND DEVELOPMENT**

The Group did not carry out research and development of any significance during the First Quarter of 2005.

### **OWN SHARES**

As at March 31, 2005 CDC Point S.p.A. held 106,615 its own shares acquired during 2001, 2002, 2004 and 2005 year, in order to stabilize the stock market price in accordance with the resolution passed by the General Shareholders' Meeting.

As at March 31, 2005 such shares were posted at the lower of cost and their average value during the last month of the period under review (€ 11.285), recording write-ups for € 0.111 million.

For the treasury shares destined to the stock option plan (n. 10,481), the revaluation has been realized up to € 7 per share, as established by the stock option plan.

The relevant equity reserve was adjusted to via the transfer of the same amount from the Share Premium Reserve.

### **OPERATING OUTLOOK**

The Group's future development aims at reinforcing its position as leading Italian distributor of computer technology products.

The management of the group will be oriented to reach the target of budget in the short term period and targets of business plan 2005 – 2007 in the medium term period.

During the next months the Group's activity will be strictly focused on launching the new superstore format and creating value in term of increase in operating income and net profit.

### **SUBSEQUENT EVENTS**

On April 2005 CDC S.r.l. the Parent Company of CDC Point S.p.a., through the subsidiary CDC Net S.A., sold no. 150,000 shares equal to a 1.23% stake of CDC Point S.p.A. to some major institutional investors.

The deal followed the interest of major institutional investors for CDC shares, based on the profitability of the company and complies with the strategy of increasing the floating shares and the market liquidity on the stock exchange, by opening the company capital to qualified investors.

As a result of the deal, the floating CDC S.p.A. shares reached 35% of the total company stock.

The Chairman of the Board  
Giuseppe Diomelli

