

# **CDC GROUP**



## **CONSOLIDATED QUARTERLY** **REPORT** **AS OF JUNE 30, 2005**



## TABLE OF CONTENTS

<b>Highlights and Organization Information</b>	Corporate Boards	3
	Business and structure of the CDC Group	4
	Useful Information	9
<b>Report on Operations</b>	Scope of consolidation, Accounting principles and policies, Consolidation methods	11
	Consolidated accounts of the CDC Group and related notes	16
<b>Consolidated Financial Statements</b>	Consolidated Income Statement and related notes	16
	Consolidated Income Statement of the IT core business and related notes	26
	Consolidated Income Statement of the Internet Business Unit and related notes	32
	Information on Group companies	36



## 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
Alessia Bastiani	Alternate Auditor	Approval of 2007 accounts



**ACCOUNTING AUDITOR**

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

**MARKET SPECIALIST**

Caboto Intesabci Sim S.p.A.

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

**BUSINESS**

CDC Point S.p.A., listed on the Nuovo Mercato Italian Stock Exchange, 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 500 outlets, organized into three distinct chains operating under the Computer Discount, Compy and Amico trademarks.

The Group also manages a network of 30 proprietary Cash & Carry outlets, two of these opened during the 2005 year, Lecce (April 2005) and Cosenza (May 2005). The Cash & Carry outlets distribute to over 30,000 specialist IT resellers.

The Cash & Carry outlets, with an average sales area of about 1,000 sqm, operate in the IT business and areas converging to the Information technology.

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;
- logistic platform (one of the most advanced in Europe) able to deliver up to 10,000 outputs per hour.

Among the main awards in the field of government and public administration, the supplies achieved during the period 2002-03 from Italia Lavoro ("In" Project for the computer technology alphabetisation of young people of Southern Italy) and Consip Agency (tenders to supply PCs to central and local Italian government entities, with a total amount of over 65,000 desktop PCs delivered and a value of approximately € 50 million, mainly registered in the 2003 year).

Since the 2004 year, to face the interruption of Consip tenders, the Direct Sales division acquired supplies in the segment of large corporate and government entities.

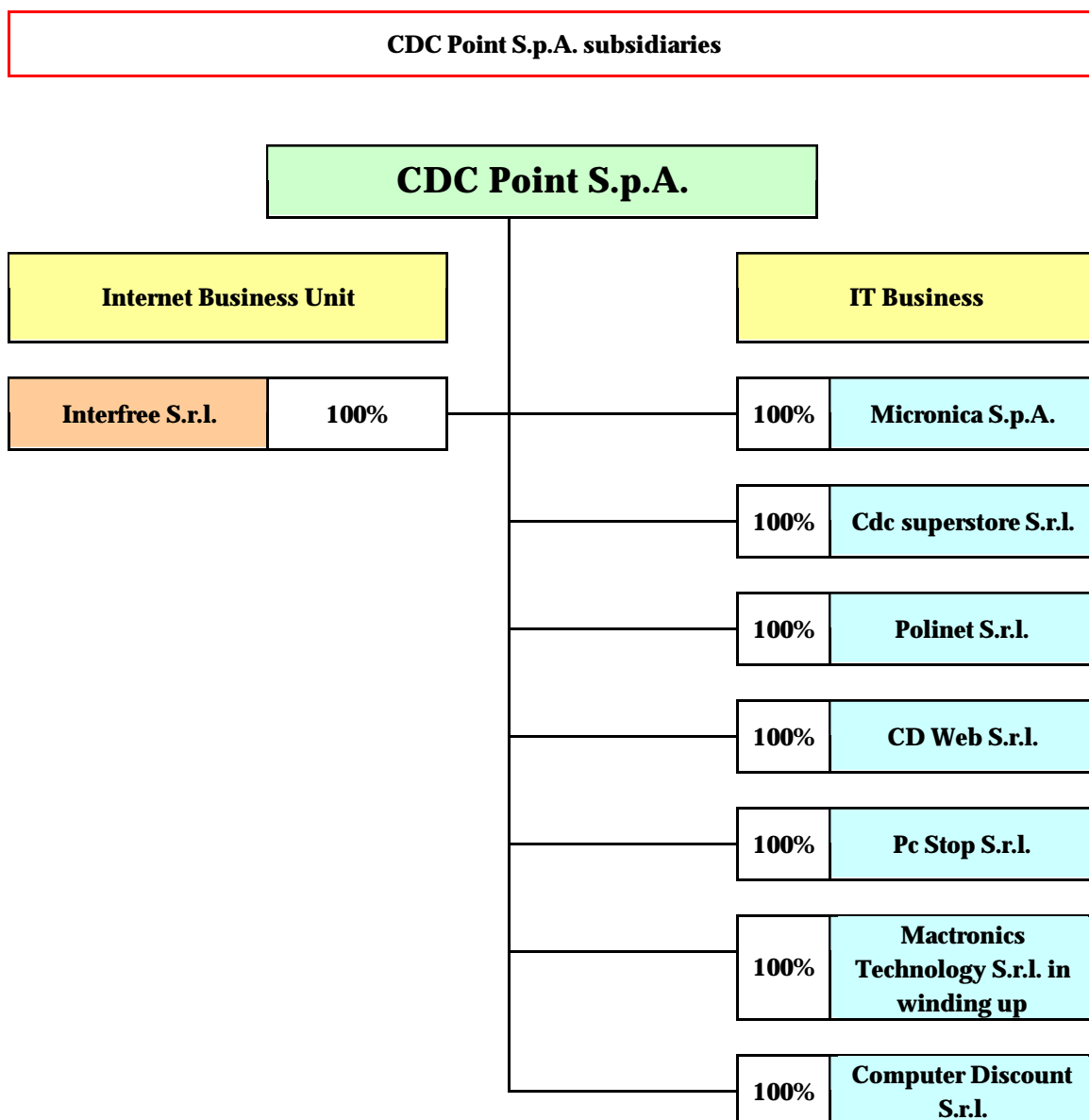
CDC in the early July 2005 signed a private agreement to supply over 17,000 LCD monitors to Poste Italiane. The economic and financial effects of this supply will be registered during the second half of 2005 year.

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.

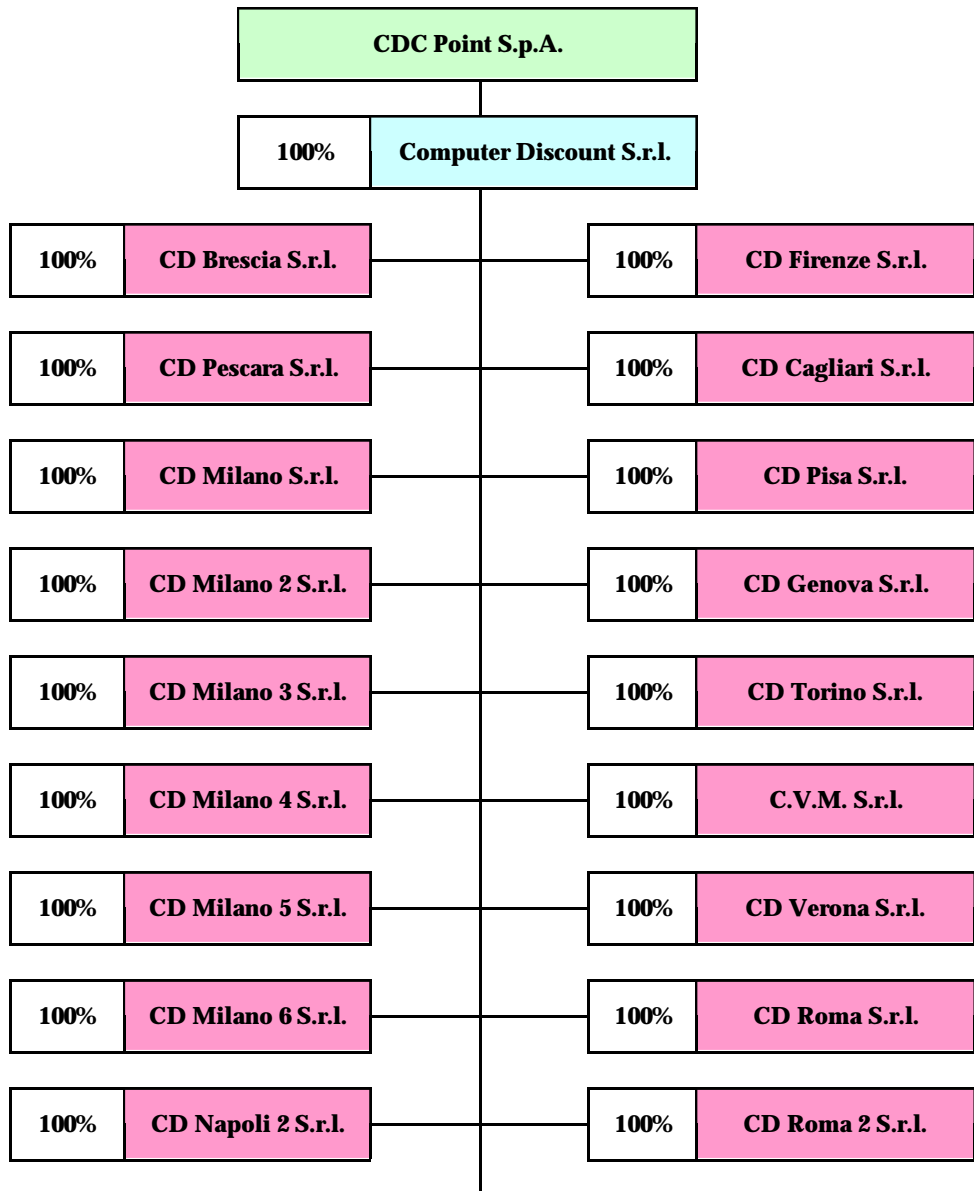
Starting from 2005, in order to take the opportunities deriving from the integration of digital technologies and to consolidate the leadership on the retail market, the CDC Group decided to launch a new network of consumer electronics superstores, focused on digital technology with a medium - large sales 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..

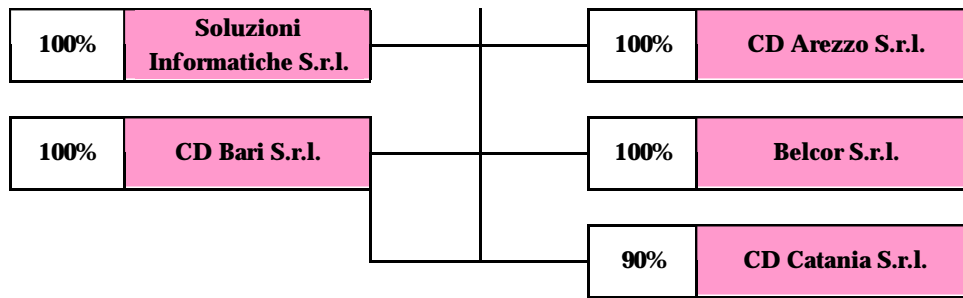
**GROUP STRUCTURE**

Hereinafter the current structure of CDC Group:



**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: trade 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: trade 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: 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 Calabria, 1, 56025 - Gello - PONTEDERA (PI)  
Member of the Chamber of Commerce of Pisa number 01459540504  
Fully owned  
- Business: opening and management of consumer electronics superstores



**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 trade 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 - 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 - 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 Pontedera (PI), Via Calabria 1 - 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 - 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 - 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 - 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 - 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 - 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 - 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 - Gello, 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 - 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 - Gello, 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 CDC Point S.p.A.'s subsidiaries have been consolidated on a line-by-line basis.

The companies listed below have been 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 CONSOLIDATION

The basis of consolidation is unchanged compared to the Financial Statement as of 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 100%.

The basis of consolidation as of June 30, 2005, compared to June 30, 2004, reflected the acquisition of the following interests:

- Interest held in CDC Superstore S.r.l. (ex Direct S.r.l.) from 99% to 100%;
- The company Pc Stop S.r.l., not included in the basis of consolidation as of June 30, 2004 as non active, has been consolidated as of June 30, 2005;
- Interest held in CD Firenze S.r.l. has increased from 56% to 100%;
- Interest held in Soluzioni Informatiche S.r.l. has increased from 51% to 100%;
- Interest held in CD Bari 2 S.r.l. has increased from 51% to 100%;
- 90% interest held in CD Catania S.r.l. acquired during the second half of 2004

---

**CHANGE TO THE INTERNATIONAL ACCOUNTING PRACTISES (Ifrs)**

Starting from fiscal year 2005, CDC Group will adopt the international accounting standards IAS/Ifrs for drafting its consolidated Financial Statement as ruled by the current Italian legislation. CDC is closing a special project to manage the change to the new accounting practices. For the time being, the analysis has identified the items subject to change. The company is quantifying the related changes .

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

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

Following the Consob (Italian Stock Exchange Authority) regulation produced by the 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 First Half 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 the audited Financial Statements.

However we carried out a first evaluation of economic and financial effects deriving from the adoption of the new IFRS on results as of June 30, 2005.

On the basis of this evaluation, not finished yet and subject to the audit of the accounting auditor, the Ebitda will increase by over € 500 thousand compared to the amount registered in accordance with the Italian accounting principles, while the Income Before Taxes will increase by about € 1 million.

**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 June 30, 2005 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 March 31, 2005.

### **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 last month of the period under review.

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". The euro 30 million net financial position as at June 30, 2004, disclosed in the Financial Statement of the First Half of 2004, as a result of the adoption of the new international accounting standards (Ifrs), was re-determined in euro 33.7 million.

### **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 June 30, 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, we adopted a new reclassification of the income statement as of June 30, 2005.

The Financial Statement as of June 30, 2005 is compared to the Financial Statement as of June 30, 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 on a like for like basis.

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 mass merchandising 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 revenues from the reverse charge net of related internet costs;
- 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, commissions on credit cards and POS payments, previously recorded under the item “Financial Expense”

*Payroll costs* - According to the new reclassification criteria they do not include costs for corporate canteen and employees ticket restaurant.

*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.

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

**Revenues** as of June 30, 2005 amounted to € 268,349 thousand, against € 274,367 thousand reached in the first half of 2004. Revenues decreased by 2.19%, mainly due to the interruption of the Consip tenders for the full year 2004 and the first six months of the 2005 and to the weakness of the retail sales during the first half of 2005.

The sales’ trend, net of revenues to the Public Administration and Consip tender, increased by 2.6%, from € 259,996 thousand of the first six months of 2004, to € 266,628 thousand of the same period of 2005, compared to a trend of the IT market substantially stable during the same period of the year (+0.2%, data in value, source: Sirmi, 2005).

On the contrary, the Italian PC market (desktop, notebook, server, workstation) during the first six months of the 2005 increased by 5.4%, driven by notebook (data in value, source: Sirmi, 2005).

Besides the segment of PC desktop, where historically CDC held significant market shares mainly distributing own brand products, decreased over 5% (data in value, source: Sirmi, 2005).

The performance of Group’s revenues was driven by:

- revenues of the Distribution Division (Cash & Carry and B2B) growing by 6.34% in the period under review, from € 149,594 thousand as of June 30, 2004 to € 159,079 thousand as of June 30, 2005;
- revenues of the Retail Chains Division (Computer Discount chain and Consumer Electronics and Mass Merchandising channel) decreasing by 5% from € 105,894 thousand Euros as of June 30, 2004 to € 100,705 thousand as of June 30, 2005. Computer Discount’s revenues decreased by approximately 2%, while the Italian market of specialised PC shops decreased by over 30% (source GFK, data as of June 30, 2005).

During the only Second Quarter of the 2005, CDC achieved consolidated revenues for € 119,748 thousand, growing by 0.34% against € 119,347 thousand of the Second Quarter of the 2004.

**The gross commercial margin** earned in the first six months of the 2005 was equal to € 33,892 thousand (12.63% on consolidated revenues) of which € 14,664 thousand earned in the Second Quarter of the 2005 (12.25% on sales). The decrease in the gross margin during the second quarter of 2005 was due to a less favourable sales’ mix in terms of categories of product and sales channel.

The trend of gross commercial margin, on a like for like classification basis, was more favourable than the previous year both as value, increasing from € 32,247 thousand as of June 30, 2004 to € 33,892 thousand in the same period of the 2005, and as percentage on sales, growing from 11.75% as of June 30, 2004 to 12.63% in the same period of the 2005.



During the only Second Quarter of 2005, the gross commercial margin was equal to € 14,664 thousand (12.25% on sales), compared to € 14,108 thousand of the same period of 2004 (11.82% on sales).

The growth in the commercial margin was mainly due to a wider offer of CDC's own brand products (Personal Computer Desktop, Notebook and mostly accessories) and by a more efficient purchasing policy.

The increase was also due to the change in the classification criteria accounting over the gross margin some of the contribution and bonuses from suppliers previously recorded under the item marketing costs and included in the service costs. The new classification criteria have been adopted thanks to the growing cooperation of the suppliers, which provided the Company with a detailed account of the bonuses granted to the parent Company CDC Point S.p.A.

Despite of the positive trend of the gross commercial margin, the CDC Group during the first six month of 2005 registered a down in the operating profitability both as value and as percentage on sales. The **Earning Before Interest, Taxes, Depreciation and Amortization (Ebitda)** as of June 30, 2005 was equal to € 7,984 thousand (2.97% on sales), compared to € 11,574 thousand of the first six months of 2004 (4.22% on sales).

Only referring to the second quarter of 2005, the Ebitda decreased both as value and as percentage on revenues, from € 4,242 thousand of the second quarter of 2004 (3.55% on sales) to € 1,572 thousand of the same period of 2005 (1.31% on sales).

The decrease mainly derived from the growth in the operating costs and from a higher operating costs on sales ratio, resulting from the down in revenues.

In particular, during the first six months of the 2005 we registered:

- the growth in payroll costs from € 10,103 thousand as at June 30, 2004 (3.68% on sales) to € 11,359 thousand as at June 30, 2005 (4.23% on sales), mainly resulting from: the opening of new Cash & Carry (increased from 26 to 30 units); the start up of the Superstore project; the renewal of the national collective labour contract;
- the growth in service costs from € 7,625 thousand as of June 30, 2004 (2.78% on sales) to € 11,463 thousand as of June 30, 2005 (4.27% on sales), mainly due to the increase in the marketing costs which net of suppliers' advertising contributions, grew from € 4,628 thousand as of June 30, 2004 to € 5,647 thousand as of June 30, 2005. The increase of service costs was also due to the investments to support the opening of the new sales points during the first six months of 2005 as well as to a different marketing costs planning that concentrate most of those during the first half of the year.

After amortizations equal to € 3,157 thousand as of June 30, 2005, of which € 1,747 thousand during the only second quarter, the **Earning Before Interest, Taxes and the Amortization of Goodwill and Stock Market Listing Costs (Ebita)** as of June 30, 2005 amounted to € 4,827 thousand, while during the only second quarter of 2005 the Ebita was negative for € 175 thousand.

Amortization of Goodwill and Stock Market Listing costs amounted to € 880 thousand as of June 30, 2005, € 470 thousand for the only second quarter of 2005.

Financial and extraordinary items as of June 30, 2005 registered a negative amount for € 925 thousand, compared to a loss for € 45 thousand as of June 30, 2004. Financial and extraordinary items during the only second quarter of 2005 registered a negative amount for € 351 thousand, compared to a profit equal to € 712 thousand during the same period of 2004.



The Pre-tax Profit reached € 3,033 thousand as of June 30, 2005, while for only the second quarter of 2005 CDC Group achieved a consolidated loss before taxes equal of € 978 thousand.

We announce that the financial statement of the six months period ending on June 30, 2005, instead of the second quarter's one, will contain the adoption of the new international accounting standards IFRS. On the basis of a first analysis of the changes resulting from the IFRS adoption, not finished yet and subject to the audit of the accounting auditor, we announce that the EBITDA of the Financial Statement of the First Half of 2005 will increase by over € 500 thousand compared to the Quarterly Financial Statement as of June 30, 2005, while the Profit Before Taxes will increase by approximately € 1 million.

The following tables show the reclassified consolidated income statement of the CDC Group as of June 30, 2005 and for the Second Quarter of 2005, according to the current Italian regulation, in comparison with the income statement of the same period of 2004 reclassified according to the new criteria adopted starting from the First Quarter of 2005 and for the drafting of the 2005 Budget and the old reclassification criteria adopted by the Financial Statement as of June 30, 2004.

The reclassification of Income Statement complies with the regulation provided by art. no 2425 of Italia C.C., to provide 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 FOR THE SECOND QUARTER OF 2005**

<b>Consolidated Income Statement Q2</b>	<b>Q2 2005</b>		<b>Q2 2004</b>		<b>Change %</b>
Revenues from sales and services	119,694	99.96%	119,291	99.95%	0.34%
Other revenues and income	53	0.04%	56	0.05%	-4.48%
<b>Total Revenues</b>	<b>119,748</b>	<b>100.00%</b>	<b>119,347</b>	<b>100.00%</b>	<b>0.34%</b>
Cost of raw and ancillary materials and goods for resale	(86,922)	-72.59%	(95,555)	-80.06%	-9.04%
Change in inventories of goods for resale	(18,162)	-15.17%	(9,684)	-8.11%	87.55%
<b>Cost of goods</b>	<b>(105,083)</b>	<b>-87.75%</b>	<b>(105,239)</b>	<b>-88.18%</b>	<b>-0.15%</b>
<b>Gross margin</b>	<b>14,664</b>	<b>12.25%</b>	<b>14,108</b>	<b>11.82%</b>	<b>3.94%</b>
Service costs	(5,697)	-4.76%	(3,459)	-2.90%	64.69%
Lease expenses	(1,262)	-1.05%	(1,227)	-1.03%	2.85%
Payroll costs	(5,739)	-4.79%	(5,000)	-4.19%	14.78%
Other operating costs	(395)	-0.33%	(180)	-0.15%	119.21%
<b>Ebitda</b>	<b>1,572</b>	<b>1.31%</b>	<b>4,242</b>	<b>3.55%</b>	<b>-62.94%</b>
Amortization and depreciation	(1,360)	-1.14%	(1,534)	-1.29%	-11.32%
Provisions and write-downs	(387)	-0.32%	118	0.10%	-427.84%
<b>Ebita</b>	<b>(175)</b>	<b>-0.15%</b>	<b>2,826</b>	<b>2.37%</b>	<b>-106.20%</b>
Goodwill amortization and stock market listing costs	(470)	-0.39%	(805)	-0.67%	-41.56%
<b>Ebit</b>	<b>(645)</b>	<b>-0.54%</b>	<b>2,021</b>	<b>1.69%</b>	<b>-131.94%</b>
Financial income (expense), net	(856)	-0.71%	(431)	-0.36%	98.59%
Extraordinary income (expense), net	715	0.60%	1,245	1.04%	-42.60%
Adjustments to financial fixed assets	(210)	-0.18%	(102)	-0.09%	105.77%
<b>Income before taxes</b>	<b>(997)</b>	<b>-0.83%</b>	<b>2,733</b>	<b>2.29%</b>	<b>-136.47%</b>
Income (loss) attributable to minority interests	19	0.02%	13	0.01%	46.47%
<b>Consolidated net income of CDC Group</b>	<b>(978)</b>	<b>-0.82%</b>	<b>2,746</b>	<b>2.30%</b>	<b>-135.60%</b>



**CDC GROUP – Consolidated Quarterly report as of June 30, 2005**

<b>Consolidated Income Statement as of June 30</b>	<b>June 30, 2005</b>		<b>Pro-forma as of 06-30-04 new reclassification</b>			<b>Reclassification published as of 06-30-04</b>		
			<b>June 30, 2004</b>		<b>Change %</b>	<b>June 30, 2004</b>		<b>Change %</b>
Revenues from sales and services	268,244	99.96%	274,299	99.98%	-2.21%	276,484	99.83%	-2.98%
Other revenues and income	105	0.04%	68	0.02%	53.74%	473	0.17%	-77.90%
<b>Total Revenues</b>	<b>268,349</b>	<b>100.00%</b>	<b>274,367</b>	<b>100.00%</b>	<b>-2.19%</b>	<b>276,957</b>	<b>100.00%</b>	<b>-3.11%</b>
Cost of raw and ancillary materials and goods for resale	(215,258)	-80.22%	(205,672)	-74.96%	4.66%	(203,148)	-73.35%	5.96%
Change in inventories of goods for resale	(19,200)	-7.15%	(36,448)	-13.28%	-47.32%	(36,448)	-13.16%	-47.32%
<b>Cost of goods</b>	<b>(234,457)</b>	<b>-87.37%</b>	<b>(242,120)</b>	<b>-88.25%</b>	<b>-3.16%</b>	<b>(239,596)</b>	<b>-86.51%</b>	<b>-2.14%</b>
<b>Gross margin</b>	<b>33,892</b>	<b>12.63%</b>	<b>32,247</b>	<b>11.75%</b>	<b>5.10%</b>	<b>37,361</b>	<b>13.49%</b>	<b>-9.29%</b>
Service costs	(11,463)	-4.27%	(7,625)	-2.78%	50.33%	(11,321)	-4.09%	1.25%
Lease expenses	(2,483)	-0.93%	(2,549)	-0.93%	-2.59%	(2,549)	-0.92%	-2.59%
Payroll costs	(11,359)	-4.23%	(10,103)	-3.68%	12.43%	(10,259)	-3.70%	10.72%
Other operating costs	(603)	-0.22%	(396)	-0.14%	52.19%	(373)	-0.13%	61.58%
<b>Ebitda</b>	<b>7,984</b>	<b>2.98%</b>	<b>11,574</b>	<b>4.22%</b>	<b>-31.02%</b>	<b>12,859</b>	<b>4.64%</b>	<b>-37.91%</b>
Amortization and depreciation	(2,683)	-1.00%	(3,055)	-1.11%	-12.19%	(3,055)	-1.10%	-12.19%
Provisions and write-downs	(474)	-0.18%	(53)	-0.02%	794.99%	(53)	-0.02%	794.99%
<b>Ebita</b>	<b>4,827</b>	<b>1.80%</b>	<b>8,466</b>	<b>3.09%</b>	<b>-42.98%</b>	<b>9,751</b>	<b>3.52%</b>	<b>-50.49%</b>
Goodwill amortization and stock market listing costs	(880)	-0.33%	(1,399)	-0.51%	-37.09%	(1,399)	-0.51%	-37.09%
<b>Ebit</b>	<b>3,947</b>	<b>1.47%</b>	<b>7,067</b>	<b>2.58%</b>	<b>-44.15%</b>	<b>8,352</b>	<b>3.02%</b>	<b>-52.74%</b>
Financial income (expense), net	(1,503)	-0.56%	(1,154)	-0.42%	30.28%	(2,439)	-0.88%	-38.36%
Extraordinary income (expense), net	677	0.25%	1,157	0.42%	-41.46%	1,157	0.42%	-41.46%
Adjustments to financial fixed assets	(99)	-0.04%	(48)	-0.02%	105.24%	(48)	-0.02%	105.24%
<b>Income before taxes</b>	<b>3,023</b>	<b>1.13%</b>	<b>7,022</b>	<b>2.56%</b>	<b>-56.96%</b>	<b>7,022</b>	<b>2.54%</b>	<b>-56.96%</b>
Income (loss) attributable to minority interests	10	0.00%	8	0.00%	25.54%	8	0.00%	25.54%
<b>Consolidated net income of CDC Group</b>	<b>3,033</b>	<b>1.13%</b>	<b>7,030</b>	<b>2.56%</b>	<b>-56.86%</b>	<b>7,030</b>	<b>2.54%</b>	<b>-56.86%</b>

**Revenues from sales and services**



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

Business Units	Q2 2005	Q2 2004	Change	Pro-forma as of 06-30-04		Reclassification published		Change
				new reclassification	June 30, 2005	as of 06-30-04	June 30, 2004	
IT distribution	117,557	116,563	994	263,686	268,566	(4,880)	270,759	(7,073)
Internet	2,139	2,728	(589)	4,560	5,733	(1,173)	5,725	(1,165)
Other	52	56	(4)	103	68	35	473	(370)
<b>Revenues from sales and services</b>	<b>119,748</b>	<b>119,347</b>	<b>401</b>	<b>268,349</b>	<b>274,367</b>	<b>(6,018)</b>	<b>276,957</b>	<b>(8,608)</b>

### Others revenues and income

Others revenues and income, which during the current Quarter reached € 53 thousand, mainly consist of rental income and income from the recovery of costs related to sales.

They do not include advertising refunds, franchising fees received from new franchisees and marketing contribution from suppliers and credit to retail sales, amounting to € 3,883 thousand as of June 30, 2005 compared to € 6,545 thousand as of June 30, 2004, which have been classified as a reduction of marketing costs under the item Service Costs.

In the only second quarter of 2005 advertising refunds and marketing contribution from suppliers were equal to € 1,824 thousand, compared to € 3,231 thousand of the same period of 2004.

Period-end bonuses from suppliers and stock protection, amounting to € 20,920 thousand as of June 30, 2005 against € 12,160 thousand in the same period of 2004, were classified as a reduction of Costs for raw materials and goods for resale. In the second quarter of 2005 they amounted to € 10,111 thousand compared to € 5,517 thousand in the same period of 2004

### Operating costs

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

Operating costs	Q2 2005	Q2 2004	Change	Pro-forma as of 06-30-04		Reclassification published		Change
				new reclassification	June 30, 2005	as of 06-30-04	June 30, 2004	
<b>Cost of goods for resale</b>	<b>(86,922)</b>	<b>(95,555)</b>	<b>8,633</b>	<b>(215,258)</b>	<b>(205,672)</b>	<b>(9,586)</b>	<b>(203,147)</b>	<b>(12,111)</b>
<b>Change in inventories of goods for resale</b>	<b>(18,162)</b>	<b>(9,684)</b>	<b>(8,478)</b>	<b>(19,200)</b>	<b>(36,448)</b>	<b>17,248</b>	<b>(36,448)</b>	<b>17,248</b>
<b>Payroll costs</b>	<b>(5,739)</b>	<b>(5,000)</b>	<b>(739)</b>	<b>(11,359)</b>	<b>(10,103)</b>	<b>(1,256)</b>	<b>(10,259)</b>	<b>(1,100)</b>
<i>IT distribution</i>	<i>(5,629)</i>	<i>(4,895)</i>	<i>(734)</i>	<i>(11,117)</i>	<i>(9,868)</i>	<i>(1,249)</i>	<i>(10,020)</i>	<i>(1,097)</i>
<i>Internet</i>	<i>(109)</i>	<i>(105)</i>	<i>(4)</i>	<i>(242)</i>	<i>(235)</i>	<i>(7)</i>	<i>(239)</i>	<i>(3)</i>
<b>Total service costs</b>	<b>(5,697)</b>	<b>(3,459)</b>	<b>(2,238)</b>	<b>(11,463)</b>	<b>(7,625)</b>	<b>(3,838)</b>	<b>(11,320)</b>	<b>(143)</b>
of which Marketing expenses	(784)	1,153	(1,937)	(1,764)	1,917	(3,681)	876	(2,640)
<i>IT distribution</i>	<i>(786)</i>	<i>1,153</i>	<i>(1,939)</i>	<i>(1,764)</i>	<i>2,029</i>	<i>(3,793)</i>	<i>988</i>	<i>(2,752)</i>
<i>Internet</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>(112)</i>	<i>112</i>	<i>(112)</i>	<i>112</i>
of which Shipping and logistics	(1,181)	(888)	(293)	(2,152)	(1,945)	(207)	(3,601)	1,449
of which Other service costs	(3,732)	(3,724)	(8)	(7,547)	(7,597)	50	(8,595)	1,048
<b>Lease expenses</b>	<b>(1,262)</b>	<b>(1,227)</b>	<b>(35)</b>	<b>(2,483)</b>	<b>(2,549)</b>	<b>66</b>	<b>(2,549)</b>	<b>66</b>
<b>Other operating costs</b>	<b>(395)</b>	<b>(180)</b>	<b>(215)</b>	<b>(603)</b>	<b>(396)</b>	<b>(207)</b>	<b>(373)</b>	<b>(230)</b>
<b>TOTAL</b>	<b>(118,176)</b>	<b>(115,105)</b>	<b>(3,071)</b>	<b>(260,365)</b>	<b>(262,793)</b>	<b>2,428</b>	<b>(264,096)</b>	<b>3,731</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** as of June 30, 2005 were equal to € 5,647 thousand (€ 4,628 thousand in the same period of 2004) gross of advertising refunds, entry right fees from new affiliations and marketing contributions from suppliers, totalling € 3,883 thousand (€ 6,545 thousand in 2004).. In the second quarter of 2005, gross marketing costs amounted to € 2,607 thousand (€ 2,078 thousand in the second quarter of 2004), while the advertising refunds, entry right fees from new affiliations and marketing contributions from suppliers, classified as a reduction of marketing costs, totalled € 1,824 thousand (€ 3,231 thousand in the same period of 2004).

**Others service costs** primarily regard utilities, external consultants, emoluments paid to corporate bodies, training, maintenance, commercial fees.

The **payroll costs** increased both in the current quarter (€ 5,739 thousand in the second quarter of 2005 against € 5,000 thousand in the same period of 2004) and in the six month period as of June 30, 2005 (€ 11,359 thousand against 10,103 thousand as of June 30, 2004). The change was mainly attributable to the IT business unit, while the number of employees of the Internet business, and the related costs, were substantially stable (€ 242 thousand in the First Half of 2005, against € 235 thousand in the same period of 2004).

The employees of the IT business increased by 14 units, with a consequent increase of the related costs. The 14 units net increase was mainly due to the opening of 4 new Cash&Carry outlets, compared to the same period of 2004, and to the first new employees of CDC Superstore subsidiary, for the opening of the first Superstore outlet.

The following table highlights a breakdown of the average employees by business unit for the period ending on June 30, 2005, compared to the same period of 2004 and to the financial statement as of December 31, 2004.

<b>Employees</b>	<b>June 30, 2005</b>	<b>June 30, 2004</b>	<b>Dec 31, 2004</b>	<b>Average employees 01/01/05-06/30/05</b>
<b>IT Distribution</b>	<b>591</b>	<b>577</b>	<b>637</b>	<b>596.16</b>
<i>Managers</i>	16	15	15	15.33
<i>Supervisors</i>	31	32	33	31
<i>White-collar</i>	411	392	415	406.5
<i>Blue-collar</i>	133	138	174	143.33
<b>Internet</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>11</b>
<i>Managers</i>	0	0	0	0
<i>Supervisors</i>	1	1	1	1
<i>White-collar</i>	10	11	11	10
<b>TOTAL</b>	<b>602</b>	<b>589</b>	<b>649</b>	<b>607.16</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 € 474 thousand, fully attributable to the Parent Company CDC Point S.p.A.

### Financial income and expenses

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

Financial income (expenses)	Q2 2005	Q2 2004	Change	Pro-forma as of 06-30-04 new reclassification			Reclassification published as of 06-30-04	
				June 30, 2005	June 30, 2004	Change	June 30, 2004	Change
Interest and other financial income	78	75	3	130	160	(30)	160	(30)
Interest Expenses	(590)	(512)	(78)	(1,126)	(1,263)	137	(1,264)	138
Net foreign currency translation adjustment	(343)	15	(358)	(508)	(42)	(466)	(42)	(466)
Bank Commissions	0	0	0	0	0	0	(201)	201
Commissions on credit cards, POS payments and factoring fees	0	0	0	0	0	0	(1,083)	1,083
Premiums on options	0	(9)	9	0	(9)	9	(9)	9
<b>Total</b>	<b>(856)</b>	<b>(431)</b>	<b>(425)</b>	<b>(1,503)</b>	<b>(1,154)</b>	<b>(349)</b>	<b>(2,439)</b>	<b>936</b>

Financial income and expenses are essentially attributable to the Parent Company, which mainly manages the Group's funding activity. We registered a decrease in interest expenses, net of interest income, by € 107 thousand in the first half of 2005, while in the second quarter of 2005 net interest expenses increased by € 75 thousand as a result of the growth a the group's financial debt.

Net foreign currency translation adjustment as of June 30, 2005 was negative for € 508 thousand (€ 343 thousand in the second quarter) with a down of € 466 thousand compared to the same period of 2004 (€ 358 thousand in the second quarter)

The trend of foreign currency translation adjustment derived from the cross exchange of Euro against Us dollar in the second quarter of 2005.

The foreign currency translation adjustment as of June 30, 2005 have been balanced by a higher commercial margin as CDC Point S.p.A. adopted a policy of systematic coverage of currency risk to hedge the sales price.

**Financial position**

<b>Net Financial Position</b>	<b>June 30, 2005</b>	<b>Dec 31, 2004</b>	<b>Change</b>	<b>June 30, 2004</b>
Bank debts payable within 12 months	(28,951)	(8)	(28,943)	(8,328)
Cash and cash equivalents	6,217	22,519	(16,302)	5,671
(Amounts due to) Due from factoring companies	(722)	(8,847)	8,125	(3,592)
<b>Liquidity (borrowing) within 12 months</b>	<b>(23,456)</b>	<b>13,664</b>	<b>(37,120)</b>	<b>(6,249)</b>
Short-term loan	(6,250)	(12,500)	6,250	(2)
Amounts due to other lenders for leases falling due within 12 months	(819)	(808)	(11)	(672)
<b>Net Financial Position within 12 months</b>	<b>(7,069)</b>	<b>(13,308)</b>	<b>6,239</b>	<b>(674)</b>
<b>Net Financial Position within 12 months</b>	<b>(30,525)</b>	<b>356</b>	<b>(30,881)</b>	<b>(6,923)</b>
Amounts due to other lenders for leases falling due after 12 months	(859)	(1,279)	420	(1,819)
Bank debts payable beyond next 12 months	(12,500)	(12,500)	0	(25,000)
<b>Net Financial Position beyond next 12 months</b>	<b>(13,359)</b>	<b>(13,779)</b>	<b>420</b>	<b>(26,819)</b>
<b>Total Net Financial Position</b>	<b>(43,884)</b>	<b>(13,423)</b>	<b>(30,461)</b>	<b>(33,742)</b>

Net financial position as of June 30, 2005 declined compared to the same period of previous year (€ 43,884 thousand as of June 30, 2005, growing by approximately 30% compared to € 33,742 thousand of 2004) and to the financial statement as of December 31, 2004 (€ 13,423 thousand).

Net financial debt as of June 30, 2005 reflected the June 2005 payment of income taxes for euro 6.6 million, with an increase by over euro 6.0 million compared to the June 2004 payment, and the dividend distribution for approximately euro 6.8 million of May 2005.

**Extraordinary items**

Extraordinary items as of June 30, 2005 were positive for € 677 thousand, while in the only second quarter of 2005 registered a positive amount of € 715 thousand.

The result derived from extraordinary income equal to € 1,225 thousand mainly attributable to the parent company CDC Point S.p.A. (for € 1,121 thousand) and extraordinary expense for € 775 thousand.

The € 1,225 thousand extraordinary income primarily derived from:

- lower costs for € 618 thousand related to the Internet division compared to the costs prudentially accounted in the 2003 fiscal year;
- lower utilities costs for € 132 thousand, compared to those previously accounted;

- contributions to consumer electronics channel for € 394 thousand, balanced by costs of a same amount registered under the item extraordinary expense (charges received from clients for contributions and bonuses of 2004 year, then balanced by credit notes).

The € 775 thousand extraordinary expense mainly consist of:

- mistake on registration of service costs for € 575 thousand referred in particular to marketing contribution to consumer electronics channel for € 394 thousand, as above mentioned, and costs resulting from warranties and technical assistance on supplies from tenders of year 2004, for € 112 thousand;
- € 27 thousand for other taxes on purchases, not exactly estimated;
- € 30 thousand for purchase shipping costs higher compared to those previously accounted;
- € 68 thousand for mistake on registration of revenues from invoices to be issued in the previous years;
- € 11 thousand for utilities costs higher than those previously accounted;
- € 8 thousand for other operating costs referred to previous years.

## **INVESTMENTS**

<b>Consolidated net investments</b>	<b>June 30, 2005</b>	<b>June 30, 2004</b>	<b>Change</b>	<b>Q2 2005</b>	<b>Q2 2004</b>	<b>Change</b>
Intangible fixed assets	664	225	439	428	114	314
Tangible fixed assets	2,066	788	1,278	853	463	390
Financial fixed assets	19	(24)	43	18	(29)	47
<b>Total</b>	<b>2,749</b>	<b>989</b>	<b>1,760</b>	<b>1,299</b>	<b>548</b>	<b>751</b>

During the First Half of 2005 the investments, net of disinvestments and depreciation, increased by € 1,760 thousand compared to the previous year (€ 751 thousand in the second quarter of 2005).

Investments, net of disinvestments, realised in the first half of 2005 referred to:

- intangible fixed assets for € 664 thousand resulting from costs of research and development for € 17 thousand, licenses and software for € 208 thousand, Internet site development for € 41 thousand, assets under construction (mainly related to the company CDC Superstore) for € 216 thousand, costs for works on third-parties buildings for a total amount of € 227 thousand (essentially due to the opening of 4 new Cash & Carry for € 152 thousand and the restructuring of the Interfree's server farm for € 74 thousand);
- tangible fixed assets for € 2,066 thousand, consisting of: plants and machinery for € 361 thousand (electrical equipment of cash & carry outlets for € 145 thousand and security systems of new Cash&Carry outlets for € 162 thousand), commercial equipment for € 346 thousand (related to the opening of new cash & carry outlets), office equipment for € 257 thousand, furniture for € 79 thousand, trademarks for € 67 thousand, cars for € 25 thousand, other tangible fixed assets under construction for € 978 thousand. For € 126 thousand they referred to the company CDC Superstore for the opening of the new store of Savignano sul Rubicone (FC) (pre-payment of the cash desk system for € 51 thousand, pre-payment of electrical labelling system for € 19 thousand, electrical, air conditioning, power system equipment for € 38 thousand) while for € 850 thousand they referred to the parent company CDC Point S.p.A. for an amount of money given in earnest for the acquisition agreement of a commercial building

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

During the second 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 600 outlets (of which over 400, according to an exclusive agreement), including shops under Computer Discount trademark, corners under Compy trademark and outlets of consumer electronics. The revenues from consumer and SOHO segments, together with mass merchandising channel, were equal to € 43,009 thousand, decreasing by 5.5% compared to the second quarter of 2004 (€ 45,561 thousand);
- b. IT resellers, system integrators and other IT dealers, via its network of 30 Cash & Carry outlets, the outlets under the Amico trademarks and the B2B e-commerce channel; in the period under review the Group's distribution division achieved revenues for € 72,858 thousand compared to € 67,859 thousand in the second quarter of 2004, with an increase of € 5,000 thousand (7.36%);
- c. government and large-scale users segments, served by CDC group since the end of 2002, earned revenues for € 1,973 thousand in the period under review, compared to € 4,070 thousand of the second quarter of 2004.

In the Second Quarter of 2005, the CDC Group achieved revenues for € 117,609 thousand from its IT core business, compared to € 116,619 thousand in the same period of 2004, increasing by 0.85%. During the First Six Months of 2005, the IT revenues amounted to € 263,789 thousand, against € 268,634 thousand in the same period of 2004, decreasing by 1.80%. 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 5.4% and an Italian IT Market increasing by 0.2% (source Sirmi July 2005, data in value).

During the Second Quarter of 2005 the Ebitda reached € 690 thousand, decreasing by 78% compared to the same period of 2004 (€ 3,145 thousand).

The Ebitda margin reflects the positive trend of gross margin, that increased by 90 basis points compared to 2004 (from 9.76% on sales in the Second Quarter of 2004 to 10.66% on sales as of June 30, 2005). Most of this growth was due to the change in the classification criteria accounting over the gross margin some of the contribution and bonuses from suppliers previously recorded under the item marketing costs and included in the service costs. The new classification criteria have been adopted thanks to the growing cooperation of the suppliers, which provided the Company with a detailed account of the bonuses granted to the parent Company CDC Point S.p.A.

The Ebitda suffered the growth of payroll costs by € 735 thousand (from € 4,894 thousand as of June 30, 2004 to € 5,629 thousand as of June 30, 2005), related to the opening of 4 new Cash & Carry and to the



preliminary engagements for the opening of the new Superstore, and higher marketing costs for € 1,939 thousand during the Second Quarter of 2005. As of June 30, 2005, marketing costs increased from a positive value (because they were fully covered by marketing contributions from suppliers) equal to € 1,153 thousand to a cost equal to € 786 thousand, due to higher investments for more than € 1 million.

During the Second Quarter of 2005, the Ebit was negative for € 1,430 thousand, after goodwill amortization and stock market listing costs for € 470 thousand and fixed assets amortization and provisions for € 1,650 thousand. During the Second Quarter of 2005 the Ebit result decreased compared to the same period of 2004, when it was positive for € 1,201 thousand after goodwill amortization and stock market listing costs for € 644 thousand and fixed assets amortization and provision for € 1,300 thousand.

Hereafter the reclassified consolidated income statement of the IT business unit (IT production and distribution), for the Second 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 Q2</b>	<b>Q2 2005</b>		<b>Q2 2004</b>		<b>Change %</b>
Revenues from sales and services	117,557	99.96%	116,563	99.95%	0.85%
Other revenues and income	52	0.04%	56	0.05%	-7.24%
<b>Total Revenues</b>	<b>117,609</b>	<b>100.00%</b>	<b>116,619</b>	<b>100.00%</b>	<b>0.85%</b>
Cost of raw and ancillary materials and goods for resale	(86,914)	-73.90%	(95,551)	-81.93%	-9.04%
Change in inventories of goods for resale	(18,162)	-15.44%	(9,684)	-8.30%	87.55%
<b>Cost of goods</b>	<b>(105,076)</b>	<b>-89.34%</b>	<b>(105,235)</b>	<b>-90.24%</b>	<b>-0.15%</b>
<b>Gross margin</b>	<b>12,533</b>	<b>10.66%</b>	<b>11,384</b>	<b>9.76%</b>	<b>10.09%</b>
Service costs	(4,572)	-3.89%	(1,961)	-1.68%	133.14%
Lease expenses	(1,248)	-1.06%	(1,213)	-1.04%	2.90%
Payroll costs	(5,629)	-4.79%	(4,894)	-4.20%	15.03%
Other operating costs	(393)	-0.33%	(171)	-0.15%	129.91%
<b>Ebitda</b>	<b>690</b>	<b>0.59%</b>	<b>3,145</b>	<b>2.70%</b>	<b>-78.05%</b>
Amortization and depreciation	(1,263)	-1.07%	(1,418)	-1.22%	-10.92%
Provisions and write-downs	(387)	-0.33%	118	0.10%	-427.84%
<b>Ebita</b>	<b>(960)</b>	<b>-0.82%</b>	<b>1,845</b>	<b>1.58%</b>	<b>-152.02%</b>
Goodwill amortization and stock market listing costs	(470)	-0.40%	(644)	-0.55%	-26.96%
<b>Ebit</b>	<b>(1,430)</b>	<b>-1.22%</b>	<b>1,201</b>	<b>1.03%</b>	<b>-219.08%</b>
Financial income (expense), net	(856)	-0.73%	(469)	-0.40%	82.53%
Extraordinary income (expense), net	12	0.01%	758	0.65%	-98.37%
<b>Income before taxes</b>	<b>(2,274)</b>	<b>-1.93%</b>	<b>1,490</b>	<b>1.28%</b>	<b>-252.61%</b>

During the First Six Months of 2005, **IT revenues**, net of returns, discounts and allowances, deriving almost entirely from sales in Italy, amounted to € 263,686 thousand, against € 268,566 thousand in the same period of 2004, decreasing by 1.82%.



Retail revenues, achieved via Computer Discount, Compy and mass merchandising channels, was equal to € 100,285 thousand, against € 105,895 thousand in the same period of the previous year, decreasing by 5.3%.

Distribution revenues, achieved through Cash & Carry, Amico and e-commerce B2B channels, amounted to € 159,078 thousand, against € 149,594 thousand in the same period of 2004, increasing by 6.3%.

Direct sales channel recorded decreasing by 67.43%, from € 15,047 thousand as of June 30, 2004 to € 4,900 thousand as of June 30, 2005, due to the stop of Consip tenders.

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

Change of commercial network	Turnover					Sales network			
	Q2 2005	Q2 2004	Change	June 30, 2005	June 30, 2004	Change	June 30, 2004	June 30, 2005	June 30, 2004
					Pro-forma as of 06-30-04 new reclassification		Reclassification published as of 06-30-04		
Cash & Carry	59,177	57,069	2,108	128,744	127,092	1,652	127,092	30	26
Computer Discount	26,831	28,473	(1,642)	67,290	68,537	(1,247)	68,508	208	218
IT corners, Consumer electronics shops and Mass merchandising	16,178	17,088	(910)	32,995	37,358	(4,363)	30,585	102 *	111 *
Amico/B2B	13,681	10,790	2,891	30,334	22,502	7,832	22,502	158	141
Government, Tenders and Large-scale users	1,973	4,070	(2,097)	4,900	15,047	(10,147)	21,820	-	-
Outlet	187	-	187	422	-	422	-	1	-

\* The number only included Corner under Compy trademark

**Others revenues and income**, amounting in the Second Quarter of 2005 to € 103 thousand, include rental income and gains on disposals.

Period-end bonuses from suppliers and stock protection, amounting to € 20,920 thousand, were classified as a reduction of costs for raw materials and goods for resale.

**Service costs** increased (€ 9,046 thousand against € 4,294 thousand in 2004), mainly due to the change of:

- marketing costs, gross of advertising refunds and marketing contributions from suppliers, totalled € 5,647 thousand (€ 4,516 thousand in 2004), increasing by € 1 million due to higher advertising investments. Marketing contributions was equal to € 3,883 thousand, against € 6,545 thousand in the same period of 2004. The decrease was mainly due to the reclassification of some of these contributions above the commercial gross margin;
- shipping costs, increasing from € 1,944 thousand in 2004 to € 2,152 thousand in 2005, due to higher fares paid to the carriers and to higher sales via the B2B platform, that typically managed a lot of shipments with small value.

Maintenance and utilities registered a slightly decrease (€ 1,011 thousand in 2005 against € 1,125 thousand in 2004).



Insurance premiums, equal to € 556 thousand, increased by € 87 thousand mainly due to policies signed for the opening of new Cash & Carry.

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

SERVICE COSTS IT business	Q2 2005	Q2 2004	Change	Pro-forma as of 06-30-04		Reclassification published		
				new reclassification	June 30, 2005	as of 06-30-04	June 30, 2004	
Shipping and logistics	1,181	886	295	2,152	1,944	208	3,600	(1,448)
Subcontractors	0	0	0	0	0	0	197	(197)
Maintenance and utilities	516	583	(67)	1,011	1,125	(114)	1,208	(197)
Marketing expenses	786	(1,153)	1,939	1,764	(2,029)	3,793	(1,072)	2,836
Insurance premiums	279	238	41	556	469	87	469	87
Technical, legal, administrative and fiscal advices	237	274	(37)	448	535	(87)	535	(87)
Emoluments paid to corporate officers	651	652	(1)	1,322	1,341	(19)	1,341	(19)
Other service costs	922	481	441	1,793	909	884	1,719	74
<b>TOTAL</b>	<b>4,572</b>	<b>1,961</b>	<b>2,611</b>	<b>9,046</b>	<b>4,294</b>	<b>4,752</b>	<b>7,997</b>	<b>1,049</b>

The **amortization costs** included the amortization of trademark CDC Point S.p.A. (bought in 1999 from the Parent Company CDC S.r.l. for a price of € 12,911 thousand, determined on the basis of a valuation prepared by an external consultant) for € 655 thousand and the amortization of the other intangible and tangible fixed assets referring to the corporate activity.

**Allowances and write-downs** mainly resulted from write-downs of trade receivables. Total allowances and write-downs amounted to € 474 thousand, of which € 439 thousand referred to the allowance for write-downs of trade receivables.

**Goodwill and stock exchange listing costs amortizations** as of June 30, 2005, amounting to € 880 thousand, consisted of the following items:

- a. goodwill Computer Discount S.r.l. € 457 thousand
- b. goodwill Armonia Computers and Test € 257 thousand
- c. stock exchange listing costs € 166 thousand

**Net Financial Expense** recorded a negative result equal to € 1,504 thousand against € 1,222 thousand as of June 30, 2004.

The increase of financial expenses was mainly due to the net foreign currency translation adjustment, that registered a negative result equal to € 508 thousand against € 42 thousand in the same period of 2004.



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



Consolidated Income Statement for the IT business as of June 30	June 30, 2005		Pro-forma as of 06-30-04 new reclassification			Reclassification published as of 06-30-04		
			June 30, 2004	Change %		June 30, 2004	Change %	
Revenues from sales and services	263,686	99.96%	268,566	99.97%	-1.82%	270,759	99.83%	-2.61%
Other revenues and income	103	0.04%	68	0.03%	51.46%	464	0.17%	-77.80%
<b>Total Revenues</b>	<b>263,789</b>	<b>100.00%</b>	<b>268,634</b>	<b>100.00%</b>	<b>-1.80%</b>	<b>271,223</b>	<b>100.00%</b>	<b>-2.74%</b>
Cost of raw and ancillary materials and goods for resale	(215,248)	-81.60%	(205,665)	-76.56%	4.66%	(203,141)	-74.90%	5.96%
Change in inventories of goods for resale	(19,200)	-7.28%	(36,448)	-13.57%	-47.32%	(36,448)	-13.44%	-47.32%
<b>Cost of goods</b>	<b>(234,447)</b>	<b>-88.88%</b>	<b>(242,113)</b>	<b>-90.13%</b>	<b>-3.17%</b>	<b>(239,589)</b>	<b>-88.34%</b>	<b>-2.15%</b>
<b>Gross margin</b>	<b>29,342</b>	<b>11.12%</b>	<b>26,521</b>	<b>9.87%</b>	<b>10.64%</b>	<b>31,634</b>	<b>11.66%</b>	<b>-7.25%</b>
Service costs	(9,046)	-3.43%	(4,294)	-1.60%	110.67%	(7,997)	-2.95%	13.12%
Lease expenses	(2,456)	-0.93%	(2,519)	-0.94%	-2.51%	(2,519)	-0.93%	-2.51%
Payroll costs	(11,117)	-4.21%	(9,868)	-3.67%	12.65%	(10,020)	-3.69%	10.94%
Other operating costs	(600)	-0.23%	(362)	-0.13%	65.63%	(339)	-0.12%	76.86%
<b>Ebitda</b>	<b>6,124</b>	<b>2.32%</b>	<b>9,478</b>	<b>3.53%</b>	<b>-35.39%</b>	<b>10,759</b>	<b>3.97%</b>	<b>-43.08%</b>
Amortization and depreciation	(2,490)	-0.94%	(2,826)	-1.05%	-11.89%	(2,826)	-1.04%	-11.89%
Provisions and write-downs	(474)	-0.18%	(53)	-0.02%	794.99%	(53)	-0.02%	794.99%
<b>Ebita</b>	<b>3,160</b>	<b>1.20%</b>	<b>6,599</b>	<b>2.46%</b>	<b>-52.12%</b>	<b>7,880</b>	<b>2.91%</b>	<b>-59.90%</b>
Goodwill amortization and stock market listing costs	(880)	-0.33%	(1,077)	-0.40%	-18.28%	(1,077)	-0.40%	-18.28%
<b>Ebit</b>	<b>2,279</b>	<b>0.86%</b>	<b>5,522</b>	<b>2.06%</b>	<b>-58.72%</b>	<b>6,803</b>	<b>2.51%</b>	<b>-66.49%</b>
Financial income (expense), net	(1,504)	-0.57%	(1,222)	-0.45%	23.04%	(2,503)	-0.92%	-39.93%
Extraordinary income (expense), net	(24)	-0.01%	655	0.24%	-103.67%	655	0.24%	-103.67%
<b>Income before taxes</b>	<b>752</b>	<b>0.29%</b>	<b>4,955</b>	<b>1.84%</b>	<b>-84.83%</b>	<b>4,955</b>	<b>1.83%</b>	<b>-84.83%</b>

### 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 Six Months of 2005, the company generated a pre-tax profit for € 2,369 thousand against € 2,437 thousand reached in the same period of 2004. Only relating to the Second Quarter of 2005, the pre-tax profit was equal to € 1,487 thousand, against € 1,508 thousand in the same period of 2004.

The company reached revenues equal to € 4,560 thousand (€ 2,139 thousand only in the Second Quarter of 2005), compared to € 5,733 in the same period of 2004 (€ 2,728 thousand in the second quarter of 2004). This item is mainly 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), mainly related to the trade and renewal of internet domains to end users.

Service costs, equal to € 2,417 thousand (€ 1,125 thousand during the only Second Quarter), strongly decreased compared to the previous year, when amounted to € 3,331 thousand (€ 1,498 thousand in the second quarter).

During the First Six Months of 2005, the gross operating profit (Ebitda) reached € 1,860 against € 2,095 in 2004, while the operating income (Ebit) was equal to € 1,668 thousand against € 1,866 thousand in 2004. Only considering the Second Quarter of 2005, the Ebitda amounted to € 882 thousand against € 1,098 thousand in the same period of 2004.

The pre-tax profit of the Internet Business Unit was equal to € 2,369 thousand, slightly decreasing compared to the same period of 2004 (€ 2,437 thousand). During the Second Quarter of 2005 the pre-tax profit amounted to € 1,487 thousand, against € 1,508 thousand in the second quarter of 2004.

The employees of the company as at June 30, 2005 amounted to 11 units, decreasing by 1 unit compared to June 30, 2004.



Hereafter the reclassified Income Statement, in a concise form, before write-downs and consolidation adjustments for the Internet Business Unit as of June 30, 2005 and for the Second Quarter of 2005, compared to the same periods of 2004:

Consolidated Income Statement for the Internet business as of June 30	Pro-forma as of 06-30-04 new reclassification			Reclassification published as of 06-30-04					
	June 30, 2005		June 30, 2004		Change %		June 30, 2004		Change %
Revenues from sales and services	4,558	99.97%	5,733	100.00%	-20.49%	5,725	99.84%	-20.38%	
Other revenues and income	2	0.03%	0	0.00%	n.s.	9	0.16%	-82.82%	
<b>Total Revenues</b>	<b>4,560</b>	<b>100.00%</b>	<b>5,733</b>	<b>100.00%</b>	<b>-20.47%</b>	<b>5,734</b>	<b>100.00%</b>	<b>-20.48%</b>	
Cost of raw and ancillary materials and goods for resale	(10)	-0.22%	(7)	-0.12%	43.97%	(7)	-0.12%	43.97%	
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>(10)</b>	<b>-0.22%</b>	<b>(7)</b>	<b>-0.12%</b>	<b>43.97%</b>	<b>(7)</b>	<b>-0.12%</b>	<b>43.97%</b>	
<b>Gross margin</b>	<b>4,550</b>	<b>99.78%</b>	<b>5,726</b>	<b>99.88%</b>	<b>-20.54%</b>	<b>5,727</b>	<b>99.88%</b>	<b>-20.56%</b>	
Service costs	(2,417)	-53.00%	(3,331)	-58.10%	-27.45%	(3,324)	-57.97%	-27.29%	
Lease expenses	(27)	-0.60%	(31)	-0.54%	-12.16%	(30)	-0.52%	-9.23%	
Payroll costs	(242)	-5.31%	(235)	-4.10%	3.02%	(239)	-4.17%	1.29%	
Other operating costs	(3)	-0.07%	(34)	-0.59%	-90.84%	(34)	-0.59%	-90.84%	
<b>Ebitda</b>	<b>1,860</b>	<b>40.80%</b>	<b>2,095</b>	<b>36.54%</b>	<b>-11.20%</b>	<b>2,100</b>	<b>36.62%</b>	<b>-11.41%</b>	
Amortization and depreciation	(193)	-4.23%	(229)	-3.99%	-15.87%	(229)	-3.99%	-15.87%	
Provisions and write-downs	0	0.00%	0	0.00%	n.s.	0	0.00%	n.s.	
<b>Ebit</b>	<b>1,668</b>	<b>36.58%</b>	<b>1,866</b>	<b>32.55%</b>	<b>-10.62%</b>	<b>1,871</b>	<b>32.63%</b>	<b>-10.86%</b>	
Financial income (expense), net	0	0.00%	69	1.20%	-99.75%	64	1.12%	-99.73%	
Extraordinary income (expense), net	701	15.38%	502	8.76%	39.71%	502	8.75%	39.71%	
<b>Income before taxes</b>	<b>2,369</b>	<b>51.96%</b>	<b>2,437</b>	<b>42.51%</b>	<b>-2.78%</b>	<b>2,437</b>	<b>42.50%</b>	<b>-2.78%</b>	



<b>Consolidated Income Statement for the Internet Business Q2</b>	<b>Q2 2005</b>		<b>Q2 2004</b>		<b>Change %</b>
Revenues from sales and services	2,137	99.93%	2,728	100.00%	-21.66%
Other revenues and income	2	0.07%	0	0.00%	n.s.
<b>Total Revenues</b>	<b>2,139</b>	<b>100.00%</b>	<b>2,728</b>	<b>100.00%</b>	<b>-21.60%</b>
Cost of raw and ancillary materials and goods for resale	(7)	-0.34%	(4)	-0.15%	84.23%
Change in inventories of goods for resale	0	0.00%	0	0.00%	n.s.
<b>Cost of goods</b>	<b>(7)</b>	<b>-0.34%</b>	<b>(4)</b>	<b>-0.15%</b>	<b>84.23%</b>
<b>Gross margin</b>	<b>2,131</b>	<b>99.66%</b>	<b>2,724</b>	<b>99.85%</b>	<b>-21.76%</b>
Service costs	(1,125)	-52.60%	(1,498)	-54.91%	-24.91%
Lease expenses	(14)	-0.64%	(14)	-0.51%	-1.95%
Payroll costs	(109)	-5.12%	(105)	-3.85%	4.25%
Other operating costs	(1)	-0.07%	(9)	-0.33%	-84.11%
<b>Ebitda</b>	<b>882</b>	<b>41.23%</b>	<b>1,098</b>	<b>40.25%</b>	<b>-19.69%</b>
Amortization and depreciation	(97)	-4.55%	(116)	-4.25%	-16.20%
Provisions and write-downs	0	0.00%	0	0.00%	n.s.
<b>Ebit</b>	<b>785</b>	<b>36.69%</b>	<b>982</b>	<b>36.00%</b>	<b>-20.10%</b>
Financial income (expense), net	0	0.01%	39	1.43%	-99.59%
Extraordinary income (expense), net	702	32.84%	487	17.85%	44.20%
<b>Income before taxes</b>	<b>1,487</b>	<b>69.53%</b>	<b>1,508</b>	<b>55.28%</b>	<b>-1.39%</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 30 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).

The Company closed the period as of June 30, 2005 with revenues for € 261,127 thousand (€ 266,033 thousand as of June 30, 2004), an Ebitda result for € 5,573 thousand (€ 8,093 thousand as of June 30, 2004), an Ebit result for € 3,112 thousand (€ 6,165 thousand as of June 30, 2004) and a pre-tax profit for € 2,521 thousand (€ 6,999 thousand as of June 30, 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 € 1,031 thousand (€ 1,101 thousand as of June 30, 2004), whilst logistics generated income for € 2,392 thousand (€ 2,255 thousand in the previous year) and other services were equal to € 727 thousand (€ 918 thousand in 2004).

The Six Months Period ended as at June 30, 2005 period closed with a pre-tax profit for € 49 thousand.

#### CD Web S.r.l.

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 Six Months Period ended as at June 30, 2005 closed with a pre-tax loss for € 0.271 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 Six Months Period ended as at June 30, 2005 closed with a pre-tax loss for € 97 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 Six Months Period ended as at June 30, 2005 closed with a pre-tax profit for € 2,369 thousand.

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

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



During the First Six Months of 2005 the subsidiaries owned by Computer Discount S.r.l. generated revenues for € 22,978 thousand.

The Six Months Period ended as at June 30, 2005 closed with a pre-tax loss for € 141 thousand.

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

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

As of June 30, 2005 the company earned revenues for € 414 thousand and recorded a loss for € 12 thousand.

**CDC Superstore S.r.l.**

Direct S.r.l. managed until July 31, 2004, under the firm name of Direct S.r.l.) 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 20, 2004, the Extraordinary Shareholders' Meeting adopted the widening of corporate purpose in order to adapt him to the project of new sale channel Superstore.

On April 2005, the Company signed a lease branch agreement for the management of an outlet located in Savignano sul Rubicone (FC).

On June 2005, the Company signed a lease branch agreement for the management of an other outlet located in Chirignago (VE).

Both of these operations will produce economic effects during the second half of 2005.

The Six Months Period ended as at June 30, 2005 closed with a pre-tax loss for € 660 thousand.

The employees of the company as at June 30, 2005 amounted to 5 units, against 21 units as at June 30, 2004.

**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, and in the Equal Consortium (National Consortium for the Ecodigital) for € 2.6 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.	43	0	0	0
<b>Subsidiaries</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>
CDC S.r.l.	47	0	0	0
<b>Parent company</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>
CD Napoli S.r.l.	65	(2)	572	(1)
Cd Pistoia S.r.l.	0	0	0	0
Cd Salerno S.r.l.	105	0	159	0
<b>Associated companies</b>	<b>170</b>	<b>(2)</b>	<b>731</b>	<b>(1)</b>
Imo 1 S.r.l.	0	0	0	(115)
Imo 2 S.r.l.	0	0	0	(44)
Wal S.p.A. winding up	0	0	0	0
Gap S.r.l.	0	(4)	0	(14)
Icube S.r.l.	0	0	0	0
CTY S.r.l.	379	0	445	(20)
Tradesoft Technologies S.r.l.	2	0	1	(5)
Diomelli Giuseppe	0	0	0	0
Andolfi Floriana	0	0	0	0
<b>Related companies</b>	<b>381</b>	<b>(4)</b>	<b>446</b>	<b>(198)</b>



## 7. OTHER INFORMATION

### **RESEARCH AND DEVELOPMENT**

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

### **OWN SHARES**

As of June 30, 2005, CDC Point S.p.A. held 117,709 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 of April 28, 2005.

As of June 30, 2005 such shares were posted at the lower of cost and their average value during the last month of the period under review (€ 9.18), recording write-downs for € 98.5 thousand.

For the treasury shares destined to the stock option plan (n. 10,481), the valuation has been estimated up to € 7 per share, which is the strike price 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.

A recover in profitability is expected in the second half of 2005, benefiting of the high seasonality of the IT market. The management of the CDC Group will continue to target the coverage of the market via the opening of a new Cash & Carry and the launch of a new proprietary format of medium – large size point of sales, with at least two new opening expected within December 31, 2005

### **SUBSEQUENT EVENTS**

On July 7, 2005 the Parent Company CDC Point S.p.A. won a private tender for the supply of no. 17,000 LCD monitors to Poste Italiane (Italian Post). The economic and financial effects of the award (happened in the early July 2005 ) will be registered during the second half of 2005 .

In July, 2005 the subsidiary CDC Superstore S.r.l. signed a branch lease agreement for a commercial building located in Pontedera (PI), to be destined to retail sales activity via medium – large size format.

The Chairman of the Board



Giuseppe Diomelli