

# CDC GROUP



## FIRST QUARTER 2006 REPORT



---

<b>TABLE OF CONTENTS</b>
--------------------------

---

<b>Highlights and Organization Information</b>	Corporate Boards	3
	Business and structure of the CDC Group	4
	Useful Information	10
<b>Report on Operations</b>	Scope of consolidation, Accounting principles and policies, Consolidation methods	11
	Consolidated accounts of the CDC Group and related notes	22
<b>Consolidated Financial Statements</b>	Consolidated Income Statement and related notes	23
	Consolidated Income Statement of the IT core business and related notes	32
	Consolidated Income Statement of the Internet Business Unit and related notes	35
	Information on Group companies	36
	Other information	38

---



## 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 Businesses, 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 Bank S.p.A.



## 2. BUSINESSES AND STRUCTURE OF THE CDC GROUP

### BUSINESS

CDC Point S.p.A., company listed on the TechSTAR segment of the Italian Stock Exchange, is one of main Italian IT manufacturer and distributor of Information Technology ("IT").

Its retail distribution network - the largest of Italy in terms of sales and brand awareness - serves the consumer and SOHO segments with over 300 outlets, organized into three distinct chains operating under the Computer Discount and Compy brands. The latter consisting of IT corners within consumer electronics stores.

The Group also serves the distribution market through a network of 31 proprietary Cash & Carry outlets, three of these opened during the 2005 year in Lecce (April 2005), Cosenza (May 2005) and Napoli (July 2005). The Cash & Carry outlets distribute to over 30,000 specialists IT resellers. The Cash & Carry outlets, with an average sales area of about 1,000 square meters, operate in the IT business and areas converging to the Information Technology.

Since 2001 CDC Group decided to penetrate in the government and large-corporate markets and it awarded, during the 2002-2003 period, main competitive tenders managed by Consip, a joint-stock company owned by the Department of Economics and Finance (DEF).

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.

Since 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 two Compy Superstore outlets opened during 2005.

Thanks to more than 10,000 products and about 20 specialized divisions, the new Superstores are able to satisfy the technological needs of families, Soho and small-medium enterprises. These outlets, managed under the trademark Compy Superstore, are focused on IT products but they also offer Telecommunications, TV and Home Cinema, Audio, Entertainment, Photo, SDA, MDA, etc.

The opening of the outlet in Pontedera, a month later the opening of the outlet in "Savignano sul Rubicone", is in line with the business plan that forecasts the opening of 16 superstores all over the Italian country.

In order to develop the network, on October 31, 2005 CDC and Unicoop Firenze signed a joint venture.

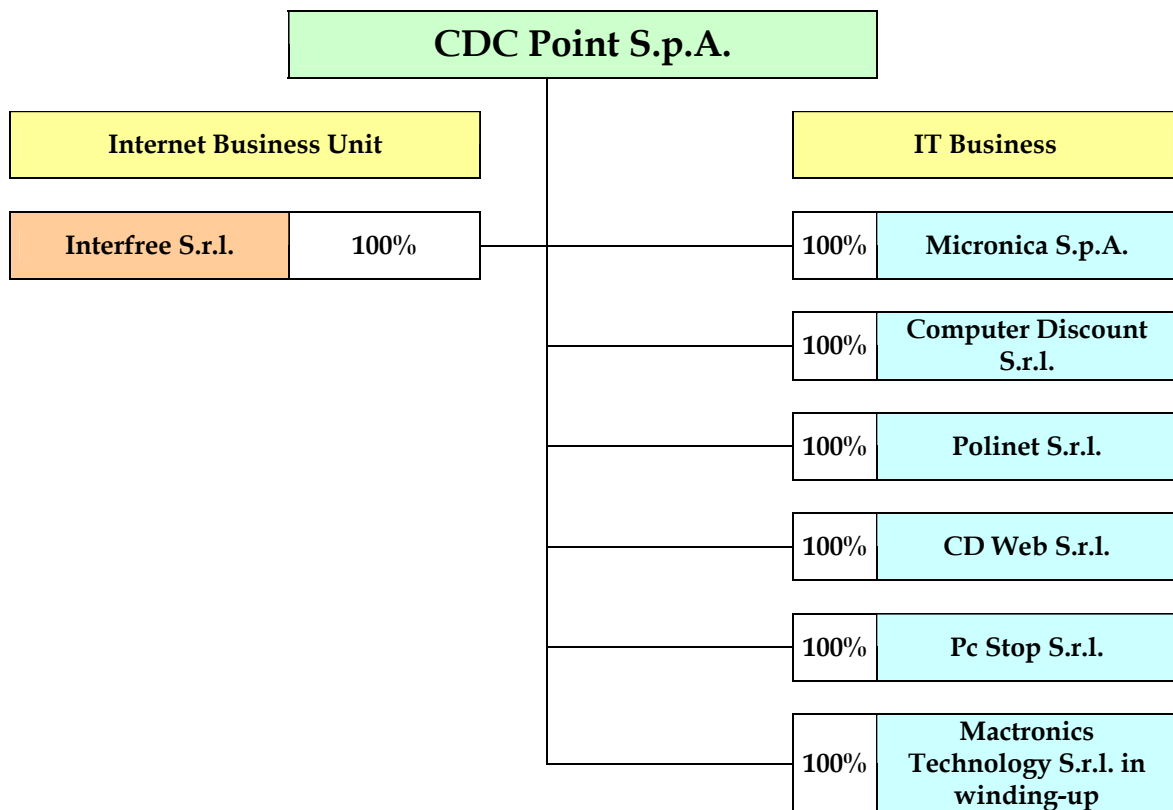
On December 28, 2005 Unicoop Firenze acquired a 52% stake of CDC Superstore S.r.l., renamed Compy Superstore S.r.l., while CDC will retain a 48% stake.

Unicoop Firenze will bring to the joint venture its skills in scouting, selection and fitting out of medium-large sized retail outlets, whereas CDC will supply all the ICT products. In the same data was appointed the new Board of Directors of Compy Superstore. The Chairman and the Managing Director with responsibility for the stores development was produced by Unicoop, whereas the Deputy Chairman and the Managing Director with responsibility for commercial and ordinary management was produced by CDC S.p.A.

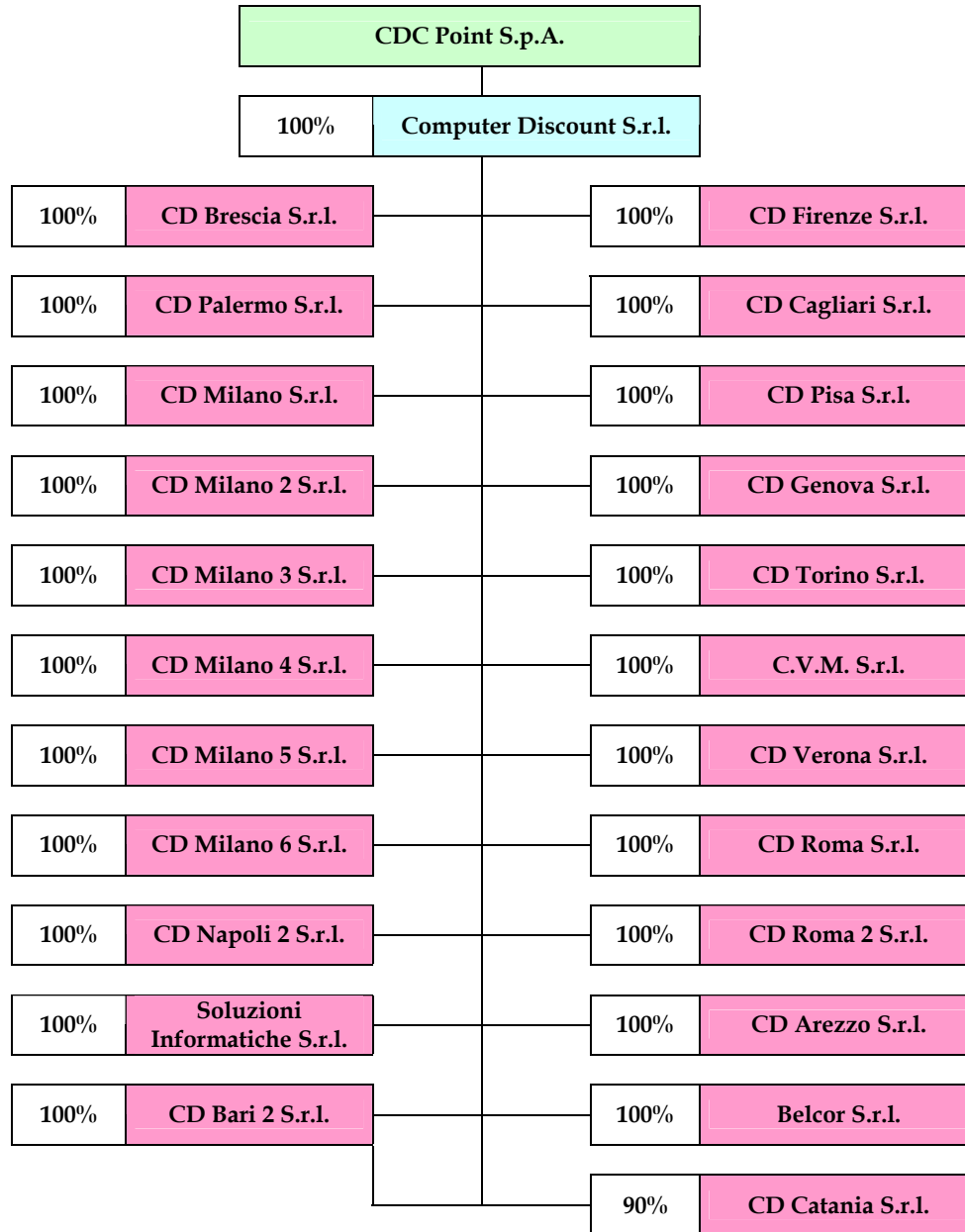
**GROUP STRUCTURE**

Hereinafter the current structure of CDC Group:

CDC Group - Subsidiaries



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



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

Registered Office: Via Calabria, 1 - 56025 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: Via Calabria, 1 - 56025 GELLO - PONTEDERA (PI)

Member of the Chamber of Commerce of Pisa number 01341600508

Fully owned

- Business: trade of IT product

**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

**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 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 02309480230, 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 PALERMO 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 fully 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.



**CDC Group - Associated companies of CDC Point S. p. A.**

**Compy Superstore S.r.l.**

Registered Office: Via Calabria, 1, 56025 - Gello - PONTEDERA (PI)

Member of the Chamber of Commerce of Pisa number 01459540504

Associated by 48%

- Business: opening and management of consumer electronics superstores



### 3. USEFUL INFORMATION

**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, currently in winding-up

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

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

**Interfree 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

Compared to December 31, 2005 the basis of consolidation changed due to the following equity investments:

- Interest held in Compy Superstore S.r.l. (ex CDC Superstore S.r.l., ex Direct S.r.l.). On December 28, 2005 the equity stake decreased from 100% to 48%; therefore the Income Statement was consolidated for the full year because the company was managed for the full year. In this Quarterly Report the company was not consolidated and the equity investment was accounted for by the equity method.

##### CHANGE TO THE INTERNATIONAL ACCOUNTING STANDARDS (IFRS)

The Consolidated Quarterly Report as of March 31, 2006 was drawn according to the International Accounting Standard no. 34 whether in the form whether in contents and in according to IAS/IFRS issued by the IASB and approved by the EU for registering and valuation principles, as requested in the art. 81 of the "Regolamento Emittenti" no. 11971, issued by the Consob on May 14, 1999 and former changes and integrations. IAS/IFRS were retrospectively applied also to the previous accounting years in order to compare these to items of former accounting years.

##### ACCOUNTING PRINCIPLES

###### **Main principles**

The Consolidated Quarterly Report for the period between January 1 - March 31, 2006 was drawn according to the International Financial Reporting Standards (IFRS) which are adopted for the first time by the CDC Group in the consolidated six months Report as of June 30, 2005.



The above-mentioned Report was drawn mostly adopting the criteria of the historical purchasing cost, except for some financial instruments valued at the fair value. The main accounting policies adopted are highlight below.

## CONSOLIDATION PRINCIPLES

### Main principles

The Consolidated Quarterly Report as of March 31, 2006 encloses the intermediate financial statements of CDC Point S.p.A. and of all the affiliate companies issued as of March 31, 2006. A company controls another if the first one has enough power to determine financial and operating policies of the second one in order to have benefits for its own.

The economical results of the Group's subsidiaries acquired or sold during the period under review are included in the Consolidated Income Statement from the time of the acquisition to the effective time of the transfer.

If necessary, the financial statement of the Group's subsidiaries have been rectified in order to standardize the accounting principles applied for the entire Group.

All inter-company operations, if significant, were eliminated in the Consolidation.

Minority interests in the net result is also shown separately. Such minority interests are calculated on the basis of the book value of shareholder equity and of the results of consolidated companies.

Minority shareholders' losses over the value of their shareholders equity are attributing to the Consolidated Equity, except for the minorities with legal obligations, able to sustain further investments to cover the losses.

### Firms' aggregation

Acquisition of subsidiaries is accounted adopting the acquisition method. The purchasing cost is the sum of the current value, at the time of the transaction, of the total assets, of the total liabilities, of the financial instruments issued by the Group to obtain the control of the company, more the direct costs of the acquisition.

The assets and the liabilities of the acquired company that respect the IFRS no. 3, are allocated at their current value at the time of the acquisition, except for the not-current assets that are classified and valued, in according to IFRS no. 5, at their current value less the selling price.

The goodwill coming from acquisitions is considered as an asset and at first valued at the cost, represented by the surplus of the purchasing cost respect to the share of the assets and liabilities owned by the Group. If the share owned by the Group exceeds the purchasing cost, this difference is allocated in the Income Statement.

The profit-sharing of the minority shareholders in the acquired company is valued at the same of their assets', liabilities and potential liabilities' share.

During this first application of the IFRS, the Group decided to apply the IFRS no. 3 for the companies' acquisitions, in a retrospective way starting from the 31st July 2002, allocating the fair value of the elements bought, supported by some professional documents, to the asset's items.



## **INTANGIBLE FIXED ASSETS**

### **Research and development costs**

Research and development costs are not capitalized, but allocated at the Income Statement during the period they refer.

Intangible fixed assets, bought or developed, derived from new products (mainly software) of the Group, are registered in the fixed assets only if:

- the assets is identifiable (for example a software or a new process);
- the asset could produce future economical benefits;
- the development costs could be reliably calculated.

These assets are amortized for all their useful life, equal to 3 years.

When an asset, developed by the Group, could not be capitalized, its development costs are allocated in the Income Statements of the period it refers.

### **Trademarks and Industrial Patents**

Trademarks, which have a defined useful life, and industrial patents are, at first, valued at the purchasing cost and amortized constantly during their life that is respectively 10 and 5 years.

Trademarks without a defined useful life are, at first, registered at the purchasing cost and then deducted by the cumulative losses of value. Every year, or if particular events happen, the value of the trademarks is verified in order to certify any potential impairment, according to the IAS no. 36 (Impairment of Assets).

### **Other intangible fixed assets**

Other intangible fixed assets, bought or developed, are registered in the fixed assets of the Balance Sheet, according to IAS no. 38 - Intangible Assets, if the use of the asset could produce future economical benefits and if the asset's cost could be certainly identified.

These assets are valued at their purchasing cost or production cost and amortized constantly during their useful life.

### **Commercial networks acquisition**

In this category are included amounts paid by the Group for the acquisition of sales points directly managed (commercial chains Computer Discount, Armonia, Test) during operations of business combinations, which are accounted adopting the IFRS no. 3 method as before specified. These assets are intangible fixed assets with a defined useful life and therefore amortized in a period from 5 to 10 years (according to the kind of the point of sales), considered a reasonable period of time relating to the positioning of each point of sales and to the customers achieved. Every time there is the possibility that one of these assets could have an impairment, we subject to an impairment test in order to verify that value.



## **Goodwill**

The goodwill deriving from the acquisition of a subsidiary represents the surplus of the purchasing cost over to the fair value of the assets, liabilities and potential liabilities.

The goodwill is registered as an asset and every year its value is verified. Impairments are immediately registered in the Income Statement and are no more re-established.

In case of the transfer of a subsidiary or of an affiliate company, the goodwill not yet amortized is included in the process to calculate the gain/loss on disposal.

## **BUILDINGS, PLANTS AND MACHINERIES**

Such assets are recorded at purchase or production cost. The cost includes incidental expenses and direct and indirect costs that may be reasonably attributed to the asset concerned. These assets are constantly amortized every year using rates reported in the section referred to note to assets.

Lands are not amortized.

Assets held by a leasing contract are amortized on the basis of their residual useful life time or, if it is shorter, on the basis of the length of the contract.

Ordinary maintenance costs are fully expensed as incurred. Improvements, instead, are capitalized and amortized on the basis of the residual useful life of the asset to which they relate.

Profits and losses coming from the transfer of tangible assets are calculated as difference between the sale revenues and its net book value and are registered in the Income Statement.

## **Real estate Investments**

Real estate investments, represented by assets held to be located and/or for their appreciation, are registered at the cost, after deducting the cumulative amortized value and losses of value.

## **LEASING**

Leasing contracts are classified as financial leasing every time the contract transfers all the risks and benefits of the property on the lessee. All the other leasing contracts are registered as operative leasing.

All the assets held with a financial leasing are valued at the fair value at the time of the contract's stipulation or, if it is lower, at the present value of the minimum payments due for the leasing. The relative liabilities against the lessor are included in the debt for leasing in the Balance Sheet. The rents' payment is divided in amortization quota and in the interest expenses, in order to reach a fixed interest rate on residual liability. Interest expenses are allocated in the Income Statement.

The costs of operative leasing are written down on the basis of the contract life.



## IMPAIRMENT

At least once per year, usually during the drafting of the Annual Report, the book value of the tangible and intangible assets is revised for verifying if during the previous year there was a loss of value and to estimate the potential depreciation. If it is true, the amount that can be recovered was valued in order to determine the eventual impairment. If it is not possible to estimate the recoverable value of a single asset, the Group estimates the recoverable value of the unit that generate the cash flow at which the asset is linked.

The value of intangible assets with a not defined useful time life, as the goodwill, is yearly verified to estimate any potential depreciation.

The recoverable amount is the greater between the net fair value less selling costs and the use value. For calculating the use value, expected cash flows are calculated at their present value using a rate, gross of taxes, reflecting the current evaluation of the cost of money and of the risk of the specific asset.

If the recoverable amount of an asset is estimated to be lower than the book value, it is reduced to the recoverable value. A loss of value is immediately registered in the Income Statement unless the asset is a land or a building different from real estate investments registered at an appreciated value; in this case the impairment is registered in the Revaluation Reserve.

When the depreciation does not subsist anymore, the asset's book value, except for goodwill, increases to the higher value estimated on the basis of its recoverable value, but not more than its net book value without any depreciation. The revaluation is immediately registered in the Income Statement unless the asset is valued at the higher value; in this case the revaluation is registered in the Revaluation Reserve.

## EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

An associated company is a company on which the Group has a significant influence, but not the control, taking part in the decision about financial and operative policies.

Economic results and assets and liabilities of associated companies are registered in the Consolidate Financial Statement using the equity method, except for interests classified as held for sale.

According to such equity method, investments in associated companies are registered in the Balance Sheet at their purchasing cost, modified for subsequent variations of company's assets, deducting any impairment of the single interest. Affiliated companies' losses over the Group's profit-sharing are not registered unless the Group had not any obligation to cover those losses. The purchasing cost over the percentage of the Group on the affiliated company's assets, liabilities and potential liabilities at the time of the acquisition is considered as goodwill. The goodwill is included in the book value of the investment and periodically its value is verified. If the purchasing cost is lower than the Group's percentage of the affiliated companies' assets, liabilities and potential liabilities fair value, the lower value is registered in the Income Statement during the fiscal year of the acquisition.

Profits and losses not realized for operations among associated companies of the same Group are deleted in the same percentage of the Group interest held in that affiliated company, except for the not realized loss is a depreciation of the transferred asset.



#### **OTHER FINANCIAL ASSETS (not-current)**

Equity investments in companies different from the associated companies (in general lower than 20% stake) are valued at cost rectified to reflect any loss in value.

Non-current account receivables are recorded at their estimated realizable value.

#### **INVENTORIES**

Inventories are registered at the lower between the purchase or the production cost and the net realizable value. The cost includes raw material and, where it is possible, direct labour, other production expenses and other costs sustained for stockpiling. The cost is calculated on the basis of the FIFO method (First In First Out), and the estimated realizable value is calculated on the basis of the list price during the last three months of the period under review. Obsolete and slow-moving stocks are written down on the basis of their estimated useful lives or realizable values, according to the specific company procedure.

#### **ACCOUNT RECEIVABLES**

Account receivables are recorded at their nominal value and written down to the estimated realizable value via the posting of provisions for doubtful accounts. Such provisions are 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.

Account receivables payable after 12 months, not interest bearing or interest bearing lower than the market, are registered at their present value using market rates.

#### **FACTORING**

Group sales its account receivables via factoring operations. The factoring of receivables without recourse results in the reversal of the corresponding amount of the trade receivables, at the time of the payment of the factor. The factoring of receivables with recourse is recorded by posting to the item "Due to other lenders" the advance loans received from factor, and maintaining, therefore, the related receivables recorded in the Balance Sheet until the collection of the payment transferred to factor. Advances obtained from the factor are registered as debt to other lenders.

#### **CASH AND CASH EQUIVALENT**

Cash and cash equivalent includes cash, bank and post office deposits and other short-term and high liquidity financial investment, easily convertible in cash with a not significant risk of depreciation.

#### **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. Those are written down in the Balance Sheet only when exists a legal or implicit obligation that could cause the need of economic resources and that amount could be estimated. If the effect is significant, allowances are calculated as present value of the expected cash flow discounted by a rate gross of taxes, reflecting the current evaluation of the cost of money and the risk of the specific liability.



## **EMPLOYEE BENEFITS**

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

With the IFRS adoption, the provision for employee severance indemnities is considered as an obligation written down in according to IAS 19 (Employee Benefits), based on the working life of the employee and their salary during a certain working period. It is calculated using the Projected Unit Credit Method by independent professionals.

The Group decided, both at the time of the first adoption of the IFRS and for the next years, to write down all cumulated and accrued profits and losses. Costs related to the increasing of the present value of the obligation for provisions for employee severance indemnities are included in the labour cost.

### **Stock options plans**

According to the IFRS no. 2 (Share-based Payment), the total amount of the stock option's current value at the grant date is registered in the Income Statement under the item payroll costs with a contra-entry in the Shareholders' Equity if the participants vest the right at the grant date.

In the case of a maturity period during which some conditions could happen for realizing the right, cost for these benefits, calculated on the basis of the options' current value, is registered in the payroll cost using a method based on constant share the period between the grant date and the maturity date. Any variation of the option's current value after the assignation has effect on the first valuation.

## **FINANCING**

Bank loans interest bearing and bank overdrafts are registered on the basis of the incoming amount after deducting the operation's costs. Then this value is rectified on the basis of the eventual difference between the first cost and the amount to repay during the life time of the loan using the amortized cost method.

Loans are classified as current liabilities except if the Group has the right to postpone the payment of the liability by over 12 months compared to referring date.

## **TRADE PAYABLES**

Accounts payable are recorded at their nominal value.

## **DERIVATIVES AND ACCOUNTING OF HEDGING OPERATIONS**

Group's activities are exposed at first to financial risks related to interest and exchange rates variations. The Group uses derivatives (most of all forward agreement on currency) to cover risks caused by foreign currency in some irrevocable obligation or in future operations. Risks on interest rate are caused by bank loans, to cover these risks the Group converts part of its debt on variable basis in a fixed rate debt and consider them as cash flow hedge. The use of these instruments is regulated by policies approved by the Board of Directors, which established written procedure about the coherent use of the derivatives according to the risk management strategy.

The Group does not make use of derivatives for trade.

At first, derivatives are registered at their cost and then they are adjusted at the fair value.

Variations of the fair value of the derivatives identified and useful for hedging future cash flows of obligations are registered in the shareholders equity, while the part of derivatives ineffective for hedging is registered in the Income Statement. If obligations or operations subject to hedging activity involve assets or liabilities, when these assets or liabilities will be realized, profits or losses on derivatives, directly registered in the shareholders' equity, are included in the first valuation at the purchasing cost or at the book value of assets or liabilities.

For hedging cash flows not identified as assets or liabilities, amounts directly registered in the shareholders equity will be registered in the Income Statement of the same period the contract refers (for example when a projected sale is realized).

For effective derivatives which have variations of fair value, these variations are rectified in the Income Statement. Profits or losses coming from the valuation of derivatives are also registered in the Income Statement. Variations of the derivatives' fair value not used for hedging are registered in the Income Statement of the period these refer.

The book value method for the coverage is not used anymore when the derivative expire, or is sold, ended, used or not qualified anymore as hedging instrument. In that time profits and losses of the instrument are registered in the shareholders equity. If the operation covered is not expected anymore, profits or losses will be transferred from the shareholders equity to the Income Statement of the period under review.

Implicit derivatives included in other financial instruments are considered as different derivatives, when their risks and characteristics are not strictly linked to the contract's in which these are included and these are not valued at their fair value and registering profits or losses in the Income Statements.

#### **FOREIGN CURRENCY TRASLATION PRINCIPLES**

Receivables and payables, originally expressed in a foreign currency, are converted in euros at the exchange rate of the operation's day. Differences on the exchange rate realized at the moment of the taking or of the payment are registered in the Income Statement.

Profits, earnings, costs and expenses of operation in foreign currencies are registered at the current exchange rate of the operation's day.

At the year end assets and liabilities expressed in foreign currency, except for fixed assets, are written down at the spot exchange rate of the last day of the accounting period and the consequent profits or losses on the exchange rate are registered in the Income Statement. If this generates a net profit, such value is registered as Reserved not distributable until its effective realization.

#### **REVENUES RECOGNITION**

Sales are recognized when goods are shipped and risks and benefits coming from the property of goods are moved from the Group to customers. Revenues coming from services' supply are recognized at the moment of their execution.

Interests are registered on the basis of the time-period principle, on the basis of the financed amount and on the basis of the effective rate applied, that represents the rate that discounts expected takings during the useful life of the financial activity to bring these at the asset's book value.

Dividends are recognized when is established shareholders' right to receive the payment.



## **PUBLIC CONTRIBUTION**

Public contributions obtained for investments in equipment are registered in the Income Statement for all the period necessary to link these to referred costs and they are deducted from them.

## **FINANCIAL INCOME**

Financial income includes interests on invested funds, earnings on exchange rate operations and earnings from financial instruments, when they are not balanced by hedging operations. Interests are registered in the Income Statement at the time of their maturity, considering the effective interest yield.

## **FINANCIAL EXPENSES**

Financial expenses include interest expenses on financial debts calculated using actual interest method, losses on exchange rate operations and losses on derivatives. Interest expenses on operations of financial leasing are registered in the Income Statement using the actual interest method.

## **INCOME TAXES**

Taxes of the accounting period are the sum of the current and deferred taxes. The CDC Group adopted the consolidated national tax return procedure.

Current taxes are estimated on the basis of the expected income before taxes of each company composing the Group as the law in force establishes, considering all exceptions applicable and tax offset. Income before taxation is different from the result registered in the Income Statement because does not includes positive and negative elements taxed or deducted in other accounting periods and does not enclose deducted or not taxable items referred to the same accounting period. The current tax liability is calculated using the rate in force at the last day of the accounting period.

Deferred taxes are also registered as difference between the book and the tax value of assets and liabilities and for consolidation adjustments. Deferred taxes are accounted on the basis of the liabilities' general fund method. Most of deferred tax liabilities are registered for all the taxable temporary differences, while deferred tax credit are registered if the use of taxable temporary differences could be possible.

The deferred tax credit book value is revised every year and reduced if is not possible anymore to obtain taxable incomes enough for recovering that credit.

Deferred taxes are calculated on the basis of the tax rate in force at the moment of taking of an activity or at the moment of extinguishing a liability. Deferred taxes are directly registered in the Income Statement, except for items directly accounted in the shareholders equity. In this case the related whose taxes are also registered in the same Shareholders' Equity.

Deferred fiscal assets and liabilities are balanced when there is a legal right to compensate debit or credit current taxes and when these refer to taxes due at the same tax authority and the Group want to liquidate all the current tax assets and liabilities on a net basis.



## **TREASURY SHARES**

Treasury shares are registered in a specific fund reducing the Shareholders' Equity. The book value of own shares and earnings coming from potential selling of these are accounted as Shareholders' Equity movements.

## **EARNING PER SHARE**

Base earning per share is calculated dividing earnings or losses for all the holding's shareholders for the average shares issued. Diluted profits per share are calculated dividing earnings or losses for all the shareholders of the holding for the average of shares issued, considering effects of all potential shares with dilutive effect (for example stock option plan).

## **USE OF ESTIMATION**

The drafting of the financial statement and of the related notes for the application of the IFRS requires to estimate the effect on the value of assets and liabilities and on the information about potential assets and liabilities at the closing day of the accounting period. Estimates are used for valuating tangibles and intangibles assets submitted at the impairment test to verify funds for risks on credits, inventory obsolescence, amortizations, depreciations, employees' benefits, taxes. Estimates are periodically revised and each variation's effects are immediately written down in the Incoming Statement.

## **RELATIONSHIP WITH ASSOCIATED AND RELATED COMPANIES**

Relationships with associated and related companies are shown in a specific table.

## **INFORMATIONS BY BUSINESS UNITS**

CDC Group's activities and strategies, such as the following activities of managing control, are defined in the market of "Production and distribution of IT products" and in the market of "Internet service provider and portal" as key sectors of activity.

As secondary sectors, for the production and distribution of IT products, have been identified the different sale's networks, while for the internet service provider there are not any other secondary sector. Considering the different kind of products and purchasing and managing policies, the industry of production and distribution of IT products presents homogeneity of managing, while there are specific characteristics in terms of commercial policies for every sales channel.



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

### 5.1. GROUP OPERATING PERFORMANCE

**Total revenues and operating income** as of March 31, 2006 was equal to Euro 154,995 thousand against Euro 148,043 thousand as of March 31, 2005, increasing by 4.70%.

During the First Quarter of 2006 year the Information Technology market, according to Sirmi, increased by 1.9%, whereas the PC Market (desktop, notebook, server, workstation), still in accordance with Sirmi (data in value), grew by 8.6%, mainly due to the notebook segment. The PC desktop segment, where CDC traditionally presents significant market share operating mainly with own brand products, achieved an increase in value by 2.8% (source Sirmi, data referred to the First Quarter of 2006 year).

The 2006 year starts with a good performance of sales, mainly achieved in the distribution area which increased by 24% compared to the same period of the previous year (the growth in revenues was equal to 20% on a like for like basis). On the contrary, the retail area decreased by 23%, mainly due to the closing of some Computer Discount shops.

The **Gross Margin** achieved as of March 31, 2006 was equal to Euro 17,683 thousand (11.50% on sales) against Euro 18,855 thousand in 2005 (12.8% on sales).

The decrease of the gross margin was mainly due to the mix of products sold (in which, according to the market, the notebook segment, having typically lower margin, increased) and to a minor weight of retail sales, mainly due to the downturn of Computer Discount channel.

To the revenues' performance contributed the following factors:

- revenues from the distribution division (Cash and Carry and B2B platform) amounted to Euro 106,909 thousand as of March 31, 2006 against to Euro 86,220 thousand as of March 31, 2005, increasing by 24%;
- revenues from the retail sales division (Computer Discount network and Consumer Electronics/Mass Merchandising) amounted to Euro 44,067 thousand as of March 31, 2006 against to Euro 57,250 thousand as of March 31, 2005, decreasing by 23%. The business of the Computer Discount network decreased by 20%, compared to the related market (IT specialized shops network) which, according to GFK, recorded a decrease by 5.8%.

During the First Quarter of 2006 year, the CDC Group achieved a decrease both in value and as percentage on sales of the operating profitability, reaching an **Ebitda** equal to Euro 5,479 thousand (3.53% on sales) compared to Euro 6,501 thousand in the First Quarter of 2005 (4.39% on sales).

This decrease almost fully derived from the downturn of the gross margin, because the Group reached a good reduction of costs.

In particular during the First Quarter of 2006 we highlight:

- the growth of the payroll cost from Euro 5,559 thousand as of March 31, 2005 to Euro 5,609 thousand as of March 31, 2006. As percentage on sales, the payroll cost decreased from 3.75% in the First Quarter of 2005 to 3.62% in the First Quarter of 2006, despite the openings of three new C&C outlets (increased from 28 units at March 31, 2005 to 31 units at March 31, 2006);
- the reduction of the service costs from Euro 6,606 thousand as of March 31, 2005 (4.46% on sales) to Euro 6,385 thousand as of March 31, 2006 (4.12% on sales) essentially due by the

decrease of the marketing costs gross of contributions from suppliers. Marketing costs, gross of marketing contributions from suppliers, amounted to Euro 2,314 thousand as of March 31, 2006, against Euro 3,166 thousand as of March 31, 2005, decreasing by Euro 559 thousand. Also marketing contributions from suppliers decreased during the First Quarter of 2006, amounting to Euro 1,618 thousand as of March 31, 2006 (Euro 2,177 thousand as of March 31, 2005). Instead increased Shipping and logistics costs by Euro 235 thousand (besides the sales growth, this cost increased due to higher shipping costs related to the growth of the cost of the oil). Emoluments paid to corporate officers decreased by Euro 133 thousand due to the exit from the consolidation area by the company Compy Superstore and thanks to the Chairman of CDC S.p.A. that partially renounced to its compensation. Utilities grew by Euro 51 thousand relating to the higher number of proprietary point of sales, just like lease expenses (Euro 86 thousand) referring to rents of new cash & carry. The item bank commissions decreased mainly due to lower expenses for malus on factorized receivables by Euro 232 thousand. Insurance premiums increased by Euro 88 thousand in order to face higher expenses due to the receivables insurance company relating to the growth of revenues reached by the distribution. Technical and fiscal advices decreased by Euro 145 thousand and other service costs by Euro 170 thousand, according to the policy of costs' reduction.

Amortizations, depreciations and provisions amounted to Euro 1,947 thousand as of March 31, 2006, of which Euro 713 thousand relating to the provisions for credit risk. During the same period of 2005, this item amounted to Euro 1,421 thousand, of which Euro 88 thousand relating to provisions.

As of March 31, 2006 financial expenses, net of financial income, amounted to Euro 1,277 thousand against Euro 685 thousand as of March 31, 2005. This item includes the write-down of the equity investment in Compy Superstore S.r.l. for Euro 653 thousand, whereas the loss recorded by this company as of March 31, 2005, equal to Euro 266 thousand, was fully consolidated.

Financial income and expenses, net of equity investments, are substantially unchanged and there are essentially attributable to the Parent Company, which mainly manages the Group's funding activity.

We registered an increase in interest expenses net of interest income, which amounted to Euro 905 thousand as of March 31, 2006 against Euro 585 thousand as of March 31, 2005, as a result of the growth of the interest rates and of the group's financial debt compared to the same period of 2005.

Net foreign currency translation adjustment as of March 31, 2006 was positive for Euro 190 thousand, whereas it was negative for Euro 116 thousand as of March 31, 2005. The trend of foreign currency translation adjustment, carried out in order to hedge the price list of products purchases in US dollar, derived from the cross exchange of Euro against Us dollar in the period under review.

The pre-tax profit amounted to Euro 2,256 thousand as of March 31, 2006 against Euro 4,395 thousand achieved during the First Quarter of 2005.

After income taxes amounting to Euro 1,247 thousand as of March 31, 2006 (Euro 2,796 thousand as of March 31, 2005), the CDC Group achieved a net profit equal to Euro 1,009 thousand against Euro 1,599 thousand in the previous year.

The following tables show the reclassified consolidated income statement of the CDC Group as of March 31, 2006, according to the current Italian regulation, in comparison with the income statement of the same period of 2005 reclassified according to the new criteria adopted starting from the First Half of 2005. Therefore the comparison between the 2005 and the 2004 fiscal years was realized on a like for like basis, adopting the IFRS starting from January 1<sup>st</sup>, 2004.

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 business units.



**CDC GROUP - Consolidated Quarterly Report as of March 31, 2006**

<b>RECLASSIFIED CONSOLIDATED INCOME STATEMENT AS OF MARCH 31, 2006</b>					
<b>Consolidated Income Statement</b>	<b>March 31, 2006</b>		<b>March 31, 2005</b>		<b>Change</b>
Revenues	154,747	99.84%	147,778	99.82%	4.72%
Other income	248	0.16%	265	0.18%	-6.33%
<b>TOTAL REVENUES AND OPERATING INCOME</b>	<b>154,995</b>	<b>100.00%</b>	<b>148,043</b>	<b>100.00%</b>	<b>4.70%</b>
Purchase costs	(137,312)	-88.59%	(129,188)	-87.26%	6.29%
Service costs	(6,385)	-4.12%	(6,606)	-4.46%	-3.34%
Payroll costs	(5,609)	-3.62%	(5,559)	-3.75%	0.91%
Other operating costs	(211)	-0.14%	(189)	-0.13%	11.75%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>5,479</b>	<b>3.53%</b>	<b>6,501</b>	<b>4.39%</b>	<b>-15.73%</b>
Amortization of intangible fixed assets	(428)	-0.28%	(468)	-0.32%	-8.57%
Depreciation of tangible fixed assets	(806)	-0.52%	(865)	-0.58%	-6.88%
Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	0.00%
Provisions and impairment reversal/losses on non-current assets	(713)	-0.46%	(88)	-0.06%	714.29%
<b>OPERATING INCOME (EBIT)</b>	<b>3,533</b>	<b>2.28%</b>	<b>5,081</b>	<b>3.43%</b>	<b>-30.47%</b>
Share of earnings of equity investments in associates accounted for by the equity method	(653)	-0.42%	0	0.00%	n.s.
Financial income	654	0.42%	16	0.01%	4091.50%
Financial expenses	(1,278)	-0.82%	(701)	-0.47%	82.13%
<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>2,256</b>	<b>1.46%</b>	<b>4,395</b>	<b>2.97%</b>	<b>-48.66%</b>
<b>Income taxes for the period</b>	<b>(1,247)</b>	<b>-0.80%</b>	<b>(2,796)</b>	<b>-1.89%</b>	<b>-55.39%</b>
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>1,009</b>	<b>0.65%</b>	<b>1,599</b>	<b>1.08%</b>	<b>-36.89%</b>
Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0.00%
<b>NET INCOME</b>	<b>1,009</b>	<b>0.65%</b>	<b>1,599</b>	<b>1.08%</b>	<b>-36.89%</b>
Income (loss) attributable to minority interest	3	0.00%	(9)	-0.01%	-133.54%
<b>NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>1,013</b>	<b>0.65%</b>	<b>1,590</b>	<b>1.07%</b>	<b>-36.28%</b>



### Revenues from sales and services

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

Business Areas	03/31/2006	03/31/2005	Change
IT distribution	153,646	146,544	7,102
Other IT revenues	242	265	-23
Internet	1,107	1,234	-127
<b>Revenues from sales and services</b>	<b>154,995</b>	<b>148,043</b>	<b>6,952</b>

### Other Revenues and Income

**Others revenues and income**, which during the current Quarter reached Euro 248 thousand, mainly relating to compensation for thefts, rental income and income from the recovery of costs related to sales.

They do not include advertising refunds, franchising fees received from new franchisees, marketing contribution from suppliers and contribution to sales financing, amounting to Euro 1,618 thousand as of March 31, 2006 compared to Euro 2,177 thousand in the same period of 2005, which have been classified as a reduction of marketing costs under the item Service Costs.

Period-end bonuses from suppliers and stock protection, totalling Euro 12,186 thousand as of March 31, 2006 against Euro 10,805 thousand in the same period of 2005, were classified as a reduction of Costs for raw materials and goods for resale.

### Operating costs

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

Operating costs	03/31/2006	03/31/2005	Change
<b>Cost of goods for resale</b>	<b>137,312</b>	<b>129,188</b>	<b>8,123</b>
<b>Total service costs</b>	<b>6,385</b>	<b>6,606</b>	<b>(221)</b>
of which Net marketing expenses	<b>696</b>	<b>989</b>	<b>(293)</b>
<i>(gross marketing expenses)</i>	<i>2,314</i>	<i>3,166</i>	<i>(852)</i>
<i>(contributions from suppliers for marketing expenses)</i>	<i>(1,618)</i>	<i>(2,177)</i>	<i>559</i>
of which Shipping and logistics	1,202	967	235
of which Emoluments paid to corporate officers	539	672	(133)
of which Utilities	429	378	51
of which Lease expenses	1,309	1,223	86
of which Bank Commissions	385	664	(279)
of which Insurance premiums	366	279	88
of which Technical and fiscal advices	276	421	(145)
of which Other service costs	1,182	1,012	170
<b>Payroll costs</b>	<b>5,609</b>	<b>5,559</b>	<b>50</b>
<i>IT distribution</i>	<i>5,491</i>	<i>5,426</i>	<i>65</i>
<i>Internet</i>	<i>118</i>	<i>133</i>	<i>(15)</i>
<b>Other operating costs</b>	<b>211</b>	<b>189</b>	<b>22</b>
<b>Total</b>	<b>149,517</b>	<b>141,542</b>	<b>7,975</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, and to Computer Discount shops.

**Marketing costs** as of March 31, 2006 were equal to Euro 2,314 thousand (Euro 3,166 thousand in 2005) gross of advertising refunds, entry right fees from new affiliations and marketing contributions from suppliers, totalling Euro 1,618 thousand (Euro 2,177 thousand in 2005).

**Others service costs** primarily regard utilities, external consultants, emoluments paid to corporate officers, training, maintenance, commercial fees and travel expenses.

The **payroll costs** slightly increased in the quarter under review (Euro 5,609 thousand in the first quarter of 2006 against Euro 5,559 thousand in the same period of 2005). The change was mainly attributable to the IT business unit, while the number of employees of the Internet business was substantially stable and the related cost slightly decreased compared to the same period of the previous year (Euro 118 thousand in the first quarter of 2006 against Euro 133 thousand in the same period of 2005). Employees increased by 7 units, with a consequent growth in the related cost. This increase was mainly due to the opening of 3 new Cash&Carry outlets compared to March 31, 2005. Employees of the company Compy Superstore, not consolidated during the 2006 year, amounted to 2 units as of March 31, 2005.

The following table highlights a breakdown of the average employees by business unit as of March 31, 2006, compared to the same period of 2005.

Employees	03/31/2006	03/31/2005	Average employees 01/01/06-03/31/06
<b>IT Distribution</b>	<b>594</b>	<b>585</b>	<b>596.93</b>
<i>Managers</i>	14	15	13.33
<i>Supervisors</i>	27	30	27.67
<i>White-collar</i>	428	405	425.67
<i>Blue-collar</i>	125	135	130.26
<b>Internet</b>	<b>9</b>	<b>11</b>	<b>9.00</b>
<i>Managers</i>	0	0	0.00
<i>Supervisors</i>	1	1	1.00
<i>White-collar</i>	8	10	8.00
<b>TOTAL</b>	<b>603</b>	<b>596</b>	<b>605.93</b>

#### Amortization, depreciation and write-downs

In addition to the charges relating to individual companies, **amortization and depreciation** also included 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 Euro 713 thousand (Euro 88 thousand in 2005), almost 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)	03/31/2006	03/31/2005	Change
Interest and other financial income	137	72	65
Interest Expenses	(951)	(642)	(310)
Net exchange differences	190	(116)	306
<b>Total</b>	<b>(624)</b>	<b>(686)</b>	<b>62</b>

Financial income and expenses are essentially attributable to the Parent Company, which mainly manages the Group's funding activity. As of March 31, 2006 we registered an increase in interest expenses, net of interest income, by Euro 245 thousand, as a result of the growth of the group's financial debt.

Net foreign currency translation adjustment as of March 31, 2006 was positive for Euro 190 thousand (negative for Euro 116 thousand in the only first quarter of 2005). The trend of foreign currency translation adjustment derived from the cross exchange of Euro against US dollar during the period under review.

**Financial Position**

Net Financial position	03/31/2006	03/31/2005	Change
Bank debts payable within 12 months	(3,435)	(2,845)	(590)
Cash and cash equivalents	7,541	4,928	2,613
(Amounts due to) Due from factoring companies	(259)	(5,082)	4,823
<b>Liquidity (borrowing) within 12 months</b>	<b>3,847</b>	<b>(2,999)</b>	<b>6,846</b>
Short-term loan	(12,500)	(12,500)	0
Amounts due to other lenders for leases falling due within 12 months	(997)	(814)	(183)
<b>Amounts due to others within 12 months</b>	<b>(13,497)</b>	<b>(13,314)</b>	<b>(183)</b>
<b>Net Financial Position within 12 months</b>	<b>(9,650)</b>	<b>(16,313)</b>	<b>6,663</b>
Amounts due to other lenders for leases falling due after 12 months	(138)	(1,070)	932
Bank debts payable beyond next 12 months	(16,018)	(12,667)	(3,351)
<b>Net Financial Position beyond next 12 months</b>	<b>(16,156)</b>	<b>(13,737)</b>	<b>(2,419)</b>
<b>Total Net Financial Position</b>	<b>(25,806)</b>	<b>(30,050)</b>	<b>4,244</b>

Net financial position as of March 31, 2006, negative for Euro 25,806 thousand, improved compared to the same period of previous year (Euro 30,050 thousand).



**INVESTMENTS**

Consolidated net investments	03/31/2006	03/31/2005	Change
Intangible fixed assets	(126)	(90)	(36)
Tangible fixed assets	179	1,341	(1,162)
Financial fixed assets	1,507	63	1,444
<b>Total</b>	<b>1,560</b>	<b>1,314</b>	<b>246</b>

During the first quarter of 2006 the investments, net of disinvestments, increased by Euro 246 thousand compared to the same period of the previous year.

Investments, net of disinvestments, made in the first quarter of 2006 referred to:

- a) Intangible fixed assets, decreasing by Euro 126 thousand, resulting from:
  - acquisition of sales network and Internet portal and consolidation entry for Euro 198 thousand;
  - disinvestments for Euro 1 thousand relating to other intangible fixed assets;
  - investments for Euro 8 thousand relating to brands;
  - investments for Euro 49 thousand relating to proprietary software;
  - investments for Euro 2 thousand referring to licenses and costs for Internet site equal to Euro 14 thousand;
  
- b) Tangible fixed assets, increasing by Euro 179 thousand, resulting from:
  - buildings for Euro 11 thousand, of which costs for works on third-parties buildings for Euro 9 thousand and Euro 2 thousand referred to the subsidiary Micronica S.p.A. relating to the proprietary building;
  - investments in other tangible fixed assets for Euro 168 thousand, of which Euro 58 thousand for plants and machineries, Euro 77 thousand for office equipment, Euro 15 thousand for furniture and fittings, Euro 10 thousand for signs and Euro 8 thousand for other tangible fixed assets under construction

The item financial fixed assets only consisting of the value of equity investment in Compy Superstore, which was accounted in the assets of balance sheet whereas, in the previous year, was deleted because as result of company consolidation.



## 5.2. PERFORMANCE OF THE IT CORE BUSINESS

During the First Quarter of 2006, the CDC Group has proceeded to distribute IT products according to 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 300 outlets, of which over 200 with sole agreements, including shops under Computer Discount brand, corners under Compy brand and outlets of consumer electronics. The revenues from consumer and SOHO segments, together with mass merchandising channel, were equal to Euro 44,067 thousand in the First Quarter of 2006, decreasing by 23.02% compared to the same period of 2005 (Euro 57,250 thousand); this value includes revenues to the company Compy Superstore, owned by 48%, relating to consumer electronics outlets of "Savignano sul Rubicone" (FC) and Pontedera (PI), amounting to Euro 1,440 thousand in the First Quarter of 2006;
- b. IT resellers, system integrators and other IT dealers, via its network of 31 Cash & Carry outlets, the outlets under the Amico brand and the B2B e-commerce channel; in the First Quarter of 2006 the Group's distribution division achieved revenues for Euro 106,909 thousand compared to Euro 86,220 thousand in the same period of 2005, increasing by 24%;
- c. Government and large-scale users segments, where the Group earned revenues for Euro 2,441 thousand during the First Quarter of 2006 against Euro 2,923 thousand in the same period of 2005.

In the First Quarter of 2006, the CDC Group achieved revenues for Euro 153,888 thousand from its IT core business, compared to Euro 146,809 thousand in the same period of 2005, increasing by 4.82%.

During the First Quarter of 2006 the Ebitda reached Euro 4,655 thousand, decreasing by 15.71% compared to the same period of 2005 (Euro 5,523 thousand).

During the First Quarter of 2006 the Ebit reached Euro 2,764 thousand against Euro 4,197 thousand in the same period of 2005.

As of March 31, 2006 **sales revenues**, net of returns, discounts and allowances, deriving almost entirely from sales in Italy, amounted to Euro 153,646 thousand, against Euro 146,544 thousand in 2005, increasing by 4.85%.

Retail revenues, achieved via Computer Discount, Compy and mass merchandising channels, was equal to Euro 44,067 thousand, against Euro 57,250 thousand in the same period of the previous year, decreasing by 23.02%.

Distribution revenues, achieved through Cash & Carry, Amico and e-commerce B2B channels, amounted to Euro 106,909 thousand, against Euro 86,220 thousand in the same period of 2005, increasing by 24%.

Revenues of direct sales channel decreased by 16.5%, from Euro 2,923 thousand as of March 31, 2005 to Euro 2,441 thousand as of March 31, 2006.



Change in commercial network	Turnover			Sales network	
	03/31/2006	03/31/2005	Change	03/31/2006	03/31/2005
Distribution	106,909	86,220	20,689	187	169
Retail	44,067	57,250	(13,183)	301	317
Direct sales	2,441	2,923	(482)		
Other	471	416	55		
<b>TOTAL</b>	<b>153,888</b>	<b>146,809</b>	<b>7,079</b>	<b>488</b>	<b>486</b>

**Others revenues and income**, amounting in the First Quarter of 2006 to Euro 242 thousand, mainly includes recoveries of costs (Euro 200 thousand) and fees (Euro 34 thousand).

Period-end bonuses from suppliers and stock protection, amounting to Euro 12,186 thousand in the First Quarter of 2006 against Euro 10,805 thousand in the same period of 2005, were classified as a reduction of costs for raw materials and goods for resale.

**Service costs** decreased (Euro 6,226 thousand against Euro 6,489 thousand in 2005), mainly due to the change of:

- marketing costs, gross of advertising refunds and marketing contributions from suppliers, totalled Euro 2,314 thousand (Euro 3,164 thousand in 2005). Net of marketing contributions, these costs were equal to Euro 696 thousand in the First Quarter of 2006 against Euro 987 thousand in the same period of 2005;
- shipping costs, amounting to Euro 1,202 thousand in the First Quarter of 2006 against Euro 967 thousand in the same period of 2005, increased 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.

Among other costs, decreased bank commissions (down by Euro 279 thousand), technical and fiscal advices (down by Euro 137 thousand) and emoluments paid to corporate officers (down by Euro 136 thousand).

Operating costs of IT Business	03/31/2006	03/31/2005	Change
<b>Cost of goods for resale</b>	<b>137,309</b>	<b>129,186</b>	<b>8,123</b>
<b>Total service costs</b>	<b>6,226</b>	<b>6,489</b>	<b>(263)</b>
of which net marketing expenses	<b>696</b>	<b>987</b>	<b>(291)</b>
<i>(gross marketing expenses)</i>	2,314	3,164	(850)
<i>(contributions from suppliers for marketing expenses)</i>	(1,618)	(2,177)	559
of which Shipping and logistics	1,202	967	235
of which Emoluments paid to corporate officers	536	672	(136)
of which Utilities	422	369	54
of which Lease expenses	1,295	1,210	85
of which Bank Commissions	384	663	(279)
of which Insurance premiums	365	277	88
of which Technical and fiscal advices	258	395	(137)
of which Other service costs	1,068	949	120
<b>Payroll costs</b>	<b>5,491</b>	<b>5,426</b>	<b>65</b>
<b>Other operating costs</b>	<b>207</b>	<b>187</b>	<b>20</b>
<b>Total</b>	<b>149,233</b>	<b>141,288</b>	<b>7,946</b>

As of March 31, 2006 **amortizations of intangible fixed assets and depreciations of tangible fixed assets** were equal to Euro 1,177 thousand and are related for Euro 411 thousand to intangible fixed assets and for Euro 766 thousand to tangible fixed assets.

In particular, amortizations of intangible fixed assets are composed by:

- brands for Euro 13 thousand;
- development costs for Euro 11 thousand;
- costs for licenses and property software for Euro 40 thousand;
- other costs for Euro 23 thousand.

**Goodwill and stock exchange listing costs amortizations**, amounting to Euro 324 thousand, consisted of the following items:

- a. goodwill Computer Discount S.r.l. Euro 185 thousand;
- b. goodwill Computer Discount S.r.l.' subsidiaries Euro 29 thousand;
- c. goodwill Armonia Computers Euro 50 thousand;
- d. goodwill Test firm's branch acquisition Euro 60 thousand.

**Depreciations of tangible fixed assets** amounted to Euro 766 thousand and they are mainly related to specific and generic plants and machinery (Euro 361 thousand), equipment and furniture (Euro 136 thousand), office machinery (Euro 105 thousand), elevators, lorries and cars (Euro 55 thousand) and buildings and electric labelling systems (Euro 109 thousand).

**Provisions and impairment reversal/losses on non-current assets**, totalling Euro 713 thousand, are fully referred to the write-downs of trade receivables referred to the Parent Company.

**Share of earnings of equity investments in associates accounted for by the equity method**, amounting to Euro 653 thousand, is completely referred to the write-down of the equity investment in the associated company Compy Superstore S.r.l., of which CDC Point owns a 48% stake.

**Net Financial Expenses** recorded a negative result equal to Euro 623 thousand as of March 31, 2006 against Euro 684 thousand as of March 31, 2005.

The improvement was mainly due to the net foreign currency translation adjustment, which registered a profit equal to Euro 190 thousand against a loss for Euro 116 thousand in the same period of 2005.

The following table shows the reclassified consolidated income statement of the IT business unit (IT production and distribution), for the First Quarter of 2006, compared to the same period of 2005:



**CDC GROUP - Consolidated Quarterly Report as of March 31, 2006**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AS OF MARCH 31, 2006					
Consolidated Income Statement of IT Business	March 31, 2006		March 31, 2005		Change
Revenues	153,646	99.84%	146,544	99.82%	4.85%
Other income	242	0.16%	265	0.18%	-8.70%
<b>TOTAL REVENUES AND OPERATING INCOME</b>	<b>153,888</b>	<b>100.00%</b>	<b>146,809</b>	<b>100.00%</b>	<b>4.82%</b>
Purchase costs	(137,309)	-89.23%	(129,186)	-88.00%	6.29%
Service costs	(6,226)	-4.05%	(6,489)	-4.42%	-4.05%
Payroll costs	(5,491)	-3.57%	(5,426)	-3.70%	1.20%
Other operating costs	(207)	-0.13%	(187)	-0.13%	10.61%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>4,655</b>	<b>3.02%</b>	<b>5,523</b>	<b>3.76%</b>	<b>-15.71%</b>
Amortization of intangible fixed assets	(411)	-0.27%	(451)	-0.31%	-8.87%
Depreciation of tangible fixed assets	(766)	-0.50%	(786)	-0.54%	-2.55%
Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	0.00%
Provisions and impairment reversal/losses on non-current assets	(713)	-0.46%	(88)	-0.06%	714.29%
<b>OPERATING INCOME (EBIT)</b>	<b>2,764</b>	<b>1.80%</b>	<b>4,197</b>	<b>2.86%</b>	<b>-34.14%</b>
Share of earnings of equity investments in associates accounted for by the equity method	(653)	-0.42%	0	0.00%	n.s.
Financial income	654	0.42%	16	0.01%	4094.65%
Financial expenses	(1,277)	-0.83%	(700)	-0.48%	82.28%
<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>1,489</b>	<b>0.97%</b>	<b>3,512</b>	<b>2.39%</b>	<b>-57.61%</b>
<b>Income taxes for the period</b>	<b>(971)</b>	<b>-0.63%</b>	<b>(2,461)</b>	<b>-1.68%</b>	<b>-60.54%</b>
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>517</b>	<b>0.34%</b>	<b>1,051</b>	<b>0.72%</b>	<b>-50.76%</b>
Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0.00%
<b>NET INCOME</b>	<b>517</b>	<b>0.34%</b>	<b>1,051</b>	<b>0.72%</b>	<b>-50.76%</b>
Income (loss) attributable to minority interest	3	0.00%	(9)	-0.01%	-133.54%
<b>NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>520</b>	<b>0.34%</b>	<b>1,042</b>	<b>0.71%</b>	<b>-50.05%</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.

As of March 31, 2006 the company achieved a profit equal to Euro 491 thousand, compared to Euro 546 thousand reached in the same period of 2005.

The company reached revenues for Euro 1,107 thousand in the First Quarter of 2006, compared to Euro 1,234 in the same period of 2005. The turnover was 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. Relating to the carrier Telecom S.p.A., the business is managed through the Parent Company CDC Point S.p.A.

In this report, sales from revenue sharing are expressed net of related costs.

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 were equal to Euro 159 thousand in the First Quarter of 2006 against Euro 117 thousand in the First Quarter of 2005.

As of March 31, 2006 the gross operating profit (Ebitda) amounted to Euro 824 thousand against Euro 979 thousand in the same period of 2005, while the operating income (Ebit) was equal to Euro 767 thousand against Euro 882 thousand in the First Quarter of 2005.

At March 31, 2006 the employees of the company amounted to 9 units, decreasing by 2 units compared to March 31, 2005.

The following tables show the reclassified Income Statement, in a concise form, before write-downs and consolidation adjustments for the Internet Business Unit for the First Quarter of 2006, compared to the same periods of 2005:



RECLASSIFIED CONSOLIDATED INCOME STATEMENT AS OF MARCH 31, 2006					
Consolidated Income Statement of Internet	March 31, 2006		March 31, 2005		Change
Revenues	1,101	99.43%	1,234	100.00%	-10.76%
Other income	6	0.57%	0	0.00%	n.s.
<b>TOTAL REVENUES AND OPERATING INCOME</b>	<b>1,107</b>	<b>100.00%</b>	<b>1,234</b>	<b>100.00%</b>	<b>-10.25%</b>
Purchase costs	(3)	-0.24%	(3)	-0.22%	-3.63%
Service costs	(159)	-14.34%	(117)	-9.47%	35.83%
Payroll costs	(118)	-10.66%	(133)	-10.75%	-11.00%
Other operating costs	(4)	-0.36%	(2)	-0.14%	138.58%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>824</b>	<b>74.40%</b>	<b>979</b>	<b>79.34%</b>	<b>-15.83%</b>
Amortization of intangible fixed assets	(17)	-1.52%	(17)	-1.37%	-0.75%
Depreciation of tangible fixed assets	(39)	-3.53%	(79)	-6.37%	-50.26%
Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	n.s.
Provisions and impairment reversal/losses on non-current assets	0	0.00%	0	0.00%	n.s.
<b>OPERATING INCOME (EBIT)</b>	<b>768</b>	<b>69.36%</b>	<b>883</b>	<b>71.60%</b>	<b>-13.06%</b>
Share of earnings of equity investments in associates accounted for by the equity method	0	0.00%	0	0.00%	0.00%
Financial income	0	0.00%	0	0.00%	0.00%
Financial expenses	(1)	-0.09%	(1)	-0.09%	0.00%
<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>767</b>	<b>69.27%</b>	<b>882</b>	<b>71.51%</b>	<b>-13.06%</b>
Income taxes for the period	(276)	-24.95%	(335)	-27.16%	-17.55%
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>491</b>	<b>44.32%</b>	<b>546</b>	<b>44.27%</b>	<b>-10.15%</b>
Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0.00%
<b>NET INCOME</b>	<b>491</b>	<b>44.32%</b>	<b>546</b>	<b>44.27%</b>	<b>-10.15%</b>
Income (loss) attributable to minority interest	0	0.00%	0	0.00%	0.00%
<b>NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>491</b>	<b>44.32%</b>	<b>546</b>	<b>44.27%</b>	<b>-10.15%</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 300 outlets operating under the Computer Discount, Compy and Amico brands and 31 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).

As of March 31, 2006 the Company achieved following results: revenues for Euro 153,488 thousand (Euro 145,802 thousand as of March 31, 2005), Ebitda for Euro 3,873 thousand (Euro 5,118 thousand as of March 31, 2005), Ebit for Euro 2,593 thousand (Euro 4,437 thousand as of March 31, 2005) and a net profit for Euro 1,012 thousand (Euro 1,590 thousand as of March 31, 2005).

### 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.

As of March 31, 2006 revenues from the assembly business amounted to Euro 388 thousand (Euro 534 thousand as of March 31, 2005), logistics generated revenues for Euro 1,318 thousand (Euro 1,234 thousand in the same period of the previous year) and other services revenues were equal to Euro 432 thousand (Euro 406 thousand as of March 31, 2005).

As of March 31, 2006 the company recorded a profit equal to Euro 259 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.

As of March 31, 2006 the company recorded a loss equal to Euro 50 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.

As of March 31, 2006 the company recorded a loss equal to Euro 12 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 revenue sharing 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.



As of March 31, 2006 the company recorded a profit equal to Euro 491 thousand.  
The employees of the company as of March 31, 2006 amounted to 9 units.

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

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

As of March 31, 2006 the subsidiaries of Computer Discount S.r.l. generated revenues for Euro 13 million.

As of March 31, 2006 the company recorded a loss equal to Euro 16 thousand.

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

The company ended its activity, which consisted of management of retail outlet, on September 2005; since March 2006 the company is in winding-up.

As of March 31, 2006 the company recorded a profit equal to Euro 362 thousand as result of the accounting of deferred taxes equal to Euro 1,257 thousand.

### **ASSOCIATED COMPANIES AND OTHER COMPANIES**

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

Until July 31, 2004 CDC Superstore S.r.l. managed, 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 IT distribution market. The sales network consisted of 5 Cash & Carry outlets located in Padova, Reggio Emilia, Sassari, Firenze, and 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 July 2004, the company sold to the Parent Company CDC Point S.p.A. the stock right for the acquisition of 5 Cash & Carry outlets.

On April 2005, the Company signed a lease branch agreement for the management of an outlet located in "Savignano sul Rubicone" (FC). The outlet opened on September 15, 2005.

On October 13, 2005 the company opened the second superstore in Pontedera (PI).

On October 31, 2005 the parent company CDC Point S.p.A. and Unicoop signed a partnership in order to develop a network of superstores of consumer electronics.

On December 28, 2005 the agreement was executed via the transfer, from CDC Point S.p.A. to Unicoop Firenze, of 52% stake in CDC Superstore S.r.l.

The partnership aims to take advantage of the skills of the two groups both leaders in their respective markets (IT for CDC and Mass Merchandising for Unicoop) by developing a chain of consumer electronics shops able to take a leading position in the Italian market.

Unicoop Firenze will bring to the joint venture its skills in scouting, selection, fitting out and management of medium-large sized retail outlets; CDC, during the 15 years term of the partnership, will supply all the ICT products.

As of March 31, 2006 the equity investment recorded a loss equal to Euro 653 thousand.

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 Euro 0.7 thousand, and in the Equal Consortium (National Consortium for the Eco-digital) for Euro 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:

(000's of Euro)	CDC Group			
	Accounts receivable	Accounts payable	Revenues	Costs
Macronics Technology S.r.l. in winding-up	2	0	1	0
<b>Subsidiaries</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>
CDC S.r.l.	3	0	1	0
<b>Parent company</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>
Compy Superstore	447	(63)	1,304	(47)
<b>Associated companies</b>	<b>447</b>	<b>(63)</b>	<b>1,304</b>	<b>(47)</b>
Imo 1 S.r.l.	0	0	0	(58)
Imo 2 S.r.l.	0	0	0	(22)
Gap S.r.l.	0	(4)	0	(8)
Icube S.r.l.	0	0	0	0
CTY S.r.l.	97	0	1	(6)
Tradesoft Technologies S.r.l.	7	0	2	0
S.I.S. S.r.l.	0	(40)	0	(68)
Diomelli Giuseppe	0	0	0	0
Andolfi Floriana	0	0	0	0
<b>Related companies</b>	<b>104</b>	<b>(44)</b>	<b>3</b>	<b>(162)</b>



## 7. OTHER INFORMATION

### RESEARCH AND DEVELOPMENT

The Group did not carry out research and development of any significance during the First Quarter of 2006.

### TREASURY SHARES

At March 31, 2006 CDC Point S.p.A. hold no. 369,136 of own shares, acquired during the 2001, 2002, 2004, 2005 and 2006 fiscal years in order to stabilize the stock market price, according to the resolution adopted by the General Shareholders' Meeting on April 28, 2005.

According to the IFRS own shares are registered in a shareholder equity reserve. Moreover book value's variations and incomes coming from their transfer are accounted as shareholder equity's movements.

### OPERATING OUTLOOK

During the 2006 year is expected a recovery of profitability resulting from:

- recovery of revenues already recorded during the first quarter of 2006;
- increase of revenues, already registered in the second half of 2005 and confirmed by the trend of the beginning of the 2006;
- implementation of Superstore project, through the joint venture with Unicoop Firenze;
- effect of the reduction plan of operating costs already started during the 2005 year.

### RELEVANT EVENTS SUBSEQUENT TO MARCH 31, 2006

There were not relevant events subsequent to March 31, 2006

The Chairman of the Board of Directors  
Giuseppe Diomelli