

# CDC GROUP



## FIRST QUARTER 2007 REPORT



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<b>TABLE OF CONTENTS</b>
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<b>Highlights and organization information</b>	Corporate Boards	3
	Business and structure of the CDC Group	5
	Useful Information	11
<b>Quarterly Report</b>	Scope of consolidation, Accounting principles and policies, Consolidation methods	12
	Consolidated Accounts of the CDC Group and related notes	23
<b>Consolidated Financial Statement</b>	Consolidated Income Statement and related notes	25
	Consolidated Income Statement of the IT core business and related notes	33
	Consolidated Income Statement of the Internet Business Unit and related notes	35
	Information on Group companies	36
	Other Information	38

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## 1. CORPORATE BOARDS OF THE PARENT COMPANY CDC POINT S.p.A. AS OF MARCH 31, 2007

### BOARD OF DIRECTORS

<b>Name Surname</b>	<b>Position</b>	<b>Duration of appointment</b>
Giuseppe Diomelli	Chairman	Adoption of the 2007 accounts
Claudio Andolfi	Managing director	Adoption of the 2007 accounts
Paolo Lenzi	Managing director	Adoption of the 2007 accounts
Enrico Barachini	Independent Director	Adoption of the 2007 accounts
Enrico Giordano	Independent Director	Adoption of the 2007 accounts
Luciano Zottola	Independent Director	Adoption of the 2007 accounts
Emilio Vitale	Independent Director	Adoption of the 2007 accounts

Giuseppe Diomelli is Chairman and Legal Representative of the company, with responsibility on supervising corporate activities and corporate functions, in order to carry out the corporate strategic plans. He is Managing Director with responsibility for the Commercial and Operative Department and he is responsible for Sales, Purchase, Strategic Planning and Investor Relations.

Claudio Andolfi is Managing Director with responsibility for the Administration and Staff Department. He is also responsible for Finance, Administration and Control, Legal and Corporate Affairs, Internal Auditing.

Paolo Lenzi is Managing Director with responsibility for the Operative Department. He is responsible for Organization and Corporate processes, Human Resources, Technical Assistance, Production and Logistics, Information Technology.

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

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

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

### BOARD OF STATUTORY AUDITORS

<b>Name Surname</b>	<b>Position</b>	<b>Duration of appointment</b>
Carlo Bossi	Chairman	Adoption of the 2007 accounts
Daniela Carli	Acting Auditor	Adoption of the 2007 accounts
Alberto Lang	Acting Auditor	Adoption of the 2007 accounts
Enzo Polidori	Alternate Auditor	Adoption of the 2007 accounts
Alessia Bastiani	Alternate Auditor	Adoption of the 2007 accounts



Paolo Lenzi and Enrico Giordano, co-opted pursuant to article 2386 of the Italian Civil Code, were appointed directors by the meeting held on April 27, 2007.

On May 3, 2007, the director Mr. Claudio Andolfi resigned from the Board of Directors of CDC S.p.A., after resigning from the offices held in the other companies of the Group. Mr. Claudio Andolfi held office as Managing Director for the Administration and Staff Department, with responsibility for Finance, Legal and Corporate Affairs, Administration and Control, Internal Auditing.

Following up the resignation, the Board of Directors of CDC, on May 4, 2007, arranged to:

- i) appoint Mrs. Elena Cenderelli, professor of the Economics of Banking at the University of Pisa, Faculty of Economics, as new Independent member of the Board of Directors;
- ii) confer the delegations previously assigned to Mr. Claudio Andolfi to Giuseppe Diomelli, Chairman and founder of the company; confer to the Executive Director, Mr. Paolo Lenzi, already director with delegations to operating functions, the commercial delegations (purchase and sales) till today assigned to the Chairman, Mr. Giuseppe Diomelli.

As a result of the resolutions carried out on May 4, 2007, the Board of Directors of CDC is composed as follows:

Executive Directors: Giuseppe Diomelli (Chairman and Managing Director with delegations for Strategic Planning and Investor Relations, Finance, Internal Auditing, Administration and Control, Legal Affairs); Paolo Lenzi (Managing Director with delegations for Sales, Purchase, Human Resources, Production and Logistics, Technical Assistance and Quality, Information Technology);

Independent Directors: Enrico Barachini, Enrico Giordano, Emilio Vitale, Luciano Zottola, Elena Cenderelli.

#### **ACCOUNTING AUDITOR**

Deloitte & Touche S.p.A. - Duration of appointment: adoption of the 2008 Financial Statements

#### **MARKET SPECIALIST**

Banca Caboto S.p.A.



## 2. BUSINESS AND STRUCTURE OF CDC GROUP

### BUSINESS

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

Its retail distribution network – the largest in Italy in terms of sales and brand awareness – serves the consumer and SOHO segments with 260 outlets, made up of 179 selling points, operating under the Computer Discounter trademark, and 81 IT Corners, located inside Consumer Electronics selling points.

Moreover, CDC Group serves the distribution market through a network of 31 in ownership Cash & Carry, and over 170 dealers, affiliated to Amico chain. The distribution network sells to over 30,000 IT specialized dealers. The Cash & Carry outlets have an average sales area of about 1,000 square metres and provide a products range from IT to collateral categories.

Since 2001, CDC Group has planned to expand its business to Public Sector and Large Corporate market, awarding, during the 2002-2003 period, some of the main competitive tenders managed by Consip, company held by the Department of Economics and Finance (DEF). At the end of June 2006, CDC signed an important agreement with Telecom Italia in order to provide PCs, both desktops and notebooks, CDC branded, to Telecom Italia's costumers, together with ADSL Alice services provided by Telecom Italia.

After this agreement, valid at the beginning until December 31, 2006 and then renewed until October 31, 2007, in the present period CDC generated revenues equal to over Euro 2.6 million, thanks to PCs' sales. Revenues from the commercialization of accessories and other related services, achieved via Computer Discount outlets chain, were added to revenues due to the sales of PCs, Alice ADSL fitted.

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

During 2005, CDC group launched a network of Consumer Electronics superstores, oriented to digital technologies, characterized by medium-large sales surfaces.

On October 31, 2005, CDC S.p.A. and Unicoop Firenze signed a joint venture to develop the network. The agreement foresaw that CDC Superstore S.r.l., company used by CDC group during the start-up of Superstore project, was the means in order to carry out the growth project. On December 28, 2005, Unicoop Firenze bought out a 52% stake of CDC Superstore S.r.l., renamed its own corporate name in Compy Superstore S.r.l., whereas CDC Point S.p.A. held a 48% stake.

During 2005, the first two outlets opened.

On February 12, 2007, CDC S.p.A. and Unicoop Firenze rescinded by mutual consent the aforesaid partnership agreement, drawn up on October 2005 to develop a joint venture to manage Compy Superstore project.

At the same time, Unicoop Firenze, a cooperative company, and CDC S.p.A., signed the final agreement with Butali S.p.A. in order to transfer their respective equity stakes (52% Unicoop, 48% CDC) held in Compy Superstore S.r.l.

The transaction, completed with act on February 12, 2007, followed a preliminary agreement to sell the equity stakes signed and announced to the financial market on January 17, 2007. The compensation of the transfer, as announced on the preliminary agreement, was equal to the book value of Compy Superstore S.r.l. shareholders' equity as of December 31, 2006, negative for Euro 0.26 million, compared to a preliminary valuation, negative for Euro 0.18 million, as of January 17, 2007, increased of capital recoveries for Euro 5.26 million total made pro-quota by CDC and Unicoop Firenze, between December 31, 2006 and the date of the final transfer (February 12, 2007).

Therefore, on February 12, 2007, CDC collected the amount of Euro 1.44 million, added to the amount of Euro 0.96 million already earned on January 17, 2007 as deposit. The compensation of the transfer, as already announced when signing the preliminary agreement, is equal to the book value of Compy Superstore S.r.l. shareholders' equity as of December 31, 2006.

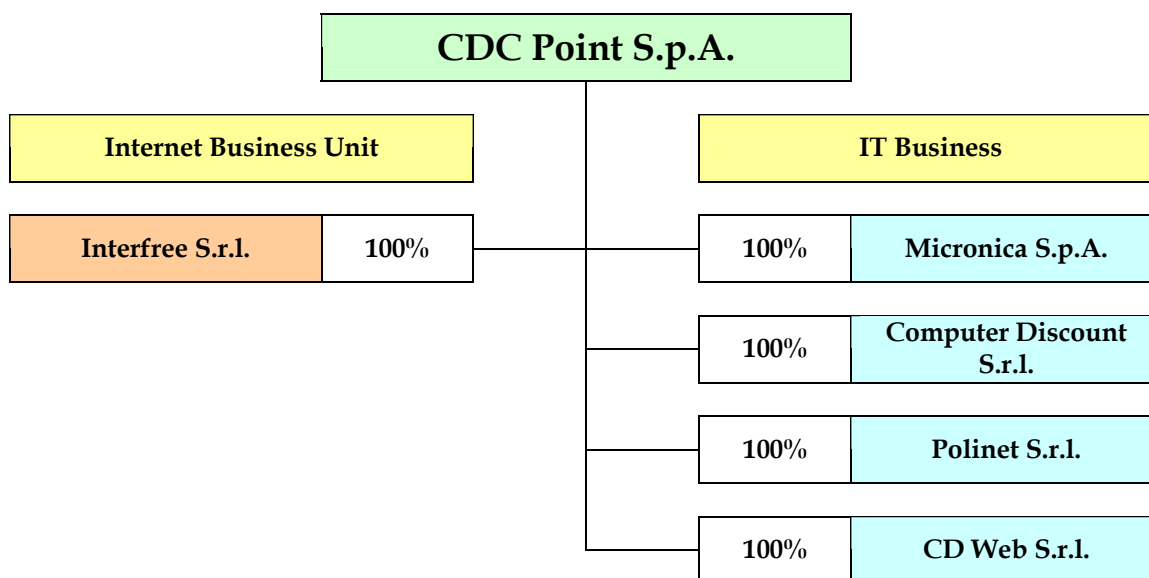
CDC's decision to sell its own equity stake held in Compy Superstore is in line with the new 2007-2009 Business Plan, which forecasts CDC refocusing on its own core business of IT distribution through the 31 in ownership Cash&Carry chain and through the in franchise outlets, operating under Computer Discount trademark.

Through this transfer, CDC, according to the 2007-2009 Business Plan of the Group, re-focused on the IT distribution core business via the network of 31 Cash & Carry outlets and the 179 in franchise Computer Discount shops.

## GROUP'S STRUCTURE

In the following, the current CDC Group structure is shown:

**CDC Group - Subsidiary companies**



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



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

Registered Office: Via Tosco Romagnola, 61 56012 Fornacette CALCINAIA (PI)  
 Member of the Chamber of Commerce Pisa number 01250630504  
 Parent company and operative holding company  
 - Business: trade of IT products

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

Registered Office: Via Calabria, 1 56025 GELLO - PONTEDERA (PI)  
 Member of the Chamber of Commerce Pisa number 01144430509  
 Fully owned  
 - Business: production of Personal Computers and management of the Group's logistic platform



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

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)  
Member of the Chamber of Commerce 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 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 Pisa number 01499020509  
Fully owned  
-Business: Internet Service Provider

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

Registered Office: Via Mazzini, 74 56025 PONTEDEIRA (PI)  
Member of the Chamber of Commerce Pisa number 01125180503  
Fully owned  
- Business: holding company. The company holds shareholdings in IT retail outlets, affiliated to Computer Discount network

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

**CD FIRENZE S.r.l. one-shareholder company** with Registered Office in Florence, Viale Matteotti 9/r, Registered in the Companies' Register of Florence number 03950910483, Fiscal Code and VAT number 03950910483, Share Capital € 26,000.00 100% of which is held by Computer Discount S.r.l one-shareholder company.

**CD MILANO S.r.l. one-shareholder company** with Registered Office in Pontedera (PI), Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Milan number 09194930153, Fiscal Code and VAT number 09194930153, Share Capital € 20,400.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD PISA S.r.l. one-shareholder company** with Registered Office in Pisa Viale Gramsci 13/a, Registered in the Companies' Register of Pisa number 01096500507, Fiscal Code and VAT number 01096500507, Share Capital € 10,400.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD GENOVA S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 03097430106, Fiscal Code and VAT number 03097430106, Share Capital € 41,600.00 100% of which is held by Computer Discount S.r.l.

**CD TORINO S.r.l. one-shareholder company** with Registered Office in Turin Via Lanzo 15, Registered in the Companies' Register of Turin number 01145660500, Fiscal Code 01145660500, VAT number 06408470018, Share Capital € 20,800.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**C.V.M. S.r.l. one-shareholder company** with Registered Office in Bologna Via S. Donato 2/d, Registered in the Companies' Register of Bologna number 03997720374, Fiscal Code and VAT number



03997720374, Share Capital € 26,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD VERONA S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 01173640507, Fiscal Code 01173640507 and VAT number 02309480230, Share Capital € 15,600.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD ROMA S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa n° 04265461006, Fiscal Code and VAT number 04265461006, Share Capital € 56,100.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD BRESCIA S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 03191550171, Fiscal Code and VAT number 03191550171, Share Capital € 20,800.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD PALERMO S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 01351540685, Fiscal Code and VAT number 01351540685, Share Capital € 25,822.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 2 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 11412800150, Fiscal Code and VAT number 11412800150, Share Capital € 52,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 3 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 11412780154, Fiscal Code 11412780154 and VAT number 02844360962, Share Capital € 51,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 4 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 11412790153, Fiscal Code and VAT number 11412790153, Share Capital € 51,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 5 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 11429220152, Fiscal Code and VAT number 11429220152, Share Capital € 51,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD ROMA 2 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 04931601001, Fiscal Code and VAT number 04931601001, Share Capital € 51,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD NAPOLI 2 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 06939510639, Fiscal Code and VAT number 06939510639, Share Capital € 52,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.



**CD CAGLIARI S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc Gello, Registered in the Companies' Register of Pisa number 02265710927, Fiscal Code and VAT number 02265710927, Share Capital € 51,645.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**SOLUZIONI INFORMATICHE S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1, Registered in the Companies' Register of Pisa number 11644770155, Fiscal Code and VAT number 11644770155, Share Capital € 52,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD MILANO 6 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 02696400965, Fiscal Code and VAT number 02696400965, Share Capital € 26,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD AREZZO S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 01386290512, Fiscal Code and VAT number 01386290512, Share Capital € 10,200.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD BARI 2 S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 01570990505, Fiscal Code and VAT number 01570990505, Share Capital € 50,000.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**BELCOR S.r.l. one-shareholder company** with Registered Office in Pontedera (PI) Via Mazzini 74, Registered in the Companies' Register of Pisa number 13152200153, Fiscal Code and VAT number 13152200153, Share Capital € 10,200.00 100% of which is held by Computer Discount S.r.l. one-shareholder company.

**CD CATANIA S.r.l.**, Registered Office in Pontedera (PI) Via Calabria 1 Loc. Gello, Registered in the Companies' Register of Pisa number 04079520872, Fiscal Code and VAT number 04079520872, Share Capital € 100,000.00 90% of which is held 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' Register of Pisa number 01250630504

Tel.: +39 0587 2882

Fax: +39 0587 288514

**Investor relations**

investor.relations@cdc.it

**Internet addresses**

<http://www.cdc.it>

<http://www.interfree.it>



**CLUB**  
**interfree**  
il portale della comunità tecnologica



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

##### SCOPE OF CONSOLIDATION

All CDC Point S.p.A. subsidiary companies had been consolidated on a line-by-line basis.

The companies listed below had been included in the consolidation scope:

**CDC Point S.p.A.**, Parent company

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

**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 shareholdings in IT retail outlets, affiliated to Computer Discount network.

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

##### CHANGE OF BASIS OF CONSOLIDATION

The basis of consolidation as of March 31, 2007, compared to March 31, 2006, changed for the exclusion of Pc Stop S.r.l. in winding-up from the basis of consolidation because it was stopped in CCIAA (Chamber of Commerce) on January 31, 2007, effective date on December 31, 2006.

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

The Consolidated Quarterly Report as of March 31, 2007 was drawn, both in the form and in the contents, according to the International Accounting Standard no. 34 "Intermediate Financial Statement" (IAS 34). Concerning with registering and valuation principles, the Quarterly Report was drawn according to IAS/IFRS issued by the IASB and approved by the EU, as requested by article 81 of the "Provisions on Issuers" no. 11971, issued by the Consob on May 14, 1999 and former changes and integrations.

##### ACCOUNTING PRINCIPLES

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

The Consolidated Quarterly Report for the period January 1 - March 31, 2007 was drawn according to the International Financial Reporting Standards (IFRS), adopted for the first time by CDC Group in the Consolidated First Half Report as of June 30, 2005.

The aforesaid financial statements were prepared mainly on the basis of the historical cost principle, except some financial instruments, for which fair value was used. The most relevant accounting principles adopted are set out below.

##### CONSOLIDATION PRINCIPLES

###### Main principles

The Consolidated Quarterly Report as of March 31, 2007 encloses the First Quarter Financial Statement of CDC Point S.p.A., the Parent company, and the Statements of all the subsidiaries as of



March 31, 2007. A company has control over another when it has the power to determine the financial and operating policies of the controlled company in such a way as to obtain benefits from its activity.

The economic results of the subsidiaries acquired or transferred during the year are included in the consolidated income statement from the effective acquisition date until the effective transfer date. If necessary, adjustments are made to the subsidiaries' financial statements to align the accounting criteria used with those adopted by the Group.

All significant transactions between the Group's companies and the related balances are eliminated in the consolidation.

The minority shareholders' portion of ownership of the net assets of the consolidated subsidiaries is identified separately from the Group's equity. This portion is determined according to the percentage they held in the fair value of the assets and liabilities recorded as of the date of original acquisition and in the changes in shareholders' equity after that date.

Subsequently, the losses pertaining to minority shareholders exceeding their equity are attributed to the Group's equity, except for the cases in which minorities have a binding obligation and are able to make additional investments to cover the losses.

#### Aggregations of Companies

The acquisition of subsidiaries is recorded according to the acquisition method. The cost of the acquisition is given by the summation of the current values, as of the date of exchange, of the assets given, of the liabilities incurred or assumed, and of the financial instruments issued by the group in exchange for control of the acquired company, plus the costs directly attributable to the aggregation.

The assets, the liabilities and the identifiable potential liabilities of the acquired company that meet the conditions for recording in accordance with IFRS 3 are recorded at their current values as of the acquisition date, with the exception of non current assets (or groups for disinvestment) that are classified as held for sale in accordance with IFRS 5, which are recorded at current values minus selling costs.

The goodwill deriving from the acquisitions is recorded as an asset and initially valued at cost, represented by the excess amount of the cost of the acquisition with respect to the Group's share in the current values of assets, liabilities and identifiable potential liabilities recorded. If, after re-determining these values, the Group's share in the current values of the assets, liabilities and identifiable potential liabilities exceeds the acquisition cost, the excess amount is immediately recorded in the Income Statement.

Minority shareholders' interest in the acquired company is initially recorded with a value according to their portion of the current values of the recorded assets, liabilities and potential liabilities.

Upon first adopting the IFRS, the Group decided to apply the IFRS 3 for the companies' acquisitions, in a retrospective way since July 31, 2002, allocating the fair value of acquired element supported by appraisal issued by an outside professional appointed for this purpose, to specific asset entries.

#### INTANGIBLE FIXED ASSETS

##### Research and development costs

Research and development costs are recorded in the Income Statement of the period they refer to.

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



- the asset is identifiable (e.g., software or new processes);
- it is likely that the asset created will generate future economic benefits;
- the costs for developing the asset can be measured reliably.

These intangible assets are amortized linearly over their working lives, i.e. three years.

When an asset, developed by the Group, could not be capitalized, its development costs are allocated in the Income Statements of the year when they were incurred.

#### Trademarks and Industrial Patents

Trademarks with defined duration and patents are initially recorded at the acquisition cost and they are amortized at constant rates based on their useful life, which is deemed to be respectively 10 years and 5 years.

Trademarks with indefinite duration are initially recorded at cost and subsequently reduced only for cumulated value losses. Annually, or more frequently if specific events or changed circumstances indicate the possibility that it has undergone a loss of value, the value of the trademark is subjected to checks to identify any value reductions, in accordance with IAS 36 (Impairment of the assets).

#### Other intangible fixed assets

Other intangible fixed assets, bought or developed, are recorded among the assets of the Balance Sheet, according to IAS 38 - Intangible Assets, when it is likely that use of the assets will generate future economic benefits and when the cost of the asset can be determined reliably.

Such assets are valued at acquisition or production cost and depreciated at constant rates over their estimated useful life.

#### Acquisition of Sale Network

This category includes the amounts paid by the Group to acquire directly managed points of sale (Computer Discount, Armonia and Test channels) within the business combinations transactions recorded with the acquisition method in accordance with IRFS 3 as specified above.

These assets are considered intangible assets with defined working life and, therefore, they are subject to amortization in a period from 5 to 10 years (depending on the type of point of sale), considered a reasonable time span, taking into account the positioning of the individual stores and of the customers acquired. Every time there is an indication that asset may have lost value, it is subjected to impairment test to verify the devaluation, if any.

#### Goodwill

The goodwill deriving from the acquisition of a subsidiary represents the excess of the acquisition cost with respect to the Group's percentage of the fair value of the assets, liabilities and identifiable potential assets of the subsidiary or of the entity with joint control as of the acquisition date.

The goodwill is recorded as an asset and reviewed annually to verify that it has not lost value. Value losses are recorded immediately in the income statement and are not subsequently made good.

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



## TANGIBLE FIXED ASSETS

### BUILDINGS, PLANTS AND EQUIPMENT AND OTHER ASSETS

Land and buildings, plants and equipment and the other assets, used for the production or the delivery of goods and services or for administrative purposes, are recorded in the balance sheet at the acquisition or production cost. The cost includes accessory expenses and direct and indirect costs for the portion that can be reasonably allocated to the asset. Fixed assets are depreciated every year at constant rates according to economic - technical percentages shown in the section containing the notes to the assets.

Land is not depreciated.

Assets held as a result of lease agreements are depreciated according to their estimated useful life for owned assets or, if shorter, based on the terms of validity of the lease agreements.

Ordinary maintenance costs are fully recorded in the income statement. Improving maintenance costs are allocated to the assets which they refer to and amortised in relation to the residual possibility of their use.

Profits and losses coming from the transfer of tangible assets are determined as the difference between the sale revenues and its net accounting value of the asset and they are recorded in the Income Statement of the year.

### Real Estate Investments

Real estate investments, represented by owned real estate for rental and/or for capital appreciation, are recorded at cost, net of depreciation cumulated as of the transition date and any accumulated value losses.

## 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 other leases are considered operating leasing.

Leases under financial leases are recorded as the Group's assets at their fair value as of the agreement execution date, or, if lower, at the current value of the minimum payments due for the lease. The corresponding liability to the lessor is included in the balance sheet as a liability for financial leases. Payments for lease fees are subdivided between principal and interests in such a way as to reach a constant interest rate on the residual liability. Financial expenses are recorded directly in the income statement of the year.

Costs for operating leases are recorded at constant rates according to the validity of the agreement.

## IMPAIRMENT

At least once a year, usually when preparing the financial statements, the Group reviews the accounting value of its tangible and intangible assets to determine whether there are any indications that these assets have undergone impairments. If these indications exist, the recoverable amount of the assets is estimated to determine the amount of the devaluation, if any. If the recoverable value of an



asset cannot be estimated individually, the Group estimates the recoverable value of the financial flow generating unit to which the asset belongs.

Intangible assets with indefinite useful life, such as goodwill, are verified annually and whenever there is an indication of a possible loss of value, to determine whether write-downs are necessary.

The recoverable amount is the higher value between the fair value net of sale costs and the usage value. In determining the usage value, estimated future cash flows are discounted at their current value using a rate, including taxes, that reflects the current market valuations of the value of money and of the specific risks of the asset.

If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than its accounting value, it is reduced to the lesser recoverable value. A value loss is immediately recorded in the income statement, unless the asset is represented by different land or buildings from the real estate investments recorded with increased values, in which case the loss is recorded in the respective revaluation reserve.

When a write-down no longer has any reason to be maintained, the accounting value of the asset (or of the cash flow generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not beyond the net carrying value the asset would have had if the write-down for impairment had not been made. The restoration of the value is recorded in the income statement immediately, unless the asset is recorded at an increased value, in which case the value restoration is allocated to the revaluation reserve.

#### EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

An affiliated company is a company in which the Group is able to exert a significant influence, but not control or joint control, by participating in decisions on the financial and operating policies of the affiliated company.

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

According to this method, equity investments in affiliated companies are recorded in the balance sheet at cost, the accounting value is increased or decreased over time to measure the participating company's portion of the changes realised after the date of acquisition in the affiliated company's equity, including the profits and losses realised by the affiliated company. The affiliated companies' losses exceeding the Group's interest in them (including medium-long term interests that are essentially part of the Group's net investment in the affiliated company) are not recorded, unless the Group took on an obligation to cover them. The excess of the acquisition cost with respect to the Group's percentage of the current value of the assets, liabilities and identifiable potential liabilities of the affiliated company as of the acquisition date is recognised as goodwill. Goodwill is included in the carrying value of the investment and it is subjected to impairment test. The lower value of the acquisition cost relative to the Group's percentage of the fair value of the assets, liabilities and identifiable potential liabilities of the affiliated company as of the acquisition date is credited in the income statement in the acquisition year.

With reference to the transactions between a company in the Group and an affiliated company, unrealised profits and losses are eliminated in an extent equal to the Group's percent of interest in the affiliated company, except when unrealised losses are the evidence of a reduction in the value 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 direct materials and, when applicable, direct labour, general production costs and the other costs incurred to bring the stocks to their current location and conditions. The cost is calculated using the FIFO method (first in first out). The net realisation value represents the average price charged during the last month of the period. Obsolete and slow-turnover stocks are written down in relation to their potential for use or realisation, in accordance with the appropriate 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 TRANSACTIONS

The Group transfers its trade receivables through factoring transactions. Transfers can be without recourse, in which case they entail no recourse risks, determining the write-off of the corresponding amounts of the balance of trade receivables upon payment by the factor.

For transfers with recourse, since neither the risk of lack of payment nor the cash risk is transferred, the related receivables are retained in the balance sheet until collection from the transferred debtor. Advanced payments receive from the factor are recorded among payables to other lenders.

#### CASH AND CASH EQUIVALENT

The cash and cash equivalent entry includes cash and bank accounts and deposits reimbursable on demand and other short term, highly liquid financial investments, which are readily convertible into cash and are subject to a non significant risk of value variation.

#### 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 their 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

In accordance with IFRS 2 - Stock-based payments, the total amount of the present value of stock options on the assignment date is totally recorded in the income statement among labour costs with the opposite entry recognised directly to shareholders' equity if the assignees of the instruments representing capital become entitled to the right at the time of the assignment.

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 labour cost using a method based on constant share the period between the grant date and the maturity date.

Changes in the current value of the options after the assignment date have no effect on the initial evaluation.

#### BANK LOANS

Interest-bearing bank loans and overdrafts are initially recorded based on the amounts collected, net of transaction costs. This value is subsequently adjusted to take into account any difference between the initial cost and the reimbursement value over the duration of the loan using the effective interest rate method (amortised cost).

Loans are classified among current liabilities unless the Group has the unconditional right to defer repayment of the liability by at least twelve months after the reference date.

#### TRADE PAYABLES

Commercial debts are reported at par value.

#### DERIVATIVES AND ACCOUNTING FOR HEDGE TRANSACTIONS

The Group's activities are primarily exposed to financial risks relating to variations in exchange rates and in interest rates.

The Group makes use of financial instruments in order to deal with the risks indicated above.

Exposure to the exchange rate risk derives from the impact of foreign currency variations on instruments and transactions pertaining to supplies expressed in non-Euro currencies (essentially United States dollars) regarding part of the products sold.

The Group therefore is exposed to the risk that the settlement rate for foreign suppliers expressed in foreign currency may differ from the price-list exchange rate utilised to determine the selling price of the products purchased in foreign currency.

The approved company procedures, subject to periodic controls by the Internal Auditing Committee, contemplate programming foreign currency needs and forward hedging of currency needs by the Finance Department, with the objective of hedging the price-list exchange rate utilised for pricing.

In this way, any losses (profits) on exchange rates deriving from differences reported between the exchange rate for debts towards suppliers expressed in foreign currency and the settlement rate are compensated in a higher (lower) business margin.

The financial instruments for managing the exchange rate risks are essentially constituted by term contracts for the acquisition of foreign currency. These contracts are registered on the basis of market value as of the date of the closing of the financial statements (Central European Bank exchange rate as of March 31, 2007), posting any differences with respect to the initial exchange rate to the income statement, under "financial income/expense".

The exposure to interest rate risk derives from the financial needs generated by the company working capital. Therefore, CDC operates with a net financial debt toward banks, covered by floating rate loans with interests subject to the change of interest rate. The Group's policy of risk management consists of planning the medium term financial needs and converting a share of fixed rate loans to floating rate loans. Particularly, as of March 31, 2007, the Parent Company CDC Point S.p.A. had in its portfolio a derivative interest rate swap expiring on September 2007, with a nominal value of Euro 8 million. The financial instruments to cover interest rate risk are accounted recording the spreads of interest rate in the income statement under the item "financial income / expense", on the accrual date basis.

As for the liquidity risk, it was covered by raising for a share of total financial needs medium term loans amortising. Particularly, as of March 31, 2007 the Parent Company CDC Point S.p.A. held a medium term financing, arranged by MCC S.p.A. and expiring on 2010.

The company did not make use of derivatives for negotiation purposes.

Derivatives are recorded at their cost, and then adjusted at the fair value at their end time.

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

With respect to hedging for financial flows that are not finalised in reporting assets or liabilities, amounts that were reported directly to shareholders' equity will be included in the income statement in the same period in which the contractual commitments or the hedging transaction contemplated affects the income statement, for example should a forecasted sale effectively take place.

With respect to effective hedging of an exposition to variations in fair value, the item hedged is rectified by the variation of fair value attributable to the risk hedged with the income statement cross-entry. Profits and losses deriving from the evaluation of the derivatives are also posted to the income statement.

Variations in fair value of the derivatives that do not qualify for hedging are posted to the income statement in the period in which they occur.

The book value method for the coverage is not used when the derivative is expired, sold or used or is not qualified anymore as hedging instrument. In that moment, profits and losses of the instrument are recorded in the shareholders' equity. If the operation covered is not expected anymore, profits or losses would be moved from the shareholders equity to the Income Statement of that period.

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 they are included in and they are not valued at their fair value with the entry of their profits or losses in the Income Statements.



#### CRITERIA FOR CONVERTING THE REGISTRATIONS IN CURRENCY

Debits and credits originally expressed in foreign currency are converted in Euro at the exchange rates in effect on the date on which the transactions that originated same are effectuated. Differences on the exchange rate realized at the moment of the taking or of the payment are recorded in the Income Statement.

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

At the closing of the fiscal year assets and liabilities expressed in foreign currency, with the exception of intangibles, are posted at the spot exchange rate as at the closing date of the fiscal year and the relevant profits and losses on the exchange rates are attributed to the income statement. Should a net profit derive from the conversion, said value constitutes a non-distributable reserve until its effective realisation.

#### RECOGNITION OF EARNINGS

The sale of goods is recognised when the goods are shipped and the Group has transferred the significant risks and benefits connected to ownership of the goods to the purchaser.

Revenue for performing services is recognised at the time of their fulfilment.

Interest income is reported by applying the principle of temporal competency, on the basis of the amount financed and the applicable effective interest rate, which represents the rate that discounts future estimated receipts during the expected lifespan of the financial asset, to return to the accounting book value of said asset.

Dividends are registered when the right of the shareholders to receive payment of same is established.

#### PUBLIC CONTRIBUTION

Public contributions obtained for investments in equipment are recorded in the Income Statement for all the period necessary to link them to referred costs and they are directly deduced 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 recorded 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 recorded in the Income Statement using the actual interest method.

#### TAXES

Taxes on the fiscal year represent the sum of current and deferred taxes. The CDC Group has opted for the national tax consolidation method.

Current taxes are based on the estimate of the taxable results of the individual companies that are part of the consolidation area in compliance with current regulations, taking into account applicable exemptions and tax credits due. Taxable income differs from the result indicated in the income statement since it excludes income and charges that will be taxable or deductible in other fiscal years



and furthermore excludes items that will never be taxable or deductible. Liabilities for current taxes are calculated utilising current rates or those in effect at the closing date.

Moreover, the deferred taxes relating to temporal differences are posted among the assets and liabilities and the corresponding fiscal values, in addition to those relating to consolidation adjustments. Deferred taxes are posted according to the global liability accrual method. Deferred fiscal liabilities are generally registered for all temporary taxable differences, while deferred fiscal assets are registered to the extent that it is considered likely that there will be taxable fiscal results in the future that will allow the use of the deductible temporary differences.

The book value of the deferred fiscal assets is reviewed at the closing of each period and reduced to the extent that the existence of sufficient taxable income so as to allow the recuperation in whole or in part of said assets is no longer likely.

Deferred taxes are calculated on the basis of the tax rate that would be expected to be in effect at the time of the realisation of the asset or the extinction of the liability. Deferred taxes are posted directly to the income statement, with the exception of those relating to items found directly in shareholders' equity, in which case the relative deferred taxes are also posted to shareholders' equity.

The deferred fiscal assets and liabilities are compensated when there is a legal right to compensate the current tax assets and liabilities and when they refer to taxes due to the same revenue authority and the Group intends to liquidate the current tax assets and liabilities on a net basis.

#### TREASURY SHARES

Treasury shares are recorded 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 ESTIMATES

The drafting of the financial statement and of the related notes for the application of the IFRS requires estimating 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, employee benefits, taxes. Estimates are periodically revised and each variation's effects are immediately written down in the Income Statement.

#### RELATIONSHIP WITH ASSOCIATED AND RELATED COMPANIES

Relations with associated companies are indicated in a separate table in the section "Report on Management".



#### INFORMATION ABOUT THE MARKET

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, 2007** was equal to Euro 139,713 thousand compared to Euro 154,995 thousand of the same period of the previous year, decreasing by 9.86%.

**During the First Quarter of 2007** the Information Technology market, according to Sirmi, increased by 4.0% in value. PC market (desktop, notebook, server, workstation), according to Sirmi, recorded an increase by 10.7%, (figures in value), mainly supported by notebook (+21.3%) and server segment (+12.7%), whereas the PC desktop segment, in which CDC traditionally holds a significant market share, providing mainly own brand products, decreased by 2.1% (source Sirmi, figures referred to the First Quarter of 2007 compared to the same period of 2006).

**The Gross Margin**, as of March 31, 2007, was equal to Euro 15,823 thousand (11.3% on consolidated sales) compared to Euro 17,683 thousand (11.4% on consolidated sales) reached in the First Quarter of 2006.

Due to the share of own brand products sales on turnover, the gross margin held substantially steady, despite the on-going for a while time increase of notebooks demand (usually characterized by a lower gross margin on sales) and despite the best performance between sales channels was recorded by the Distribution division.

Moreover, the subsidiaries Interfree and Computer Discount did not help to achieve a high consolidated gross margin, compared to what usually happened.

These factors helped to make the sales performance:

- Distribution division revenues (Amico, Cash & Carry and B2B channels) as of March 31, 2007 equal to Euro 98,716 thousand compared to Euro 101,389 thousand as of March 31, 2006, decreasing by 2.6%.
- Retail division revenues (Computer Discount and Consumer Electronics/Mass Merchandising) as of March 31, 2007 equal to Euro 36,964 thousand compared to Euro 49,575 thousand as of March 31, 2006, decreasing by 25.4%.
- Direct Sales division (Large accounts and Governments) equal to Euro 2,723 thousand as of March 31, 2007 compared to Euro 2,441 thousand reached in the same period of 2006, increasing by 11.5%.

During the First Quarter of 2007, the CDC Group achieved a decrease both in value and as ratio on sales of the **operating profitability**, reaching an **Ebitda** equal to Euro 4,208 thousand (3.01% on sales) compared to Euro 5,479 thousand of the same period of 2006 (3.53% on sales).

The decrease as of March 31, 2007 was due to the decline of revenues and consequently of the gross margin. Considering operating costs, the policy of costs reduction, carried out since the end of 2005, produced benefits mainly in the following areas:

- **Labour cost.** Labour cost was equal to Euro 5,246 thousand as of March 31, 2007 (3.75% on sales) compared to Euro 5,609 thousand as of March 31, 2006 (3.62% on sales), decreasing by Euro 363 thousand, as value, and by about 6.48%, as percentage. During the First Quarter of 2007, the exit of some managers and employees of the Parent company and the beginning of the mobility procedure for the subsidiary Micronica S.p.A. generated non-recurring costs equal to about Euro 314 million due to flight incentives and extraordinary procedures charges. Net of this extraordinary amount, labour costs on sales decreased by 3.53%.
- **Service costs** equal to Euro 6,166 thousand as of March 31, 2007 (4.41% on sales) compared to Euro 6,385 thousand as of March 31, 2006 (4.12% on sales). The main reductions concerned the utilities, insurance premium, travel expenses and operating costs related to the real estate management (cleaning, maintenance, waste disposal).

- **Other operating costs** item equal to Euro 203 thousand as of March 31, 2007 was mainly in line with previous fiscal year (Euro 211 thousand as of March 31, 2006).
- **Amortization, Depreciation and Provisions** were equal to Euro 2,102 thousand as of March 31, 2007, compared to Euro 1,947 thousand of the same period of the previous year. Provisions are mainly related to write-downs of receivables, litigation, products guarantees and purchase returns fund. Provision for credit risk during the First Quarter of 2007 increased by Euro 795 thousand compared to December 31, 2006. The item provisions for credit risk amounted to Euro 712 thousand as of March 31, 2006. The item intangibles fixed assets depreciation included goodwill amortizations equal to about Euro 166 thousand. During the First Quarter of 2007, some outlets in ownership, operating under Computer Discount trademark, closed down. Indeed, the Group management is carrying out a strategy of investments (in term of marketing, products, promotion, training and positioning) focused on shops with higher potential, favouring outlets in key locations. At the same time, a re-sizing plan for shops that do not satisfy the qualifications required by new strategies and do not generate enough revenues is implemented.
- **Net financial expenses** amounted to Euro 357 thousand as of March 31, 2007, compared to a negative balance equal to Euro 624 thousand of the same period of 2006. Financial income and expenses 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, equal to Euro 959 thousand as of March 31, 2007; in the First Quarter 2006 the balance of interests was negative for Euro 814 thousand. Foreign exchange management as of March 31, 2007 had a positive effect on the Income Statement for Euro 162 thousand (positive for Euro 190 thousand in the First Quarter 2006). The trend of foreign currency translation adjustment derived from the cross exchange of Euro against US dollar during the First Quarter 2007. The profit on foreign currency translation was balanced by a lower commercial margin, as CDC adopts a policy of systematic coverage of currency risk, to hedge the price list. The net consolidated financial result included Euro 1,154 thousand deriving from the transfer, carried out in February 2007, of the equity stake (48%) held in Compy Superstore S.r.l. This transfer allowed the fully achievement of the capital gain deriving from the assignment, carried out during the 2005 fiscal year, of the Compy trademark to the associated company Compy Superstore S.r.l.; this capital gain had not been recorded in the consolidated financial statements as of December 31, 2005 for the share of the Group (48%).

**Pre tax profit** was positive for Euro 2,463 thousand as of March 31, 2007, compared to Euro 2,256 of the First Quarter 2006.

Taxes for the First Quarter 2007 were equal to Euro 1,159 thousand, so the CDC Group achieved a net profit equal to Euro 1,304 thousand compared to a profit equal to Euro 1,012 thousand as of March 31, 2006.

The positive result for the period was mainly attributable to the capital gain referred to transfer of the equity stake in Compy Superstore amounted to Euro 1,154 thousand; anyhow, a profit was generated also without this capital gain. The profit of the First Quarter 2007 included extraordinary costs equal to Euro 450 thousand related to costs for flight incentives and to goodwill amortizations, due to the close down of two Computer Discount shops. The First Quarter 2007 closed with a positive result compared to a loss equal to over Euro 3 million of the Fourth Quarter of 2006.

The following tables show the reclassified consolidated income statement of the CDC Group as of March 31, 2007, according to the current Italian regulation, in comparison with the income statement of the same period of 2006 reclassified according to the new criteria adopted starting from the First Half of 2005. Therefore, the comparison was homogeneous.

As all the companies included in basis of consolidation are focused on similar or complementary businesses 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.



**RECLASSIFIED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED OF MARCH 31, 2007**

Consolidated Income Statement (€*1,000)	Q1 2007		Q1 2006		Change	
1. Revenues	139,597	99.92%	154,747	99.84%	(15,150)	-9.79%
2. Other income	116	0.08%	248	0.16%	(132)	-53.17%
<b>I - TOTAL REVENUES AND OPERATING INCOME</b>	<b>139,713</b>	<b>100.00%</b>	<b>154,995</b>	<b>100.00%</b>	<b>(15,282)</b>	<b>-9.86%</b>
3. Purchase costs	(123,890)	-88.67%	(137,312)	-88.59%	13,422	-9.77%
4. Service costs	(6,166)	-4.41%	(6,385)	-4.12%	219	-3.43%
5. Labour cost	(5,246)	-3.75%	(5,609)	-3.62%	363	-6.48%
6. Other operating costs	(203)	-0.15%	(211)	-0.14%	8	-3.73%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>4,208</b>	<b>3.01%</b>	<b>5,479</b>	<b>3.53%</b>	<b>(1,271)</b>	<b>-23.19%</b>
7. Amortization of intangible fixed assets	(533)	-0.38%	(428)	-0.28%	(105)	24.60%
8. Depreciation of tangible fixed assets	(766)	-0.55%	(806)	-0.52%	40	-5.00%
9. Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	0	0.00%
10. Provisions and impairment reversal/losses on non-current assets	(803)	-0.57%	(713)	-0.46%	(90)	12.57%
<b>II - OPERATING INCOME (EBIT)</b>	<b>2,107</b>	<b>1.51%</b>	<b>3,533</b>	<b>2.28%</b>	<b>(1,426)</b>	<b>-40.37%</b>
11. Share of earnings of equity investments in associates accounted for by the equity method	0	0.00%	(653)	-0.42%	653	-100.00%
12. Financial income	1,452	1.04%	654	0.42%	798	121.99%
13. Financial expenses	(1,095)	-0.78%	(1,278)	-0.82%	183	-14.30%
<b>III - INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>2,463</b>	<b>1.76%</b>	<b>2,256</b>	<b>1.46%</b>	<b>207</b>	<b>9.18%</b>
14. Income taxes for the period	(1,159)	-0.83%	(1,247)	-0.80%	88	-7.07%
<b>IV - NET INCOME FROM CONTINUING OPERATIONS</b>	<b>1,304</b>	<b>0.93%</b>	<b>1,009</b>	<b>0.65%</b>	<b>295</b>	<b>29.26%</b>
15. Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0	0.00%
<b>V - NET INCOME</b>	<b>1,304</b>	<b>0.93%</b>	<b>1,009</b>	<b>0.65%</b>	<b>295</b>	<b>29.26%</b>
16. Income (loss) attributable to minority interest	0	0.00%	(3)	0.00%	3	-100.00%
<b>VI - NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>1,304</b>	<b>0.93%</b>	<b>1,012</b>	<b>0.65%</b>	<b>292</b>	<b>28.88%</b>



**Revenues from sales and services**

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

Change in commercial network	Turnover (€ '000)			Sales network	
	31-Mar-2007	31-Mar-06	Change	31-Mar-07	31-Mar-06
Distribution	98,716	101,389	(2,673)	201	187
Retail	36,964	49,576	(12,612)	260	301
Direct sales	2,723	2,441	282		
Other	1,311	1,589	(278)		
<b>TOTAL</b>	<b>139,713</b>	<b>154,995</b>	<b>(15,282)</b>	<b>461</b>	<b>488</b>

**Other Revenues and Income**

**Others revenues and income** item, equal to Euro 1,311 thousand as of March 31, 2007 mainly consists of Internet revenues, income from the recovery of costs and insurance refunds.

They do not include advertising refunds, franchising fees received from new franchisees, marketing contribution from suppliers and contribution to sales financing, amounting to Euro 1,262 thousand as of March 31, 2007 compared to Euro 1,618 thousand as of March 31, 2006, which had been classified as a reduction of marketing costs under the item Service Costs.

Period-end bonuses from suppliers and stock protection, equal to Euro 9,989 thousand as of March 31, 2007 compared to Euro 12,186 thousand of the same period of 2006, were recorded as a reduction of goods purchase costs.

**Operating costs**

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

Operating costs	31-Mar-2007	31-Mar-06	Change
<b>Cost of goods for resale</b>	<b>123,890</b>	<b>137,312</b>	<b>(13,422)</b>
<b>Total service costs</b>	<b>6,166</b>	<b>6,385</b>	<b>(219)</b>
of which Net marketing expenses	<b>667</b>	<b>696</b>	<b>(29)</b>
(gross marketing expenses)	1,929	2,314	(385)
(contributions from suppliers for marketing expenses)	(1,262)	(1,618)	356
of which Shipping and logistics	1,235	1,202	33
of which Emoluments paid to Corporate Boards	649	539	110
of which Utilities	404	429	(25)
of which Lease expenses	1,291	1,309	(18)
of which Bank Commissions	379	385	(6)
of which Insurance premiums	343	366	(23)
of which Technical and fiscal advices	314	276	38
of which Other service costs	884	1,182	(298)
<b>Labour costs</b>	<b>5,246</b>	<b>5,609</b>	<b>(363)</b>
<i>IT distribution</i>	5,141	5,491	(350)
<i>Internet</i>	105	118	(13)
<b>Other operating costs</b>	<b>203</b>	<b>211</b>	<b>(8)</b>
<b>Total</b>	<b>135,505</b>	<b>149,517</b>	<b>(14,012)</b>



The amount of **change in inventories** was essentially related to the Parent Company, CDC Point S.p.A., which is involved in the IT core business, and to Computer Discount shops.

**Marketing costs** were equal to Euro 1,929 thousand (Euro 2,314 thousand in First Quarter of 2006), gross of advertising refunds, entry right fees from new affiliations and marketing contributions from suppliers, amounted to Euro 1,262 thousand (Euro 1,618 thousand in the First Quarter of 2006).

**Others service costs** item mainly was made up of utilities, external consultants, emoluments paid to corporate boards, training, maintenance, commercial fees and travelling expenses.

The **labour cost** decreased in the First Quarter of 2007 (Euro 5,246 thousand in the First Quarter 2007 compared to Euro 5,609 thousand in the same period of 2006). The change was mainly attributable to the IT business, whose number of employees levelled off and to the Internet business, whose labour cost affected the Income Statement for Euro 105 thousand, decreasing compared to the same period of 2006 (Euro 118 thousand). In the First Quarter of 2007, the labour cost item included extraordinary costs equal to 314 thousand referred to flight incentives and the beginning of redundancy fund and mobility procedures.

Employees decreased by 50 units with a consequent reduction in the related costs.

The decrease of employees was mainly attributable to the blue-collars of Micronica, due to the decrease of the demand of assembly from the parent company CDC Point that sold more notebooks than desktops. The Parent Company, CDC Point S.p.A., in order to reduce charges, decrease the number of managers, with a consequent positive effect on the labour cost, whose consequence will be more clearly visible next fiscal year.

The following table highlights a breakdown of the average employees by business unit as of March 31, 2007, compared to the same period of 2006

Employees	31-Mar-07	31-Mar-06	Average employees 01/01/07 - 31/03/07
<b>IT Distribution</b>	<b>543</b>	<b>594</b>	<b>548.67</b>
<i>Managers</i>	9	14	9.67
<i>Supervisors</i>	29	27	28.67
<i>White-collar</i>	406	428	404.33
<i>Blue-collar</i>	99	125	106.00
<b>Internet</b>	<b>10</b>	<b>9</b>	<b>10.00</b>
<i>Managers</i>	0	0	0.00
<i>Supervisors</i>	1	1	1.00
<i>White-collar</i>	9	8	9.00
<b>TOTAL</b>	<b>553</b>	<b>603</b>	<b>558.67</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 803 thousand (Euro 713 thousand in 2006), almost fully attributable to the parent company CDC Point S.p.A.

**Financial Income and Expenses**

Financial income and expenses break down as follows:

12. and 13. Financial income (expenses)	31-Mar-07	31-Mar-06	Change
Interest and other financial income	1,234	137	1,097
Interest expenses	(1,039)	(951)	(88)
Net exchange differences	162	190	(28)
<b>Total</b>	<b>356</b>	<b>(624)</b>	<b>980</b>

Financial income and expenses are essentially attributable to the Parent Company, which mainly manages the Group's funding activity. We recorded a slight decrease in interest expenses net of interest income, which were equal to Euro 959 thousand as of March 31, 2007 compared to Euro 814 thousand of the same period of 2006. Net foreign currency translation adjustment as of March 31, 2007 had a positive effect on the Income Statement for Euro 162 thousand (positive for Euro 190 thousand in First Quarter 2006).

The trend of foreign currency translation adjustment derived from the cross exchange of Euro against US dollar during the First Quarter 2007. The profit on foreign currency translation was balanced by a lower commercial margin, as CDC adopts a policy of systematic coverage of currency risk, to hedge the price list.

Net Financial position	31-Mar-07	31-Mar-06	Change
Bank debts payable within 12 months	(14,482)	(3,435)	(11,047)
Cash and cash equivalents	11,654	7,541	4,113
(Amounts due to) Due from factoring companies	(308)	(259)	(49)
<b>Liquidity (borrowing) within 12 months</b>	<b>(3,136)</b>	<b>3,847</b>	<b>(6,983)</b>
Short-term loan	(8,000)	(12,500)	4,500
Amounts due to other lenders for leases falling due within 12 months	(137)	(997)	860
<b>Amounts due to others within 12 months</b>	<b>(8,137)</b>	<b>(13,497)</b>	<b>5,360</b>
<b>Net Financial Position within 12 months</b>	<b>(11,273)</b>	<b>(9,650)</b>	<b>(1,623)</b>
Amounts due to other lenders for leases falling due after 12 months	(65)	(138)	73
Bank debts payable beyond next 12 months	(24,000)	(16,018)	(7,982)
<b>Net Financial Position beyond next 12 months</b>	<b>(24,065)</b>	<b>(16,156)</b>	<b>(7,909)</b>
<b>Total Net Financial Position</b>	<b>(35,338)</b>	<b>(25,806)</b>	<b>(9,532)</b>

Net financial position was negative for Euro 35,338 thousand, due to a net financial debt as of March 31, 2007 worsening compared to the same period of 2006 (Euro 25,806 thousand).

The debt as of March 31, 2007 reflected the increase of the net working capital requirement of the parent company CDC Point S.p.A.

**INVESTMENTS**

<b>Consolidated net investments</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>Change</b>
Intangible fixed assets	(339)	(126)	(213)
Tangible fixed assets	73	179	(106)
Financial fixed assets	(25)	1,507	(1,532)
<b>Total</b>	<b>(291)</b>	<b>1,560</b>	<b>(1,851)</b>

During the First Quarter 2007, the investments net of disinvestments, recorded a negative charge compared to the same period of 2006 equal to Euro 1,851 thousand (negative for Euro 291 thousand as of March 31, 2007).

Investments, net of disinvestments, carried out during the whole year referred to:

- a) Intangible fixed assets: the item recorded net disinvestment equal to Euro 339 thousand mainly referred to goodwill amortizations, related to the acquisition of Computer Discount shops, equal to Euro 357 thousand; moreover, investments in software and licenses equal to Euro 18 thousand were recorded.
- b) Tangible fixed assets: the item recorded net increases equal to Euro 73 thousand mainly referred to:
  - investments in generic and specific equipments for Euro 4 thousand;
  - investments in electronic equipments for Euro 32 thousand, of which Euro 13 thousand attributable to the subsidiaries of Computer Discount S.r.l. and Euro 19 thousand attributable to the parent company, CDC Point S.p.A.;
  - investments in furniture and signs equal to Euro 7 thousand;
  - investments in equipments for server farm of the subsidiary Interfree equal to Euro 8 thousand;
  - investments in improvements of third party equal to Euro 15 thousand;
  - investments in other assets equal to Euro 7 thousand.
- c) Financial fixed assets recorded net decrease equal to Euro 25 thousand, of which Euro 16 thousand for cautions money and for Euro 9 thousand related to PC Stop S.r.l. and Mactronics Technology S.r.l., company stopped in CCIAA (Chamber of Commerce) on January 2007, effective date on December 2006.



## 5.2. PERFORMANCE OF THE IT CORE BUSINESS

In the First Quarter of 2007, CDC Group continued its IT business distribution with a multi-channel strategy.

The CDC Group serves the following markets:

- a. Consumer and SOHO segments, where CDC Group serves the Italian market through 260 outlets, of which 179 operating under the Computer Discount trademarks and IT corner located inside of consumer electronics points of sale. The revenues reached by the Retail division (Computer Discount, Consumer Electronics and Mass Merchandising channels) were equal to Euro 36,964 thousand in the First Quarter 2007, decreasing by 11.79% compared to the same period of 2006 (Euro 49,575 thousand);
- b. IT resellers, system integrators and other IT dealers, via its network of 31 Cash & Carry outlets, the outlets under the Amico trademark and the B2B e-commerce channel. The Group's Distribution division, together with revenues achieved by B2B e-commerce channel, generated revenues equal to Euro 98,716 thousand in the First Quarter 2007, slightly decreasing (- 2.6%) compared to Euro 101,389 thousand of the same period of 2006;
- c. Public Sector and Large Corporate segments generated revenues equal to Euro 2,723 thousand in the First Quarter 2007 against Euro 2,441 thousand in the same period of 2006, increasing by 11.5%, thanks to the turnover generated by the agreement with Telecom Italia.  
Direct sales included revenues generated thanks to the agreement between the parent company CDC Point S.p.A. and Telecom Italia S.p.A. to provide PCs including Alice ADSL and related post sale services (security, maintenance and technical assistance).

In the First Quarter of 2007, the CDC Group achieved revenues from its IT core business for Euro 138,773 thousand, compared to Euro 153,888 thousand of the same period of 2006, decreasing by 9.82%.

The gross margin in the First Quarter of 2007 slightly decreased compared to the same period of 2006 as ratio on sales. A decrease by 4 b.p., down from 10.77% in the First Quarter of 2006 to 10.73% in the First Quarter 2007, is registered. As absolute terms the gross margin decreased by Euro 1,695 thousand, from Euro 16,579 thousand in the First Quarter 2006 to Euro 14,884 thousand in the First Quarter 2007.

The gross margin reduction was mainly due to the decrease of revenues on retail division, characterized by a higher gross margin, as Computer Discount channel, as well as the increasing demand for notebooks (with a lower gross margin) compared to PC Desktops.

In the First Quarter of 2007, the Ebitda amounted to Euro 3,529 thousand (2.54% on sales), decreasing by 24.19% compared to the same period of 2006 (positive for Euro 4,655 thousand, 3.02% on sales).

In the First Quarter of 2007, the Ebit was positive for Euro 1,478 thousand compared to the positive result for Euro 2,764 thousand of the same period of 2006.

Change in commercial network	Turnover (€ '000)			Sales network	
	31-Mar-2007	31-Mar-06	Change	31-Mar-07	31-Mar-06
Distribution	98,716	101,389	(2,673)	201	187
Retail	36,964	49,575	(12,611)	260	301
Direct sales	2,723	2,441	282		
Other	371	483	(112)		
<b>TOTAL</b>	<b>138,773</b>	<b>153,888</b>	<b>(15,115)</b>	<b>461</b>	<b>488</b>



**Others revenues and income** item amounted to Euro 371 thousand as of March 31, 2007 and they mainly referred to refund revenues and other recoveries.

Period-end bonuses from suppliers and stock protection, equal to Euro 9,989 thousand as of March 31, 2007 compared to Euro 12,176 thousand of the same period of 2006.

The reduction equal to 17.96% compared to the First Quarter of the previous year had negative effect on the gross margin, on Ebitda and Ebit. Period-end bonuses from suppliers were recorded as a reduction of goods purchase costs.

**Service costs** decreased by 3.40%, from Euro 6,226 thousand of 2006 to Euro 6,015 thousand as of March 31, 2007.

The main changes were referred to:

- Marketing costs, as of March 31, 2007 were equal to Euro 1,901 thousand (Euro 2,314 thousand as of March 31, 2006), gross of advertising refunds and marketing contributions from suppliers, decreasing due to the different transmission of marketing activities.
- The marketing contributions from suppliers were equal to Euro 1,262 thousand in the First Quarter of 2007 against Euro 1,618 thousand in the same period of 2006.
- Emoluments paid to corporate officers increased by 20.5% from Euro 536 thousand as of March 31, 2006 to Euro 646 thousand as of March 31, 2007 due to the revision of directors' payments.
- Other service costs decreased by 23.3% from Euro 1,068 thousand as of March 31, 2006 to Euro 819 thousand of the same period of 2007. The reduction mainly referred to travel expenses and operating costs for real estate management (cleaning, maintenance, waste disposal).

Labour cost decreased by 6.37% from Euro 5,491 thousand as of March 31, 2006 to Euro 5,141 thousand as of March 31, 2007. The Group is carrying out a costs optimization strategy via a re-organization plan.

Operating costs	31-Mar-2007	31-Mar-06	Change
<b>Cost of goods for resale</b>	<b>123,889</b>	<b>137,309</b>	<b>(13,420)</b>
<b>Total service costs</b>	<b>6,015</b>	<b>6,226</b>	<b>(211)</b>
of which Net marketing expenses	639	696	(57)
(gross marketing expenses)	1,901	2,314	(413)
(contributions from suppliers for marketing expenses)	(1,262)	(1,618)	356
of which Shipping and logistics	1,235	1,202	33
of which Emoluments paid to Corporate Boards	646	536	110
of which Utilities	386	422	(36)
of which Lease expenses	1,275	1,295	(20)
of which Bank Commissions	377	384	(7)
of which Insurance premiums	342	365	(23)
of which Technical and fiscal advices	295	258	37
of which Other service costs	819	1,068	(249)
<b>Labour costs</b>	<b>5,141</b>	<b>5,491</b>	<b>(350)</b>
<b>Other operating costs</b>	<b>200</b>	<b>207</b>	<b>(7)</b>
<b>Total</b>	<b>135,244</b>	<b>149,233</b>	<b>(13,989)</b>

Depreciation and amortization as of March 31, 2007 amounted to Euro 1,249 thousand and referred to intangible fixed assets for Euro 516 thousand and to tangible fixed assets for Euro 733 thousand.

In particular, depreciation of intangible fixed assets referred to:

- depreciation of in ownership software and licences for Euro 36 thousand;
- depreciation of development costs for Euro 1 thousand;
- depreciation of other assets for Euro 9 thousand.

Goodwill amortizations equal to Euro 456 thousand referred to:

- a. Computer Discount goodwill equal to Euro 330 thousand;
- b. Computer Discount's subsidiaries goodwill equal to Euro 15 thousand;
- c. Armonia Computers goodwill equal to Euro 50 thousand;
- d. Goodwill of Test firm's branch acquisition equal to Euro 60 thousand.

Amortization of tangible fixed assets were equal to Euro 733 thousand and mainly referred to generic and specific plants and machineries for Euro 367 thousand, equipments, furniture and fixtures for Euro 130 thousand, office and electronic machineries for Euro 102 thousand, elevators, lorries and cars for Euro 14 thousand, buildings, fixes plants and signs for Euro 120 thousand.

Provisions and impairment reversal/losses on non-current assets equal to Euro 803 thousand were mainly due to write-downs of trade receivables for Euro 795 thousand, almost fully attributable to the Parent Company for 715 Euro thousand.

**Financial income and expenses** was positive for Euro 358 thousand compared to a negative result equal to Euro 623 thousand as of March 31, 2006.

Interest expenses, net of interest income, were equal to Euro 958 thousand as of March 31, 2007 against Euro 813 thousand of the previous year. This change was due to the higher Group's debt and to the increase of market interest rate recorded during the First Quarter of 2007, the 3-months Euribor rate increased up from 2.638% (average rate of the First Quarter of 2006) to 3.867% (average rate of the First Quarter 2007).

The net consolidated financial result as of March 31, 2007 included Euro 1,154 thousand deriving from the transfer, carried out in February 2007, of the equity stake (48%) held in Compy Superstore S.r.l. This transfer allowed the fully achievement of the capital gain deriving from the assignment, carried out during the 2005 fiscal year, of the Compy trademark to the associated company Compy Superstore S.r.l.; this capital gain had not been recorded in the consolidated financial statements as of December 31, 2005 for the share of the Group (48%).

As of March 31, 2007, net foreign currency translation adjustment had a positive effect on the Income Statement for Euro 162 thousand (positive result for Euro 190 thousand in the same period of the previous year).

Hereafter the reclassified consolidated income statement of the core business of IT production and distribution, gross of write-downs of equity investments and consolidation adjustments, for the First Quarter 2007 compared to the same period of 2006:



RECLASSIFIED CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER OF 2007

Consolidated Income Statement - IT Business (€ '000)	31-Mar-07		31-Mar-06		Change	
1. Revenues	138,660	99.92%	153,646	99.84%	(14,986)	-9.75%
2. Other income	113	0.08%	242	0.16%	(129)	-53.31%
<b>I - TOTAL REVENUES AND OPERATING INCOME</b>	<b>138,773</b>	<b>100.00%</b>	<b>153,888</b>	<b>100.00%</b>	<b>(15,115)</b>	<b>-9.82%</b>
3. Purchase costs	(123,889)	-89.27%	(137,309)	-89.23%	13,420	-9.77%
4. Service costs	(6,015)	-4.33%	(6,226)	-4.05%	211	-3.40%
5. Labour cost	(5,141)	-3.70%	(5,491)	-3.57%	350	-6.38%
6. Other operating costs	(200)	-0.14%	(207)	-0.13%	7	-3.51%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>3,529</b>	<b>2.54%</b>	<b>4,655</b>	<b>3.02%</b>	<b>(1,126)</b>	<b>-24.19%</b>
7. Amortization of intangible fixed assets	(516)	-0.37%	(411)	-0.27%	(105)	25.52%
8. Depreciation of tangible fixed assets	(733)	-0.53%	(766)	-0.50%	33	-4.36%
9. Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	0	0.00%
10. Provisions and impairment reversal/losses on non-current assets	(803)	-0.58%	(713)	-0.46%	(90)	12.57%
<b>II - OPERATING INCOME (EBIT)</b>	<b>1,478</b>	<b>1.06%</b>	<b>2,764</b>	<b>1.80%</b>	<b>(1,286)</b>	<b>-46.54%</b>
11. Share of earnings of equity investments in associates accounted for by the equity method	0	0.00%	(653)	-0.42%	653	
12. Financial income	1,452	1.05%	654	0.42%	798	121.98%
13. Financial expenses	(1,094)	-0.79%	(1,277)	-0.83%	183	-14.30%
<b>III - INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>1,835</b>	<b>1.32%</b>	<b>1,489</b>	<b>0.97%</b>	<b>346</b>	<b>23.24%</b>
14. Income taxes for the period	(920)	-0.66%	(971)	-0.63%	51	-5.27%
<b>IV - NET INCOME FROM CONTINUING OPERATIONS</b>	<b>915</b>	<b>0.66%</b>	<b>517</b>	<b>0.34%</b>	<b>398</b>	<b>77.04%</b>
15. Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0	0.00%
<b>V - NET INCOME</b>	<b>915</b>	<b>0.66%</b>	<b>517</b>	<b>0.34%</b>	<b>398</b>	<b>77.04%</b>
16. Income (loss) attributable to minority interest	0	0.00%	(3)	0.00%	3	-100.00%
<b>VI - NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>915</b>	<b>0.66%</b>	<b>520</b>	<b>0.34%</b>	<b>395</b>	<b>76.02%</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.

The net result as of March 31, 2007 is positive for Euro 390 thousand against a positive result for Euro 491 of the same period of 2006. The difference is mostly due to the decrease of net revenues generated by sales to the main telephone carriers, due to the reduction of Internet traffic generated as Internet Service Provider.

The company generated revenues equal to Euro 940 thousand in the First Quarter of 2007 against Euro 1,107 thousand of the same period of previous year. This amount is mainly due to the sharing revenues paid by the leading telecom carriers (Telecom S.p.A. and Wind S.p.A.) for internet traffic generated by Interfree as Internet Service Provider. Relating to the Telecom S.p.A., the business is managed through the Parent Company CDC Point S.p.A.

In this report, revenues from sharing revenue 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 151 thousand, held steady compared to Euro 159 thousand of the First Quarter of 2006.

The gross operating profit (Ebitda) amounted to Euro 680 thousand as of March 31, 2007 against Euro 824 thousand of the same period of 2006, while the operating income (Ebit) was equal to Euro 630 thousand against Euro 768 thousand in 2006.

As of March 31, 2007, the employees of the company amounted to 10 units, increasing by one unit compared to employees as of March 31, 2006.

Hereafter the reclassified Income Statement, in a concise form, for the Internet Business Unit as of March 31, 2007 compared to the same periods of 2006:



<b>RECLASSIFIED INCOME STATEMENT FOR THE FIRST QUARTER OF 2007 - INTERNET BUSINESS</b>					
<b>Income Statement - Internet Business (€*1,000)</b>	<b>31-Mar-2007</b>		<b>31-Mar-2006</b>		<b>Change</b>
1. Revenues	937	99.66%	1,101	99.46%	-14.90%
2. Other income	3	0.34%	6	0.54%	-47.48%
<b>I - TOTAL REVENUES AND OPERATING INCOME</b>	<b>940</b>	<b>100.00%</b>	<b>1,107</b>	<b>100.00%</b>	<b>-15.07%</b>
3. Purchase costs	(1)	-0.12%	(3)	-0.27%	-62.97%
4. Service costs	(151)	-16.08%	(159)	-14.36%	-4.90%
5. Labour cost	(105)	-11.17%	(118)	-10.66%	-11.01%
6. Other operating costs	(2)	-0.25%	(4)	-0.36%	-40.14%
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)</b>	<b>680</b>	<b>72.37%</b>	<b>824</b>	<b>74.44%</b>	<b>-17.43%</b>
7. Amortization of intangible fixed assets	(17)	-1.85%	(17)	-1.54%	2.27%
8. Depreciation of tangible fixed assets	(33)	-3.52%	(39)	-3.52%	-15.14%
9. Gains/losses on disposals of non-current assets	0	0.00%	0	0.00%	0.00%
10. Provisions and impairment reversal/losses on non-current assets	0	0.00%	0	0.00%	0.00%
<b>II - OPERATING INCOME (EBIT)</b>	<b>630</b>	<b>67.00%</b>	<b>768</b>	<b>69.38%</b>	<b>-17.98%</b>
11. Share of earnings of equity investments in associates accounted for by the equity method	0	0.00%	0	0.00%	0.00%
12. Financial income	0	0.00%	0	0.00%	0.00%
13. Financial expenses	(1)	-0.10%	(1)	-0.09%	-4.86%
<b>III - INCOME BEFORE TAXES FROM CONTINUING OPERATIONS</b>	<b>629</b>	<b>66.90%</b>	<b>767</b>	<b>69.29%</b>	<b>-18.00%</b>
14. Income taxes for the period	(239)	-25.42%	(276)	-24.93%	-13.41%
<b>IV - NET INCOME FROM CONTINUING OPERATIONS</b>	<b>390</b>	<b>41.48%</b>	<b>491</b>	<b>44.35%</b>	<b>-20.58%</b>
15. Net income from discontinued operations/assets held for sale	0	0.00%	0	0.00%	0.00%
<b>V - NET INCOME</b>	<b>390</b>	<b>41.48%</b>	<b>491</b>	<b>44.35%</b>	<b>-20.58%</b>
16. Income (loss) attributable to minority interest	0	0.00%	0	0.00%	0.00%
<b>VI - NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>390</b>	<b>41.48%</b>	<b>491</b>	<b>44.35%</b>	<b>-20.58%</b>



## 6. INFORMATION ON GROUP COMPANIES

### PARENT COMPANY

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

The Company is among the leading Italian distributors and manufacturers of IT products for the consumer and SOHO segments.

Revenues were generated via a retail distribution network of 260 outlets operating under Computer Discount, Compy e Amico trademarks and via 31 Cash & Carry 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, 2007, the company achieved revenues equal to Euro 137,469 thousand.

The employees of the Company amounted to 323 units for the period ended on March 31, 2007.

### 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, 2007 revenues from the assembly business amounted to Euro 199 thousand, whereas logistics generated income for Euro 1,083 thousand and other services were equal to Euro 432 thousand.

As of March 31, 2007, the employees of Micronica amounted to 109 units.

#### 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; it is fully owned by CDC Point S.p.A. Since 2006 the business has been suspended. The company does not have any personnel.

#### Polinet S.r.l.

During 2001 year, the company acquired from the Gruppo Editoriale Futura S.p.A. an office building located in Milan. Currently the office building is not rented.

As of March 31, 2007, the Company did not achieve revenues.

#### 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, 2007 revenues were equal to Euro 940 thousand. As of March 31, 2007 the employees of the company amounted to 10 units.

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

The company holds equities in retail shops specialized on computer technology, affiliated to Computer Discount network. As of March 31, 2007, the subsidiaries of Computer Discount S.r.l. achieved revenues equal to Euro 10,393 thousand.

As of March 31, 2007, the employees of the company's subsidiaries amounted to 111 units.



**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:

(Euro '000)	CDC Group							
	Accounts receivable	% impact	Accounts payable	% impact	Revenues	% impact	Costs	% impact
Macronics Technology S.r.l. in winding-up	0	0%	0	0%	0	0%	0	0%
<b>Subsidiaries</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
CDC S.r.l.	55	0%	0	0%	454	0%	0	0%
<b>Parent company</b>	<b>55</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>454</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
Compy Superstore	67	0%	(16)	0%	223	1%	(2)	0%
<b>Associated companies</b>	<b>67</b>	<b>0%</b>	<b>(16)</b>	<b>0%</b>	<b>223</b>	<b>1%</b>	<b>(2)</b>	<b>0%</b>
Imo 1 S.r.l.	0	0%	(2)	0%	0	0%	(104)	1%
Gap S.r.l.	0	0%	(1)	0%	0	0%	(5)	0%
Icube S.r.l.	0	0%	0	0%	0	0%	0	0%
Tradesoft Technologies S.r.l.	0	0%	(1)	0%	0	0%	(2)	0%
S.I.S. S.r.l.	0	0%	(31)	0%	70	0%	(88)	0%
Centrostampa S.r.l.	0	0%	(34)	0%	1	0%	(29)	0%
Diomelli Giuseppe	0	0%	0	0%	0	0%	0	0%
Andolfi Floriana	0	0%	0	0%	0	0%	0	0%
<b>Related companies</b>	<b>0</b>	<b>0%</b>	<b>(69)</b>	<b>0%</b>	<b>71</b>	<b>0%</b>	<b>(228)</b>	<b>0%</b>



## 7. OTHER INFORMATION

### RESEARCH AND DEVELOPMENT

The Group did not carry out research and development of any significance during the First Quarter of 2007.

### TREASURY SHARES

As of March 31, 2007 CDC Point S.p.A. held no. 392,286 of own share acquired during the previous fiscal years in order to stabilize the stock market price, according to the resolution adopted by the General Shareholders' Meeting on April 27, 2007 and to the buy back plan approved by the Board of Directors held on February 14, 2006 and on March 24, 2006.

Own shares were recorded in a specific reserve accounted as reduction of Shareholders' equity. The book value of the treasury shares and of the earnings deriving from their possible future sales was accounted as Shareholders' equity changes.

### OPERATING OUTLOOK

During the 2007 year is expected a recovery of profitability, resulting from:

- impact of the actions already started during the 2006 fiscal year to reduce operating costs;
- stop of gross margin downturn, thanks to the mix of different factors like higher sales of own brand products and a better customers screening.

### RELEVANT EVENTS SUBSEQUENT TO MARCH 31, 2007

On April 27, 2007 the shareholders' meeting appointed Mr. Paolo Lenzi and Mr. Enrico Giordano, already co-opted by the Board of Directors, as directors.

On May 4, 2007, following up the resignation of the Managing Director, Mr. Claudio Andolfi, from his office, the Board of Directors co-opted Mrs. Elena Cenderelli.

The Chairman of the Board of Directors  
Giuseppe Diomelli