



**CDC S.p.A.  
Presentation to the  
Financial Community**

*Milan - March 2nd, 2007*



**Paolo Lenzi – Managing Director**

**2007-2009 STRATEGY AND  
COMPANY REORGANIZATION**

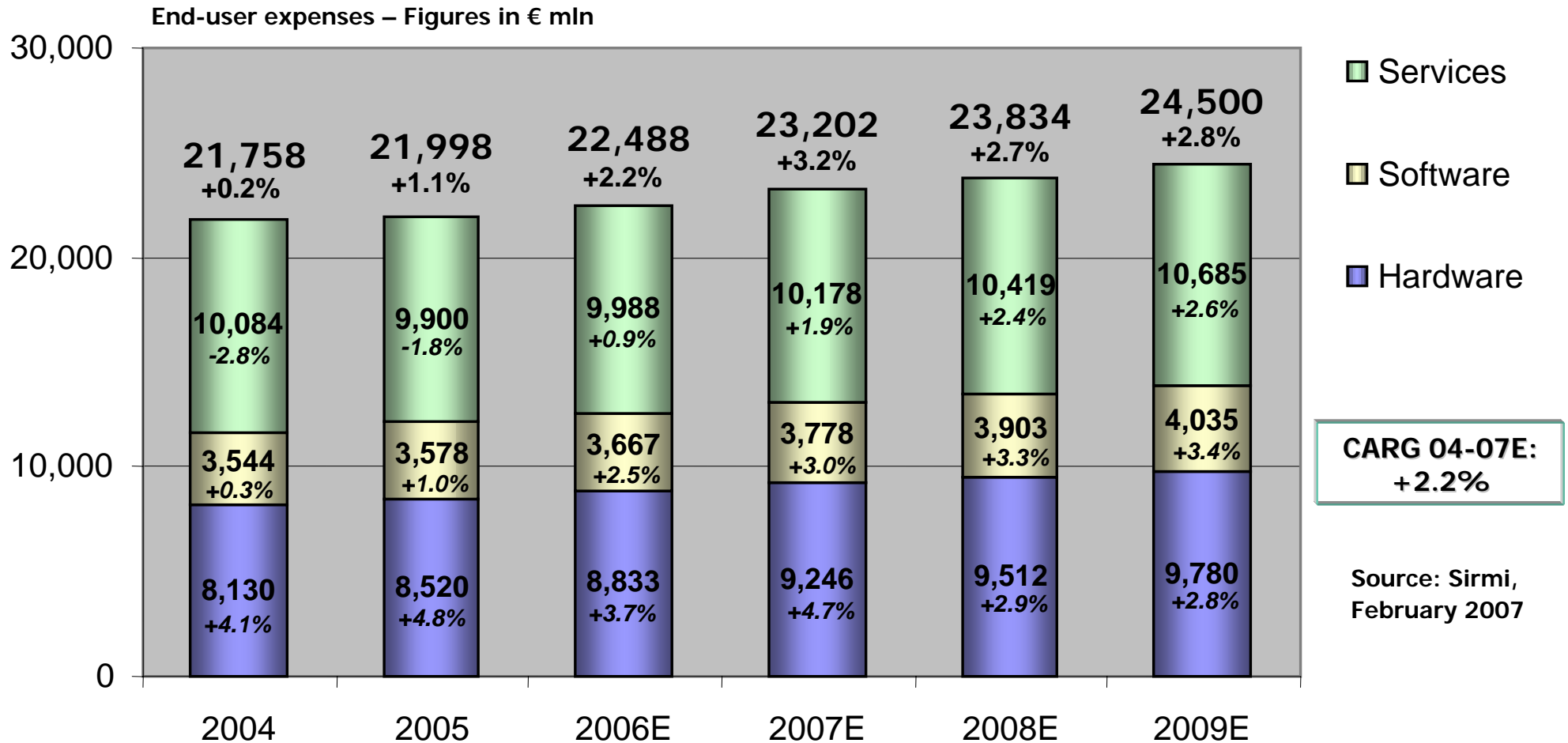


## Corporate highlights

- ✓ **Leading Italian distributor of Information Technology and digital technology products**
- ✓ **2006 consolidated revenues equal to about € 545 mln**
- ✓ **About 580 employees as of December 31, 2006 (CDC Group)**
- ✓ **Trademarks and brands (CDC, Computer Discount) awareness**
- ✓ **Own brand products (CDC, Kraun, Inkdrops) for PCs, monitors and accessories**



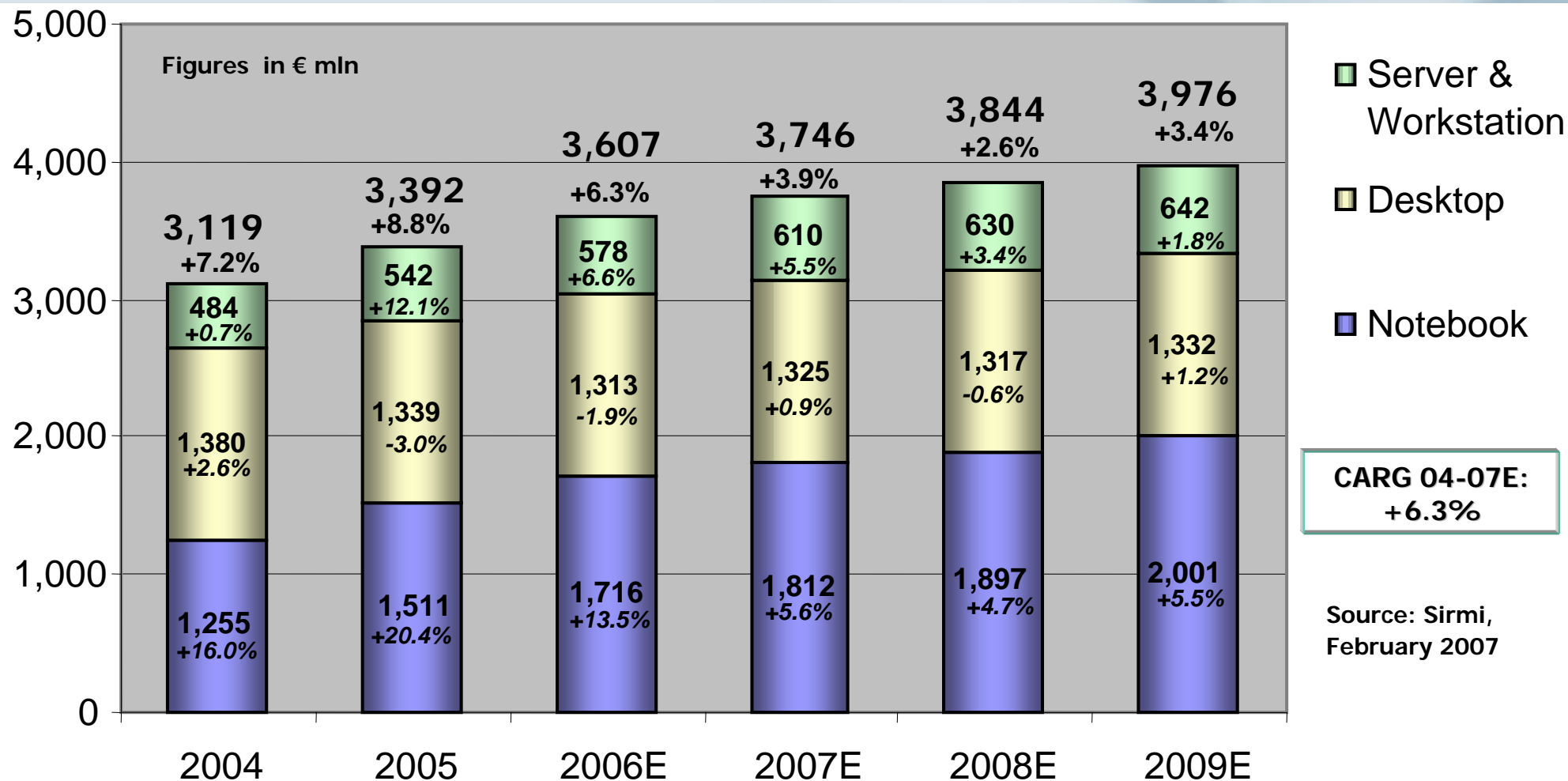
# Italian IT market: trend 2004-09E



- ✓ The Italian IT market slightly increasing since 2006 (+2.2% vs. 2005);
- ✓ During the 3-years period 2007-2009, an annual average growth equal to 3% is expected, mainly driven by hardware segment



# Italian IT market: trend 2004-09E

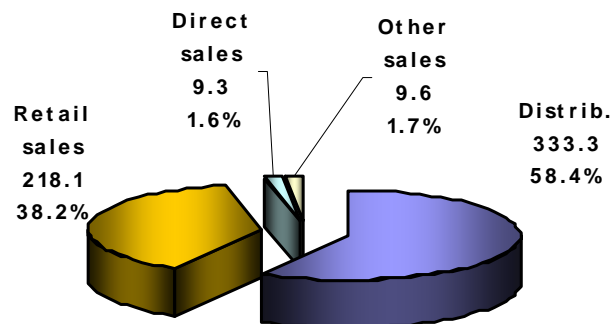


- ✓ The Italian PC market grew by +6.3% in 2006 (data in value) compared to 2005 driven by notebook segment (+13.5%), whereas PC desktops keeps on decreasing (-1.9%)
- ✓ A total growth equal to 3.9% is expected for 2007, driven by notebooks (+5.6%), servers and workstations (+5.5%), with a slightly increase of desktop segment (+0.9%)

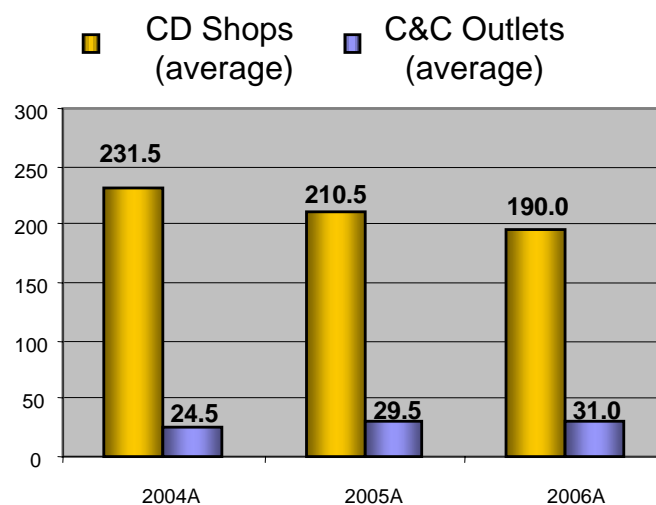
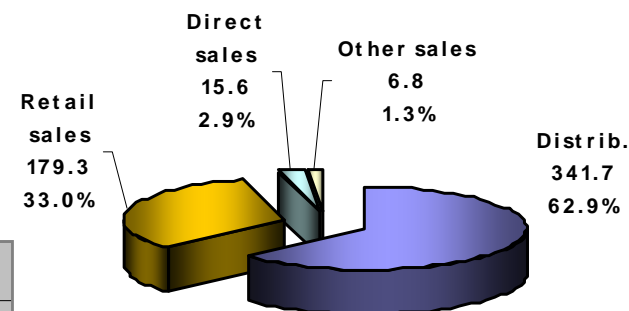


# Breakdown of consolidated revenues 2005-06 by sales division

2005: total revenues €570.3 million



2006: total revenues €543.4 million

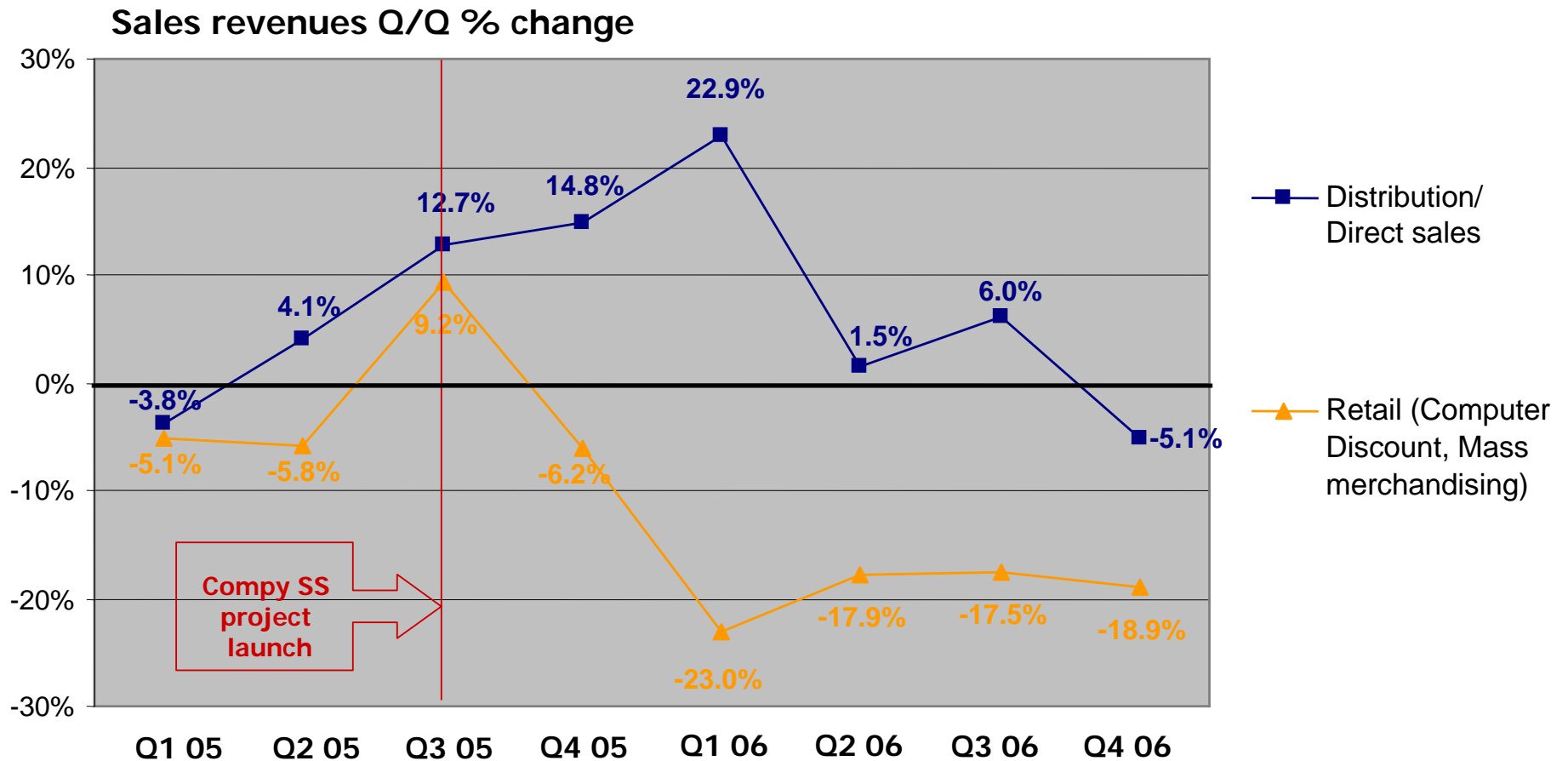


Figures in € mln

- ✓ 2006 consolidated revenues equal to € 543.4 mln, decreasing by 4.7% compared to € 570.3 mln of 2005
- ✓ Distribution division, the main CDC Group business unit (Cash & Carry and Amico channels, B2B platform), increased by 2.5% in 2006 compared to 2005, after a +10% growth achieved in 2005
- ✓ Decrease of Retail revenues (-17.8% in 2006 compared to 2005), due both to the reduction of Computer Discount channel revenues (-17.2%) and to the fall of Mass merchandising revenues (-18.6%)
- ✓ Direct sales revenues increased more than 60%, thanks to the contribution of Telecom Italia tender, whose revenues amounted to over € 10 mln in the fully 2006 fiscal year
- ✓ The item Other revenues in 2005 included capital gains equal to € 3.65 mln due to the sale of Compy trademark and to the transfer of the majority stake (52%) held in Compy Superstore, company deconsolidated since January 1, 2006



# 2005-06 trend of revenues by Quarter



- ✓ The positive trend of revenues recorded in the Second Half of 2005 and during Q1 2006 has underwent a reversal of trend since Q2 2006, with a decrease by 12.3% in Q4 2006
- ✓ Reduction of revenues fully due to Retail sales that recorded significant decreases of turnover during fiscal year 2006 (negative impact of Compy Superstore project)



# Strategic targets 2007 - 2009 by business unit (SBU)

## **SBU – Distribution:**

- Focus on Cash & Carry captive chain, going on increasing the sales network extent (opening of 5 new stores during the Business Plan period, for a total number amounting to 36 units)
- Extension of categories range in server/networking area
- Assortment revision and margin mix policy
- Distribution B2B development in order to gain customers' loyalty (share of wallet)

## **SBU – Sales Retail:**

- Increase of the Computer Discount chain, focusing on specialization and IT services for SoHo and high-spending consumer segments; take again affiliation program through the new formula CD "Light"
- GDS channel served by exploiting present clients portfolio

## **SBU – Direct Sales:**

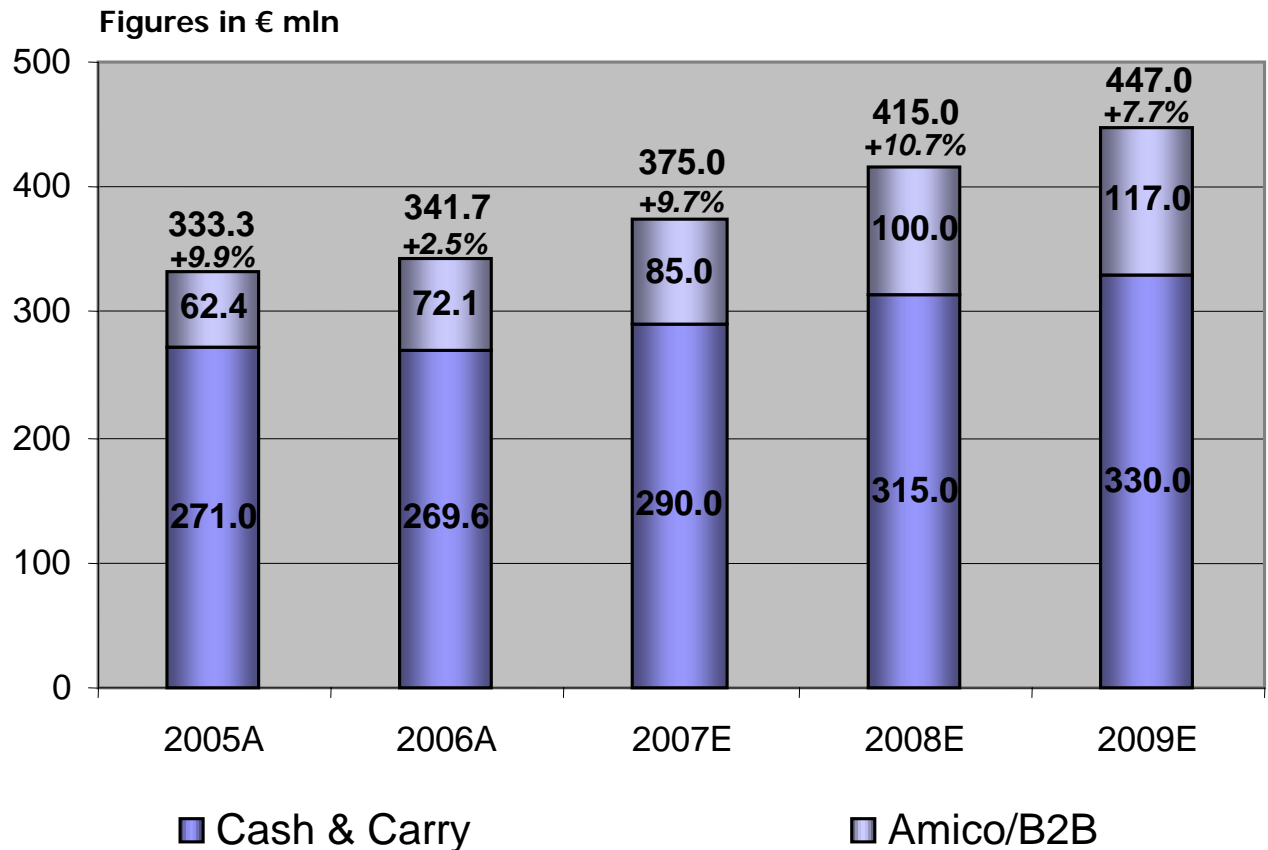
- Participate in main P.A. competitive tenders
- Corporate clients served by exploiting CDC group strengths (territorial diffusion, cross selling with other sales channels)



# SBU Distribution: 2007-2009 strategic targets

- ✓ Opening of 5 Cash & Carry outlets over 2007-09 (for a total number amounting to 36 Cash & Carry as of December 31, 2009)
- ✓ Extension of categories range in server and networking area and further extension of the commercial brand products range
- ✓ Development of B2B distribution in order to gain customers' loyalty
- ✓ 2007 – 2009 CAGR of revenues equal to 9.4%. Target 2009 € 447 mln, of which about 3/4 (€ 330 mln) reached via Cash & Carry channel

CAGR 2007 – 2009: +9% as SBU (of which 17.5% from B2B-Amico)





# SBU Retail Sales: 2007-2009 strategic targets

## Computer Discount

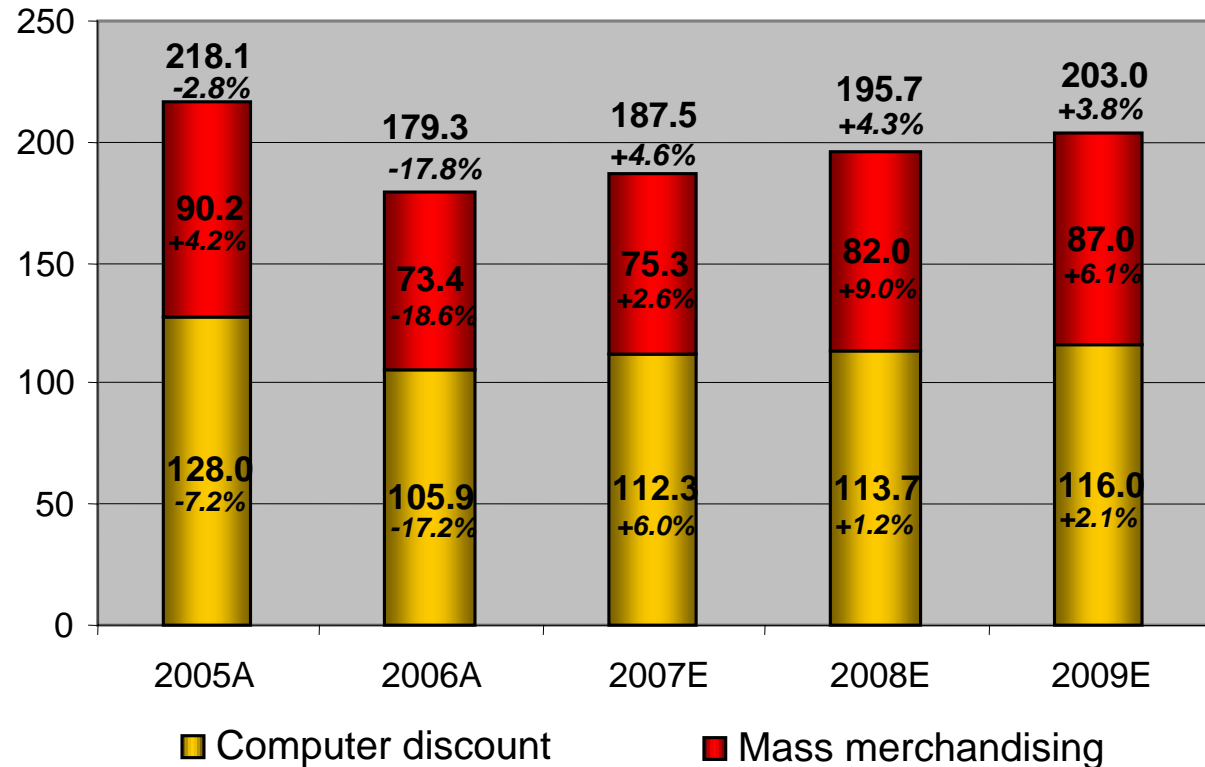
- ✓ Leadership on Computer Shop segment
- ✓ 185 shops as of December 31, 2006 to cover Italian territory, decreasing compared to 204 shops as of December 31, 2005
- ✓ Focus on SoHo/Small business clients (50% of revenues toward VAT registration numbers)
- ✓ After decreases suffered in 2005 (-7.2%) and 2006 (-17.2%), since 2007 revenues recovery is expected, thanks to a new project of outlets affiliation (CD light formula), target of business unit equal to over 200 shops at the end of 2007 compared to 185 as of December 31, 2006

## Mass merchandising

- ✓ Channel covering both through selling franchise formula (IT corners with franchise in the consumer electronics shops owned by third party) and via supplies to clients with no franchise
- ✓ The 2005-06 revenues include sales toward Compy Superstore outlets (€ 5.6 mln in 2005 and € 5.1 mln in 2006). Since 2007 these revenues have been stopping (target 2007 of Business Plan equal to € 10.25 mln)

CAGR 2007 – 2009: +4%

Figures in € mln



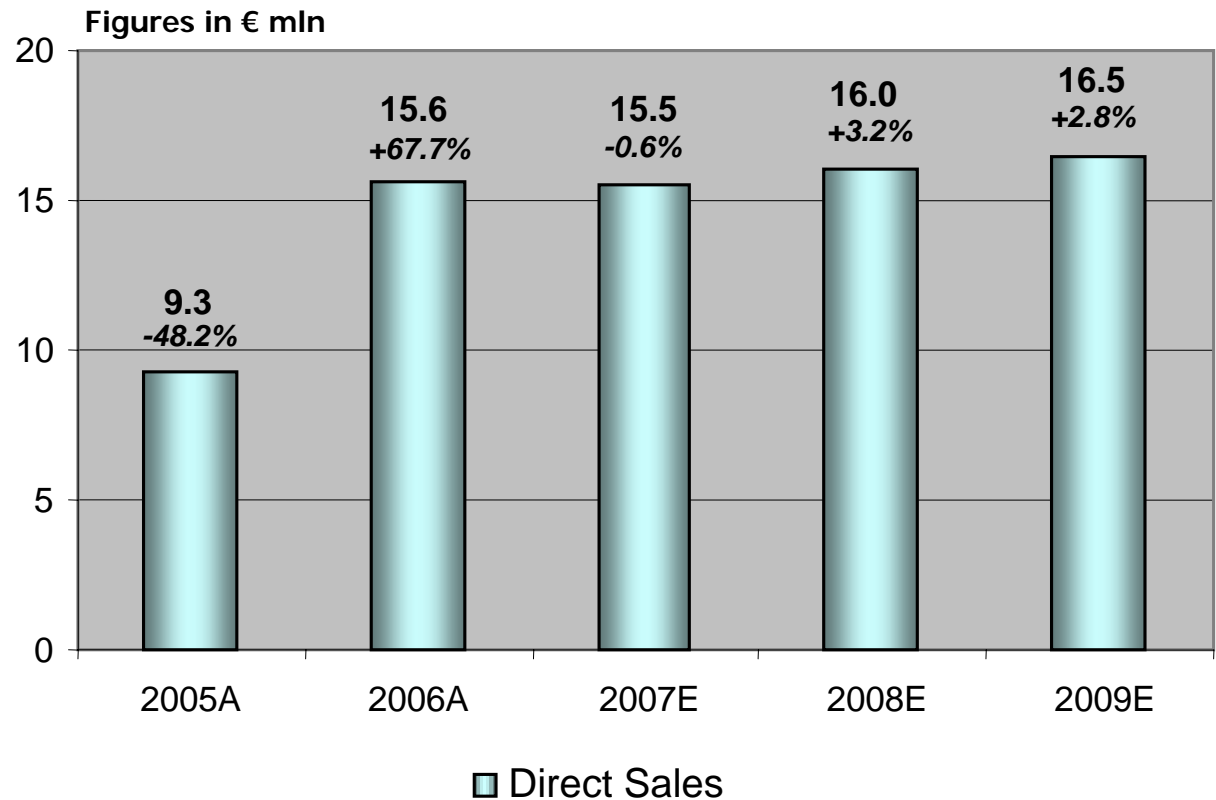
- ✓ Mass merchandising 2007 revenues expected increasing by 2.6% compared to 2006, thanks to the recovery of consumer electronics customers, lost during 2006 after CDC decision to cover directly the market via Compy Superstore project (stopped at the beginning of 2007)



# SBU Direct Sales: 2007-2009 strategic targets

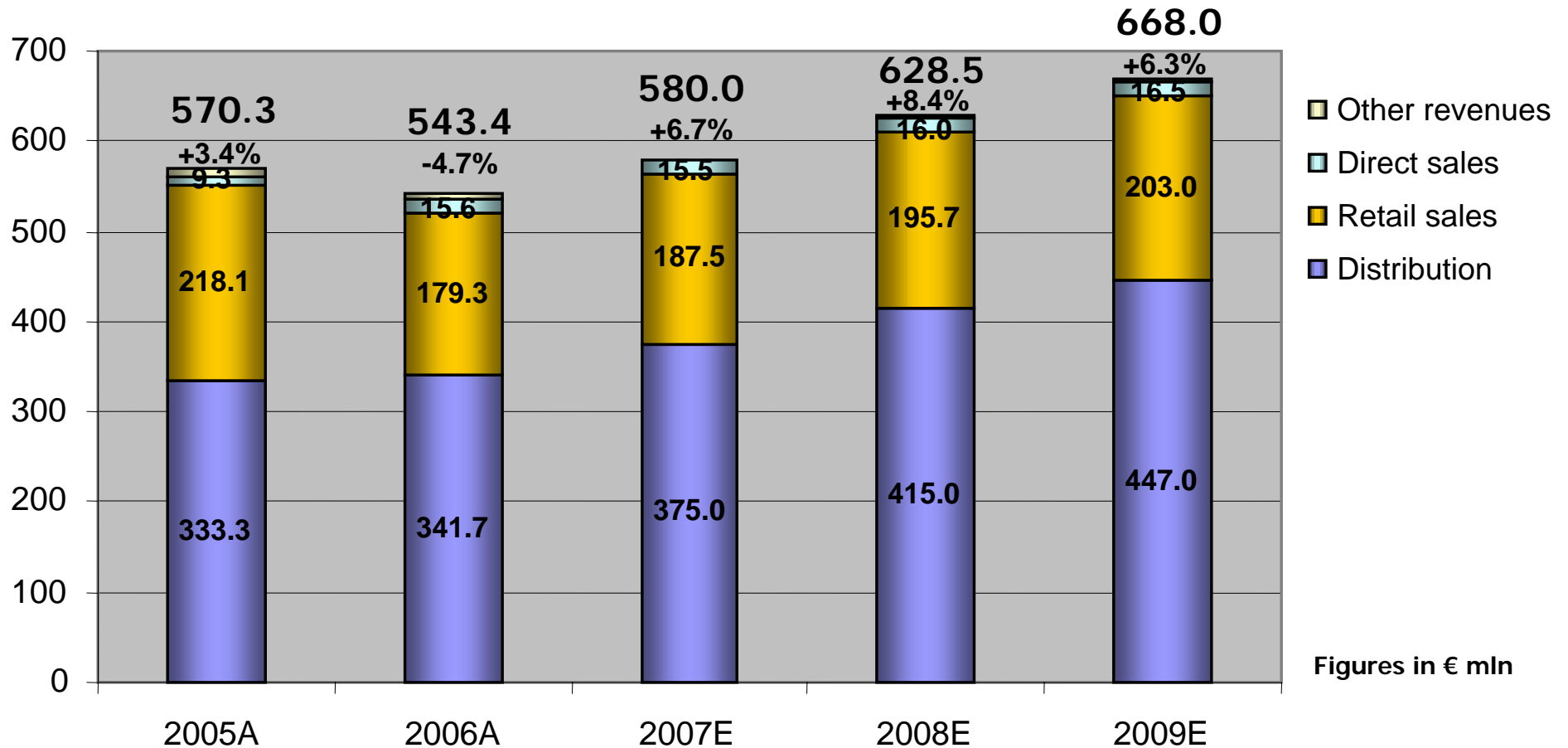
- ✓ Public Administration served by taking part to competitive tenders
- ✓ Corporate market penetration through the commercialization of own brand products (PC, monitor, accessories); exploitation of group strength (diffusion of sale network) and cross selling with other selling channels (in particular with Computer Discount)
- ✓ After growth of revenues achieved during 2006 (+68%), in the 2007-09 3-years period a slightly increase of group sales is expected (2009 target of € 16.5 mln)
- ✓ Renewal of Telecom tender until April 30, 2007

CAGR 2007 – 2009: +2%





# Actions to recover profitability for 2007 fiscal year: revenues growth



- ✓ An increase of consolidated revenues by over 6% is expected for 2007, in particularly thanks to the growth of distribution sales and to the recovered firmness of Retail sales
- ✓ In 2009 distribution division share of total revenues will be equal to 67%, compared to 58% in 2005 and to 63% in 2006



# **Actions to recover profitability for 2007 fiscal year: company reorganization**

- ✓ **CDC group reorganization and refocusing on its own core business, beginning in the Autumn 2006 with the 2007-09 Business Plan, go on :**
  - ➔ **Refocusing on IT distribution business (Cash&Carry, Amico, B2B, Computer Discount, Direct sales);**
  - ➔ **Start of a new format “CD Light” to increase again the number of affiliated outlets (185 outlets as of December 31, 2006);**
  - ➔ **Company reorganization through the reduction of back office activities; elimination of no added value activities; balance between staff located in the back office areas and staff located in the selling activities (target at the end of 2007: 45% back office, 55% front office). The number of CDC group employees as of December 31, 2006 was equal to 581 units compared to 683 units of 2005 (as of December 31, 2005 the staff included 61 units of Compy Superstore, company deconsolidated since January 1, 2006);**
  - ➔ **Transfer of the equity stake (48%) held in Compy Superstore S.r.l., on February 12, 2007. The sale will have a positive effect on the CDC’s 2007 Financial statement, which will not be affected in a negative way by the losses generated by this equity investment**



# **Actions to recover profitability for 2007 fiscal year: own brand products**

- ✓ In order to stop the gross margin reduction recorded in the last fiscal year, the company is focusing on the reorganization of the purchasing process based on:
  - Extension of own brand products range in the distribution products portfolio and on Cash & Carry and Computer Discount captive sale network shelves:
    - (i) line of PCs (desktop e notebook) and monitors CDC branded
    - (ii) line of accessories Kraun branded
    - (iii) line of consumables (inks for printers) Inkdrops branded
  - New assortment model based on product families;
  - Start purchasing PC Desktops already assembled directly in China;
  - New products scouting on Far East market



**Alessandro Fabbroni – Finance and  
Corporate Planning Director**

**2006 RESULTS AND 2007-2009 MAIN  
ECONOMIC AND FINANCIAL TARGETS**



# Consolidated results as of December 31, 2006

Consolidated (€x1000)	2005	2006
Revenues	570,335	543,404
Gross Margin	71,374	57,059
<i>% on sales</i>	12.5%	10.5%
Other operating costs	(30,823)	(26,153)
Labour cost	(23,456)	(20,657)
<b>EBITDA</b>	<b>17,095</b>	<b>10,248</b>
	3.00%	1.89%
Amortization & Depreciation	(5,658)	(5,106)
Provisions & Write-downs	(3,124)	(2,895)
<b>EBIT</b>	<b>8,314</b>	<b>2,247</b>
	1.46%	0.41%
Result of Equity Investments held in associated companies	-	(3,295)
Foreign exchange management	(327)	390
Net financial expenses	(2,285)	(3,763)
<b>EBT</b>	<b>5,702</b>	<b>(4,421)</b>
	1.00%	-0.81%
Taxes	(4,587)	(1,509)
<b>Net profit</b>	<b>1,136</b>	<b>(5,930)</b>
	0.20%	-1.09%

- ✓ Consolidated gross operating profit (Ebitda) decreasing from € 17.1 mln in 2005 to € 10.2 mln in 2006, due to the reduction of the gross margin (from 12.5% on sales in 2005 to 10.5% on sales in 2006), caused by a less favourable products sales mix (growth of the notebooks' sales damaging to desktops) and sales channels mix (growth of distribution revenues and reduction of retail channels)
- ✓ Reduction of operating costs ratio on sales from 9.5% in 2005 to 8.6% in 2006
- ✓ Negative impact for € 3.3 mln on the 2006 Financial Statement of the result of the equity stake (48%) held in Compy Superstore, fully consolidated in 2005. This equity stake was sold on February 12, 2007
- ✓ Non recurring expenses registered on the 2006 Financial Statement equal to over € 5.0 mln of which:
  - costs for flight incentives (included in the item labour cost) equal to € 0.6 mln
  - provisions for future expenses equal to about € 1.0 mln
  - losses due to the management of equity investment in associated companies (Compy Superstore S.r.l.) equal to € 3.3 mln
  - capital losses due to the transfer of the equity stake held in Compy Superstore S.r.l. equal to € 0.44 mln



## 2005-06 trend of operating costs

Figures in €'000	2005A	2006A	06 vs. 05	06 vs. 05
<i>(gross marketing expenses)</i>	11,215	8,090	(3,125)	-27.9%
<i>(contributions for marketing expenses)</i>	(8,257)	(6,109)	2,148	-26.0%
Net marketing expenses	2,958	1,980	(978)	-33.1%
Shipping and logistics	4,828	4,607	(221)	-4.6%
Emoluments paid to Corporate Boards	2,812	2,412	(400)	-14.2%
Utilities	1,605	1,645	40	2.5%
Lease expenses	5,330	5,287	(43)	-0.8%
Bank commissions	2,941	1,182	(1,759)	-59.8%
Insurance premiums	1,250	1,205	(45)	-3.6%
Technical and fiscal advices	1,885	1,531	(354)	-18.8%
Other operating cost	7,214	6,305	(909)	-12.6%
<b>Labour cost</b>	<b>23,456</b>	<b>20,657</b>	<b>(2,799)</b>	<b>-11.9%</b>
<b>Total net operating costs</b>	<b>54,279</b>	<b>46,811</b>	<b>(7,468)</b>	<b>-13.8%</b>
<b>Ratio on sales</b>	<b>9.5%</b>	<b>8.6%</b>		

- ✓ The action to reduce operating costs (calculated net of contribution from suppliers for marketing expenses to partially cover the gross marketing expenses) generated in 2006 a recovery equal to € 7.5 mln as value and about 0.9 percentage points in terms of ratio on sales (from 9.5% in 2005 to 8.6% in 2006)
- ✓ The 2006 results included the deconsolidation of Compy Superstore, since January 1, 2006, which had effects on the 2005 Financial Statement equal to about € 4.5 mln, of which € 0.8 mln as labour cost
- ✓ Considering the same basis of consolidation, the reduction of operating costs compared to 2005 was equal to about € 3 mln, of which about € 2 mln as labour cost and about € 1 mln as services and other operating costs



# Guidelines of business plan for 2007 year

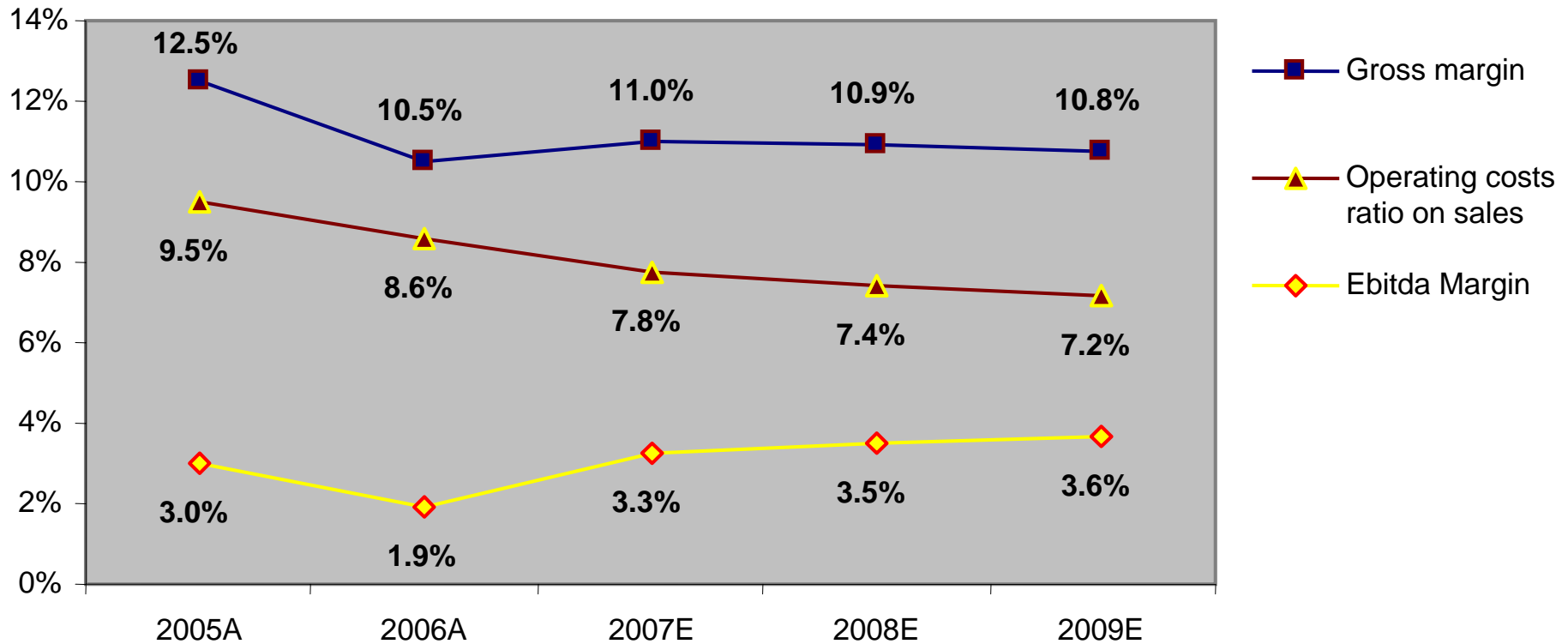
Targets of 2007-09 Business Plan showed on November 14, 2006

Figures € mln	2004A	2005A	2006A	2007E	2008E	2009E
<b>Revenues</b>	<b>551.6</b>	<b>570.3</b>	<b>543.4</b>	<b>580.0</b>	<b>628.5</b>	<b>668.0</b>
<b>EBITDA</b>	<b>25.5</b>	<b>17.1</b>	<b>10.2</b>	<b>19.0</b>	<b>22.0</b>	<b>24.3</b>
Ratio on sales	4.6%	3.0%	1.9%	3.3%	3.5%	3.6%
<b>EBIT</b>	<b>17.5</b>	<b>8.3</b>	<b>2.2</b>	<b>12.0</b>	<b>15.5</b>	<b>17.5</b>
Ratio on sales	3.2%	1.5%	0.4%	2.1%	2.5%	2.6%
<b>EBT</b>	<b>15.9</b>	<b>5.7</b>	<b>-4.4</b>	<b>7.5</b>	<b>11.5</b>	<b>15.0</b>
Ratio on sales	2.9%	1.0%	-0.8%	1.3%	1.8%	2.2%
<b>Net Profit</b>	<b>10.7</b>	<b>1.1</b>	<b>-5.9</b>	<b>2.5</b>	<b>5.5</b>	<b>7.5</b>
Ratio on sales	1.9%	0.2%	-1.1%	0.4%	0.9%	1.1%

- ✓ Revenues forecasted equal to € 580 mln in 2007, increasing by 6.7% compared to € 543 mln reached in 2006 (CAGR 2007-09 equal to +7%)
- ✓ Recovery of profitability expected for 2007 thanks to following actions:
  - (i) Higher scale economies deriving from revenues growth;
  - (ii) Gross margin consolidation after the decrease recorded during 2006;
  - (iii) Further reduction of operating costs (-3.9%), after -13.8% achieved in 2006, forecasted equal to about € 45 mln in 2007 compared to about € 47 mln in 2006



# Drivers of recovery profitability in the 2007-2009 period



- ✓ Gross margin decreasing from 12.5% in 2005 to 10.5% in 2006 (in the 2005 year the amount included capital gains equal to € 3.65 mln due to the sale of Compy trademark and of the majority stake (52%) held in Compy Superstore S.r.l.)
- ✓ The 2007-09 Business Plan forecasts the gross margin consolidation on value equal to about 11% during the first year (10.9% and 10.8% in 2008 and in 2009, respectively). The consolidation of the gross margin on sales is a key target to achieve the targets of recovery profitability forecasted in the 2007-09 Business Plan
- ✓ Ebitda Margin growth is expected from 1.9% in 2006 to 3.3% in 2007 (3.5% in 2008, 3.6% in 2009); this growth will be generated for 2/3 by the increase of operating efficiency (reduction of operating costs ratio on sales from 8.6% in 2006 to 7.8% in 2007) and for 1/3 by the gross margin consolidation



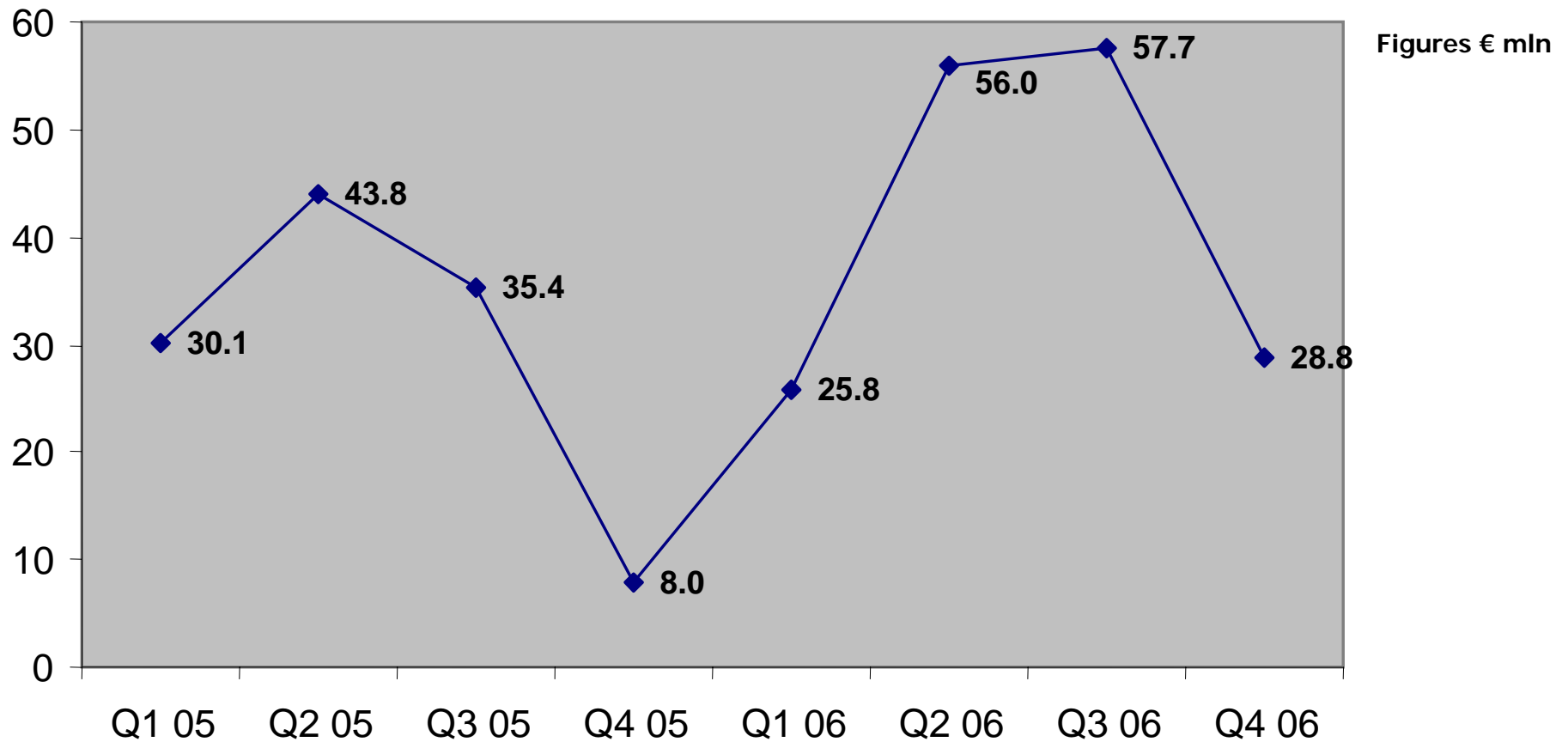
## Actions to recover profitability for 2007: operating efficiency improvement

Figures as ratio on sales	2005A	2006A	2007E	2008E	2009E
Other operating costs	5.4%	4.8%	4.4%	4.2%	4.0%
Labour cost	4.1%	3.8%	3.4%	3.2%	3.1%
<b>Total operating costs</b>	<b>9.5%</b>	<b>8.6%</b>	<b>7.8%</b>	<b>7.4%</b>	<b>7.2%</b>

- ✓ The 2007-2009 Business Plan forecasts a progressive decrease of operating costs ratio on sales, from 9.5% in 2005 to 7.2% in 2009, thanks to the following actions:
  - Company and processes reorganization started during the fiscal year 2006
  - Growing use of scale economies
- ✓ Considering the ongoing recovery of operating costs, shown during the fiscal year just ended, the target fixed for 2007 (total operating costs ratio on sales equal to 7.8%) is achievable



# 2005-06 trend of the Net Financial Position by Quarter

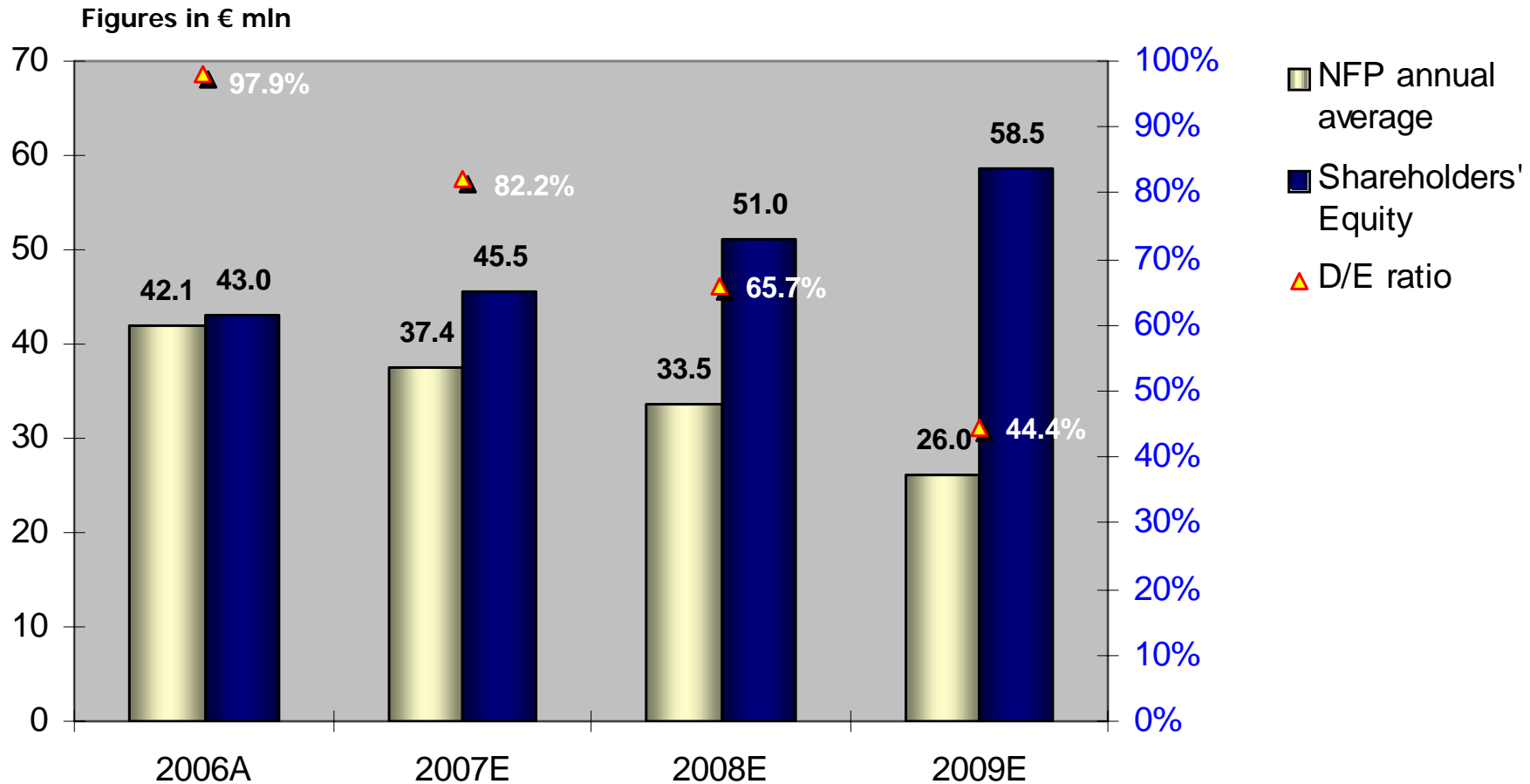


✓ Net Financial Position as of December 31, 2006 equal to € 28.8 mln compared to € 8.0 mln as of December 31, 2005, due to:

- investments in 2006 for over € 3 mln in order to capitalize the associated company Compy Superstore (48%)
- own share buy back plan, carried out during the first half 2006, for about € 2 mln
- expansion of net working capital cycle from 22 days in 2005 to 31 days in 2006



# 2007 consolidated financial target - summary



- ✓ The Shareholders' Equity trend doesn't include dividends distribution
- ✓ Net Financial Position was computed as the average value of the NFP recorded at the end of each Quarter of the fiscal year



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