

# CDC GROUP



*2008 HALF-YEARLY FINANCIAL REPORT AT  
30<sup>th</sup> JUNE*

*HIGHLIGHTS*



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## 1.HIGHLIGHTS

*(in thousands of euros)*

### Economics

Jun 30th, 2008	Jun 30th, 2007	Dec 31st, 2007
191.160	243.306	470.631
5.361	5.367	13.323
2.759	1.671	4.681
1.033	1.265	2.613
409	570	155
409	570	155
0,0333	0,0465	0,0126
0,0333	0,0463	0,0126

### Financial

Jun 30th, 2008	Dec 31st, 2007	Jun 30th, 2007
59.552	56.190	70.122
26.651	29.411	32.042
( 36.788)	( 36.588)	( 51.372)
( 6.121)	( 6.128)	( 7.454)
( 43.294)	( 42.885)	( 43.338)
442	474	510

## 2.HISTORY AND MISSION

CDC Point SpA, a company listed on the MTA ordinary segment of the Italian Stock Exchange, was founded in 1986 by Giuseppe Diomelli, current Chairman of the company.

The mission has always been to "spread simple technologies" with the goal of offering customers tailored solutions. This philosophy and engagement have enabled CDC to be, since 1986, one of the major reference operators in the Italian information technology market, contributing to the modernization of the country.

The experience gained in over 20 years activity and a business model unique in the market sector make CDC group one of the major Italian players in the distribution of Information Technology products.

The formula for success depend on the CDC multichannel strategy and presence in the value chain, both of which make it possible to serve quickly and effectively all market segments, from family to small and medium enterprises, to get to large companies and Public Administration. The business model is based on the following point of strengths:

- capillary network sales, both retail and wholesale;
- ability to innovate and offer its own brand products;
- technical excellence of the logistic platform and quality of the business processes.

The CDC policy has always concentrated on the Italian market, built on two basic guidelines: Select the quality convenient and spread simple technologies. The company did this by constant selection of products right for the domestic market, including those proposed by the main international vendor with which over time has made solid distribution agreements and partnerships, and those coming from the no-brand market.

Thanks to excellent technical skills, CDC was able to design and produce a wide range of own brand computers, designed and built to meet the specific requirements of the domestic market, often even anticipating trends.

CDC currently approach the Personal Computer market with different product lines: Premium (high-quality computers), Cybermate (products dedicated to professionals) and Next (computer as a price cheaper than the branded products).

However, the needs of computer users are not limited to computers; for this reason the continuing search for new products in international markets is targeted to support PC offer with a wide range of own brand products and accessories. CDC has developed two additional own brand products lines: Kraun and Inkdrops. Under the brand Kraun has a range of more than five hundred products divided into six categories as desktop, mobility, music & photo, networking, connectivity, protection.

Under the brand Inkdrops instead are offered to the market complete lines of cartridges, toner and paper compatible for all printers produced by the main world producers, including HP, Lexmark, Epson, Canon, Samsung, Brother.

### 3. BOARD OF DIRECTORS AND AUDITORS

#### BOARD OF DIRECTORS

	Office	Mandate expiring
Giuseppe Diomelli	Chairman	2010 approval of accounts
<i>Paolo Lenzi</i>	<i>Chief Executive Officer</i>	<i>Until April 2008</i>
Enrico Dell'Artino	Chief Executive Officer	2010 approval of accounts
Enrico Barachini	Independent Director	2010 approval of accounts
<i>Enrico Giordano</i>	<i>Independent Director</i>	<i>Until April 2008</i>
Elena Cenderelli	Independent Director	2010 approval of accounts
Emilio Vitale	Independent Director	2010 approval of accounts

Elena Cenderelli, as Chairman, Enrico Barachini and Emilio Vitale are member of the Internal Audit Committee. Emilio Vitale, as Chairman, Elena Cenderelli and Enrico Barachini are member of the Compensation Committee. Enrico Barachini was confirmed lead independent director during the last April 28<sup>th</sup>, 2008 Board of Directors.

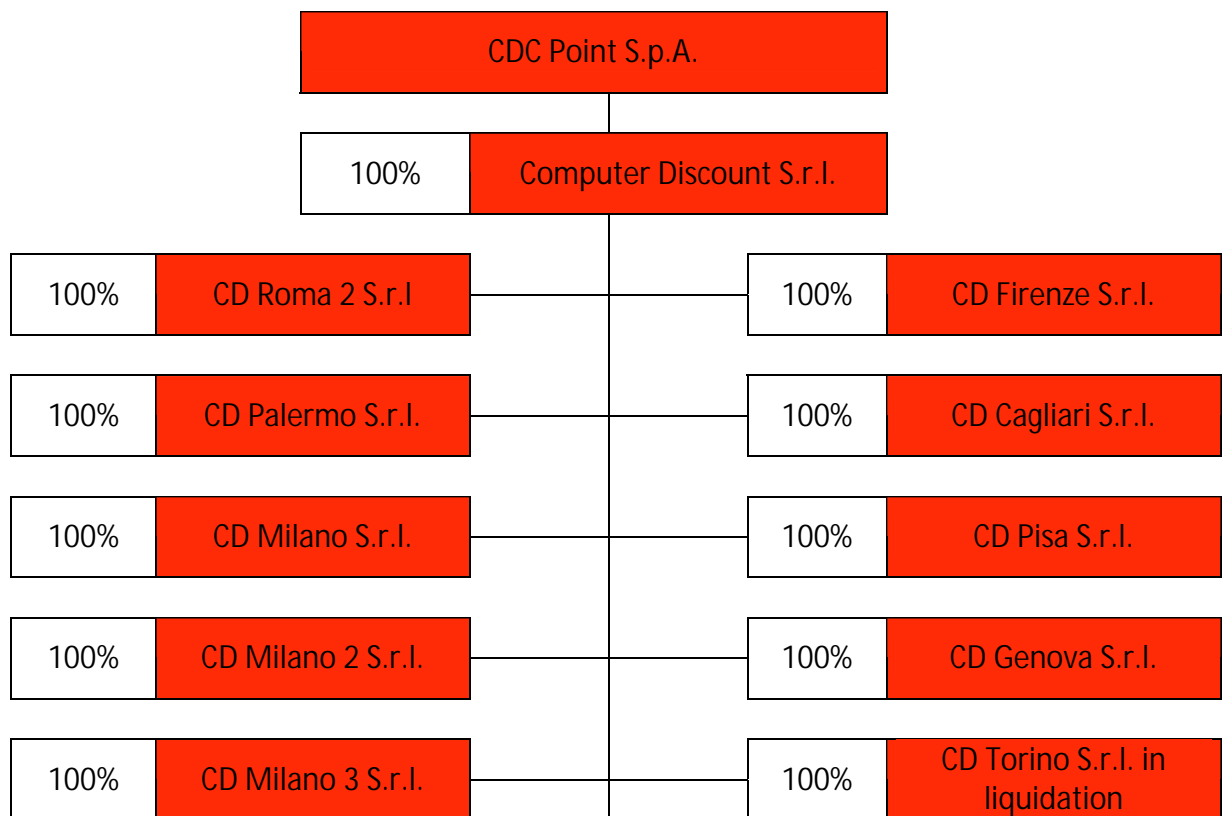
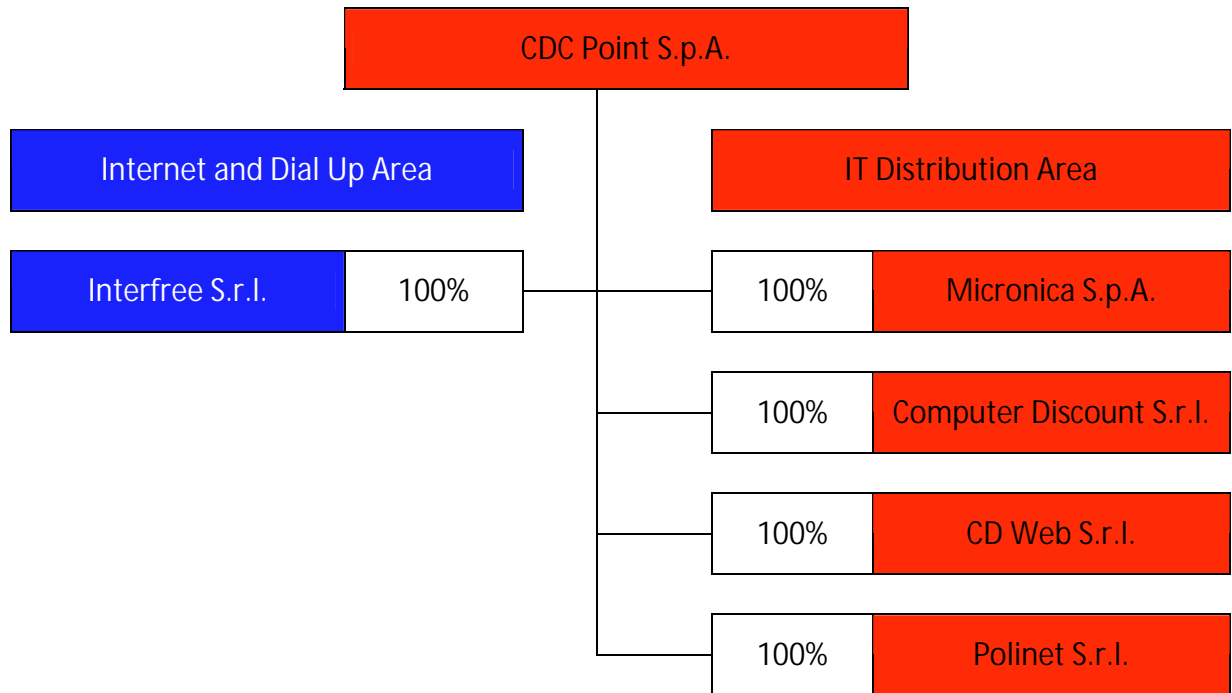
#### BOARD OF STATUTORY AUDITORS

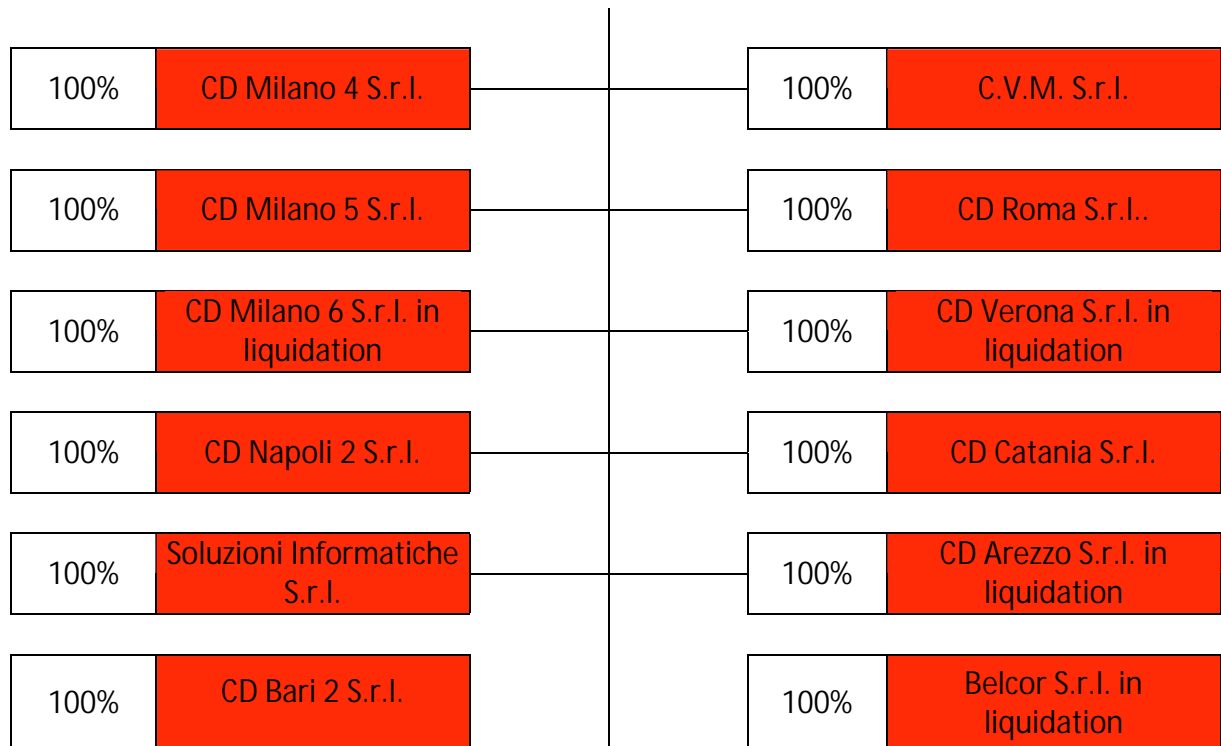
	Office	Mandate expiring
<i>Carlo Bossi</i>	<i>Chairman</i>	<i>Until April 2008</i>
Alberto Lang	Chairman	2010 approval of accounts
Daniela Carli	Permanent Auditor	2010 approval of accounts
Luca Ceconi	Permanent Auditor	2010 approval of accounts
Enzo Polidori	Alternate Auditor	2010 approval of accounts
Rebecca Baldini	Alternate Auditor	2010 approval of accounts

#### INDEPENDENT AUDITORS

Deloitte & Touche S.p.A. – mandate expiring with approval of accounts for the year ending 31<sup>st</sup> December 2008

#### 4.GRUOP STRUCTURE





## 5. REPORT ON OPERATION

The first six month period of 2008 fiscal year confirms the return to the economic stability of CDC Group, due to the re-focalization on its own IT distribution core business and to a careful management on products/customers portfolio to improve sales profit margin. During the first half of the six month period, improvement of performance and efficiency continued and also the management team changed.

Even if turnover decreases to 191 M€ (lower than 21% against the first six month period of 2007), the period closes with a consolidated net profit of 409 K€.

The decrease of turnover is due, for around 1/3 of the total, to the reduction of prices for sales products distributed by CDC Group, which represents the general behaviour of IT market.

According to GfK, even if there is a difference between sales segments, the Italian IT market increased by 13% - in units from June 2007 to May 2008, with an increase of about 6% in value, related to the reduction of prices of sales products. Market figures at the end of the first six month period of 2008 confirm this trend.

Within sales segments, we observe a decrease especially in computer shops sales balanced by a growth of specialized stores and business office specialists. This market situation imposes a strategic re-focalization on this business area: first concrete steps have been improved on the second half of the first six month period of the current year.

During the first six month period of 2008, CDC Group continued with a multi-channel strategy, with revenues in Distribution division equal to about 135,1 M€ (decreasing of about 20,1% against the first six month period of 2007) and revenues in Retail division (including Computer Discount chain and Consumer electronics) equal to about 48,8 M€, with a decrease of 26,1% against the same period of the previous year.

The Internet business, mainly developed by Interfree S.r.l, showed net revenues equal to 1,1 M€, with a decrease of 35% against first six month period of 2007. The net turnover generated by Internet area, thanks to over 60,000 "dial-up" active users, is mainly due to the sharing revenues paid by leading telecom carriers.

According to Sirmi, in terms of range of products, CDC Group confirms its rank as the 2nd PC producer in Italian market. The development of its own brand products in the first six month period of 2008 (kraun for PC accessories and Inkdrops for consumable) allowed to increase net revenues respect of the first six month period of 2007.

The main portion of CDC business is made with vendor brand (HP, Acer, Asus, Toshiba, Epson, Microsoft). However, CDC Group developed business services by dealing in its own brand services (from the extended guarantee to PC configuration) and with business agreements with some of the most important IT world players (HP and Acer), which consider CDC a skilled national partner for technical assistance of their products. Moreover, business corporate activities developed, especially in Voip, through a dedicated business dept, a specific knowledge and trade agreements with companies operating in this segment to enhance our presence also in this market segment with high growth trend: CDC Group has also products and specific solutions (Dexgate).

The primary margin is equal to 12,7%, increased compared to the same period of 2007 (in the first six month period of 2007 margin was equal to 11,2%): the better management of product/channel and the increase of sales of own products are the reasons of margin improvement.

Concerning sales distribution channels, Computer electronics decreases its weight on turnover, improving the average group margin.

The Group's Ebitda is increasing to 2.8% (against 2,21% in the first six month period of 2007), together with the reduction in costs and the improvement of performance and efficiency although not including the extraordinary profit.

Net result of the period for about 1,1M€ of the first half of 2007, is equal to the previous year, due to the improvement of Group performances.

Net financial position of CDC Group as of 30 June 2008 is equal to 36,8 M€, quite the same respect to 31 December 2007, but lower than 30 June 2007, equal to 51,4 M€.

In relation to the fact that IT sector is characterized by significant seasonality and that in summer time sales decrease of about 20% compared to winter time, the net financial position underlines the positive result of the actions realized to control the working capital.

## 6. GROUP RESULTS

### Income statement

CONSOLIDATED INCOME STATEMENT AS OF JUNE 30th, 2008						
Consolidated Income Statement	June 30th, 2008		June 30th, 2007		VAR	
<i>(Reclassified by nature in thousands of euros)</i>						
1. Revenues	190.595	99,70%	242.968	99,86%	(52.373)	-21,56%
2. Other Income	565	0,30%	338	0,14%	227	67,16%
<b>I - TOTAL REVENUES AND OPERATING INCOME</b>	<b>191.160</b>	<b>100,00%</b>	<b>243.306</b>	<b>100,00%</b>	<b>(52.146)</b>	<b>-21,43%</b>
3. Purchase costs	(166.783)	-87,25%	(215.952)	-88,76%	49.169	-22,77%
4. Service costs	(9.647)	-5,05%	(11.485)	-4,72%	1.838	-16,00%
5. Labour costs	(8.980)	-4,70%	(9.821)	-4,04%	841	-8,56%
6. Other operating costs	(389)	-0,20%	(681)	-0,28%	292	-42,88%
<b>EBITDA</b>	<b>5.361</b>	<b>2,80%</b>	<b>5.367</b>	<b>2,21%</b>	<b>(6)</b>	<b>-0,11%</b>
7. Amortization of intangible fixed assets	(866)	-0,45%	(871)	-0,36%	5	-0,57%
8. Depreciation on tangible fixed assets	(1.249)	-0,65%	(1.512)	-0,62%	263	-17,39%
9. Gains/losses on disposal of non-current assets	34	0,02%	1	0,00%	33	
10. Provision and impairment reversal/losses on non-current assets	(520)	-0,27%	(1.314)	-0,54%	794	-60,43%
<b>II - EBIT</b>	<b>2.759</b>	<b>1,44%</b>	<b>1.671</b>	<b>0,69%</b>	<b>1.089</b>	<b>65,17%</b>
11. Share of earnings of equity investments in associated companies valued according to the shareholders' equity method	0	0,00%	0	0,00%	0	
12. Financial income	794	0,42%	1.928	0,79%	(1.134)	-58,82%
13. Financial expenses	(2.520)	-1,32%	(2.334)	-0,96%	(186)	7,97%
<b>III - EBT</b>	<b>1.033</b>	<b>0,54%</b>	<b>1.265</b>	<b>0,52%</b>	<b>(231)</b>	<b>-18,26%</b>
14. Income taxes for the period	(625)	-0,33%	(695)	-0,29%	70	-10,07%
<b>IV - NET INCOME FROM CONTINUING OPERATIONS</b>	<b>409</b>	<b>0,21%</b>	<b>570</b>	<b>0,23%</b>	<b>(162)</b>	<b>-28,42%</b>
15. Net income from continued operations/assets held for sale	0	0,00%	0	0,00%		
<b>V - NET INCOME</b>	<b>409</b>	<b>0,21%</b>	<b>570</b>	<b>0,23%</b>	<b>(162)</b>	<b>-28,42%</b>
16. Income (loss) attributable to minority interest	0	0,00%	0	0,00%		
<b>VI - NET INCOME ATTRIBUTABLE TO CDC GROUP</b>	<b>409</b>	<b>0,21%</b>	<b>570</b>	<b>0,23%</b>	<b>(162)</b>	<b>-28,42%</b>



## Balance Sheet Statement

Consolidated Balance Sheet As Of June 30th, 2008 (in thousands of euros)	June 30th, 2008	December 31st, 2007	June 30th, 2007
<b>ASSETS</b>			
<b>A. Non-current assets</b>			
1. Acquisition of sales network and internet portals	3.310	4.055	5.176
2. Trademarks	7.727	7.759	7.793
3. Other intangible assets	353	438	505
<b>A.I - Intangible assets</b>	<b>11.390</b>	<b>12.252</b>	<b>13.475</b>
4. Lands	754	754	754
5. Buildings	5.524	5.675	5.739
6. Real estate investments	1.439	1.439	2.164
7. Other tangible assets	5.050	6.031	6.949
<b>A.II - Tangible assets</b>	<b>12.768</b>	<b>13.899</b>	<b>15.607</b>
8. Equity investments in subsidiaries	0	0	0
9. Equity investments in associated companies valued according to the shareholders' equity method	0	0	0
10. Other financial assets and equity investments in other companies	264	280	288
<b>A.III - Long-term investments</b>	<b>264</b>	<b>280</b>	<b>288</b>
<b>B. Deferred taxes assets</b>	<b>2.230</b>	<b>2.220</b>	<b>2.673</b>
- Total non-current assets	<b>26.651</b>	<b>28.651</b>	<b>32.042</b>
<b>C. Current assets</b>			
1. Inventories	50.462	66.758	53.832
2. Trade receivables	73.311	107.299	79.276
- of which related companies	267	65	30
3. Due from parent companies and associated companies	0	199	6
- of which related companies	0	0	6
4. Other receivables	14.375	17.600	20.113
5. Current financial assets	0	64	71
6. Cash and cash equivalents	3.580	9.831	5.562
7. Assets held for sale	0	760	0
- Total current assets	<b>141.727</b>	<b>202.512</b>	<b>158.861</b>
<b>TOTAL ASSETS</b>	<b>168.378</b>	<b>231.163</b>	<b>190.904</b>
<b>LIABILITIES</b>			
<b>D. Shareholders' equity</b>			
1. Share capital	6.132	6.132	6.132
2. Share premium reserve	37.060	37.060	37.060
3. Treasury share	(3.704)	(3.704)	(3.704)
4. Legal reserve	1.226	1.226	1.226
5. Other reserve	2.171	2.016	2.054
6. Retained earnings (loss)	0	0	0
7. Consolidated earnings (loss)	409	155	570
- Total Group shareholders' equity	<b>43.294</b>	<b>42.885</b>	<b>43.338</b>
<b>E. Minority interest</b>	<b>0</b>	<b>0</b>	<b>0</b>
- Total consolidated shareholders' equity	<b>43.294</b>	<b>42.885</b>	<b>43.338</b>
<b>F. Non-current liabilities</b>			
1. Deferred tax liabilities	2.207	2.088	2.428
2. Employees severance indemnity fund	3.432	3.593	4.041
3. Allowances for risks and charges	482	447	985
4. Loans payable after 12 months	11.879	15.837	19.723
- Total non-current liabilities	<b>18.000</b>	<b>21.965</b>	<b>27.177</b>
<b>G. Current liabilities</b>			
1. Trade payables	66.048	126.087	71.872
- of which related companies	36	42	89
2. Due to parent companies and associated companies	0	11	3
- of which related companies	0	0	3
3. Other liabilities	12.547	9.563	11.303
4. Loans payable within 12 months	28.489	30.582	37.210
5. Liabilities associated to the assets held for sale	0	70	0
- Totale current liabilities	<b>107.085</b>	<b>166.313</b>	<b>120.388</b>
<b>TOTAL LIABILITIES</b>	<b>168.378</b>	<b>231.163</b>	<b>190.904</b>



## Cash Flow Statement

CASH FLOW STATEMENT AS OF JUNE 30th, 2008		
<i>(in thousands of euros)</i>	June 30th, 2008	December 31st, 2007
<b>A. Cash and cash equivalents (debts) at beginning of the period as reported</b>	<b>(12.726)</b>	<b>3.363</b>
Net result (loss)	409	155
Amortization, depreciation and write downs	2.176	5.412
Net change in other allowances and other net fiscal assets	144	(1.629)
Net change in the provision for employee severance payments	(161)	(1.079)
Net financial expenses	1.726	3.200
	<b>4.294</b>	<b>6.059</b>
(Increase) Decrease in trade receivables and other short-term receivables	37.412	5.603
(Increase) Decrease in inventories	16.296	11.371
Increase (Decrease) in trade payable and other short-term payables	(57.136)	(27.286)
Increase (Decrease) in assets held for sale	760	0
(Increase) Decrease in short-term financial activities	64	433
<b>cash flow generated (absorbed) by operating activities</b>	<b>1.690</b>	<b>(3.820)</b>
Net financial expenses paid	(1.778)	(3.107)
Income taxes paid	0	(672)
<b>B. CASH FLOW FROM (FOR) OPERATING ACTIVITIES</b>	<b>(88)</b>	<b>(7.599)</b>
<b>Investments/Disposal in fixed assets:</b>		
Intangible	(4)	(72)
Tangible	(150)	(116)
Financial	17	43
<b>C. CASH FLOW FROM (FOR) INVESTMENTS ACTIVITIES</b>	<b>(137)</b>	<b>(145)</b>
Net drawing (repayment) of financing related to goods managed by financial leasing	0	(360)
Net drawing (repayment) of medium/long-term borrowing	(3.958)	(8.000)
Buy-back of treasury share	0	0
Changes in shareholders' equity of minority interest	0	0
Changes in shareholders' equity	0	15
<b>D. CASH FLOW FROM (FOR) FINANCIAL ACTIVITIES</b>	<b>(3.958)</b>	<b>(8.345)</b>
<b>E. CASH FLOW FORM (FOR) THE PERIOD (B+C+D)</b>	<b>(4.183)</b>	<b>(16.089)</b>
<b>A. Cash and cash equivalents (debts) at the end of the period as reported</b>	<b>(16.909)</b>	<b>(12.726)</b>



## Net Financial Position

<b>Net Financial Position</b>	<b>Jun 30th, 2008</b>	<b>Jun 30th, 2007</b>	<b>VAR</b>	<b>Dec 31st, 2007</b>
<i>(in thousands of euros)</i>				
Bank debts payable within 12 months	(20.485)	(27.747)	7.262	(22.067)
Cash and cash equivalents	3.580	5.562	(1.982)	9.831
(Amounts due to) Due from factoring companies	0	(1.465)	1.465	(490)
<b>Liquidity (borrowing) within 12 months</b>	<b>(16.905)</b>	<b>(23.650)</b>	<b>6.745</b>	<b>(12.726)</b>
Short term loans	(8.000)	(8.000)	0	(8.000)
Amount due to other lenders for leases within 12 months	(4)	1	(5)	(25)
<b>Amounts due to other within 12 months</b>	<b>(8.004)</b>	<b>(7.999)</b>	<b>(5)</b>	<b>(8.025)</b>
<b>Net Financial Position within 12 months</b>	<b>(24.909)</b>	<b>(31.649)</b>	<b>6.740</b>	<b>(20.751)</b>
Amount due to other lenders for leases after 12 months	0	(51)	51	0
Bank debts payable beyond next 12 months	(11.879)	(19.672)	7.793	(15.837)
<b>Net Financial Position beyond next 12 months</b>	<b>(11.879)</b>	<b>(19.723)</b>	<b>7.844</b>	<b>(15.837)</b>
<b>Total Net Financial Position</b>	<b>(36.788)</b>	<b>(51.372)</b>	<b>14.584</b>	<b>(36.588)</b>



## Operating Costs

Operating costs	Jun 30th, 2008	Jun 30th, 2007	VAR	Dec 31st, 2007
<i>(in thousands of euros)</i>				
Cost of goods for resale	166.783	215.952	(49.169)	416.515
Total services costs	9.647	11.485	(1.838)	21.770
- net marketing expenses	485	929	(444)	997
(gross marketing expenses)	2.196	3.579	(1.383)	6.260
(contribution from suppliers for marketing expenses)	(1.711)	(2.650)	939	(5.263)
- Shipping and logistics	1.749	2.282	(533)	4.498
- emoluments paid to Corporate Boards	1.062	1.237	(175)	2.246
- utilities	680	775	(95)	1.475
- Lease expenses	2.239	2.552	(313)	4.910
- Bank commissions	554	652	(98)	1.162
- Insurance premiums	574	685	(111)	1.442
- Technical and fiscal fees	590	666	(76)	1.586
- Other services costs	1.714	1.707	7	3.454
Labour costs	8.980	9.821	(841)	17.872
IT Distribution	8.766	9.613	(847)	17.477
Internet	214	208	6	395
Other operating costs	389	681	(292)	1.151
<b>TOTAL</b>	<b>185.799</b>	<b>237.939</b>	<b>(52.140)</b>	<b>457.308</b>

## Net Working Capital

Net Working Capital	Jun 30th, 2008	Jun 30th, 2007	VAR	Dec 31st, 2007
<i>(in thousands of euros)</i>				
Inventories	50.462	53.832	(3.370)	66.758
Accounts receivables	73.311	79.276	(5.965)	107.299
Due from subsidiaries	0	0	0	0
Due from subsidiaries not consolidated	0	0	0	2
Due from associated companies	0	0	0	0
Due from parent company	0	6	(6)	197
Taxes receivables	376	544	(168)	409
Other accounts receivables	13.998	19.569	(5.571)	17.191
Assets held for sale	0	0	0	760
<b>Current assets</b>	<b>138.147</b>	<b>153.227</b>	<b>(15.080)</b>	<b>192.616</b>
Trade payables	(66.048)	(71.872)	5.824	(126.087)
Other payables	(12.547)	(11.303)	(1.244)	(9.563)
Due to subsidiaries	0	0	0	0
Due to subsidiaries not consolidated	0	(3)	3	0
Due to associated companies	0	0	0	(11)
Due to parent company	0	0	0	0
Liabilities associated to the assets held for sale	0	0	0	(70)
<b>Current liabilities</b>	<b>(78.595)</b>	<b>(83.178)</b>	<b>4.583</b>	<b>(135.730)</b>
<b>Net Working Capital</b>	<b>59.552</b>	<b>70.049</b>	<b>(10.497)</b>	<b>56.886</b>