



CDC GROUP



**QUARTERLY REPORT AS OF
MARCH 31st, 2011**

HIGHLIGHTS

CONTENTS

Group highlights and general informations

1.	HIGHLIGHTS	3
2.	CDC GROUP	4
3.	BOARD OF DIRECTORS AND AUDITORS	6
4.	GROUP STRUCTURE AS AT 31 MARCH, 2011	7

First Quarter financial report as of 31 March 2011

5.	REPORT ON OPERATION	9
6.	GROUP RESULTS	11

1. HIGHLIGHTS

Economics			<i>(k€)</i>
Q1 2011	Q1 2010		2010
85,490	89,883	Net Revenues	345,450
1,051	2,146	EBITDA	6,747
18	1,100	EBIT	2,939
(478)	487	EBT	658
(56)	177	Net result	77
(56)	177	Group Net Result	77
(0.005)	0.014	Basic earnings per share (€)	0.006
(0.005)	0.014	Diluted earnings per share (€)	0.006

Financial			
31-March-11	31-March-10		31-Dec-10
(44,787)	(28,875)	Net financial position	(32,237)
433	395	Employees (units at period-end)	408

2. CDC GROUP

CDC POINT S.p.a., company listed to MTA segment of Borsa Italiana, was founded in 1986 by Giuseppe Diomelli, who is the actual Chairman of the society.

Since its creation, the corporate mission has been to “spread simple technology” offering to customers specific solutions. Since 1986 this philosophy and the will to honour a commitment permitted to CDC to become rapidly the reference for the information technology Italian market, with a high contribution to digital literacy training.

The 20 years experience in this segment and the business model, the only ones in this sector, made CDC Group one of the main operators in Italy in the information technology products distribution segment.

CDC success based on the multichannel strategy and on the value chain presence, two elements which allowed to give solutions in a short-time and with efficacy to all market segments, from families to small and medium sized companies, with also big companies and Public Administrations.

Business model bases on the following strong points:

- the widespread distribution network, both retail and wholesale trading;
- own brand product innovation and offer;
- technical excellence of logistic platform and business process quality.

CDC policy concentrated on the Italian market, developing on two different segments:

the selection of quality products and the spread of simple technology. This was possible thanks to the constant selection of even more interesting products for the national market, within those suggested by the international vendors, with the consequence during the years to establish distribution and partnership agreements, and those coming from no brand market.

The excellent technical competences allowed CDC to project and produce a wide range of own brand computers; every model was projected and realized to face to the specific needs of national market, sometimes even anticipating future development.

Actually CDC is a leader on Personal Computer market with the distribution of different products: **Premium** (high-end computer), **Cybermate** (professional products), **Next** (high quality computers with lower prices respect to brand products).

Anyhow the information technology needs of different users are not limited to computers; this stimulated to look for different products in the international market and concentrates to offer PC with a wide range of products and accessories of own brand with a constant evolution and development.

Consequently CDC developed two different product lines of own brand: **Kraun** and **Inkdrops**.

Kraun brand has about six hundred products concerning six categories and with the aim to satisfy the need of the related worlds: desktop, mobility, music&photo, networking, connectivity, protection.

InkDrops brand, on the other hand, proposes the complete range of cartridges, toner and compatible papers for every kind of printers distributed by the main worldwide producers, such as HP, Lexmark, Epson, Canon, Samsung, Brother.

Furthermore, CDC Group works in the new technologies market especially through **CDC Tech** division, that provides full range of solutions. Above division oversees Unified Communications market, with **Dexgate** solutions (that offer integrated communications system using Internet protocol, through which you can handle phone calls, video calls, teleconferences, videoconferences, voice, fax, SMS), video surveillance and access control market (both **Kraun** brand product both main world producers one, in addition to hosting and dial service and mobile mode to images), shop management solutions market (with **X4-shop**) and finally cloud computing market with **Interhosting**, all value-added services offered by the CDC Group (internet service providing, housing and hosting, web services, web, adv, certified mail etc.) and marketed both online and through local networks of the Group.

Starting from January 1, 2011 CDC takes control of Essedi's shop retail stores, consisting of 81 stores (of which 7 are directly managed). Essedi computer shop and the others retail chains controlled by the Group (Computer



Discount and Amico) have not relevant overlapping territorial stores, so that CDC is able to consolidate its leadership in the retail segment of the convenience stores with a market share of about 20% and about five hundred outlets active.

3. BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

	Position	Expiry of appointment
Giuseppe Diomelli	President	Balance approval as of 2013
Enrico Dell'Artino	Managing Director	Balance approval as of 2013
Enrico Barachini	Independent member of the board	Balance approval as of 2013
Elena Cenderelli	Independent member of the board	Balance approval as of 2013

Giuseppe Diomelli is the President and Legal Representative of CDC company and Managing Director to shareholding purchase and sale, immaterial goods, buildings, Plants, machineries, Vehicles, relationship with the institutional and financial authorities, together with Shareholders, coordination and management of new business activities, research and development of new products and solutions.

Enrico Dell'Artino is Managing Director for Business and Operative Direction, with authorization for Sales, Purchases, Strategic planning, Investor Relations, Organization and business processes, Human Resource, Technical assistance, Production, Logistics, Information Technology, Administration and staff, with authorization for Financial and Administration, Legal and corporate law, Internal Auditing *(limited to audit operating service for internal processes)*.

Enrico Barachini and Elena Cenderelli are Independent member of the board.

Elena Cenderelli, as the president and Enrico Barachini as member of internal control committee.

Enrico Barachini as the president and Elena Cenderelli as member of remuneration committee.

Enrico Barachini was confirmed lead independent director during the board of directors as of 4/29/11.

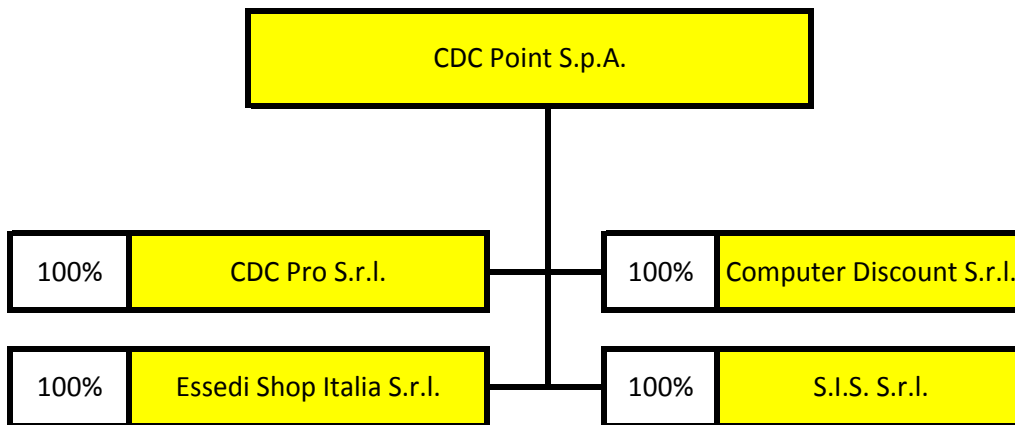
BOARDS OF STATUTORY AUDITORS

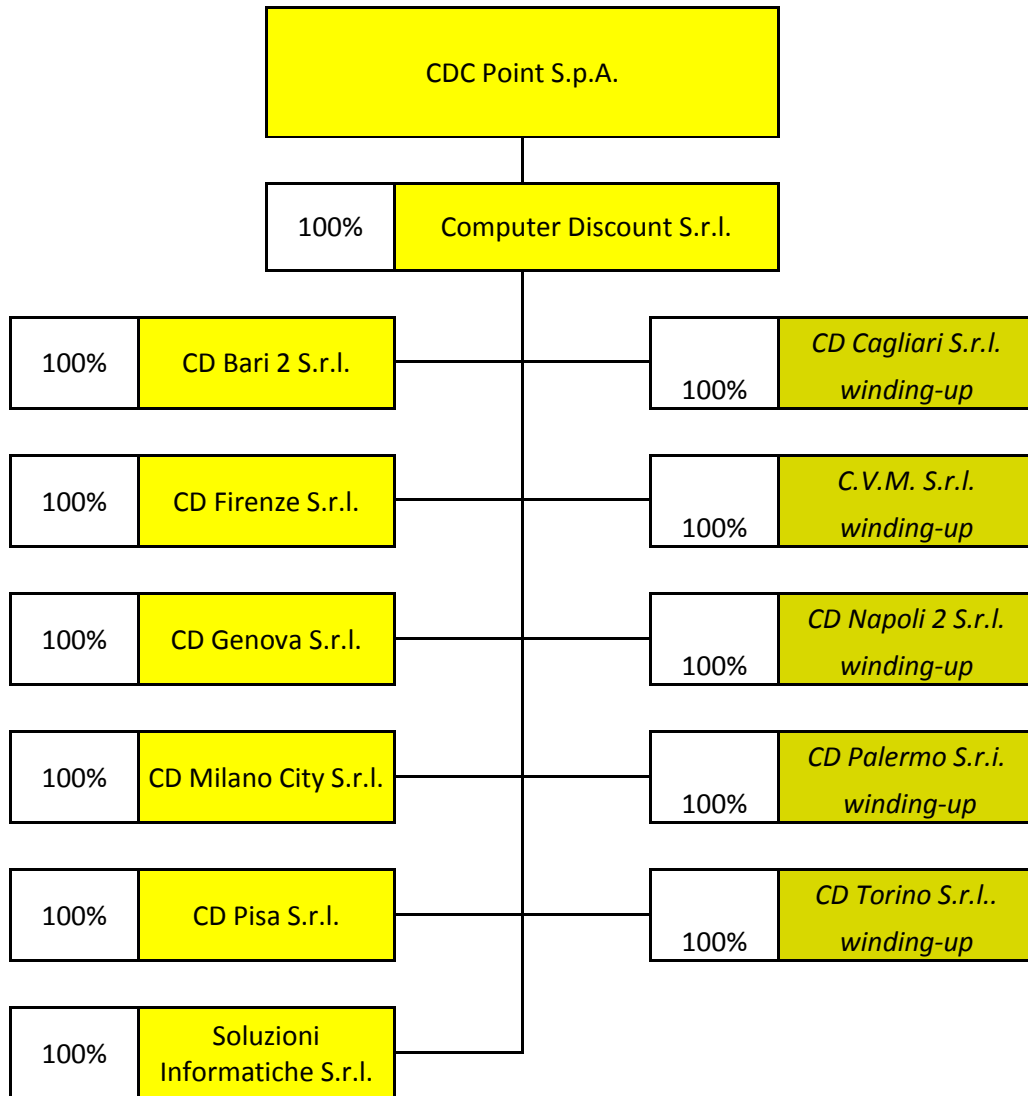
	Position	Expiry of appointment
Alberto Lang	President	Balance approval as of 2013
Daniela Carli	Auditor	Balance approval as of 2013
Luca Cecconi	Auditor	Balance approval as of 2013
<i>Francesco Pastorello</i>	<i>Auditor</i>	<i>Balance approval as of 2013</i>
<i>Francesco Bolgarelli</i>	<i>Auditor</i>	<i>Balance approval as of 2013</i>

AUDITORS

Mazars S.p.A. – expiration date: balance approval as of 2017

4. GROUP STRUCTURE AS AT 31 MARCH, 2011





5. REPORT ON OPERATION

Q1 2011, as the last quarter of 2010, reported a decline in the Italian IT market approximately about 1.6%. Demand weakness involved both professional users and retail segment.

Recovery signs in macroeconomic level, evident in some Western countries, have had an obvious turnaround of scenario about domestic market, although in few sectors begin to surface weak signals of the end of downward spiral.

Recent inflationary forces, mainly caused to the stress of the price commodity, and the resulting monetary policy of increasing gradually of interest rates, could make very difficult the market recovery.

Especially, in Q1 2011 the personal computer market (CDC Group target market) has a significant decrease of 7% in volumes and 6% in value.

In the described market scenario, CDC Group dampened loss of turnover at about 5%, with an improvement in performance during Q1.

The revenues trend, which also includes business with margins below the average (as, for example, the public tender won by CDC of September 2010 to supply IT materials to 63,000 Italian financiers), is also affected by a reduction in the average commercial margin because of, mainly, the lower margins of these segments compared to average, as well as by a slight reduction in margins given by vendors on traditional channels.

Negative trend in revenues has also affected the turnover of **Kraun** and **Inkdrops**, own brands, decreased approximately 7% in Q1 2011 over the previous year.

This result, which in overall showed a decrease in the brand owners turnover impact, suffer from some brands effect (of some business areas due to their nature) on the total turnover less than the medium business. Excluding this mix effect, the impact of brand owners turnover in total remained essentially unchanged.

Compared to the general performance turnover outlined above, new technologies revenues, staffed by CDC Tech division increasing particularly of management software area (+100%), videosurveillance (+54%) and hosting services and web marketing (+70%).

The retail chain Essedi integrated into CDC Group provided an increase in turnover in Q1 2011, however, as expected.

At Q1 2011 end, also taking account of seasonal factors typical of the sector, CDC Group recorded a level of negative net result, compared to a positive net result in the same period of the previous year. Decrease in revenues is the main reason for the limited profitability.

Turnover is equal to € 85.5 million with a decrease of 5% compared to € 90 million during Q1 2010, and consolidated net loss amounted of € 56 K, compared with a net profit of 177 k € reached in the same period last year.

The trend of average sales price, on the mix of the turnover, shows a light growing, around 2% compared to Q1 2010.

The IT Italian market (SIRMI), in the main market segment on which the Group operates (personal computers, servers and peripherals), recorded in Q1 2011, a decrease of about 6%, which interested all major product categories, more evident for netbook.

The tablet sector growth, important from a percentage point of view, has not still produced a compensating effect with the reduction of other pc categories: however, in Q1, CDC Group worked in this segment only through Essedi chain with iPad by Apple, unable to totally obtain benefits from the growth in this sector. Already in Q2, CDC Group expects to obtain more market opportunities and an increase in turnover through to greater availability of tablet.

CDC Group maintained during the first quarter of 2011 a multi-channel approach to the market, creating in distribution segment revenues around for € 51.8 million (decreasing of about 20.2% compared to the same period of 2010) and in retail segment (which includes both Computer Discount chain, Essedi and Amico, in addition to GDO/GDS) revenues amounting about to € 29.4 million (increasing of 25.8%).

In the first three months of the year the territorial network of Cash & Carry has further expanded through new activities that are implemented.

Marketing products outside of Kraun brand continues, and his turnover increases by approximately 30% over the same period of the previous year.

As expected also in the Group's business plan, turnover of the ISP business area decreased very significantly, according to the expected trend, providing a substantial reset within the year.

From a product range point of view, CDC Group confirms (SIRMI) as the 2nd Italian manufacturer of personal computers, and developed in the early months of 2010, a major expansion of product range with own brand (kraun for accessories and Inkdrops for consumables) especially technology products reference to the IP video surveillance.

Most of the IT business is still carried out by major brand worldwide products, such as HP, Lexmark, Epson, Canon, Samsung, Brother.

Since January, with the retail chain Essedi into the Group, it has started distributing of Apple products on that chain.

The profit margin attests to 11.7% of revenues, highlighting - as previously said - a decrease compared to the same period of 2010 (where the margin was exceptionally attested to 12.1% of revenues): the reasons for the decrease in primary margins stands on the expansion of the business market segments with below-average percentage margins as well as a mild and widespread deterioration in margins recognized by vendors on channel captive.

EBITDA for the period was 1.23% in revenue (compared to 2.39% of the same period of 2010).

The positive net result for the period is negative and amounting to 56 k€, compared to a positive net result of 177 k€ of Q1 2010.

Net financial position of CDC Group as of 31 March 2011 attests on € 44.8 million, higher than the position as of 31 March 2010, amounting to € 28.9 million. The increase, approximately two thirds of the total, should be related to the acquisitions made during the second half of 2010, and for the difference, by the expansion of net operating assets

The increase compared to year-end financial position is related to the seasonality of the sector and it has the same size to the expansion of the NFP to March 31, 2010 compared to the end of the year 2009.

6. GROUP RESULTS

Income statement

Consolidated profit and loss account (k€)	Q1 2011		Q1 2010		Δ	
(Reclassified by nature)						
1.Revenues	85,210	99.67%	89,628	99.72%	(4,418)	-4.93%
2.Other incomes	280	0.33%	256	0.28%	25	9.60%
I - REVENUES AND OPERATING INCOME	85,490	100.00%	89,883	100.00%	(4,394)	-4.89%
3.Cost of goods sold	(75,513)	-88.33%	(78,964)	-87.85%	3,451	-4.37%
4.Service costs	(4,911)	-5.74%	(4,660)	-5.18%	(251)	5.39%
5.Labour costs	(3,932)	-4.60%	(3,943)	-4.39%	12	-0.29%
6.Other operating costs	(83)	-0.10%	(169)	-0.19%	86	-50.96%
EBITDA	1,051	1.23%	2,146	2.39%	(1,095)	-51.03%
7.Amortization of intangible fixed assets	(478)	-0.56%	(371)	-0.41%	(107)	28.74%
8.Depreciation on tangible fixed assets	(405)	-0.47%	(492)	-0.55%	87	-17.58%
9.Gains/losses on disposals of non-current assets	0	0.00%	39	0.04%	(39)	
10.Provisions and impairment reversal/losses on non-current assets	(150)	-0.18%	(223)	-0.25%	73	-32.61%
EBIT	18	0.02%	1,100	1.22%	(1,082)	-98.38%
11.Share of earnings of equity investments in associated companies accounted for by the equity method	0	0.00%	0	0.00%	0	
12.Financial income	342	0.40%	285	0.32%	57	20.00%
13.Financial expenses	(838)	-0.98%	(898)	-1.00%	60	-6.65%
EBT FROM CONTINUING OPERATIONS	(478)	-0.56%	487	0.54%	(965)	-198.28%
14.Income taxes for the period	422	0.49%	(310)	-0.34%	732	-236.13%
NET RESULT FROM CONTINUING BUSINESS	(56)	-0.07%	177	0.20%	(233)	-131.91%
15.Net income from continued operations/assets held for sale	0	0.00%	0	0.00%	0	
NET RESULT	(56)	-0.07%	177	0.20%	(233)	-131.91%
16.Income (loss) attributable to minority interest	0	0.00%	0	0.00%	0	
NET GRUP RESULT	(56)	-0.07%	177	0.20%	(233)	-131.91%

Operating Costs

Operating costs (k€)	Q1 2011	Q1 2010	Δ	2010
Costs of goods for resale	75,513	78,964	(3,451)	304,763
Total service costs	4,911	4,660	251	18,881
Net marketing expenses	10	5	5	76
<i>(gross marketing expenses)</i>	558	652	(94)	2,851
<i>(contributions from suppliers for marketing expenses)</i>	(548)	(647)	99	(2,775)
Shipping and Logistics	859	945	(86)	3,322
Emoluments paid to Corporate Board	240	264	(24)	938
Utilities	342	317	25	1,294
Lease and rental expenses	1,045	995	50	4,023
Bank Commissions	173	209	(36)	899
Insurance	360	367	(7)	1,651
Technical and Fiscal services	354	345	9	1,393
Management shop costs	569	367	202	1,801
Other service costs	959	846	112	3,484
Labour costs	3,932	3,943	(12)	14,354
Other operating costs	83	169	(86)	704
TOTAL	84,439	87,737	(3,298)	338,703

Net Working Capital

Net Working Capital	31 - March -11	31- March -10	Δ	31-Dec-10
Inventories	40,320	59,807	(19,487)	36,037
Trade receivables	80,550	81,064	(514)	83,903
Receivables from subsidiaries	0	0	0	0
Receivables from unconsolidated subsidiaries	0	0	0	0
Receivables from other subsidiaries	0	0	0	0
Receivables from parent company	14,664	836	13,828	14,664
Taxes receivables	559	1,062	(503)	570
Other receivables	14,372	7,889	6,483	12,146
Assets held for sales	0	0	0	0
Current assets	150,466	150,658	(192)	147,320
Trade payables	(72,639)	(87,513)	14,874	(79,842)
Other payables	(18,625)	(7,533)	(11,091)	(20,133)
Payables to subsidiaries	0	0	0	0
Payables to unconsolidated subsidiaries	0	0	0	0
Payables to other subsidiaries	0	0	0	0
Payables to parent company	(341)	(9)	(332)	(342)
Liabilities associated to assets held for sales	0	0	0	0
Current liabilities	(91,605)	(95,056)	3,451	(100,317)
Net Working Capital	58,862	55,602	3,260	47,003

Consolidated net financial position

Net Financial Position (k€)	31 - March -11	31- March -10	Δ	31-Dec-10
Banks debts payable within 12 months*	(26,042)	(15,124)	(10,918)	(22,775)
Cash and cash equivalents	3,534	7,328	(3,793)	12,155
(Amounts due to) Due from factoring companies*	(138)	0	(138)	(476)
Liquidity (borrowing) within 12 months	(22,646)	(7,797)	(14,849)	(11,096)
Short term loans*	(7,698)	(8,000)	302	(7,698)
Amounts due to other lenders for leases falling due within 12 months*	0	0	0	0
Amounts due to others within 12 months	(7,698)	(8,000)	302	(7,698)
Net financial Position within 12 months	(30,344)	(15,797)	(14,547)	(18,794)
Amounts due to other lenders for leases falling due after 12 months	0	0	0	0
Bank debts payable beyond next 12 months	(14,442)	(13,078)	(1,364)	(13,442)
Net Financial Position beyond next 12 months	(14,442)	(13,078)	(1,364)	(13,442)
Total Net Financial Position	(44,787)	(28,875)	(15,912)	(32,237)

* Issues highlighted incorporate global financial amounts within 12 months, detailed in liabilities of balance sheet

Net consolidated investments

Net consolidated investments (k€)	Q1 2011	Q1 2010	Δ	2010
Intangible fixed assets	5,702	161	5,541	10,583
Tangible fixed assets	443	285	158	1,738
Financial fixed assets	6	(1)	7	800
Total	6,151	445	5,706	13,121