

CDC GROUP



CONSOLIDATED QUARTERLY **REPORT** **AS OF MARCH 31, 2004**



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1. BUSINESS AND STRUCTURE OF CDC GROUP

BUSINESS

CDC Point S.p.A., which has been listed on the Italian Stock Exchange's *Nuovo Mercato* since July 2000, is Italy's leading producer and distributor of IT products.

Its retail distribution network – the largest in Italy in terms of sales and brand awareness – serves the consumer and SOHO segments with more than 630 outlets as of March 31, 2004. The above outlets are organized into three distinct chains operating under the Computer Discount, Compy and Amico trademarks.

The Group also serves the dealer and VAR markets via a network of 21 proprietary Cash & Carry outlets (to which in September 2002 it added the 5 Cash & Carry stores operated by the subsidiary Direct) which distribute to over 25,000 specialist IT resellers. The IT distribution market for dealers and VARs is also served by the B2B e-commerce platform: www.cdcpoint.it.

As of 2001 CDC also serves the government, large-scale users and retail chain markets, via its Large Account division.

In November 2002 CDC won a contract from Consip SpA to supply PCs to central and local government agencies, achieving euro 68,381 thousand of revenues in the 2003 fiscal year.

In June 2003 CDC won a new tender from Consip SpA to supply 30,000 desktop PCs to government agencies, for over euro 16 million.

In addition to its core business of IT production and distribution, CDC also operates in the Internet segment via its subsidiary, Interfree, the Group's portal and ISP.

GROUP STRUCTURE

CDC Point S.p.A.

Registered Office: Via Tosco Romagnola, 61 56012 Fornacette CALCINAIA (PI)

Member of the Chamber of Commerce of Pisa number 01250630504

Parent Company and Operating holding company

- Business: sale of IT products

Micronica S.p.A. one-shareholder company

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

Member of the Chamber of Commerce of Pisa number 01144430509

Wholly owned

- Business: production of personal computers and management of the Group's logistics platform



PC Stop S.r.l. one-shareholder company

Registered Office: Via Calabria, 1 GELLO of PONTEDERA (PI)
Member of the Chamber of Commerce of Pisa number 01341600508
Wholly owned
- Business: sale of IT products

CD Web S.r.l. one-shareholder company

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)
Member of the Chamber of Commerce of Pisa number 01515060505
Wholly owned
- Business: e-commerce

Polinet S.r.l. one-shareholder company

Registered Office: Piazza Fermi snc, 56012 Fornacette CALCINAIA (PI)
Member of the Chamber of Commerce of Pisa number 01515070504
Wholly owned
- Business: Real estate

Interfree S.r.l. one-shareholder company

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

Direct S.r.l.

Registered Office: Via Mazzini, 74 56025 PONTEDERA (PI)
Member of the Chamber of Commerce of Pisa number 01459540504
99% owned
- Business: distribution of IT products

Mactronics Technology S.r.l. one-shareholder company

Registered Office: Via Tosco-Romagnola, 61 56012 Fornacette CALCINAIA (PI)
Member of the Chamber of Commerce of Pisa number 01622090502
Wholly owned
- Business: design and marketing of storage and server

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

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



2. CORPORATE BODIES OF PARENT COMPANY CDC POINT SPA

BOARD OF DIRECTORS

Name & Surname	Office	Duration of appointment
Giuseppe Diomelli	Chairman	Approval of 2004 accounts
Leonardo Pagni	Managing Director	Approval of 2004 accounts
Claudio Andolfi	Managing Director	Approval of 2004 accounts
Alessandro Barberis	Director	Approval of 2004 accounts
Enrico Barachini	Director	Approval of 2004 accounts
Paolo Gualtieri	Director	Approval of 2004 accounts
Emilio Vitale	Director	Approval of 2004 accounts

Giuseppe Diomelli is Chairman and Legal Representative with responsibility on corporate activities and corporate functions, in order to carry out the corporate business strategy.

Leonardo Pagni is Managing Director with responsibility for the Commercial and Operative Department. He is responsible for Sales, Procurement, Production, Logistics, IT, Strategic Planning and Investor Relations.

Claudio Andolfi is Managing Director with responsibility for the Administration and Staff Department. He is responsible for Finance, Administration and Control, Human Resources, Development New Opening, Legal and Corporate Business, Internal Auditing.

Alessandro Barberis and Enrico Barachini are Independent Directors.

On April 28, 2004 CDC's shareholders meeting increased the number of Directors from 5 to 7 and by appointing two new independent Directors, Emilio Vitale and Paolo Gualtieri.

Enrico Barachini, as Chairman, and Alessandro Barberis are members of the Internal Audit Committee.

Alessandro Barberis, as Chairman, Enrico Barachini and Leonardo Pagni are members of the Remuneration Committee.

BOARD OF STATUTORY AUDITORS

Name & Surname	Office	Duration of appointment
Carlo Bossi	Chairman	Approval of 2004 accounts
Daniela Carli	Statutory Auditor	Approval of 2004 accounts
Alberto Lang	Statutory Auditor	Approval of 2004 accounts
Enzo Polidori	Alternate Auditor	Approval of 2004 accounts
Enrico Fabbri	Alternate Auditor	Approval of 2004 accounts

3. USEFUL INFORMATION

CDC Point S.p.A.

Via Tosco Romagnola 61
56012 Fornacette (PI)
Enrolled on the Pisa companies' register at no. 01250630504
Telephone +39 0587 2882
Telefax +39 0587 288514

Investor relations

investorrelations@cdcpoint.it

Internet Address

<http://www.cdc.it>

<http://www.interfree.it>





4. BASIS OF CONSOLIDATION, ACCOUNTING PRINCIPLES AND POLICIES, METHOD OF CONSOLIDATION

BASIS OF CONSOLIDATION

All the subsidiaries of CDC Point S.p.A. have been consolidated on a line-by-line basis.

The companies listed below were included in the consolidation scope.

CDC Point S.p.A. – parent company

Miconica S.p.A. one-shareholder company - Wholly owned

Cd Web S.r.l. one-shareholder company - Wholly owned

Polinet S.r.l. one-shareholder company - Wholly owned

Interfree S.r.l. one-shareholder company - Wholly owned

Direct S.r.l. – 99% owned

Mactronics Technology S.r.l. one-shareholder company - Wholly owned

Computer Discount S.r.l. one-shareholder company - Wholly owned

The company PC Stop S.r.l. one-shareholder company was not consolidated for the period under review because it is not operative.

CONSOLIDATION PRINCIPLES

The assets and liabilities of consolidated companies are posted in accordance with the line-by-line method, eliminating the book value of consolidated equity investments against the related shareholders' equity.

The difference between the purchase cost of the consolidated equity investments and the corresponding interest in shareholders' equity is posted to the various assets and liabilities on the basis of values current at the time of the purchase, or to the item "Consolidation differences" and charged to the income statement in accordance with the criteria applied to goodwill.



Profits and losses deriving from intercompany transactions, if not yet realized on third-party transactions, are eliminated, if significant, as are intercompany accounts receivable and payable, revenues and costs, guarantees, commitments and risks.

Amounts posted solely for tax purposes are eliminated and financial lease was registered by the financial method according to the international accounting principle IAS 17.

Minority interests in the shareholders' equity of consolidated companies are shown in a specific item.

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the quarterly report as of March 31, 2004 comply with the laws related to such financial statements.

Intangible fixed assets

Such assets are recorded at purchase or production cost, including any incidental expenses, and amortized over their estimated useful lives.

Research and development costs only capitalized if they are due to the production of prototype of new goods whose marketing in future fiscal years will be sure.

The amortization of these costs starts when the development was concluded and its length is of 3 years.

Start-up and development costs are amortized over five years.

Industrial patents and licenses are amortized over five years.

Advertising costs are fully expensed as incurred, with the exception of those sustained during the start-up phase.

Trademarks are amortized over a period of ten years.

Consolidation difference consisting of the higher value paid for shareholdings acquisition and the length of its amortization is of 10 years at the latest.

Purchased goodwill is amortized over a period of no more than five years. Assets are written down in order to reflect any permanent impairments in value, independent of accumulated amortization; the appropriate value of such assets, adjusted solely to take account of accumulated amortization, is reinstated in future periods should the reasons for such write-down cease to apply.

Tangible fixed assets

Such assets are recorded at purchase or production cost. The stated cost includes incidental expenses and the direct and indirect costs that may be reasonably attributed to the asset concerned.

Tangible fixed assets are depreciated on a straight-line basis by applying the following economic and technical rates:

Buildings	3%
Light constructions	10%
Plants and machinery	15-30%
Industrial and commercial equipment	15%
Other assets:	
- Electronic office equipment	20%
- Vehicles	20-25%



- Cellular and radio telephones	20%
- Advertising equipment/signs	15%
- Fair equipment	15%

The above depreciation rates are halved in the first year the assets enter service.

Assets are written down in order to reflect any permanent impairment in value, independent of accumulated depreciation; the appropriate value of such assets, adjusted solely to take account of accumulated depreciation, is reinstated in future periods should the reasons for such write-down cease to apply.

Ordinary maintenance costs are fully expensed as incurred. Improvements are capitalized and depreciated on the basis of the remaining useful life of the asset to which they relate.

Financial fixed assets

Long-term accounts receivable are recorded at their estimated realizable value.

Equity investments in unconsolidated subsidiaries and in associated companies are valued in accordance with the equity method, after deducting any dividends and applying the adjustments required by consolidation principles. The purchase or subscription cost is therefore adjusted in order to reflect any change in the shareholders' equity of such companies since the acquisition of the investment. The Parent Company's share of net income or losses realized by subsidiaries or associated companies is thus posted to the income statement for the period.

Equity investments in other companies are valued at cost and reduced because of possible loss of value. Any option to buy shareholdings are entered as financial fixed assets and are valued with the same criteria applicable to such shareholdings; in alternative, if they are not expected to be exercised, such options are expensed out.

Inventories

In the case of the IT distribution business, inventories are recorded at the lower of purchase or production cost, calculated on the basis of the FIFO method, or their estimated realizable value, calculated on the basis of market prices. Cost is determined on the same basis as used for fixed assets; the estimated realizable value is calculated taking into account any production costs still to be incurred and direct selling costs. Obsolete and slow-moving stocks are written down on the basis of their estimated useful lives or realizable values.

Accounts receivable

Accounts receivable are recorded at their 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.

Factoring

The factoring of receivables without recourse results in the reversal of the corresponding amount of the trade receivables, at the time of the payment of the factor.

The factoring of receivables with recourse is recorded by posting to the item "Due to other lenders" the advance loans received from factors, and maintaining, therefore, the related receivables recorded under the item "Trade receivables"

Treasury Shares

Treasury shares are valued at average cost, adjusted, in the case of a reduction, on the basis of their market value at the end of the period. The appropriate value of such assets is reinstated in future periods should the reasons for such write-down cease to apply up to the limit of the purchase price.



Accruals and deferrals

These are recorded share of incomes and costs referring to different account periods, on an accrual basis method.

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. The provisions reflect the best possible estimate of such liabilities based on the information available at year-end. Risks giving rise to liabilities that are solely possible are reported in the Notes to memorandum accounts, without any provisions being made.

Provisions for employee severance indemnities

Provisions for employee severance indemnities represent the accrued liability to employees in accordance with the established legislation, collective labour contracts and company agreements. Such provisions are subject to revaluation on the basis of indexes.

Accounts payable

Accounts payable are recorded at their nominal value.

Revenue recognition

Sales revenues are recognized on transfer of ownership, which generally coincides with shipment. The revenues deriving from sales of products subject to the approval are recorded on the approval.

Service revenues are recognized at the time the service is completed.

Revenues from the sale of advertising space are recognized at the date of publication.

Income taxes

Income taxes are calculated on the basis of taxable income estimated in compliance with established legislation, taking account of any allowable deductions and tax credits due. Deferred tax assets and liabilities, deriving from temporary differences between the carrying value of an asset or liability and its tax base, are also recognized. Deferred tax assets are only recognized where there is reasonable certainty that they will be recovered and taking into account the estimated tax rate to which the Company will be liable in future years. The tax benefit deriving from the carrying forward of tax losses is posted to the accounts where there is reasonable certainty that it will be realized, and in any event not before the year in which the Company effectively benefits.

Capital grants

Capital grants are posted to deferred income until title to such grants is reasonably certain. They are posted to the income statement over the useful life of the asset to which they refer.

Foreign currency translation

Accounts receivable and payable originally denominated in foreign currency are translated into euros on the basis of closing exchange rates as at March 31, 2003, taking into account the relevant hedges. Foreign currency translation gains or losses realized on collection of foreign currency accounts receivable and on the payment of the foreign currency accounts payable are posted to the income statement, under financial income and expense.

Derivatives

Such instruments are posted to the memorandum accounts at their nominal value, based on the forward price, with the exception of options, which are posted to accounts receivable. The gains and losses resulting from the application of period-end exchange rates to forward currency agreements, where there



is a net exposure not related to specific transactions, are reflected in the allowance for exchange rate fluctuations.

The contracts links to specific activities such as public supplies were posted in accordance with a plan of funding of foreign currency aiming at balancing the forward agreements to the needs of currency as for amount and expiration.

The interest rate swaps are described on the Income Statement. If they consist of hedging swaps their effects are posted to the income statement among the financial income/expenses, if they consist of non hedging swaps their effects are posted according to a market evaluation at the end of the quarterly period (in the event of losses they are posted).

Finance leases

Assets purchased via finance leases are recorded among tangible fixed assets and depreciated over their estimated useful lives, whilst the principal of the debt outstanding with the leasing company is included among amounts payable to other lenders. Depreciation and interest expense is thus posted to the income statement.

Risks, commitments and guarantees

Contract commitments and guarantees are recorded in the memorandum accounts at the value shown in the relevant contracts.

Exceptions pursuant to section 4 of art. 2423

It was not necessary to apply any such exceptions in the preparation of the attached accounts.

EVALUATION CRITERIA

The main items subject to estimates regard a portion of the bonuses and contributions from suppliers. These are based on the achievement of certain qualitative and quantitative targets over the period, for which, at the current time, there is reasonable certainty that they will be met. The portion recognized for this quarter derives from the activities carried out to March 31, 2004.

Change to the international accounting practises (IFRS)

The Group during the next months is starting a specific test, which will expire within summer, in order to identify the differences and to plan the change to the new accounting principles.



5. CONSOLIDATED ACCOUNTS OF THE CDC GROUP AND RELATED NOTES

5.1. GROUP OPERATING PERFORMANCE

During the First Quarter of 2004, the CDC Group earned consolidated revenues for euro 156,156 thousand, up 10.89% against euro 140,822 thousand in the First Quarter of 2003.

Consolidated revenues had been achieved for euro 153,151 thousand by the core business of IT production and distribution (against revenues for euro 138,701 thousand in the First Quarter of 2003) and for euro 3,005 thousand thanks to the Internet business (against euro 2,121 thousand in the same period of 2003) via the subsidiary Interfree S.r.l.

During the First Quarter of 2004 the Information Technology market decreased by 1.4%, following the negative trend of 2003 (-4.1%).

The MicroIT and the PC (PC Desktop, Notebook e Server) market showed a turnaround. During the First Quarter 2004 the MicroIT market slightly increased (+0.3%), while the PC market registered a 1.1% increase in terms of value and a 19.5% increase in terms of units (source: Sirmi, April 2004).

The increase of PC market, where CDC produces about the 50% of its revenues, generally involves both the PC desktop segment (+14.7% in terms of units, +2.3% in value) and the notebook segment (+27% in terms of units). Nevertheless the notebook segment registered a strong decrease of the sale prices with a decline of the turnover (-4%) (source Sirmi, April 2004).



Despite the negative trend of the industry CDC Group over performed both the IT distribution market and the PC market.

The positive performance of revenues was obtained thanks to:

- A strong increase (+26.5%) of revenues achieved by the distribution division (Cash&Carry chain and Amico/B2B channel), which generated revenues for euro 81,729 thousand in the First Quarter of 2004 (against euro 64,587 thousand in the First Quarter of 2003), also thanks to the positive contribution of the B2B platform;
- The consolidation of the retail division (Computer Discount chain and Consumer Electronics/GDO channel) revenues, equal to euro 60,325 thousand in the First Quarter of 2004, against euro 59,423 thousand in the First Quarter of 2003.

In the First Quarter of 2004, the Directs Sales Division, operating in the Public Sector and the Large Corporate markets, registered revenues for euro 10,976 thousand, in line with the targets of the business plan but decreasing compared to revenues for euro 14,484 thousand reached in the First Quarter of 2003, when CDC benefited of the Consip tenders won at the end of 2002.

The pre-tax profit of the First Quarter of 2004 amounted to euro 4,284 thousand, considerably increasing (+36%) against 2003 and in line with the targets of the business plan of the Group.

The Gross Margin rose from euro 20,700 thousand in the First Quarter of 2003 (14.65% ratio on sales) to euro 20,769 thousand in the First Quarter of 2004 (13.28% ratio on sales).

As of March 31, 2003 the gross margin reflected the positive trend of the exchange rate euro/US dollar during the first Quarter of 2003, partially reflected in the item Foreign Exchange Charges, equal to euro 767 thousand (0.54% ratio on sales) as of March 31, 2003, due to a corporate risk exchange management aiming at securing the price list.

On the other hand the First Quarter of 2004 registered net financial expenses for euro 57 thousand.

Operating costs, net of the costs of goods sold, during the current Quarter, increased by 2.2% against the same period of 2003, from euro 12,509 thousand to euro 12,795 thousand. The operating costs ratio on sales therefore decreased from 8.86% of the First Quarter of 2003 to 8.19% of the First Quarter of 2004.

Operating costs had been determined by the following items:

- increasing of the payroll costs from euro 5,093 thousand of 2003 to euro 5,206 thousand of 2004. The growth relates to the increase in the headcount from 588 in 2003 to 601 in 2004;
- increasing of the service costs for euro 917 thousand, mainly due to the greater costs, compared to the First Quarter of 2003, of the subsidiary Interfree S.r.l. from the ISP activity. In comparison with this growth, the internet business achieved an increase of revenues equal to euro 951 thousand.

The Consolidated Ebitda (gross operating profit) amounted to euro 7,974 thousand (5.10% ratio on sales), compared to euro 8,191 thousand (5.80% ratio on sales) in the First Quarter of 2003, with a decrease of 2.7%.

After charges for amortization and depreciation for euro 2,285 thousand, the Ebit (operating profit) rose from euro 5,905 thousand in the First Quarter of 2003 (4.18% ratio on sales) to euro 5,689 thousand (3.64% ratio on sales) of the under review period.

The financial expenses, related to commissions on credit card, POS and factoring fees, net foreign currency translation losses and interest expenses, decreased by 42%, from 2,372 thousand in the First Quarter of 2003 to euro 1,367 thousand in the under review period.



In particular, during the First Quarter of 2004 commissions on credit card, POS and factoring fees were equal to euro 533 thousand (compared to euro 729 thousand in the same period of 2003), net foreign currency translation losses were equal to euro 57 thousand (compared to euro 767 thousand in the First Quarter of 2003) and net interest expenses were equal to euro 666 thousand (compared to euro 681 thousand in the First Quarter of 2003).

During the First Quarter of 2004 the earnings deriving from ordinary activities reached euro 4,376 thousand (2.80% ratio on sales), compared to euro 3,348 thousand in the same period of 2003 (2.37% ratio on sales).

After net extraordinary expenses for euro 88 thousand, the net pre-tax profit for the period was equal to euro 4,288 thousand, increasing by 38% compared to euro 3,114 thousand of the First Quarter of 2003, in line with the targets of 2004 budget.

The following schedule shows the reclassified consolidated income statement of the CDC Group for the quarter in question. This has been derived from the statutory income statement.

CONSOLIDATED INCOME STATEMENT AS OF MARCH 31, 2004

	Mar 31, 04	%	Mar 31, 03	%	Change	Change
	on sales		on sales		%	
Revenues from sales and services	156,156	99.86%	140,822	99.68%	15,334	10.89%
Other revenues and income	213	0.14%	446	0.32%	(233)	-52.24%
Total Revenues	156,369	100.00%	141,268	100.00%	15,101	10.69%
Cost of raw and ancillary materials and goods for resale	(108,836)	-69.60%	(122,012)	-86.37%	13,176	-10.80%
Change in inventories of goods for resale	(26,764)	-17.12%	1,444	1.02%	(28,208)	1953.46%
Cost of materials and goods	(135,600)	-86.72%	(120,568)	-85.35%	(15,032)	12.47%



Gross trading surplus	20,769	13.28%	20,700	14.65%	69	0.33%
Service costs	(6,062)	-3.88%	(5,932)	-4.20%	(130)	2.19%
Lease expense	(1,322)	-0.85%	(1,327)	-0.94%	5	-0.38%
Payroll costs	(5,206)	-3.33%	(5,093)	-3.61%	(113)	2.22%
Other operating costs	(205)	-0.13%	(157)	-0.11%	(48)	30.57%
Ebitda	7,974	5.10%	8,191	5.80%	(217)	-2.65%
Tangible and intangible amortization	(1,521)	-0.97%	(1,532)	-1.08%	11	-0.72%
Provisions and write-downs	(170)	-0.11%	(186)	-0.13%	16	-8.60%
Ebita	6,283	4.02%	6,473	4.58%	(190)	-2.94%
Amortization of goodwill and cost of public offering	(594)	-0.38%	(568)	-0.40%	(26)	4.58%
Ebit	5,689	3.64%	5,905	4.18%	(216)	-3.66%
Financial income (expense), net	(1,367)	-0.87%	(2,372)	-1.68%	1,005	-42.37%
Extraordinary income (expense), net	(88)	-0.06%	(234)	-0.17%	146	-62.39%
Write-downs of equity investments	54	0.03%	(185)	-0.13%	239	-129.19%
Net income (loss) before minority interest	4,288	2.74%	3,114	2.20%	1,174	37.70%
Minority interest	(4)	0.00%	31	0.03%	(35)	-112.90%
Consolidated net result	4,284	2.74%	3,145	2.23%	1,139	36.22%

Revenues from sales and services

Consolidated sales revenues - net of returns, discounts and credit notes and before the elimination of intercompany transactions - are broken down below, by area of business.

Business areas	Mar 31, 04	Mar 31, 03	Change
IT	153,151	138,701	14,450
Internet	3,005	2,121	884

Other revenues and income

In the First Quarter of 2004, **other revenues and income** were equal to euro 213 thousand, mainly related to recoveries of costs for overcharge to the customers.

They do not include payments to cover advertising, franchising fees received from new franchisees and contributions for promotions from suppliers, amounting to euro 3,345 thousand as at March 31, 2004, which were classified as a reduction of service costs (also including marketing costs).



Period-end bonuses from suppliers and stock protection, totalling euro 6,647 thousand as of March 31, 2004 were classified as reductions of the cost of materials.

Operating costs

The following table shows the main Group operating costs, broken down by business unit:

Operating costs	Mar 31, 04	Mar 31, 03	Change
Goods for resale	(108,836)	(122,012)	13,176
Change in inventories	(26,764)	1,444	(28,208)
Payroll costs	(5,206)	(5,092)	(114)
<i>IT distribution</i>	(5,075)	(4,962)	(113)
<i>Internet</i>	(131)	(130)	(1)
Marketing costs	276	(602)	878
<i>IT distribution</i>	388	(597)	985
<i>Internet</i>	(112)	(5)	(107)
Transport and logistics costs	(1,889)	(1,909)	20
Other service costs	(4,449)	(3,421)	(1,028)
<i>IT distribution</i>	(2,729)	(2,634)	(95)
<i>Internet</i>	(1,720)	(787)	(933)
Total	(146,868)	(131,592)	(15,276)

The amount referring to the **change in inventories** is essentially relating to the Parent Company CDC Point S.p.A., which is involved in the IT core business.

Marketing costs amount to euro 3,069 thousand (euro 3,572 thousand in 2003) and are expressed net of contributions from suppliers and reimbursements received from the distribution chain totalling euro 3,345 thousand (euro 2,970 thousand in 2003).

The decrease of euro 878 thousand, compared to the same period of 2003, was due to:

- increasing of contributions from suppliers for euro 375 thousand;
- decreasing of advertising costs for euro 407 thousand.

Payroll costs as at March 31, 2004 amount to euro 5,206 thousand, with an increase of euro 113 thousand against to the same period in 2003, due to:

- rise of payroll costs in the IT production and distribution business, from euro 4,963 thousand at March 31, 2003 to euro 5,075 thousand as of March 31, 2004. This growth mainly relates to the increase in the headcount for 14 units;
- stabilization of payroll costs in the Internet business, from euro 130 thousand in the First Quarter of 2003 to euro 131 thousand in the First Quarter of 2004.

The following table shows a breakdown of the headcount by business unit for the periods ending on March 31, 2004 and on March 31, 2003.

Employees	March 31, 2004	March 31, 2003	Change	Average number of employees Jan 01, 2004 - March 31, 2004
IT Distribution				



<i>Managers</i>	16	13	3	15.33
<i>Supervisors</i>	31	32	(1)	28.67
<i>White-collar</i>	384	393	(9)	383.67
<i>Blue-collar</i>	146	135	11	174.00
<i>Trainees</i>	12	2	10	14.33
Total	589	575	14	616.00
Internet Business				
<i>Managers</i>	0	0	0	0
<i>Supervisors</i>	1	1	0	1
<i>White-collar</i>	11	12	(1)	11
<i>Trainees</i>	0	0	0	0
Total	12	13	(1)	12
Total Group	601	588	13	628

Amortization, depreciation and write-downs

In addition to the charges relating to individual companies, **amortization and depreciation** also include consolidation adjustments resulting from the elimination of entries posted solely for tax purposes, such as accelerated depreciation and the recalculation of lease transactions according to financial lease accounting.

Financial income and expense

Net **financial expenses**, consisting of commissions on credit card, POS and factoring fees, net foreign currency translation adjustments and interest expenses, decreased from euro 2,372 thousand in the First Quarter of 2003 to euro 1,367 thousand in the First Quarter of 2004, with a reduction equal to 42%.

This reduction for euro 1,005 thousand, compared to the same period in 2003, was due to:

- decrease of losses as net foreign currency translation for euro 832 thousand, resulting from coverage of foreign currency requirements generated by the commercial activity;
- smaller commissions on credit cards and factoring fees, for euro 147 thousand.

Financial income (expense)	March 31, 2004	March 31, 2003	Change
Interest income	85	52	33
Interest expense	(751)	(733)	(18)
Bank commissions	(111)	(72)	(39)
Credit card, POS and factoring fees	(533)	(680)	147
Net foreign currency translation adjustments	(57)	(767)	710
Provisions	0	(50)	50
Options premium	0	(122)	122



Total	(1,367)	(2,372)	1,005
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Net financial position

The following table shows the trend of net financial position for the period ended March 31, 2004, compared to the same item as of March 31, 2003 and December 31, 2003.

NET FINANCIAL POSITION	Mar 31, 04	Dec 31, 03	Change	Mar 31, 03
Bank debts payable within 12 months	(12,852)	(4,033)	(8,819)	(30,915)
Bank debts payable over 12 months	(25,000)	(25,000)	0	(141)
Cash and cash equivalents	9,239	10,794	(1,555)	3,267
Total short-terms debt	(28,613)	(18,239)	(10,374)	(27,789)
Amounts due to factor for receivables with recourse	(81)	(881)	800	(1,704)
Amounts due to other lenders for leases:				
- falling due within 12 months	(729)	(704)	(25)	(788)
- falling due after 12 months	(1,962)	(2,185)	223	(2,462)
Amounts due to other lenders	(2,772)	(3,770)	998	(4,954)
TOTAL	(31,385)	(22,009)	(9,376)	(32,743)

Total net debt, including amounts due to other lenders for leases registered according to the international accounting principle IAS 17, amounts to euro 31,385 thousand, whit a reduction for euro 32,473 thousand compared to the same period of 2003.

Extraordinary items

Extraordinary items recorded a negative balance of euro 88 thousand for the First Quarter of 2004, mainly consisting of commercial contingent liabilities.

INVESTMENTS

Consolidated investments	March 31, 2004	March 31, 2003	Change
Intangible fixed assets	111	114	(3)
Tangible fixed assets	325	217	108
Financial assets	5	33	(28)
Total	441	364	77



Investment net of disinvestment, during the first quarter of 2004, registered an increase of 77 thousand. In the examined period, CDC Group realised investment in tangible and intangible fixed assets. The most relevant were the opening of the new Cash & Carry located in Perugia and managed by the company Direct S.r.l. (euro 179 thousand), investments in electronic office equipment (euro 67 thousand), research and development expenses related to Dexgate project (euro 39 thousand) and software (euro 24 thousand) made by the parent company CDC Point S.p.A.

5.2. OPERATING PERFORMANCE OF THE INTERNET BUSINESS

During the first quarter of 2004 the CDC Group earned revenues for euro 3,005 thousand, deriving from the Internet business, compared to 2,054 thousand in the same period of 2003, increasing by about 32%. The revenues increased thanks to new agreements ruling reverse revenues and charges with Telecom S.p.A. and Wind S.p.A. for internet traffic produced by Interfree as Internet Service Provider.

The Gross Margin rose from euro 2,057 to euro 3,003 thousand, while the Ebitda was equal to 1,000 thousand, up to 2.2% compared to euro 978 thousand in the First Quarter of 2003.

After Amortization and Depreciation for euro 113 thousand (equal to euro 120 thousand in the First Quarter of 2003), the Ebit increased from euro 808 thousand in the First Quarter of 2003, to euro 887 thousand in the First Quarter of 2004 (+9%).

Net consolidated profit of Internet business amounted to euro 930 thousand, after net financial income for euro 28 thousand and net extraordinary income for euro 15 thousand.

The following schedule shows the reclassified income statement for the Internet business, before write-downs of equity investments, for the period under consideration:

CONSOLIDATED INCOME STATEMENT FOR THE INTERNET BUSINESS

Mar 31, 04	%	Mar 31, 03	%	Change	Change
	on sales		on sales		%



Revenues from sales and services	3,005	99.97%	2,054	99.76%	951	46.30%
Other revenues and income	1	0.03%	5	0.24%	(4)	-80.00%
Total Revenues	3,006	100.00%	2,059	100.00%	947	45.99%
Cost of raw and ancillary materials and goods for resale	(3)	-0.10%	(2)	-0.10%	(1)	50.00%
Change in inventories of goods for resale	0	0.00%	0	0.00%	0	
Cost of materials and goods	(3)	-0.10%	(2)	-0.10%	(1)	50.00%
Gross trading surplus	3,003	99.90%	2,057	99.90%	946	45.99%
Service costs	(1,832)	-60.94%	(915)	-44.44%	(917)	100.22%
Lease expenses	(16)	-0.53%	(30)	-1.46%	14	-46.67%
Payroll costs	(131)	-4.36%	(130)	-6.31%	(1)	0.77%
Other operating costs	(24)	-0.80%	(4)	-0.19%	(20)	500.00%
Ebitda	1,000	33.27%	978	47.50%	22	2.25%
Tangible and intangible amortization	(113)	-3.76%	(120)	-5.83%	7	-5.83%
Provisions and write-downs	0	0.00%	(50)	-2.43%	50	-100.00%
Ebit	887	29.51%	808	39.24%	79	9.78%
Financial income (expense), net	28	0.93%	(2)	-0.10%	30	-1500.00%
Extraordinary income (expense), net	15	0.50%	40	1.94%	(25)	-62.50%
Write-downs of equity investments	0	0.00%	0	0.00%	0	
Pre-tax income	930	30.94%	846	41.09%	84	9.93%
Income taxes	0	0.00%	0	0.00%	0	
Consolidated net result	930	30.94%	846	41.09%	84	9.93%

6. INFORMATIONS ON GROUP COMPANIES

PARENT COMPANY

CDC Point S.p.A.

The Company is the Italian market leader in the production and distribution of IT products for the consumer and SOHO markets.



Revenues are earned through its retail distribution network of over 630 outlets operating under the Computer Discount, Compy and Amico trademarks and 21 cash and carry stores distributing to resellers, who are also served by the B2B e-commerce platform, www.cdcpoint.it.

Since the last year, the Company made a successful move into the government, large-scale users and retail chain markets.

The Company closed the examined period reaching revenues for euro 154,867 thousand (2003: euro 138,534 thousand), Ebit for euro 4,715 thousand (2003: euro 5,255 thousand) and a pre-tax profit for euro 4,262 thousand (in 2003 the profit was euro 3,146 thousand).

In the period under review the company's average headcount was equal to 306 units.

SUBSIDIARIES

Micronica S.p.A. one-shareholder company

The company carries out the assembly of personal computers on behalf of the Parent Company, CDC Point S.p.A., for whom it also provides logistics services.

Revenues from the assembly business amounted to euro 609 thousand, whilst logistics generated income of euro 1,284 thousand and other services revenues amounted to euro 435 thousand.

The three months to March 31, 2004 closed with a pre-tax profit for euro 157 thousand.

In the period under review the company's average headcount was equal to 171.67 units.

CD Web S.r.l. one-shareholder company

The company operates in the field of e-commerce, using Interfree as its internet portal and the Computer Discount network for the distribution of its products. It is wholly owned by CDC Point S.p.A.

The three months to March 31, 2004 closed with a pre-tax loss of euro 1 thousand.

The company does not have any personnel.

POLINET S.r.l. one-shareholder company

The company leases real estate. Its activity consists of the management of an office building in Milan. In October 2003 the householder was admitted to the arrangement with creditors, ended in a petition of bankruptcy in January, 2004.

The three months to March 31, 2004 closed with a pre-tax loss of euro 38 thousand.

The company does not have any personnel.

INTERFREE S.r.l. one-shareholder company

The company operates as Internet Service Provider, by its technological portal, in the areas of Internet free service and Internet services with value added.

Since the fiscal year 2003 the company achieved net profits thanks to new agreements ruling revenues and charges with Telecom S.p.A. and Wind S.p.A. for internet traffic produced by Interfree as Internet Service Provider.

The three months to March 31, 2004 closed with a pre-tax result for euro 930 thousand.

In the period under review the company's average headcount was equal to 12 units.

Mactronics Technology one-shareholder company

The company sells storage products, managing the storage corporate unit leased from Mactronics Data Systems S.r.l..



The three months to March 31, 2004 closed with a pre-tax loss of euro 21 thousand. In the period under review the company's average headcount was equal to 4 units.

Direct S.r.l.

Direct S.r.l. manages the commercial activities of Test Spa, an IT distribution company, via a lease agreement. The sales network includes 5 cash & carry outlets, which distribute microIT products to resellers located in Milan, Padua, Reggio Emilia, Sassari, Florence, Perugia. Operations began on September 1, 2002.

In February, 2004 was completed the transfer of branch of Perugia, by opening a new local unit at Via Benucci.

The three months to March 31, 2004 closed with revenues for euro 8,533 thousand and a pre-tax result for euro 193 thousand.

In the period under review the company's average headcount was equal to 19,33 units.

ASSOCIATED COMPANIES AND OTHER BUSINESSES

Equity investments in associated and other companies consist of CDC Point S.p.A.'s legally required investment in the Conai Consortium, totalling euro 0.7 thousand.

RELATIONS WITH SHAREHOLDERS AND RELATED COMPANIES

The most significant relations with shareholders and related companies may be summarized as follows:

- IMO 1. Costs for euro 57 thousand referred to the lease contracts of the building located in Milan, Piazza Cadorna and the building located in Fornacette (Pi), Piazza Fermi and Tosco Romagnola Road. A receivable due to CDC Point S.p.A. in the form of an interest-free guarantee deposit for euro 34 thousand repayable by IMO 1 in relation to the lease contract on the building located in Milan;
- CDC S.r.l. Payables for euro 1 thousand referred to the service contract for data elaboration stipulated between CDC Point S.p.A. and CDC S.r.l. This contract refers to the book-keeping entry;
- Gap S.r.l. Trading relations in the form of costs (euro 6 thousand) and payables (euro 5 thousand) referring to the hotel operations carried out by the company;
- CD Napoli S.r.l. and CD Salerno S.r.l. Costs and payables referred to the commercial relations;
- CTY S.r.l. Trading relations in the form of receivables for euro 174 thousand and revenues for euro 536 thousand.

The following schedule shows accounts receivable and payable, revenues and costs deriving from relations with associated companies and the Parent Company:



(000's of euro)	Accounts receivable	Accounts payable	Revenues	Costs
PC Stop S.r.l.	0	(9)	0	0
Subsidiaries (not consolidated)	0	(9)	0	0
CDC S.r.l.	1	0	0	0
Parent company	1	0	0	0
Wal S.p.A. selling out	0	0	0	0
CD Napoli S.r.l.	80	(4)	462	(15)
Cd Pistoia S.r.l.	0	0	0	0
Cd Salerno S.r.l.	56	0	119	(1)
Associated companies	136	(4)	581	(16)
Imo 1 S.r.l.	34	0	0	(57)
Semata S.r.l. selling out	0	0	0	0
Gap S.r.l.	0	(5)	0	(6)
CTY S.r.l.	174	0	536	0
Diomelli Giuseppe	0	0	0	0
Andolfi Floriana	0	0	0	0
Related companies	208	(5)	536	(63)

7. OTHER INFORMATIONS

RESEARCH AND DEVELOPMENT



During the first quarter of 2004 CDC was continuing to develop the Dexgate project, a platform of integrated voice and data communication for Small, Medium and Large Business.

TREASURY SHARES

As of March 31, 2004 the Parent Company CDC Point S.p.A. held 121,002 of its own shares. 110,521 of such shares were posted at the average value during the month of March 2004, equal to euro 10.13, whereas the remaining 10,481 shares were posted at the price established by the stock option plan, equal to euro 7, with a revaluation for euro 54 thousand compared to December 31, 2003. The relevant equity reserve was increased via the transfer of a corresponding amount to the Share Premium Reserve.

OPERATING OUTLOOK

The Group's future development aims at reinforcing its position as leading manufacturer and distributor of IT products.

The Group will focus on reaching the targets of 2004 budget, in line with the business plan for 2004 – 2006 period, which foresees the growth in the Group's market shares in the small and medium-sized companies, government and large corporate segments.

The business plan aims at creating value via improvements in operating profitability and net income.

SIGNIFICANT SUBSEQUENT EVENTS

The Parent Company CDC Point S.p.A., listed on the TechSTAR segment of Borsa Italiana, won two tenders to supply IT products to Credito Emiliano Bank. The value of the tenders amounted to about 160,000 euro.

These tenders are part of Credem's program concerning the technological renewal of its sales network and they were carried out by means of www.1city.biz, the marketplace of Gruppo Bancario UniCredito Italiano. For a long time CDC has been a member of this platform which supports business relationships among major Italian companies.

The Chairman of the Board of Directors
Giuseppe Diomelli