



(Translation from the Italian original which
remains the definitive version)

***Half-Year Report
as at and for the six months
ended 30 June 2004***

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First Half-Year Report 2003

Drawn up in accordance with CONSOB resolution no. 11971 of 14 May 1999 and subsequent changes and integrations

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Corporate Bodies

BOARD OF DIRECTORS ¹

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Managing Director

GIAMPIETRO MAGNANI
Managing Director

MAURIZIO RIZZOLI
Managing Director

PAOLO DAL CORTIVO
Managing Director

FRANCESCO ROSSI

LAMBERTO LAMBERTINI

ALBERTO MIAZZI

STATUTORY AUDITORS ²

SONIA MAZZI
Chairwoman

GIUSEPPE CEREGHINI
Statutory Auditor

GIANNICOLA CUSUMANO
Statutory Auditor

GIAN PAOLO RANOCCHI
Substitute Statutory Auditor

CESARE BRENA
Substitute Statutory Auditor

AUDITORS KPMG S.p.A.

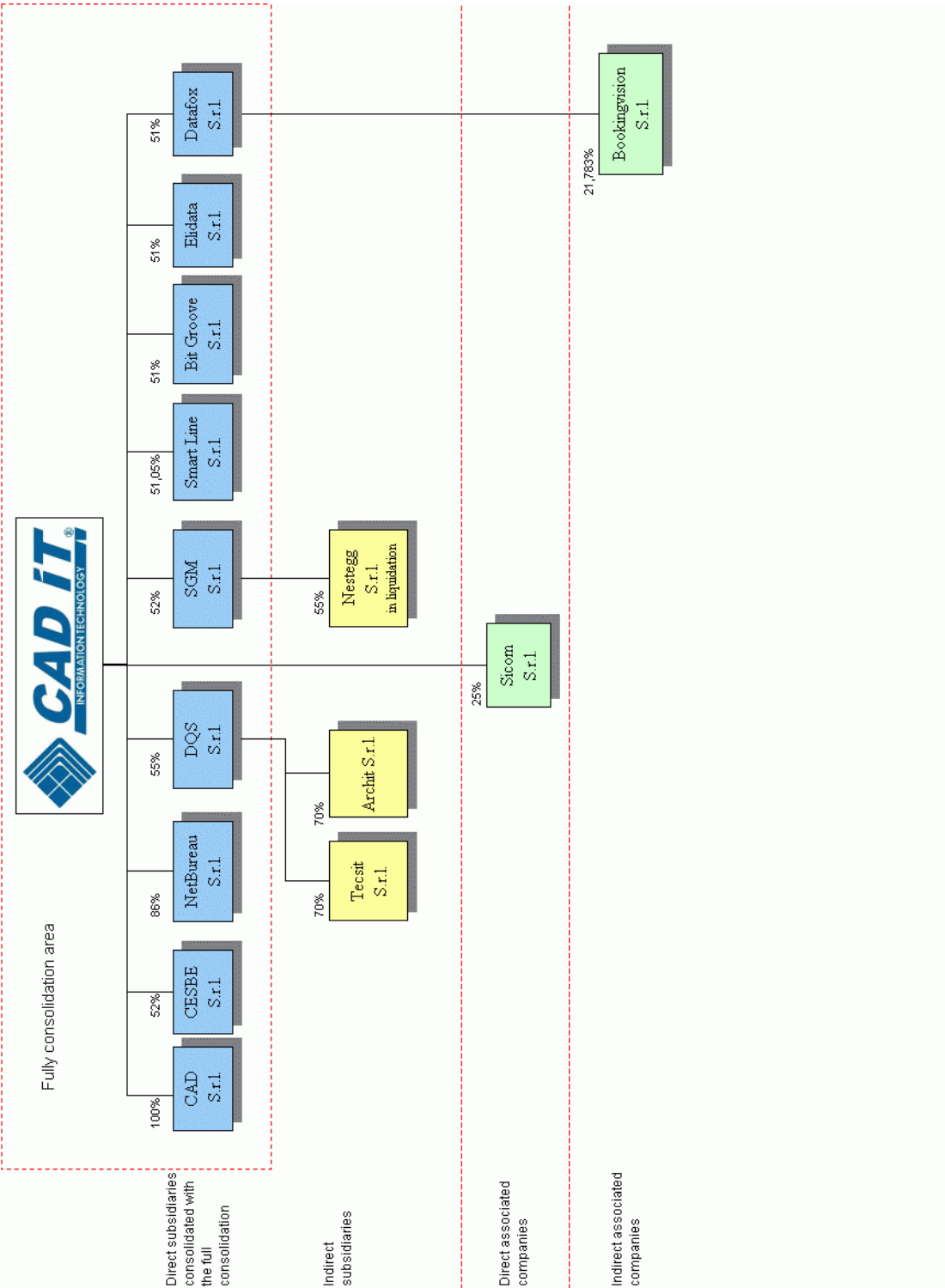
⁽¹⁾ Appointed on 30 April 2003; office expires with the shareholders' meeting for the approval of the 2005 financial statements.

The Chairman and Managing Director of the parent company CAD IT S.p.A., Giuseppe Dal Cortivo, is authorised to perform all ordinary and extraordinary administrative duties, excluding only those which can not be delegated by law and those assigned to the Board of Directors by article 14 of the company by-laws. The principal duties assigned to the Board of Directors by the company by-laws are: the examination and approval of the strategic, industrial and financial plans of the company; the appointment of the general managers; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of new subsidiaries and the take-over, acquisition or sale of corporate investments; the acquisition, sale, exchange or transfer of the whole company or of business lines. Furthermore, the Board of Directors is authorised to take on any kind of obligations amounting to more than € 4 million, and to stand surety by way of collateral or personal or other guarantees of any amount, if issued on behalf of third parties other than the parent company or its subsidiaries.

Each of the Managing Directors Giampietro Magnani, Luigi Zanella and Maurizio Rizzoli is authorised to perform all ordinary administrative duties including ordering banking transactions, within the limit of the credit lines granted, not exceeding € 1,000,000 (1 million) each or € 3,000,000 (3 million) each with the joint signature of another Managing Director; each of them is also authorised to acquire or sell registered moveable assets.

The Managing Director Paolo Dal Cortivo is authorised to represent the company before the institutional investors and the shareholders, and before Borsa Italiana S.p.A., the Italian Stock Exchange company, and Consob.

The Managing Directors are authorised to represent the company to the extent, and within the limits, of the proxies received.



1. Performance of the Group and the company

1.1 Foreword

For the preparation of the half-year report the company has complied with the criteria and provisions established by CONSOB with resolutions no. 12475 of 6 April 2000 and no. 11971 of 14 May 1999. The balance sheet and profit and loss account are drawn up in accordance with the provisions of Legislative Decree no. 127/1991 and the instructions of the Italian Civil Code (articles 2424, 2424 bis, 2425 and 2425 bis).

1.2 Information on CAD IT S.p.A.

CAD IT was set up as a joint stock company under Italian law.

The registered office and the administrative and operating offices are in Via Torricelli 44/a, Verona.

The company is registered in the Verona Company Register under no. 01992770238.

At 30 June 2004, share capital amounts to € 4,669,600, fully subscribed and paid-in, and comprises 8,980,000 ordinary shares of a nominal value of € 0.52 each, each with equal rights.

These shares are nominal and cannot be divided. Each of them entitles to one vote in the ordinary and extraordinary meetings of the company and to the execution of all other corporate and property rights in accordance with the law and the company's by-laws. They can be freely transferred with no limitation.

1.2.1 Corporate Bodies

The Board of Directors of the company CAD IT S.p.A. comprises the following eight members, of whom three are independent:

| | |
|------------------------|--------------------------------|
| - Giuseppe Dal Cortivo | Chairman and Managing Director |
| - Luigi Zanella | Managing Director |
| - Giampietro Magnani | Managing Director |
| - Maurizio Rizzoli | Managing Director |
| - Paolo Dal Cortivo | Managing Director |
| - Francesco Rossi | |
| - Lamberto Lambertini | |
| - Alberto Miazzi | |

The Chairman and Managing Director of the parent company CAD IT S.p.A., Giuseppe Dal Cortivo, is authorised to perform all ordinary and extraordinary administrative duties, excluding only those which can not be delegated by law and those assigned to the Board of Directors by article 14 of the company by-laws. The principal duties assigned to the Board of Directors by the company by-laws are: the examination and approval of the strategic, industrial and financial plans of the company; the appointment of the general managers; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of new subsidiaries and the take-over, acquisition or sale of corporate investments; the acquisition, sales, exchange or transfer of the whole company or of business lines. Furthermore, the Board of Directors is authorised to take on any kind of obligations amounting to more than € 4 million, and to stand surety by way of collateral or personal or other guarantees of any amount, if issued on behalf of third parties other than the parent company or its subsidiaries.

Each of the Managing Directors Giampietro Magnani, Luigi Zanella and Maurizio Rizzoli is authorised to perform all ordinary administrative duties including ordering banking transactions, within the limit of the credit lines granted, not exceeding € 1,000,000 (1 million) each or € 3,000,000 (3 million) each with the joint signature of another Managing Director; each of them is also authorised to acquire or sell registered moveable assets.

The Managing Director Paolo Dal Cortivo is authorised to represent the company before the institutional investors and the shareholders, and before Borsa Italiana S.p.A., the Italian Stock Exchange company, and Consob.

The Managing Directors are authorised to represent the company to the extent, and within the limits, of the proxies received.

The Board of Statutory Auditors of the company CAD IT S.p.A. comprises the following five members, of whom three Statutory Auditors and two Substitute Statutory Auditors:

| | |
|-----------------------|------------------------------|
| - Sonia Mazzi | Chairwoman |
| - Giuseppe Cereghini | Statutory Auditor |
| - Giannicola Cusumano | Statutory Auditor |
| - Gian Paolo Ranocchi | Substitute Statutory Auditor |
| - Cesare Brena | Substitute Statutory Auditor |

1.3 Activities of the Group

CAD IT Group has developed and distributed IT solutions for the banking sector and the small to medium size industry for over 20 years. CAD IT provides standard and customised application software, maintenance and upgrading services as well as consulting and training services.

CAD IT has become the Italian market leader in the supply of IT solutions in the financial sector with its Finance Area software, adopted by over 50% of the Italian bank branches, for the complete management of negotiations and related functions, as well as the regulation and administration of purchases and sales of shares, bonds and derivatives in any currency in the Italian and foreign regulated markets.

In addition, in synergy with its activities in the financial sector, the Group has long operated in the industrial sector, providing and continuing to develop e-business solutions for banks and industrial companies.

Over the past years, the company has made significant investments in new products that allow taking advantage of the latest and most sophisticated technologies.

1.4 Significant events in 2004

In April CAD IT S.p.A., announces that, through Elidata, one of its own controlled companies, it has signed a contract with Finanza Attiva S.p.A. of the BPU Group (Banche Popolari Unite) for the supply of software and all the necessary services for integrating the package into the client's information technology system.

The project consists of the supply and start-up of the "Caronte" software product for the interfacing of telematic markets with back-office feeding.

The agreement with Finanza Attiva S.p.A. is of important strategic value as it will allow Elidata to increase its market share within the sector of important Italian banking and finance groups. In fact,

Elidata will be adding yet another client to those it already serves, the Banca di Roma, Abax Bank, Banca Advantage, SEC Servizi, Banca Popolare di Sondrio to name but a few.

At the 29th April 2004, on the basis of the financial results of 2003, which confirm the Veronese Group's ability to generate positive income margins, the shareholder's meeting has approved the distribution of a €0.30 ordinary dividend per share and the allocation of €0.5 million into reserves. Following this transaction, the available reserves for future distribution, will exceed € 9.0 million.

Cash flow from operating activities continue to be positive, confirming the self-financing capacity of the group; besides the banks and industries market already covered, the CAD IT group continues its intense policy of investments in research and development aimed at expanding its business to public administration and insurance markets.

Taking everything into account our net financial position revealed €14.4 million at the 30th June 2004 after the dividend payment of 2.7 millions euros.

Subsequent to 30th June there have been no events of particular importance to significantly influence the shareholders' equities or economic results of the group.

1.5 The market

During the first half of the year, no clear symptoms were perceived such as to modify the future prospects of the market of reference, which still remain fluctuating.

1.6 Research and development

The Group continued to design new modules to upgrade the technological and functional content of its broad range of software products installed in order to strengthen its core business.

With respect to its new projects, it continued to intensify R&D activities for the SIBAC platform, which represents a strategically leading product for the Group growth.

Thanks to the broad range of developed software, which is now being integrated and implemented, new integrated IT systems aim to diversify the group offer in the adjacent sectors. The insurance sector is an example of an adjacent sector that has already been targeted during 2004.

The main projects in which the Group companies are involved are:

- CAD IT S.p.A. and CAD S.r.l. are developing new important modules of the Finance Area software, which will be launched onto the market in 2004.
Currently undergoing definition is the offer of new insurance sector solution, taking know how from the banking division on present topics such as IAS or financial instrument back office in general.
The activities, made together with Bit Groove and Datafox, to finalise the platform for the management of the Basilea II issue and to produce specialised business intelligence modules are intense.
It is currently investing to widen its offer of software and tax collection solutions for the local administrations.
- Cesbe S.r.l. continued to invest in the technological and functional upgrading of its on-line trading and training solutions and in a new platform aimed at automating the study of processes.
- NetBureau S.r.l. is developing vertical portals (mainly for financial purposes), web sites and e-commerce solutions using the technology of Macromedia-Allaire (international market

leader for this technology), of which it is the "Premier partner" in Italy. In collaboration with CADIT Group has developed a procedure for the administration of meetings and shareholders' bookkeeping on behalf of CAD IT S.p.a..

- SGM S.r.l. developed vertical solutions of the (ERP) SIGMAWEB management software for companies of any size. Among these it is to note the rising verticalisation of solutions for the fashion industry and the food sector (managing the threader marking).
- Smart Line S.r.l. is currently investing to widen its offer of services and tax collection solutions for the local public administrations and consortia.
- Elidata S.r.l. continued investing to increase further the functions of its platform for linking to the financial markets.

1.7 Investments

Investments in tangible and intangible fixed assets made by the consolidated companies in the first half of year amount to Euro 3,272 thousand (Euro 1,210 thousand in the same previous year period). Investment improvement is a consequence of strategic decisions taken by the board and management that approved investments to develop new products legally needed by credit institutions.

The trend of investments is shown in the following table:

| <i>Summary of investments</i> | <i>1st half year 2004</i> | <i>1st half year 2003</i> | <i>Year 2003</i> |
|--|--|--|----------------------|
| Intangible fixed assets | 201,499 | 888,101 | 949,145 |
| Assets under development and payments on account | 2,547,618 | | |
| Plant, machinery, equipment and other tangible fixed assets | 154,487 | 299,305 | 460,232 |
| Buildings under construction and payments on account | | | |
| <i>Total investments in tangible and intangible fixed assets</i> | <i>2,903,604</i> | <i>1,187,406</i> | <i>1,409,377</i> |
| Shareholdings and financial investments | 359,714 | | 52,000 |
| Financial amounts receivable | 8,391 | 22,159 | 130,167 |
| <i>Shares</i> | | | <i>250,000</i> |
| <i>Total shareholdings and financial investments</i> | <i>368,105</i> | <i>22,159</i> | <i>432,167</i> |
| <i>Total investments</i> | <i>3,271,709</i> | <i>1,209,565</i> | <i>1,841,544</i> |

As already mentioned, investments in intangible fixed assets mainly relate to costs, accounts and increase in internal work, to the purchase and the development of specific software necessary for production or the performance of the Group's activities.

1.8 Financial performance

The financial performance resulted in an income of € 150 thousand in the first half year 2004, because the yield reduction in liquid funds and because of reduction of assets as a result of dividend payment:

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|----------------|--|----------------|----------------|
| 58,913 | Financial income from receivables classified as fixed assets | 37,599 | 57,087 |
| | Financial income from invested liquidity | | |
| 656,354 | Bank interest | 167,587 | 342,369 |
| 715,267 | Total other financial income | 205,186 | 399,456 |
| (109,323) | Interest expense and other financial charges | (55,290) | (56,502) |
| 605,944 | Financial income and charges, net | 149,896 | 342,954 |

1.9 Net consolidated financial position

The consolidated net financial position is positive at the end of the first half year 2004, notwithstanding the distribution of ordinary and extraordinary dividends totalling € 2,694, as resolved in the meetings of 29 April 2004, and shows a short-term liquidity of € 14,441 thousand, against € 10,975 thousand at 30 June 2003.

| 31/12/2003 | Variation in net financial position/(indebtedness) | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| 9,428,430 | Cash-on-hand and at bank | 9,047,373 | 6,478,264 |
| 5,425,299 | Financial assets not of a fixed nature | 5,770,043 | 5,335,346 |
| (726,310) | Payables due to banks including current portion of medium to long-term loans | (376,452) | (838,399) |
| 14,127,419 | Net short-term financial position/(indebtedness) | 14,440,964 | 10,975,211 |
| | Long-term loans net of short-term portion | | |
| | Net long-term financial position/(indebtedness) | | |
| 14,127,419 | Net financial position / (indebtedness) | 14,440,964 | 10,975,211 |

1.10 Significant subsequent events and expected future developments

Subsequent to 30 June, no important events affected significantly the Group's financial position and results.

In the current year, signs of recovery in the demand for licences and services are seen to come from banks and industries further to the intense investment policy carried out by the Group in research and development, aimed at the realisation of new products.

As expected, at the beginning of 2004 cash flows from operating activities are positive (€ 5.8 million), this gap may be maintained also over the following months.

1.11 Consolidation area

Consolidation principles

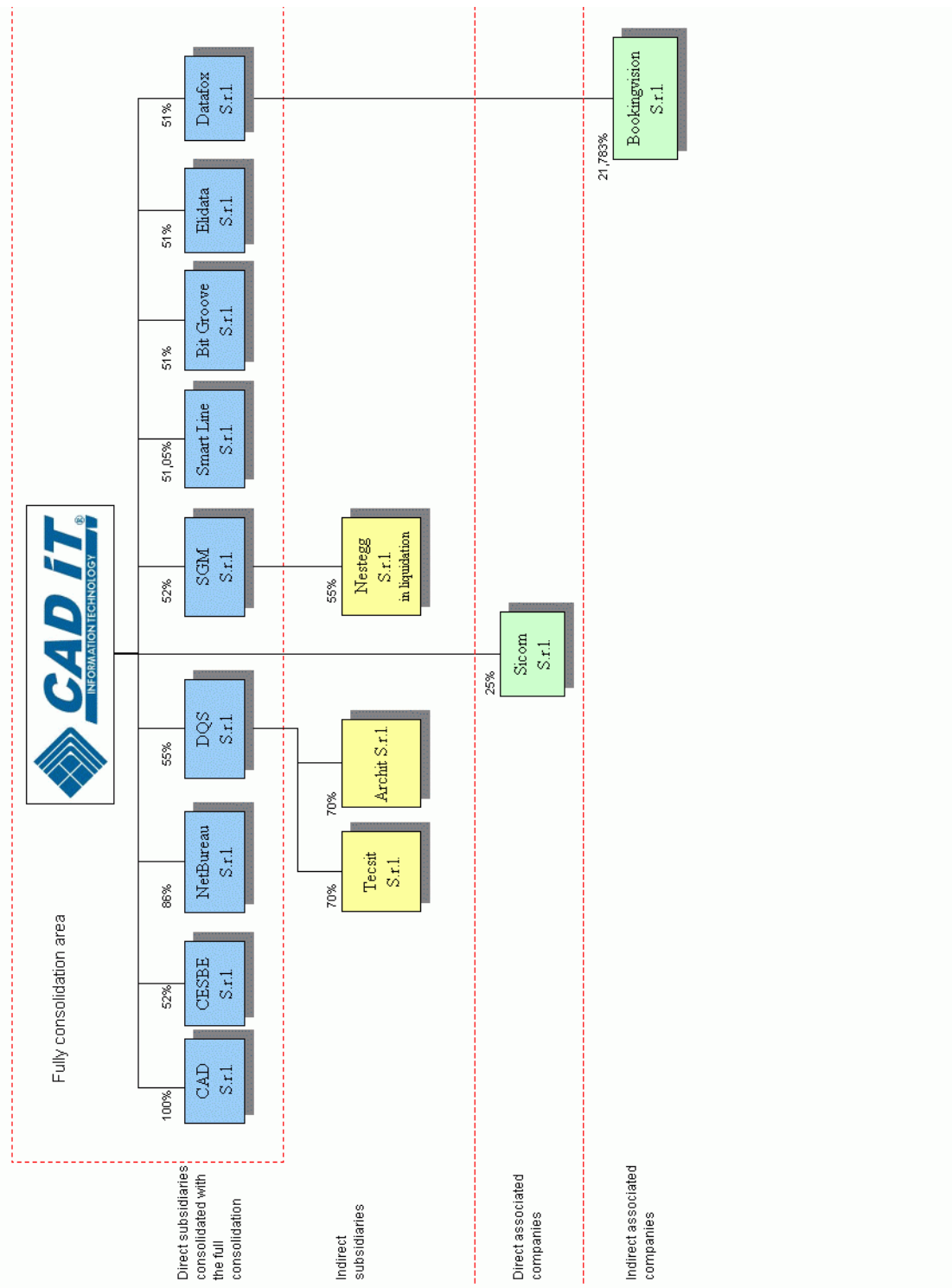
The operating companies that are directly or indirectly controlled by CAD IT, or on which it had a dominating influence are usually consolidated on a line-by-line basis.

Those companies in which CAD IT has either an indirect controlling interest or on which it has a significant influence are valued using the equity method.

For further details reference is made to the following paragraph and to the list of investments in subsidiary and associated companies.

Consolidation area and related variations

The consolidation area and the subsidiary and associated companies are shown in the graph below:



For the purpose of the preparation of the consolidated financial statements, the companies of the CAD IT Group included in the consolidation area using the full consolidation method and those included using the equity method are the following:

| <i>Company name</i> | <i>Registered office</i> | <i>Share / Quota capital</i> | <i>Percentage of investment</i> | <i>Percentage of investment of the Group</i> |
|--|--------------------------|------------------------------|---------------------------------|--|
| <i>Consolidated line-by-line</i> | | | | |
| CAD IT S.p.A. | Verona | 4,669,600 | Parent company | |
| Cad S.r.l. | Verona | 130,000 | 100.00% | 100.00% |
| Cesbe S.r.l. | Verona | 10,400 | 52.00% | 52.00% |
| Netbureau S.r.l. | Milan | 50,000 | 86.00% | 86.00% |
| S.G.M. S.r.l. | Padua | 223,309 | 52.00% | 52.00% |
| D.Q.S. S.r.l. | Rome | 11,000 | 55.00% | 55.00% |
| Bit Groove S.r.l. | Agliana (PT) | 15,500 | 51.00% | 51.00% |
| Elidata S.r.l. | Castiglione D'Adda (LO) | 20,000 | 51.00% | 51.00% |
| Smart Line S.r.l. | Avellino | 102,700 | 51.05% | 51.05% |
| Datafox S.r.l. | Florence | 99,999 | 51.00% | 51.00% |
| <i>Subsidiaries valued using the equity method</i> | | | | |
| (1) Tecsit S.r.l. | Rome | 75,000 | 70.00% | 38.50% |
| (1) Arch it S.r.l. | Rome | 50,000 | 70.00% | 38.50% |
| (2) Nestegg S.r.l. | Milan | 25,000 | 55.00% | 28.60% |
| <i>Associated companies valued using the equity method</i> | | | | |
| (3) Bookingvision S.r.l. | Florence | 111,235 | 21.78% | 11.11% |
| Sicom S.r.l. | Viadana (MN) | 10,400 | 25.00% | 25.00% |

- (1) held through DQS S.r.l.
- (2) held through SGM S.r.l. - in liquidation since 7 May 2003
- (3) held through Datafox S.r.l.

Compared to 30th June 2003 and due to the liquidation resolution, the fully consolidated area has changed with the exclusion of Syrm S.r.l and 4 Emme Informatica S.r.l. respectively. The former had completed its role in the mission of the company and the latter concentrating its efforts on its own activity which deals with customer group and transferring all its employees to other companies in the group.

Syrm's liquidation ended on 28th April 2004, with the approval of the final balance sheet, while 4Emme Informatica S.r.l. ended with the approval of the final balance sheet on 28th June 2004.

Following agreements reached at the beginning of 2004, Datafox S.r.l. has, for the first time, fully entered into the consolidated area (the controlling percentage was already 35%) with a new controlling percentage of 51.0%.

All these consolidation area variations have had little effect on the profit/loss account and balance sheet as the two companies excluded and the new controlling percentage of Datafox are significant enough.

The following subsidiaries, valued using the equity method, are excluded from the full consolidation area:

- Tecsit S.r.l., controlled by DQS S.r.l., as it operates in a sector different from the Group, and immaterial;
- Arch It S.r.l., controlled by DQS S.r.l. and immaterial;
- Nestegg S.r.l., controlled by SGM S.r.l., immaterial and in liquidation;

Total assets and revenues of the non-consolidated subsidiaries represent 0.74% and 1.25% of the Group's assets and revenues, respectively.

The following investments are valued at cost or equity value, possibly reduced in case of permanent impairment in value.

Compared to the second quarter of 2003, the following indirectly associated companies; Isis S.p.a and Teclab S.r.l have not been included.

Isis S.p.a was sold by Cad S.r.l in the fourth quarter of 2003, realizing a capital gain of € 180 thousand. Teclab S.r.l was sold by Tecsit S.r.l (controlled by DQS S.r.l), on 20.04.2004, on the basis of agreements reached in the first quarter 2004, realizing a capital gain of €42 thousand.

In addition to the controlling of Datafox S.r.l., they also add a new indirectly controlled company, called Bookingvision S.r.l., of which Datafox held 21.783 percent of its investment on 30.06.04.

1.12 Accounting policies

The consolidation and accounting policies applied here are the same as those applied in the preparation of annual consolidated financial statements.

As from current year, company adopted cost capitalization method to realize intangible fixed assets constituted by software procedures. These costs were previously expensed in the year in which they were incurred. Since 2004 they are capitalized among the intangible fixed assets, and they will be amortized in five years time. The new method will allow a more appropriate view about company's events and the economic and financial statement. Company has made the strategic choice to employ the workforce to produce application software which could be sold in licence. Positive cash flow let to finance planned investments and the interest showed from potential users gives reasonable revenues prevision, to retrieve the investments costs in the planned amortisation period.

If company does not change its classification costs method to realize software application, net profit and shareholders' equity was lower of € 2,547,618 at 30th June 2004 (€ 1,645,508 net of tax charge).

The new policy has perspective application. Since in the past did not exist the assumptions to apply the adopted policy, it is not reasonable possible to calculate the previous effects.

The calculation of profit for the period is based on the best estimate of the IRES and IRAP tax charges for the period, depending on the current tax legislation and the results for the period, and takes into account the tax benefits arising from the listing on a regulated market.

Profit for the period and shareholders' equity pertaining to minority interests are calculated on the basis of the profits and equities of the relevant companies, net of the estimated tax charges for the period.

The consolidated balance sheet and profit and loss account as at and for the six months ended 30 June 2004 are based on the balance sheets and profit and loss accounts included in the half-year reports of the individual subsidiary and associated companies of the Group at the same date, duly reclassified and adjusted to reflect application of consistent accounting policies.

The quotaholders' equities of the fully consolidated subsidiaries used for the preparation of this consolidated half-year report at 30 June 2004, are as follows:

| <i>Company name</i> | <i>Date of reference</i> | <i>Quotaholders' equity</i> | <i>Profit for the period</i> | <i>Percentage of investment</i> | <i>Investment value</i> |
|---------------------|--------------------------|-----------------------------|------------------------------|---------------------------------|-------------------------|
| Cad S.r.l. | 30/06/2004 | 662,420 | 452,820 | 100.00% | 1,115,240 |
| Cesbe S.r.l. | 30/06/2004 | 3,047,381 | 373,309 | 52.00% | 1,778,759 |
| Netbureau S.r.l. | 30/06/2004 | 37,147 | (5,798) | 86.00% | 26,961 |
| S.G.M. S.r.l. | 30/06/2004 | 502,405 | (379,738) | 52.00% | 63,787 |
| D.Q.S. S.r.l. | 30/06/2004 | 27,326 | 270,767 | 55.00% | 163,951 |
| Bit Groove S.r.l. | 30/06/2004 | 49,888 | (33,504) | 51.00% | 8,356 |
| Elidata S.r.l. | 30/06/2004 | 301,253 | 157,211 | 51.00% | 233,817 |
| Smart Line S.r.l. | 30/06/2004 | 136,001 | 61,114 | 51.05% | 100,628 |
| Datafox S.r.l. | 30/06/2004 | 340,838 | (50,010) | 51.00% | 148,322 |

The accounting policies adopted for the preparation of the consolidated half-year report and figures are consistent with those adopted in the preparation of the annual consolidated financial statements. The items are valued in line with the general principles of prudence and accruals on a going concern basis.

No exceptional cases are identified such as to require waivers to the regulations for financial statements set out in paragraph 4 of article 2423 of the Civil Code.

Estimates, which have been used where necessary to correctly reflect the Group's financial position and results for the period, are immaterial.

As CAD IT is obliged to prepare consolidated accounts, this half-year report is drawn up on a consolidated basis. The six-monthly figures of CAD IT S.p.A. are also included.

1.12.1 Recognition of revenues and costs

Revenues and income are prudently accounted for according to the concepts of prudence and accruals basis. Unrealised profits are excluded also taking into consideration the risks and losses accrued in the period, even becoming known at a subsequent date.

Assistance and/or maintenance services provided to customers against payment of annual fees are recorded on an accruals basis.

Costs are recognised on a similar basis to revenues.

1.12.2 Comparison with previous periods

These figures relate to the half year of reference and are compared to the figures of the same previous year period and at 31 December 2003.

The figures of the net financial position are compared with the corresponding previous period figures and with those at the previous year end.

The financial schedules are comparable with the information provided in the half-year report and the consolidated financial statements of the previous year.

2. Consolidated Half-Year Report of the Group

This section provides information and the schedules related to the consolidated figures of the Group, whereas those of the parent company CAD IT S.p.A. are set out at the end of this report.

As the parent company's core business consists in supplying services to the subsidiary companies and co-ordinating their management, the results of the parent company itself can be better understood in the light of the consolidated figures.

Monetary items in the accounting schedules are stated in Euro, whereas those in the comments thereto are in thousands of Euro, unless otherwise stated.

2.1 Consolidated Balance Sheet - Assets

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| | A) SHARE CAPITAL PROCEEDS TO BE RECEIVED | | |
| | I. Already called up | 71,752 | |
| | II. Not yet called up | | |
| | Total share capital proceeds to be received (A) | 71,752 | |
| | B) FIXED ASSETS | | |
| | I. Intangible fixed assets | | |
| 881,488 | 1) Start-up and capital costs | 450,350 | 1,322,596 |
| | 2) Research, development and advertising costs | | |
| | 3) Industrial patents and similar rights | 7,375 | 4,779 |
| 886,032 | 4) Licences, trademarks and similar rights | 766,013 | 1,111,913 |
| 16,268 | 5) Goodwill | 14,642 | 17,895 |
| 8,047,873 | 5 bis) Goodwill arising on consolidation | 7,650,311 | 8,653,197 |
| | 6) Assets under development and payments on account | 2,547,618 | |
| 769,597 | 7) Other | 732,346 | 828,644 |
| 10,601,258 | Total intangible fixed assets | 12,168,655 | 11,939,024 |
| | II. Tangible fixed assets | | |
| 11,214,433 | 1) Land and buildings | 11,035,150 | 11,392,686 |
| 176,843 | 2) Plant and machinery | 169,339 | 202,168 |
| 191 | 3) Industrial and commercial equipment | 351 | 374 |
| 1,749,321 | 4) Other assets | 1,671,215 | 1,932,087 |
| | 5) Assets under construction and payments on account | | |
| 13,140,788 | Total tangible fixed assets | 12,876,055 | 13,527,315 |
| | III. Financial fixed assets | | |
| | 1) Investments in: | | |
| | a) Subsidiary companies | | |
| 299,113 | a-bis) Subsidiaries valued using the equity method | 116,410 | 131,409 |
| 445,236 | b) Associated companies | 173,200 | 559,749 |
| 6,022,073 | c) Other | 6,022,073 | 6,022,073 |
| | 2) Amounts receivable: | | |
| | a) From subsidiary companies | | |
| | b) From associated companies | | |
| 72,732 | d) Other due after one year | 77,021 | 83,838 |
| 250,000 | 3) Other securities | | |
| | 4) Own shares | | |
| 7,089,154 | Total financial fixed assets | 6,388,704 | 6,797,069 |
| 30,831,200 | Total fixed assets (B) | 31,433,414 | 32,263,408 |

| C) ASSETS FORMING PART OF WORKING CAPITAL | | | |
|---|---|-------------------|-------------------|
| I. Inventory | | | |
| | 1) Raw materials, consumables and supplies | | |
| | 2) Work in progress and semi-finished products | | |
| 480,000 | 3) Contract work in progress | 530,000 | 169,000 |
| 470,106 | 4) Finished goods | 394,389 | 304,896 |
| | 5) Payments on account | | |
| 950,106 | Total | 924,389 | 473,896 |
| II. Receivables | | | |
| 24,217,947 | 1) Trade receivables | 24,792,615 | 30,279,883 |
| | 2) Subsidiary companies | | |
| 170,411 | 2 bis) Subsidiaries valued using the equity method | 120,195 | 113,781 |
| | 3) Associated companies | 16,708 | 59,546 |
| | 4) Parent companies | | |
| 924,633 | 5) Others due within one year | 1,060,139 | 1,256,569 |
| 25,312,991 | Total | 25,989,657 | 31,709,779 |
| III. Financial assets not of a fixed nature | | | |
| | 1) Investments in subsidiary companies | | |
| | 2) Investments in associated companies | | |
| | 3) Investments in parent companies | | |
| | 4) Other investments | | |
| | 5) Own shares (total nominal value) | | |
| | 6) Other securities | | |
| 5,425,299 | 7) Insurance policies capitalised | 5,770,043 | 5,335,346 |
| 5,425,299 | Total | 5,770,043 | 5,335,346 |
| IV. Liquid funds | | | |
| 9,406,851 | 1) Bank and postal accounts | 9,032,748 | 6,449,394 |
| 2,239 | 2) Cheques on hand | 2,883 | 2,286 |
| 19,340 | 3) Cash-on-hand and cash equivalents | 11,742 | 26,584 |
| 9,428,430 | Total | 9,047,373 | 6,478,264 |
| 41,116,826 | Total assets forming part of working capital | 41,731,462 | 43,997,285 |
| D) ACCRUED INCOME AND DEFERRED EXPENSES | | | |
| 1,075 | Accrued income | 1,223 | 1,412 |
| 205,343 | Deferred expenses | 697,675 | 387,144 |
| 206,418 | Total | 698,898 | 388,556 |
| 72,154,444 | TOTAL ASSETS | 73,935,526 | 76,649,249 |

2.2 Consolidated Balance Sheet - Shareholders' Equity and Liabilities

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| | A) SHAREHOLDERS' EQUITY | | |
| 4,669,600 | I. capital | 4,669,600 | 4,669,600 |
| 35,246,400 | II. Share premium reserve | 35,246,400 | 35,246,400 |
| | III. Revaluation reserves | | |
| 933,920 | IV. Legal reserve | 933,920 | 933,920 |
| | V. Reserve for purchase of own shares | | |
| | VI. Statutory reserves | | |
| 8,954,608 | VII Other reserves | 9,408,885 | 8,954,608 |
| | - capital injections | | |
| 8,954,608 | - available reserve | 9,408,885 | 8,954,608 |
| | - extraordinary reserve | | |
| (416,172) | Consolidation reserves | (1,723,910) | (416,172) |
| | VIII Retained earnings or losses carried forward | | |
| 1,840,539 | IX. Profit /(loss) for the period of the Group | 223,024 | 1,893,153 |
| 51,228,895 | Consolidated shareholders' equity of the Group | 48,757,919 | 51,281,509 |
| 1,275,520 | Share capital and reserves of minority interest | 2,171,194 | 1,286,914 |
| 1,404,122 | Profit (loss) for the period of minority interest | 157,163 | 683,012 |
| 2,679,642 | Minority interest | 2,328,357 | 1,969,926 |
| 53,908,537 | Total consolidated shareholders' equity (including minority interest) | 51,086,276 | 53,251,435 |
| | B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES | | |
| 143,913 | 1) Pension and similar provisions | 126,350 | 116,983 |
| 5,439 | 2) Taxation | 5,439 | 5,439 |
| 386 | 3) Exchange rate risk | 146 | 330 |
| 25,000 | 4) Other | 25,000 | 25,000 |
| 174,738 | Total | 156,935 | 147,752 |
| 4,769,385 | C) EMPLOYEES' LEAVING ENTITLEMENT | 5,308,820 | 4,427,152 |
| | D) PAYABLES | | |
| | 1) Debentures | | |
| | 2) Convertible debentures | | |
| 726,310 | 3) Due to banks | 376,452 | 838,399 |
| | Due after one year | | |
| 7,302 | 4) Sums due to other financial institutions | 16,403 | 17,317 |
| 331,288 | Due after one year | 355,198 | 331,006 |
| 30,000 | 5) Payments on account | 37,409 | 45,477 |
| 4,115,091 | 6) Accounts payable to creditors | 2,896,524 | 3,952,140 |
| | 7) Accounts payable on bills accepted and drawn | | |
| | Due after one year | | |
| | 8) Amounts payable to subsidiary companies | | |
| 108,064 | 8 bis) Amounts payable to subsidiaries valued using the equity method | 72,347 | 35,400 |

| | | | |
|---|---|-------------------|-------------------|
| 31,007 | 9) Amounts payable to associated companies | | 95,668 |
| | 10) Amounts payable to parent companies | | |
| 1,328,737 | 11) Sums payable to taxation authorities | 3,543,099 | 3,214,925 |
| 1,951,993 | 12) Social security charges payable | 2,172,821 | 1,868,072 |
| 4,257,179 | 13) Other sums payable | 5,628,479 | 5,293,781 |
| 12,886,971 | Total | 15,098,732 | 15,692,185 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | | | |
| 10,355 | Accrued expenses | 15,295 | 17,754 |
| 404,458 | Deferred income | 2,269,468 | 3,112,971 |
| 414,813 | Total | 2,284,763 | 3,130,725 |
| 72,154,444 | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 73,935,526 | 76,649,249 |
| 12,394,966 | MEMORANDUM AND CONTINGENCY ACCOUNTS | 12,394,966 | 12,394,966 |

2.3 Consolidated Profit and Loss Account

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|---------------------|---|---------------------|---------------------|
| | A) PRODUCTION REVENUES | | |
| 53,996,086 | 1) Turnover - goods and services | 23,976,686 | 28,812,072 |
| | 2) Variation in inventories and work in progress | | |
| 480,000 | 3) Variation in contract work in progress | 50,000 | 169,000 |
| | 4) Increase in internal work capitalised under fixed assets | 2,547,618 | |
| 159,712 | 5) Other revenues and income | 75,570 | 93,247 |
| 54,635,798 | Total production revenues | 26,649,874 | 29,074,319 |
| | B) PRODUCTION COST | | |
| (1,205,389) | 6) Raw materials, consumables and supplies | (932,854) | (548,249) |
| (14,641,221) | 7) Services | (5,996,599) | (7,112,743) |
| (674,168) | 8) Use of third party assets | (340,522) | (376,482) |
| | 9) Personnel expenses | | |
| (20,474,109) | a) Wages and salaries | (10,757,430) | (10,443,620) |
| (6,247,118) | b) Social security contributions | (3,335,456) | (3,183,225) |
| (1,380,747) | c) Employees' leaving entitlement | (741,482) | (685,608) |
| | d) Pension and similar costs | | |
| (65,672) | e) Other costs | (34,462) | (25,468) |
| (28,167,646) | Total personnel expenses | (14,868,830) | (14,337,921) |
| | 10) Amortisation, depreciation and write-downs: | | |
| (2,768,891) | a) Amortisation of intangible fixed assets | (1,374,282) | (1,370,991) |
| (1,012,643) | b) Depreciation of tangible fixed assets | (459,371) | (497,833) |
| | c) Write-downs of fixed assets | | |
| (258,703) | d) Write-downs of receivables included under assets forming part of working capital | (24,292) | (90,444) |
| (4,040,237) | Total amortisation, depreciation and write-downs | (1,857,945) | (1,959,268) |
| 146,553 | 11) Variation in raw materials, supplies and consumables | (75,717) | (18,657) |
| (27,290) | 12) Provisions for contingencies | | (25,000) |
| (4,639) | 13) Other provisions | (3,039) | (4,834) |
| (208,874) | 14) Other operating costs | (99,535) | (81,442) |
| (48,822,911) | Total production cost | (24,175,041) | (24,464,596) |
| 5,812,887 | Difference between production revenues and cost (A-B) | 2,474,833 | 4,609,723 |
| | C) FINANCIAL INCOME AND CHARGES | | |
| | 15) Income from investments in subsidiary companies | | |
| | Subsidiary companies | | |
| | Associated companies | | |
| 58,237 | Other | 37,272 | 56,470 |
| | Tax credits on dividends | | |
| | 16) Other financial income | | |
| 676 | a) Receivables classified as fixed assets | 327 | 617 |
| | b) From securities included as fixed assets which are not investments | | |
| | c) From securities included under assets forming part of working capital | | |

| | | | |
|------------------|---|------------------|------------------|
| 656,354 | d) Other income | 167,587 | 342,369 |
| | 17) Interest and other financial charges | | |
| (109,323) | a) Other | (55,290) | (56,502) |
| | b) Subsidiaries | | |
| | c) Associated companies | | |
| | d) Parent companies | | |
| 605,944 | Total (15+16-17) | 149,896 | 342,954 |
| | D) ADJUSTMENTS TO FINANCIAL ASSET VALUES | | |
| 227,496 | 18) Revaluation of investments in associated companies | 64,571 | 111,120 |
| (57,352) | 19) Write-downs of investments in associated companies | (13,722) | (39,025) |
| 170,144 | Total adjustments to financial asset values | 50.849 | 72.095 |
| | E) EXTRAORDINARY INCOME AND EXPENSES | | |
| 340,490 | 20) Income | 49,524 | 134,046 |
| | Profit on sale of assets | | 6,500 |
| (112,230) | 21) Expenses | (281,328) | (75,441) |
| (576) | Loss on sale of assets | (4,036) | (576) |
| 227,684 | Total extraordinary items (20-21) | (235,840) | 64,529 |
| 6,816,659 | PROFIT (LOSS) BEFORE TAXATION (A-B+C+-D+-E) | 2,439,738 | 5,089,301 |
| (3,571,998) | 22) Taxation on profit for the period | (2,059,551) | (2,513,136) |
| 3,244,661 | 23) Profit before minority interest | 380.187 | 2,576,165 |
| (1,404,122) | 24) Profit / (loss) for the period of minority interest | (157,163) | (683,012) |
| 1,840,539 | 26) Profit / (loss) for the period | 223,024 | 1,893,153 |

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3. Information on the consolidated half-year report

3.1 Principal figures

In the first half of 2004, CAD IT Group recorded productions revenues of € 26,650 thousand, against € 29,074 thousand in the corresponding previous year period.

The profit and loss account of the Group evidences a gross operating result of € 4,336 thousand, equal to 16.27% of production revenues, compared to € 6,599 thousand in the corresponding previous year period, equal to 22.70% of production revenues.

The financial performance resulted in a net financial income of € 150 thousand, whereas net extraordinary expenses amounted to € 236 thousand.

Profit before taxation totalled € 2,440 thousand. Net profit is equal to € 380 thousand, of which € 157 thousand pertains to minority interests.

As shown in the table below, net cash flows for the period (profit after taxation, amortisation and depreciation, write-downs and accruals), amount to € 2,760 thousand and the net financial position shows a short-term liquidity of € 14,441 thousand.

| 31/12/2003 | Consolidated net cash flows | 30/06/2004 | 30/06/2003 |
|-------------|---------------------------------|-------------|-------------|
| 6,816,659 | Profit before taxation | 2,439,738 | 5,089,301 |
| (3,571,998) | Taxation | (2,059,551) | (2,513,136) |
| 3,244,661 | Profit before minority interest | 380,187 | 2,576,165 |
| 3,781,534 | Amortisation and depreciation | 1,833,653 | 1,868,824 |
| 258,703 | Write-downs | 24,292 | 90,444 |
| 837,634 | Accruals | 521,632 | 468,415 |
| 8,122,532 | Total consolidated cash flows | 2,759,764 | 5,003,848 |

New investments in tangible and intangible fixed assets were made in the period for a total of € 2,904 thousand.

3.2 Consolidated results

The following paragraphs comment on the reclassified profit and loss account (schedule of reclassified consolidated profit and loss account), which best represents the performance of the Group. This profit and loss account is reclassified to comply with the format required by Legislative Decree N° 127/91.

Unless otherwise stated, the variations commented on are compared with the figures of the corresponding previous year period.

Production revenues amount to € 26,650 thousand, a slight decrease of 8.3% compared to the corresponding prior year period.

The added value of €20,562 thousand, is less than 7.74% compared to that of the same period of the previous financial period (€22,286 thousand). Nevertheless, it is 77.15% of the production value compared to the 76.65% of the same period, thanks to a significant €1,124 thousand reduction in external service costs.

The €4,336 thousand gross operational margin (EBITDA) is 16.27% of the production value due to

the effect of a €531 thousand increase in labour costs, while there is practically no change in other administrative expenses.

The operating profit (EBIT) was €2,475 thousand (previously €4,610 thousand) equal to 9.29% of the production value compared to the 15.85% of the previous corresponding financial period. The total amount of charge to provision for bad debts, amortisation and other provision is €1,861 thousand compared to €1,989 thousand of the previous corresponding period.

The profit from ordinary activities, due to net financial income, is €2,625 thousand, equivalent to 9.85% of the production revenues. In the previous corresponding financial period, this figure was €4,953 thousand, equalling 17.03%.

The profit before taxation amounts to €2,440 thousand, equal to 9.15% of the production revenues and the net profit result which amounts to €380 thousand of which €157 thousand is of minority interests.

Tax has an 84.42% effect on the gross result. This high effect is mainly due to IRAP, whose percentage effect on the results increases in the case of a reduction in margins, as well as the greater IRES effect on the profit before taxation due to the amortisation of the positive differences in consolidation that are not financially deductible and which amount to about €620 thousand.

The taxes imposed on the financial period fractions were estimated by considering the results of that period and of the laws in force and are the best possible estimations of fiscal contributions that can be attributed to the period in question.

Further details and comments on the development of production costs are supplied in paragraph 3.5.2.

3.3 Analysis of consolidated results

The following table shows the reclassified consolidated profit and loss account of the Group for the six-month periods ended 30 June 2004 and 2003 and the full year 2003.

| 31/12/2003 | % | | 30/06/2004 | % | 30/06/2003 | % |
|-------------------|----------------|--|-------------------|----------------|-------------------|----------------|
| 53,996,086 | 98.83% | Turnover - goods and services | 23,976,686 | 89.97% | 28,812,072 | 99.10% |
| 480,000 | 0 | Variations in contract work in progress | 50,000 | 0.19% | 169,000 | 0.58% |
| | | Increase in internal work capitalised under fixed assets | 2,547,618 | 9.56% | | |
| 159,712 | 0.29% | Other revenues and income | 75,570 | 0.28% | 93,247 | 0.32% |
| 54,635,798 | 100.00% | Production revenues | 26,649,874 | 100.00% | 29,074,319 | 100.00% |
| | | Raw materials, | | | | |
| (1,058,836) | (1.94%) | consumables and supplies | (1,008,571) | (3.78%) | (566,906) | (1.95%) |
| (12,073,570) | (22.10%) | Services | (4,639,608) | (17.41%) | (5,763,644) | (19.82%) |
| (883,042) | (1.62%) | Other operating costs | (440,057) | (1.65%) | (457,924) | (1.58%) |
| 40,620,350 | 74.35% | Added value | 20,561,638 | 77.15% | 22,285,845 | 76.65% |
| (28,167,646) | (51.56%) | Personnel expenses | (14,868,830) | (55.79%) | (14,337,921) | (49.31%) |
| (2,567,651) | (4.70%) | Other administrative expenses | (1,356,991) | (5.09%) | (1,349,099) | (4.64%) |
| 9,885,053 | 18.09% | Gross operating result (EBITDA) | 4,335,817 | 16.27% | 6,598,825 | 22.70% |
| | | Charge to provision | | | | |
| (258,703) | (0.47%) | for bad debts | (24,292) | (0.09%) | (90,444) | (0.31%) |
| (3,781,534) | (6.92%) | Amortisation and depreciation | (1,833,653) | (6.88%) | (1,868,824) | (6.43%) |
| (31,929) | 0.06% | Other provisions | (3,039) | 0.01% | (29,834) | 0.10% |
| 5,812,887 | 10.64% | Operating profit (EBIT) | 2,474,833 | 9.29% | 4,609,723 | 15.85% |
| 605,944 | 1.11% | Financial income and charges, net | 149,896 | 0.56% | 342,954 | 1.18% |
| 6,418,831 | 11.75% | Profit from ordinary activities | 2,624,729 | 9.85% | 4,952,677 | 17.03% |
| 170,144 | 0.31% | Revaluations and write-downs | 50,849 | 0.19% | 72,095 | 0.25% |
| 227,684 | 0.42% | Extraordinary income and expenses | (235,840) | (0.88%) | 64,529 | 0.22% |
| 6,816,659 | 12.48% | Profit (loss) before taxation | 2,439,738 | 9.15% | 5,089,301 | 17.50% |
| (3,571,998) | (6.54%) | Taxation on profit for the period | (2,059,551) | (7.73%) | (2,513,136) | (8.64%) |
| 3,244,661 | 5.94% | Profit before minority interest | 380,187 | 1.43% | 2,576,165 | 8.86% |
| | | Profit / (loss) for the period | | | | |
| (1,404,122) | (2.57%) | of minority interest | (157,163) | (0.59%) | (683,012) | (2.35%) |
| 1,840,539 | 3.37% | Net profit / (loss) for the period | 223,024 | 0.84% | 1,893,153 | 6.51% |

3.4 Information on the balance sheet

3.4.1 Composition of the principal items of the consolidated balance sheet

The following table shows the reclassified balance sheet of the Group as at 30 June 2004 and 2003 and at 31 December 2003.

| 31/12/2003 | Reclassified consolidated balance sheet of Cad It Group | 30/06/2004 | 30/06/2003 |
|-------------------|---|-------------------|-------------------|
| | Fixed assets | | |
| 10,601,258 | Intangible fixed assets | 12,168,655 | 11,939,024 |
| 13,140,788 | Tangible fixed assets | 12,876,055 | 13,527,315 |
| 7,089,154 | Other fixed assets | 6,388,704 | 6,797,069 |
| 30,831,200 | Total fixed assets | 31,433,414 | 32,263,408 |
| | Current assets | | |
| 24,388,358 | Trade receivables, net | 25,001,270 | 30,453,210 |
| 950,106 | Closing inventory | 924,389 | 473,896 |
| 924,633 | Other current assets | 1,060,139 | 1,256,569 |
| 206,418 | Accrued income and deferred expenses | 698,898 | 388,556 |
| 26,469,515 | Total current assets | 27,684,696 | 32,572,231 |
| | Current liabilities | | |
| 30,000 | Payments on account received | 37,409 | 45,477 |
| 4,254,162 | Accounts payable to creditors | 2,968,871 | 4,083,208 |
| 338,590 | Sums due to other financial institutions | 371,601 | 348,323 |
| 6,209,172 | Other current liabilities | 7,801,300 | 7,161,853 |
| 1,328,737 | Sums payable to taxation authorities | 3,543,099 | 3,214,925 |
| 414,813 | Accrued expenses and deferred income | 2,284,763 | 3,130,725 |
| 12,575,474 | Total current liabilities | 17,007,043 | 17,984,511 |
| 13,894,041 | Operating capital, net | 10,677,653 | 14,587,720 |
| 4,769,385 | Employees' leaving entitlement | 5,308,820 | 4,427,152 |
| 39,955,856 | Invested capital, net | 36,802,247 | 42,423,976 |
| | Shareholders' equity and net indebtedness | | |
| 51,228,895 | Total shareholders' equity of the Group | 48,757,919 | 51,281,509 |
| 2,679,642 | Minority interest | 2,328,357 | 1,969,926 |
| | Medium/long-term payables due to banks | | - |
| 174,738 | Provisions for contingencies and other charges | 156,935 | 147,752 |
| (14,127,419) | Short-term net indebtedness (financial position) | (14,440,964) | (10,975,211) |
| 39,955,856 | Invested capital, net | 36,802,247 | 42,423,976 |

| 31/12/2003 | Memorandum and contingency accounts | 30/06/2004 | 30/06/2003 |
|------------|-------------------------------------|------------|------------|
| 12,394,966 | Guarantees given | 12,394,966 | 12,394,966 |

The composition of the most significant items and the variations compared to the figures as at 31 December 2003 are commented on in the following paragraphs:

3.4.2 Fixed assets

Intangible fixed assets

The composition and the variations of the items at the end of the six-month period are as follows:

| 31/12/2003 | Intangible fixed assets | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| 881,488 | Start-up and capital costs | 450,350 | 1,322,596 |
| | Industrial patents and similar rights | 7,375 | 4,779 |
| 886,032 | Licences, trademarks and similar rights | 766,013 | 1,111,913 |
| 16,268 | Goodwill | 14,642 | 17,895 |
| 8,047,873 | Goodwill arising on consolidation | 7,650,311 | 8,653,197 |
| | Assets under development and payments on account | 2,547,618 | |
| 769,597 | Other intangible fixed assets | 732,346 | 828,644 |
| 10,601,258 | Total intangible fixed assets | 12,168,655 | 11,939,024 |

Start-up and capital costs principally relate to costs incurred in 2000 by the parent company for the listing of the ordinary shares of CAD IT S.p.A. on the New Market organised and managed by Borsa Italiana S.p.A.. These costs are amortised over five years.

The caption "Licences, trademarks and similar rights" principally includes the Dynasty software used by the Group for object-oriented programming activities.

The item of major significance is represented by "Goodwill arising on consolidation" relating to investments in the subsidiaries Cad S.r.l. (€ 3,020 thousand), Cesbe S.r.l. (€ 25 thousand), SGM S.r.l. (€ 1,136 thousand), DQS S.r.l. (€ 2,116 thousand), Smart Line S.r.l. (€ 414 thousand), Bit Groove S.r.l. (€ 153 thousand) Elidata S.r.l. (€ 578 thousand), Datafox S.r.l. (€203 thousand) and Netbureau S.r.l. (€ 5 thousand). Goodwill arising on consolidation is amortised over ten years, representing its estimated income-generating potential.

The €2,548 thousand value of assets under development relates to investments into the development of some new products which credit institutions will shortly be legally obliged to use. The acceleration in such investments derives from the strategic decisions taken by the Board of Directors and the Management.

The caption "Other intangible fixed assets" principally comprises leasehold improvements carried out by the subsidiaries.

In the first half of 2004, "Intangible fixed assets" varied as follows:

| <i>Intangible fixed assets</i> | <i>Start-up and capital costs</i> | <i>Industrial patents and similar rights</i> | <i>Licences, trademarks and similar rights</i> | <i>Goodwill</i> | <i>Assets under development and payments on account</i> | <i>Goodwill arising on consolidation</i> | <i>Other</i> | <i>Total</i> |
|--|-----------------------------------|--|--|-----------------|---|--|----------------|-------------------|
| Purchase or production cost | 4,419,669 | 38,479 | 2,768,224 | 32,537 | | 12,107,689 | 1,254,788 | 20,621,386 |
| Previous years revaluations | | | | | | | | |
| Previous years amortisation and write-downs | (3,538,180) | (38,479) | (1,882,191) | (16,268) | | (4,059,816) | (485,191) | (10,020,126) |
| Adjustments to previous years write-downs | | | | | | | | |
| <i>Opening value</i> | <i>881,488</i> | | <i>886,032</i> | <i>16,268</i> | | <i>8,047,873</i> | <i>769,597</i> | <i>10,601,260</i> |
| Variations in consolidation area | 8,045 | 9,834 | 1,314 | | | 168,049 | 6,107 | 193,349 |
| Purchases | 4,021 | | 139,375 | | 2,547,618 | 54,509 | 3,595 | 2,749,117 |
| Transfers | | | | | | | | |
| Reduction in accumulated amortisation due to disposals | | | | | | | | |
| Disposals | | | | | | | | |
| Revaluations for the period | | | | | | | | |
| Amortisation and write-downs for the period | (442,414) | (2,458) | (260,708) | (1,627) | | (620,120) | (46,954) | (1,374,282) |
| Adjustments to write-downs for the period | (791) | | | | | | | (791) |
| <i>Total intangible fixed assets</i> | <i>450,350</i> | <i>7,375</i> | <i>766,013</i> | <i>14,642</i> | <i>2,547,618</i> | <i>7,650,311</i> | <i>732,346</i> | <i>12,168,655</i> |
| <i>(of which revaluations)</i> | | | | | | | | |

Investments in intangible fixed assets mainly relate to the purchase of specific software necessary for production or the performance of the Group's activities.

Tangible fixed assets

The caption "Tangible fixed assets" is composed as follows:

| 31/12/2003 | Tangible fixed assets | 30/06/2004 | 30/06/2003 |
|-------------------|---|-------------------|-------------------|
| 11,214,433 | Land and buildings | 11,035,150 | 11,392,686 |
| 176,843 | Plant and machinery | 169,339 | 202,168 |
| 191 | Industrial and commercial equipment | 351 | 374 |
| 1,749,321 | Other assets | 1,671,215 | 1,932,087 |
| | Assets under construction and payments on account | | 0 |
| 13,140,788 | Total tangible fixed assets | 12,876,055 | 13,527,315 |

In the first half of 2004, the item varied as follows:

| <i>Tangible fixed assets</i> | <i>Land and buildings</i> | <i>Plant and machinery</i> | <i>Industrial and commercial equipment</i> | <i>Other tangible fixed assets</i> | <i>Assets under construction</i> | <i>Total</i> |
|--|---------------------------|----------------------------|--|------------------------------------|----------------------------------|-------------------|
| Purchase or production cost | 11,674,409 | 451,309 | 662 | 4,880,855 | | 17,007,235 |
| Previous years revaluations | 120,837 | | | | | 120,837 |
| Previous years depreciation and write-downs | (580,813) | (274,465) | (471) | (3,129,823) | | (3,985,573) |
| Adjustments to previous years write-downs | | | | (1,711) | | (1,711) |
| <i>Opening value</i> | <i>11,214,433</i> | <i>176,843</i> | <i>191</i> | <i>1,749,321</i> | | <i>13,140,788</i> |
| Variations in consolidation area | | 9,448 | | 35,964 | | 45,412 |
| Purchases | | 10,453 | 350 | 143,684 | | 154,487 |
| Transfers | | | | | | |
| Reduction in accumulated depreciation due to disposals | | | | 28,993 | | 28,993 |
| Disposals | | | | (34,010) | | (34,010) |
| Revaluations for the period | | | | | | |
| Depreciation and write-downs for the period | (179,283) | (27,406) | (189) | (252,493) | | (459,371) |
| Adjustments to write-downs for the period | | | | (243) | | (243) |
| <i>Total tangible fixed assets</i> | <i>11,035,150</i> | <i>169,339</i> | <i>351</i> | <i>1,671,215</i> | | <i>12,876,055</i> |
| <i>(of which revaluations)</i> | <i>120,837</i> | | | | | <i>120,837</i> |

Tangible fixed assets as at 30 June 2004

| <i>Immobilitazioni Materiali</i> | <i>Land and buildings</i> | <i>Plant and machinery</i> | <i>Industrial and commercial equipment</i> | <i>Other tangible fixed assets</i> | <i>Assets under construction</i> | <i>Total</i> |
|----------------------------------|---------------------------|----------------------------|--|------------------------------------|----------------------------------|-------------------|
| Gross value | 11,795,246 | 451,309 | 662 | 4,880,855 | | 17,128,072 |
| Accumulated depreciation | (580,813) | (274,465) | (471) | (3,131,534) | | (3,987,284) |
| <i>Net value at 31/12/2003</i> | <i>11,214,433</i> | <i>176,843</i> | <i>191</i> | <i>1,749,321</i> | | <i>13,140,788</i> |
| Gross value | 11,795,246 | 471,210 | 1,012 | 5,026,492 | | 17,293,960 |
| Accumulated depreciation | (760,096) | (301,871) | (660) | (3,355,277) | | (4,417,905) |
| <i>Net value at 30/06/2004</i> | <i>11,035,150</i> | <i>169,339</i> | <i>351</i> | <i>1,671,215</i> | | <i>12,876,055</i> |

The acquisitions of new tangible fixed assets in the first half year amount overall to € 154 thousand, of which € 144 thousand is for "Other tangible fixed assets".

The caption "Other tangible fixed assets" includes electronic equipment and computers, which are instrumental in the management of the Group's core business.

Other fixed assets

Financial fixed assets are represented by investments in non-consolidated subsidiaries, in associated companies valued under the equity method or at cost, receivables for advances to employees on leaving entitlements and other receivables due after one year.

| 31/12/2003 | Financial fixed assets | 30/06/2004 | 30/06/2003 |
|------------------|---|------------------|------------------|
| | Investments in subsidiary companies valued using the equity method: | | |
| 20,386 | Syrm S.r.l. | | |
| 95,332 | 4 Emme Informatica S.r.l. | | |
| | Firstcom S.r.l. | | 1,996 |
| 5,528 | Nestegg S.r.l. | 5,528 | 5,528 |
| 126,199 | Archit S.r.l. | 52,479 | 92,310 |
| 51,669 | Tecsit S.r.l. | 58,403 | 31,575 |
| 299,114 | Total investments in subsidiaries not consolidated on a line-by-line basis | 116,410 | 131,409 |
| | Investments in associated companies: | | |
| 287,511 | Datafox S.r.l. | | 316,802 |
| | Bookvision S.r.l. | 19,818 | |
| 157,725 | Sicom S.r.l. | 153,382 | 164,857 |
| | Isis S.p.A. | | 78,091 |
| 445,236 | Total investments in associated companies | 173,200 | 559,749 |
| | Other investments: | | |
| 26 | DQS' investment in Finiter (Finance for enterprises) | 26 | 26 |
| 26 | Cad's investment in the Consortium CF-PRO | 26 | 26 |
| 5,977,068 | Class Editori S.p.a. | 5,977,068 | 5,977,068 |
| 44,953 | CIA S.p.a. | 44,953 | 44,953 |
| 6,022,073 | Total other investments | 6,022,073 | 6,022,073 |
| 21,808 | Tax credits for payments on account on employees' leaving entitlement | 19,932 | 37,010 |
| 50,924 | Other receivables due after one year | 57,089 | 46,828 |
| 72,732 | Total receivables due after one year | 77,021 | 83,838 |
| 250.000 | Other securities | | |
| 250.000 | | | |
| 7,089,154 | Total financial fixed assets | 6,388,704 | 6,797,069 |

The values used as a basis for the valuation of investments in subsidiary and associated companies using the equity method and the respective dates of reference are as follows:

A. Investments in subsidiary companies valued using the equity method:

| <i>Company name</i> | <i>Date of reference</i> | <i>Quotaholders' equity including profit for the period</i> | <i>Profit for the period</i> | <i>Percentage of investment</i> | <i>Investment value</i> | <i>Percentage of investment of the Group</i> | <i>Investment value of the Group</i> | <i>Carrying value in the consolidated half-year report</i> |
|---------------------|--------------------------|---|------------------------------|---------------------------------|-------------------------|--|--------------------------------------|--|
| Tecsit S.r.l. | 30/06/2004 | 83,433 | 874 | 70.00% | 58,403 | 38.50% | 32,122 | 58,403 |
| Arch it S.r.l. | 30/06/2004 | 74,969 | 17,400 | 70.00% | 52,478 | 38.50% | 28,863 | 52,478 |
| Nestegg S.r.l. | 30/06/2004 | 12,086 | | 55.00% | 6,647 | 28.60% | 3,457 | 5,528 |

B. Investments in subsidiary companies valued using the equity method:

| <i>Company name</i> | <i>Date of reference</i> | <i>Share/Quotaholders' equity including profit for the period</i> | <i>Profit for the period</i> | <i>Percentage of investment</i> | <i>Investment value</i> | <i>Percentage of investment of the Group</i> | <i>Investment value of the Group</i> | <i>Carrying value in the consolidated half-year report</i> |
|----------------------|--------------------------|---|------------------------------|---------------------------------|-------------------------|--|--------------------------------------|--|
| Bookingvision S.r.l. | 30/06/2004 | 90,982 | 0 | 21.78% | 19,818 | 11.11% | 10,107 | 19,818 |
| Sicom S.r.l. | 30/06/2004 | 613,525 | 182,625 | 25.00% | 153,381 | 25.00% | 153,381 | 153,381 |

Other investments

This item is essentially made up by Class Editori's and CIA S.p.A.'s shares, investments that are considered strategically important in relation to the existing co-operation agreements with the Group. The two investments, listed on the Ordinary Market and the Third Market, respectively, are stated at acquisition cost.

3.4.3 Current assets*Trade receivables, net*

Trade receivables are composed as follows:

| 31/12/2003 | Trade receivables, net | 30/06/2004 | 30/06/2003 |
|-------------------|---|-------------------|-------------------|
| | Associated companies | 16,708 | 59,546 |
| 170,411 | Subsidiaries valued using the equity method | 120,195 | 113,781 |
| 25,005,046 | Trade receivables | 25,605,158 | 30,934,908 |
| (787,099) | Bad debt provision | (812,543) | (655,025) |
| 24,388,358 | Total trade receivables | 24,929,518 | 30,453,210 |
| 154 | Average debtor days | 157 | 162 |
| 3.15% | Coverage of bad debt provision | 3.17% | 2.10% |

Trade receivables principally comprise receivables from customers of the banking division.

The increase in the first half of 2004, compared to the previous year end, is mainly due to certain clients entering into highly valuable contracts, according to which payment will take place upon completion of the whole supply.

The materiality of trade receivables depends on the extent of the contract values and on the agreed payment terms: settlement is usually provided upon testing (or ascertainment of the efficient operation) of the software supplied.

The peculiar type of customers (principally banks and bank-related companies) reduced significantly the materiality of credit losses over time, principally affecting average debtor days.

The Group accounts for receivables at their estimated realisable value. Overdue and to be due receivables with ageing exceeding average collection days are analytically valued, whereas the other receivables are subject to an overall valuation on the basis of the historic incidence of the Group's losses on sales by year of invoicing.

The bad debt provision covers 3.17% of total trade receivables. The devaluation amount is considered congruent on the basis of credit analysis and past experience.

Closing inventory

The caption "Inventory", which is not material, includes consumables and supplies, contract work in progress and finished goods.

It may be broken down for the periods of reference as follows:

| 31/12/2003 | Closing inventory | 30/06/2004 | 30/06/2003 |
|----------------|---|----------------|----------------|
| | Raw materials, consumables and supplies | | |
| 480,000 | Contract work in progress | 530,000 | 169,000 |
| 470,106 | Finished goods | 394,389 | 304,896 |
| 950,106 | Total final inventory | 924,389 | 473,896 |

Other current assets

This item may be broken down as follows:

| 31/12/2003 | Others current assets | 30/06/2004 | 30/06/2003 |
|----------------|---|------------------|------------------|
| 643,952 | Tax credits for advance payments and VAT | 819,057 | 1,167,479 |
| 14,459 | Receivables from social security institutions | 6,388 | 10,233 |
| 12,812 | Receivables for advances on travel expenses | 16,578 | 22,214 |
| 143,688 | Payments on account to suppliers | 17,870 | 14,299 |
| 105,116 | Other | 195,226 | 36,992 |
| | Insurances | | 488 |
| 4,606 | Guarantee deposits | 5,020 | 4,864 |
| 924,633 | Total | 1,060,139 | 1,256,569 |

Tax credits almost fully represent direct tax advance payments (IRES and IRAP) for 2004.

Accrued income and deferred expenses

The caption "Accrued income" includes accrued rental instalments of € 1,223, while the caption "Deferred expenses" is made up as follows:

| 31/12/2003 | Description | 30/06/2004 | 30/06/2003 |
|----------------|------------------------------------|----------------|----------------|
| 48,028 | Software assistance | 181,725 | 97,058 |
| - | Office management expenses | 21,852 | 54,366 |
| 43,152 | Advertising costs | 23,784 | 53,342 |
| 8,061 | Telephone charges | 65,361 | 50,364 |
| 24,974 | Administrative services | 21,498 | 18,585 |
| 34,490 | Use of third party assets | 55,526 | 44,115 |
| 29,633 | Insurances | 42,518 | 45,978 |
| 4,083 | Hardware assistance | 14,598 | 6,988 |
| 5,798 | Membership fees | 6,689 | |
| 1,850 | Insurances - third party liability | 14,999 | 9,903 |
| 5,274 | Other | 249,124 | 6,445 |
| 205,343 | Total deferred expenses | 697,675 | 387,144 |

3.4.4 Current liabilities

Payments on account

The item varied as follows:

| 31/12/2003 | 30/06/2004 | 30/06/2003 |
|------------|------------------------------|------------|
| 30,000 | Payments on account received | 37,409 |
| | | 45,477 |

The item "Payments on account" is made up of down payments from clients and is to be seen in the light of the organisational system, partly based on orders, used by the companies of the Group, which sometimes require the payment of a deposit upon the order.

Trade accounts payable to creditors

The item varied as follows:

| 31/12/2003 | Trade accounts payable to creditors | 30/06/2004 | 30/06/2003 |
|------------------|--|------------------|------------------|
| 4,115,091 | Accounts payable to creditors | 2,896,524 | 3,952,140 |
| 108,064 | Amounts payable to subsidiaries valued using the equity method | 72,347 | 35,400 |
| 31,007 | Amounts payable to associated companies | | 95,668 |
| 4,254,162 | Total accounts payable to creditors | 2,968,871 | 4,083,208 |
| 80 | Average creditor days | 75 | 81 |

Accounts payable to creditors relate to current accounts payable for goods and services received, including those for investments in fixed assets.

Sums due to other financial institutions

This item is entirely made up by the amount payable to the subsidiary Elidata S.r.l. for the financial lease contract for acquisition of the operating building of the company, in accordance with the International Accounting Standards.

Other current liabilities and Sums payable to taxation authorities

The item "Other current liabilities and Sums payable to taxation authorities" is composed as follows:

| 31/12/2003 | Other current liabilities and Sums payable to taxation authorities | 30/06/2004 | 30/06/2003 |
|------------------|---|-------------------|-------------------|
| 1,951,993 | Social security charges payable | 2,172,821 | 1,868,072 |
| 4,257,179 | Other sums payable | 5,628,479 | 5,293,781 |
| 6,209,172 | Total other current liabilities | 7,801,300 | 7,161,853 |
| 1,328,737 | Sums payable to taxation authorities | 3,543,099 | 3,214,925 |
| 7,537,909 | Total other current liabilities and Sums payable to taxation authorities | 11,344,399 | 10,376,778 |

Social security charges payable include the payables due to employees matured on the basis of the current wages and salary and deferred payroll.

The caption "Other sums payable" may be broken down as follows:

| 31/12/2003 | Other sums payable | 30/06/2004 | 30/06/2003 |
|------------------|---|------------------|------------------|
| 65,292 | Directors' emoluments | 99,739 | 108,287 |
| 181,306 | Dividends to be distributed to shareholders (third parties) | 541,543 | 361,306 |
| 996,874 | Wages and salaries | 1,821,905 | 1,862,857 |
| 339,130 | Production bonuses due to employees | 125,197 | 193,704 |
| 1,512,232 | Accrued holidays due to employees | 1,849,060 | 1,643,456 |
| | Thirteenth month salary | 706,471 | 672,444 |
| 628,005 | Fourteenth month salary | | |
| 387,343 | Purchase of investments | 387,343 | 387,343 |
| 146,997 | Other | 97,221 | 64,384 |
| 4,257,179 | Total other sums payable | 5,628,479 | 5,293,781 |

Total "Other sums payable" at 30 June 2004 include € 387 thousand as the additional maximum amount due to the selling quotaholders for the acquisition of the investment in Elidata S.r.l.. Said amounts will be paid by the parent company upon occurrence of the conditions provided by the contract.

The caption "Sums payable to taxation authorities" represents the aggregate tax payables of the individual consolidated companies of the Group. They comprise income taxes, VAT tax and withholding agent activities carried out by the individual companies on behalf of their employees and consultants. It also includes the estimated tax charges for the period on a pro-quota basis.

Substitute tax paid are also recorded following the presentation of an application of tax assist definition in accordance with the excise and revenue law.

There are no pending litigations with or assessments by the tax authorities at the date of preparation of this report.

Accrued expenses and deferred income

Accrued expenses amount to € 15 thousand.

Deferred income, equal to € 2,270 thousand, principally relates to deferred income from annual maintenance contracts on licences, already invoiced, which generally expire on 1st January or on 31st December of every year from contractual effects.

Employees' leaving entitlement

The item varied depending on the annual accruals made on the basis of the wages and salaries of the employees of the Cad IT Group and the utilisation for resignations and advances.

It varied as follows:

| 31/12/2003 | Employees' leaving entitlement | 30/06/2004 | 30/06/2003 |
|------------------|----------------------------------|------------------|------------------|
| 4,009,989 | Balance at 1 January | 4,769,385 | 4,009,989 |
| | Variations in consolidation area | 28,251 | |
| 1,380,747 | Accruals | 741,482 | 685,608 |
| (621,351) | Utilisation | (230,298) | (268,445) |
| 4,769,385 | Closing balance | 5,308,820 | 4,427,152 |

3.4.5 Variations in net assets forming part of working capital

The following table shows the performance and composition of net assets forming part of working capital, specifically evidencing assets of a trading nature:

| 31/12/2003 | Variations in net assets forming part of working capital | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| 24,388,358 | Trade receivables, net | 25,001,270 | 30,453,210 |
| (4,254,162) | Trade accounts payable to creditors | (2,968,871) | (4,083,208) |
| (30,000) | Payments on account received | (37,409) | (45,477) |
| 20,104,196 | Total net assets forming part of working capital | 21,994,990 | 26,324,525 |
| 950,106 | Closing inventory | 924,389 | 473,896 |
| 924,633 | Other current assets | 1,060,139 | 1,256,569 |
| 206,418 | Accrued income and deferred expenses | 698,898 | 388,556 |
| (1,328,737) | Sums payable to taxation authorities | (3,543,099) | (3,214,925) |
| (338,590) | Sums due to other financial institutions | (371,601) | (348,323) |
| (6,209,172) | Other current liabilities | (7,801,300) | (7,161,853) |
| (414,813) | Accrued expenses and deferred income | (2,284,763) | (3,130,725) |

| | | | |
|-------------------|-----------------------------------|-------------------|-------------------|
| 13,894,041 | Total working capital, net | 10,677,653 | 14,587,720 |
|-------------------|-----------------------------------|-------------------|-------------------|

3.4.6 Shareholders' equity and liabilities

Shareholders' equity of the Group

The Group's shareholders' equity at 30 June 2004 amounts to € 48,758 thousand, compared to € 51,282 thousand at 30 June 2003, after the distribution of ordinary and extraordinary dividends of over € 2,694 thousand. For comments on the composition and variation in consolidated shareholders' equity, reference is made to the following chapter 3.6.3.

Minority interest

The item includes the portions of the subsidiaries' quotaholders' equities that, based on equity ratios, are accounted for as pertaining to minority interest. It is composed as follows:

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| 1,703,703 | Minority quotaholders of Cesbe S.r.l. | 1,641,931 | 1,354,458 |
| - | Minority quotaholders of Syrm S.r.l. | - | 19,312 |
| - | Minority quotaholders of 4 Emme Informatica S.r.l. | | 48,303 |
| 14,859 | Minority quotaholders of NetBureau S.r.l. | 4,389 | 24,776 |
| 26,241 | Minority quotaholders of SGM S.r.l. | 58,343 | 4,664 |
| 362,452 | Minority quotaholders of DQS S.r.l. | 144,663 | 214,247 |
| 24,445 | Minority quotaholders of Bit Groove S.r.l. | 8,028 | 1,479 |
| 348,654 | Minority quotaholders of Elidata S.r.l. | 232,010 | 166,895 |
| 199,289 | Minority quotaholders of Smart Line S.r.l. | 96,486 | 138,752 |
| | Minority quotaholders of Datafox S.r.l. | 142,506 | |
| 2,679,642 | Total minority interests | 2,328,357 | 1,969,927 |

Provisions for contingencies and other charges

The item, equal to € 157 thousand, principally comprises directors' indemnities for termination of office (€ 126 thousand), deferred taxation (€ 5 thousand) and other provisions for contingencies (€ 25 thousand).

Liquid funds and net financial position

The short-term net financial position reflects a balance of € 14,441 thousand, net of the short-term portion of medium to long-term loans. In particular, the liquid funds on hand and at bank amount to € 9,047 thousand and the other liquid funds (€ 5,770 thousand) are contractually available on 30 days' notice.

For further information reference is made to the section "Financial performance and net financial position" (paragraphs 1.8 and 1.9).

3.4.7 Memorandum and contingency accounts and guarantees

Guarantees given

The credit lines granted by banks but currently not utilised are guaranteed by mortgages of € 12,395 thousand on buildings.

3.5 Information on the profit and loss account

3.5.1 Turnover - goods and services

The trend of revenues by geographic area is not significant, as they are almost entirely achieved on the domestic market. The following table breaks down production revenues by such business areas.

| <i>Year</i> <i>01/01 - 31/12/2003</i> | | <i>Turnover - goods and services</i> | <i>Half year</i> <i>01/01 - 30/06/2004</i> | | <i>Half year</i> <i>01/01 - 30/06/2003</i> | |
|--|---------------|--|---|---------------|---|---------------|
| 38,865,001 | 72.0% | B.O. financial instruments | 16,888,840 | 70.44% | 21,434,576 | 74.39% |
| 7,335,481 | 13.6% | Banking services software | 2,981,281 | 12.43% | 3,402,884 | 11.81% |
| 565,018 | 1.0% | Integrated IT systems | 1,172 | 0.00% | 392,225 | 1.36% |
| 1,063,888 | 2.0% | Training and organisation consultancy | 675,129 | 2.82% | 582,493 | 2.02% |
| 2,052,153 | 3.8% | New technologies | 964,864 | 4.02% | 991,544 | 3.44% |
| 49,881,541 | 91.9% | Total banking division | 21,511,286 | 89.72% | 26,803,722 | 93.03% |
| 3,383,982 | 6.3% | Industrial hardware and software | 2,312,837 | 9.65% | 1,660,819 | 5.76% |
| 730,563 | 1.4% | Consulting, training and industrial services | 152,563 | 0.64% | 347,531 | 1.21% |
| 4,114,545 | 8.1% | Total industry division | 2,465,400 | 10.28% | 2,008,350 | 6.97% |
| 53,996,086 | 100.0% | Total turnover - goods and services | 23,976,686 | 100.0% | 28,812,072 | 100.0% |

Compared to the corresponding six-month period 2003, turnover from goods and services for the first six months of 2004 reveals a decrease due to the general slowdown in investments by operators of the financial sector.

However, as already noted in paragraphs 3.1 and 3.2, the contribution margin improved both in absolute terms and in percentage, as an effect of the reduction in external service costs for the realisation of new software products. Reference is also made to the following paragraph 3.5.2 "Variation in production cost".

Even though the particularly intense investing activities in research and development have now been completed, the overall results are still affected by the costs for the maintenance and development of existing and new products, which represent a basis for the future development of the company's business and results and have attracted the attention and interest of several banking groups.

3.5.2 Variation in production costs

The trend of production cost grouped by nature is as follows:

| 31/12/2003 | % | Cost components | 30/06/2004 | % | 30/06/2003 | % |
|-------------------|---------------|---|-------------------|---------------|-------------------|---------------|
| 576,511 | 1.18% | Hardware | 618,590 | 2.56% | 294,894 | 1.21% |
| 427,120 | 0.87% | Software | 214,374 | 0.89% | 144,946 | 0.59% |
| 201,758 | 0.41% | Other additions | 99,890 | 0.41% | 108,409 | 0.44% |
| (146,553) | (0.30%) | Variations in raw materials | 75,717 | 0.31% | 18,657 | 0.08% |
| 1,058,836 | 2.17% | Total raw materials | 1,008,571 | 4.17% | 566,906 | 2.32% |
| 7,770,094 | 15.91% | External consultants | 2,687,996 | 11.12% | 3,318,699 | 13.57% |
| 1,831,326 | 3.75% | Reimbursements of out-of-pocket and travel expenses | 768,936 | 3.18% | 1,018,499 | 4.16% |
| 2,472,150 | 5.06% | Other | 1,182,676 | 4.89% | 1,426,447 | 5.83% |
| 12,073,570 | 24.73% | Total service costs | 4,639,608 | 19.19% | 5,763,644 | 23.55% |
| 20,474,109 | 41.94% | Wages and salaries | 10,757,430 | 44.50% | 10,443,620 | 42.69% |
| 6,247,118 | 12.80% | Social security contributions | 3,335,456 | 13.80% | 3,183,225 | 13.01% |
| 1,380,747 | 2.83% | Employees' leaving entitlement | 741,482 | 3.07% | 685,608 | 2.80% |
| 65,672 | 0.13% | Other | 34,462 | 0.14% | 25,468 | 0.10% |
| 28,167,646 | 57.69% | Total personnel expenses | 14,868,830 | 61.50% | 14,337,921 | 58.61% |
| 1,705,015 | 3.49% | Emoluments to directors and attorneys | 928,501 | 3.84% | 912,020 | 3.73% |
| 541,516 | 1.11% | Telephone charges | 232,768 | 0.96% | 284,609 | 1.16% |
| 321,120 | 0.66% | Commissions and advertising | 195,722 | 0.81% | 152,470 | 0.62% |
| 2,567,651 | 5.26% | Total other administrative expenses | 1,356,991 | 5.61% | 1,349,099 | 5.51% |
| 3,781,534 | 7.75% | Amortisation and depreciation | 1,833,653 | 7.58% | 1,868,824 | 7.64% |
| 290,632 | 0.60% | Accruals | 27,331 | 0.11% | 120,278 | 0.49% |
| 674,168 | 1.38% | Use of third party assets | 340,522 | 1.41% | 376,482 | 1.54% |
| 208,874 | 0.43% | Other operating costs | 99,535 | 0.41% | 81,442 | 0.33% |
| 4,955,208 | 10.15% | Total other costs | 2,301,041 | 9.52% | 2,447,026 | 10.00% |
| 48,822,911 | 100.0% | Total production cost | 24,175,041 | 100.0% | 24,464,596 | 100.0% |

This table evidences the following matters:

- The cost of raw materials and consumables is not significant due to the type of activity of the Group and the limited impact of hardware sales. The increase, compared to the corresponding period, is correlated to the purchase of a particularly substantial order.
- The service costs were totally contained in €4,640 thousand with a reduction of €1,124 thousand compared to the same 2003 period because less use was made of external resources for

production needs. The figures relating to service costs in the first six months of 2004 represent 19.19% of the total production costs (23.55% in the previous period) and 17.41% of the production revenues (19.82% in the previous period) respectively. These figures are mainly made up of costs sustained by the Group for technical consultants who lend their services on a temporary basis or for continuous periods (€2,688 thousand compared to €3,319 thousand of the previous 2003 financial period). The employment of external consultants allows the Group to maintain a high flexibility in cost structure. Moreover, the reimbursement of expenses and transfer costs is considerably less (€769 thousand compared to €1,018 thousand of the corresponding 2003 period). Other service costs amount to €1,183 thousand compared to €1,426 thousand of the same period in 2003.

■ Personnel expenses increase in absolute value by 3.7% compared to the first six months of 2003 and make up 61.5% of production costs and 55.79% of production value. The increase found in the total staff costs is due to the drop in the revenues value and the €531 thousand increase in absolute value, justified by the increase in the average number of employees which has risen from 637 to 650.

■ Total administrative expenses are almost the same as those in the first half year 2003, with the impact on total production costs increasing to 5.6%, compared to 5.5% in the corresponding prior year period, and on production revenues increasing to 5.1%, compared to 4.6%.

■ The caption "Other costs" reduced from € 2,447 thousand to € 2,301 thousand. However, the incidence on production costs increased from 9.5% to 10.0% and on production revenues from 8.63% in the corresponding prior year period to 8.4%.

Financial income and charges, net

Reference is made to the section on financial performance and net financial position (paragraphs 1.8 and 1.9).

Extraordinary income

The net balance between extraordinary income and expense in the first half of 2004 and 2003 is negative for € 236 thousand and positive for € 65 thousand.

The negative balance of the first six months of 2004 is mainly due to the registration of income tax for 2003 which was greater than initially calculated because of the restrictive interpretation of facilitating tax laws.

3.6 Other information

3.6.1 Personnel

The average number of employees of the Group at the date of reference of these consolidated accounts is of 650 units, as follows:

| <i>Average number in 2003</i> | <i>Category of employees</i> | <i>Average number in 1st half year 2004</i> | <i>Average number in 1st half year 2003</i> | <i>Variations</i> |
|-----------------------------------|----------------------------------|---|---|-------------------|
| 15 | Management | 15 | 15 | |
| 609 | White-collars and cadres | 629 | 618 | 11 |
| 1 | Blue-collars | 1 | 1 | |
| 3 | Apprentices | 5 | 3 | 2 |
| 628 | Total | 650 | 637 | 13 |

From the second half year 2003, this growth rate was reduced to maintain flexibility of the structure, in which the importance of employees is a guarantee for continued future development and which attracts the utmost attention of the directors.

The personnel employed by CAD IT Group at 30 June 2004 was of 652 units, with a increase of 13 units compared to 30 June 2003.

Training is of particular importance to the Group, which holds special refresher and training courses.

3.6.2 Relationships with related parties

In accordance with Consob communications nos. 97001574 of 20 February 1997 and 98015375 of 27 February 1998, intercompany trading relationships are carried out under arm's length conditions.

Moreover, no financial/economic relationships were entered into with related parties except for the relationships already in existence and indicated in the past as being of no significance.

3.6.3 Reconciliation between the statutory half-year report of CAD IT and the consolidated half-year report

Shareholders' equity of the Group

The following table shows the adjustments made to the shareholders' equity and profit for the period of the parent company as an effect of the application of consolidation policies in the preparation of the consolidated half-year report as at and for the six months ended 30 June 2004.

| <i>Reconciliation schedule</i> | <i>at 30 June 2004</i> | | <i>at 31 December 2003</i> | |
|---|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | <i>Shareholders' equity</i> | <i>Profit for the period</i> | <i>Shareholders' equity</i> | <i>Profit for the period</i> |
| <i>Shareholders' equity and profit for the year of the parent company</i> | 51,462,767 | 1,203,962 | 52,952,805 | 3,148,277 |
| Elimination of the carrying value of consolidated investments | | | | |
| - Difference between carrying value and pro-quota value of shareholders' equity | (11,221,668) | | (11,778,189) | |
| - Effects on reserves | | | | |
| - Profit of subsidiary/associated companies on a pro-quota basis | 693,748 | 693,748 | 1,825,531 | 1,825,531 |
| - Goodwill arising on consolidation | 7,650,311 | (620,120) | 8,047,873 | (1,210,647) |
| - Consolidation reserves | | | | |
| - Elimination of intercompany dividends | | (1,118,853) | | (2,111,012) |
| - Other effects on the profit and loss account | | (1) | | (18,891) |
| Valuation of investments in associated companies using the equity method | 172,761 | 64,288 | 180,873 | 207,280 |
| Total consolidated shareholders' equity | 48,757,919 | 223,024 | 51,228,895 | 1,840,539 |

The current share capital of the parent company comprises 8,980,000 ordinary shares with the nominal value of € 0.52 each.

Neither the company nor its subsidiaries, even through trust companies or third persons, have purchased or sold own shares.

The following table presents the variations in the Group shareholders' equity from 31 December 2003 to 30 June 2004:

| <i>Variations in shareholders' equity of the Group</i> | <i>Share capital</i> | <i>Reserves</i> | <i>Profit for the period</i> | <i>Shareholders' equity of the Group</i> |
|--|----------------------|-------------------|------------------------------|--|
| <i>31 December 2003</i> | <i>4,669,600</i> | <i>44,718,756</i> | <i>1,840,539</i> | <i>51,228,895</i> |
| Increase/(Decrease) in reserves | | | | |
| Increase in revaluation reserves | | | | |
| Allocation of profit for the period to reserves | | 1,840,539 | (1,840,539) | |
| Distribution of dividends - parent company | | (2,694,000) | | (2,694,000) |
| Effects on consolidation reserves | | | | |
| Capital injections | | | | |
| Profit for the period | | | 223,024 | 223,024 |
| Total at 30 June 2003 | 4,669,600 | 43,865,295 | 223,024 | 48,757,919 |

3.7 Consolidated Cash Flow Statement of Cad It Group for the first half year 2003

The following table shows the consolidated cash flows of the Group at 30 June 2004. They evidence the assets and liabilities acquired by the parent company following the investments in subsidiaries in accordance with the Accounting Principle no. 17 on consolidated financial statements.

| Year 2003 | Cash flow statement of Cad It Group | 1 st half year 2004 | 1 st half year 2003 |
|---------------------|--|--------------------------------|--------------------------------|
| | <u>OPERATING ACTIVITIES</u> | | |
| 1,840,539 | Profit (loss) for the period | 223,024 | 1,893,153 |
| | Amortisation and depreciation: | | |
| 1,012,643 | - Tangible fixed assets | 459,371 | 497,833 |
| 1,558,244 | - Intangible fixed assets | 754,161 | 765,668 |
| 1,210,647 | - Goodwill arising on consolidation | 620,121 | 605,323 |
| | Accruals: | | |
| 1,380,747 | - Employees' leaving entitlement | 741,482 | 685,608 |
| 31,929 | - Other provisions | 3,039 | 29,834 |
| 46,309 | Increase/(Decrease) in provisions for contingencies and other charges | (20,842) | 21,418 |
| 7,081,058 | Sub-total | 2,780,356 | 4,498,837 |
| (621,351) | Utilisation of employees' leaving entitlement | (202,047) | (268,445) |
| 7,030,149 | (Increase)/Decrease in receivables included under assets forming part of working capital | (748,418) | 633,360 |
| (626,553) | (Increase)/Decrease in inventory | 25,717 | (150,343) |
| (22,330) | (Increase)/Decrease in accrued income and deferred expenses | (492,480) | (204,468) |
| (149,603) | Increase/(Decrease) in accounts due to creditors | (1,211,158) | (297,077) |
| 295,960 | Increase/(Decrease) in accrued expenses and deferred income | 1,869,950 | 3,011,872 |
| (17,132) | Increase/(Decrease) in sums due to other financial institutions | 33,011 | (7,399) |
| (515,621) | Increase/(Decrease) in other non-financial payables | 3,739,766 | 2,315,246 |
| 5,373,519 | Sub-total | 3,014,341 | 5,032,746 |
| 12,454,577 | (A) - Cash flows from (for) operating activities | 5,794,697 | 9,531,583 |
| | <u>INVESTING ACTIVITIES</u> | | |
| (184,335) | (Increase)/ Decrease in investments in subsidiary companies valued using the equity method | 182,703 | (16,631) |
| (937,264) | (Increase)/Decrease in intangible fixed assets | (2,941,679) | (877,130) |
| (417,244) | (Increase)/Decrease in tangible fixed assets | (194,638) | (288,961) |
| (4,281) | (Increase)/Decrease in other fixed assets | (4,289) | (15,387) |
| | Acquisition of investments in unconsolidated subsidiaries | | |
| 123,087 | (Increase)/Decrease in investments in associated companies | 272,036 | 8,574 |
| (250,000) | (Increase)/Decrease in other investments and securities | 250,000 | - |
| (1,670,037) | (B) - Cash flows from (for) investing activities | (2,435,867) | (1,189,535) |
| | <u>FINANCING ACTIVITIES</u> | | |
| | Increase/(Decrease) in financial payables | | |
| (26,940,000) | Increase/(Decrease) in reserves | | (26,940,000) |
| 423,372 | Minority interest | (351,285) | |
| (1,616,400) | Distribution of dividends | (2,694,000) | (286,344) |
| | Capital injections | | (1,616,400) |
| (28,133,028) | (C) - Cash flows from (for) financing activities | (3,045,285) | (28,842,744) |
| (17,348,488) | (A+B+C) - Total cash flows | 313,545 | (20,500,696) |

| | | | |
|-------------------|-----------------------------|-------------------|-------------------|
| 31,475,907 | Opening liquid funds | 14,127,419 | 31,475,907 |
| 14,127,419 | Closing liquid funds | 14,440,964 | 10,975,211 |

4. First Half-Year Report 2003 CAD IT S.p.A.

4.1 Balance Sheet CAD IT S.p.A. - Assets

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| | A) SHARE CAPITAL PROCEEDS TO BE RECEIVED | | |
| | I. Already called up | | |
| | II. Not yet called up | | |
| | Total share capital proceeds to be received (A) | | |
| | B) FIXED ASSETS | | |
| | I. Intangible fixed assets | | |
| 875,831 | 1) Start-up and capital costs | 437,916 | 1,313,747 |
| | 2) Research, development and advertising costs | | |
| | 3) Industrial patents and similar rights | | |
| 251,141 | 4) Licences, trademarks and similar rights | 256,503 | 304,369 |
| | 5) Goodwill | | |
| | 5 bis) Goodwill arising on consolidation | | |
| | 6) Assets under development and payments on account | 2,547,618 | |
| 749,218 | 7) Other | 707,413 | 791,885 |
| 1,876,191 | Total intangible fixed assets | 3,949,450 | 2,410,001 |
| | II. Tangible fixed assets | | |
| 10,777,022 | 1) Land and buildings | 10,607,814 | 10,945,200 |
| 111,091 | 2) Plant and machinery | 99,368 | 118,630 |
| | 3) Industrial and commercial equipment | | |
| 923,652 | 4) Other assets | 925,743 | 944,739 |
| | 5) Assets under construction and payments on account | | |
| 11,811,765 | Total tangible fixed assets | 11,632,925 | 12,008,569 |
| | III. Financial fixed assets | | |
| | 1) Investments in: | | |
| 13,463,636 | a) Subsidiary companies | 14,165,420 | 13,562,495 |
| 115,718 | a-bis) Subsidiaries valued using the equity method | | |
| 353,610 | b) Associated companies | 2,600 | 353,610 |
| 6,022,021 | c) Other | 6,022,021 | 6,022,021 |
| | 2) Amounts receivable: | | |
| 100,000 | a) From subsidiary companies | 100,000 | |
| | b) From associated companies | | |
| 32,376 | d) Other due after one year | 30,462 | 45,301 |
| | 3) Other securities | | |
| | 4) Own shares | | |
| 20,087,362 | Total financial fixed assets | 20,320,503 | 19,983,427 |
| 33,775,317 | Total fixed assets (B) | 35,902,878 | 34,401,997 |
| | C) ASSETS FORMING PART OF WORKING CAPITAL | | |
| | I. Inventory | | |
| | 1) Raw materials, consumables and supplies | | |
| | 2) Work in progress and semi-finished products | | |
| | 3) Contract work in progress | | |
| | 4) Finished goods | | |

| | | | |
|-------------------|---|-------------------|-------------------|
| | 5) Payments on account | | |
| | Total | | |
| | II. Receivables | | |
| 4,212,726 | 1) Trade receivables | 3,223,132 | 4,793,237 |
| 17,744,060 | 2) Subsidiary companies | 18,074,508 | 17,909,221 |
| 13,650 | 2 bis) Subsidiaries valued using the equity method | | |
| | 3) Associated companies | | |
| | 4) Parent companies | | |
| 916,658 | 5) Others due within one year | 177,945 | 431,461 |
| 22,887,095 | Total | 21,475,585 | 23,133,919 |
| | III. Financial assets not of a fixed nature | | |
| | 1) Investments in subsidiary companies | | |
| | 2) Investments in associated companies | | |
| | 3) Investments in parent companies | | |
| | 4) Other investments | | |
| | 5) Own shares (total nominal value) | | |
| | 6) Other securities | | |
| 5,425,299 | 7) Insurance policies capitalised | 5,770,043 | 5,335,346 |
| 5,425,299 | Total | 5,770,043 | 5,335,346 |
| | IV. Liquid funds | | |
| 2,823,857 | 1) Bank and postal accounts | 2,802,251 | 969,514 |
| | 2) Cheques on hand | | |
| 2,820 | 3) Cash-on-hand and cash equivalents | 2,230 | 3,983 |
| 2,826,677 | Total | 2,804,481 | 973,497 |
| 31,139,070 | Total assets forming part of working capital | 30,050,109 | 29,442,762 |
| | D) ACCRUED INCOME AND DEFERRED EXPENSES | | |
| | Accrued income | | |
| 120,630 | Deferred expenses | 453,012 | 190,704 |
| 120,630 | Total | 453,012 | 190,704 |
| 65,035,018 | TOTAL ASSETS | 66,405,999 | 64,035,463 |

4.2 Balance Sheet CAD IT S.p.A. - Shareholders' Equity and Liabilities

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|-------------------|---|-------------------|-------------------|
| | A) SHAREHOLDERS' EQUITY | | |
| 4,669,600 | I capital | 4,669,600 | 4,669,600 |
| 35,246,400 | II Share premium reserve | 35,246,400 | 35,246,400 |
| | III Revaluation reserves | | |
| 933,920 | IV Legal reserve | 933,920 | 933,920 |
| | V Reserve for purchase of own shares | | |
| | VI Statutory reserves | | |
| 8,954,608 | VII Other reserves | 9,408,885 | 8,954,608 |
| | Consolidation reserves | | |
| | VIII Retained earnings or losses carried forward | | |
| 3,148,277 | IX Profit /(loss) for the period of the Group | 1,203,962 | 2,615,057 |
| 52,952,805 | Shareholders' equity | 51,462,767 | 52,419,585 |
| | B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES | | |
| | 1) Pension and similar provisions | | |
| | 2) Taxation | | |
| 386 | 3) Exchange rate risk | 146 | 330 |
| 386 | Total | 146 | 330 |
| 2,187,801 | C) EMPLOYEES' LEAVING ENTITLEMENT | 2,489,927 | 2,043,346 |
| | D) PAYABLES | | |
| | 1) Debentures | | |
| | 2) Convertible debentures | | |
| | 3) Due to banks | | |
| | Due after one year | | |
| | 4) Sums due to other financial institutions | | |
| | Due after one year | | |
| | 5) Payments on account | | |
| 1,191,148 | 6) Accounts payable to creditors | 728,472 | 1,352,029 |
| | 7) Accounts payable on bills accepted and drawn | | |
| | Due after one year | | |
| 4,588,605 | 8) Amounts payable to subsidiary companies | 6,735,215 | 3,154,636 |
| 9,573 | 8 bis) Amounts payable to subsidiaries valued using the equity method | | |
| 31,007 | 9) Amounts payable to associated companies | | 77,453 |
| | 10) Amounts payable to parent companies | | |
| 736,223 | 11) Sums payable to taxation authorities | 1,053,748 | 1,265,565 |
| 952,081 | 12) Social security charges payable | 1,008,843 | 955,819 |
| 2,013,511 | 13) Other sums payable | 2,671,958 | 2,548,810 |
| 9,522,148 | Total | 12,198,236 | 9,354,312 |
| | E) ACCRUED EXPENSES AND DEFERRED INCOME | | |
| | Accrued expenses | | |
| 371,878 | Deferred income | 254,923 | 217,890 |
| 371,878 | Total | 254,923 | 217,890 |

| | | | |
|-------------------|--|-------------------|-------------------|
| <u>65,035,018</u> | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | <u>66,405,999</u> | <u>64,035,463</u> |
| <u>12,394,966</u> | MEMORANDUM AND CONTINGENCY ACCOUNTS | <u>12,394,966</u> | <u>12,394,966</u> |

4.3 Profit and Loss Account CAD IT S.p.A.

| 31/12/2003 | | 30/06/2004 | 30/06/2003 |
|---------------------|---|---------------------|---------------------|
| | A) PRODUCTION REVENUES | | |
| 22,715,841 | 1) Turnover - goods and services | 10,272,890 | 12,635,127 |
| | 2) Variation in inventories and work in progress | | |
| | 3) Variation in contract work in progress | | |
| | 4) Increase in internal work capitalised under fixed assets | 1,103,000 | |
| 22,445 | 5) Other revenues and income | 17,223 | 11,715 |
| 22,738,286 | Total production revenues | 11,393,113 | 12,646,842 |
| | B) PRODUCTION COST | | |
| (117,172) | 6) Raw materials, consumables and supplies | (63,525) | (56,209) |
| (6,360,783) | 7) Services | (2,208,089) | (3,012,251) |
| (192,964) | 8) Use of third party assets | (107,739) | (93,062) |
| | 9) Personnel expenses | | |
| (9,576,982) | a) Wages and salaries | (5,100,997) | (4,830,391) |
| (3,039,095) | b) Social security contributions | (1,606,288) | (1,547,079) |
| (657,069) | c) Employees' leaving entitlement | (362,365) | (324,873) |
| | d) Pension and similar costs | | |
| (9,250) | e) Other costs | (4,516) | (2,555) |
| (13,282,395) | Total personnel expenses | (7,074,166) | (6,704,898) |
| | 10) Amortisation, depreciation and write-downs: | | |
| (1,147,872) | a) Amortisation of intangible fixed assets | (576,629) | (565,515) |
| (539,648) | b) Depreciation of tangible fixed assets | (276,397) | (263,678) |
| | c) Write-downs of fixed assets | | |
| (3,168) | d) Write-downs of receivables included under assets forming part of working capital | | |
| (1,690,687) | Total amortisation, depreciation and write-downs | (853,026) | (829,193) |
| | 11) Variation in raw materials, supplies and consumables | | |
| | 12) Provisions for contingencies | | |
| | 13) Other provisions | | |
| (113,999) | 14) Other operating costs | (45,031) | (44,968) |
| (21,758,001) | Total production cost | (10,351,576) | (10,740,581) |
| 980,284 | Difference between production revenues and cost (A-B) | 1.041.537 | 1,906,261 |
| | C) FINANCIAL INCOME AND CHARGES | | |
| 1,983,948 | 15) Income from investments in subsidiary companies | 982,953 | 1,141,198 |
| 115,025 | Associated companies | 50,000 | 52,000 |
| 58,237 | Other | 37,272 | 56,470 |
| 1,059,185 | Tax credits on dividends | | 390,805 |
| | 16) Other financial income | | |
| 676 | a) Receivables classified as fixed assets | 327 | 617 |
| 836 | b) From securities included as fixed assets which are not investments | 2,056 | |
| | c) From securities included under assets forming part of working capital | | |
| 367,796 | d) Other income | 93,172 | 267,632 |

| | | | |
|------------------|--|------------------|------------------|
| | 17) Interest and other financial charges | | |
| (647) | a) Other | (5,900) | (542) |
| | b) Subsidiaries | | |
| | c) Associated companies | | |
| | d) Parent companies | | |
| 3,585,056 | Total (15+16-17) | 1,159,880 | 1,908,180 |
| | D) ADJUSTMENTS TO FINANCIAL ASSET VALUES | | |
| | 18) Revaluation of investments in associated companies | | |
| (35,140) | 19) Write-downs of investments in associated companies | | |
| (35,140) | Total adjustments to financial asset values | | |
| | E) EXTRAORDINARY INCOME AND EXPENSES | | |
| 59,243 | 20) Income | 12,133 | 49,939 |
| | Profit on sale of assets | | |
| (9,455) | 21) Expenses | (245,842) | (4,035) |
| | Loss on sale of assets | | |
| 49,788 | Total extraordinary items (20-21) | (233,709) | 45,904 |
| 4,579,989 | PROFIT (LOSS) BEFORE TAXATION (A-B+C+-D+-E) | 1,967,708 | 3,860,345 |
| (1,431,712) | 22) Taxation on profit for the period | (763,746) | (1,245,288) |
| 3,148,277 | 26) Profit/ (loss) for the period | 1,203,962 | 2,615,057 |

4.4 Information on the half-year report - CAD IT S.p.A.

4.4.1 Relationships with subsidiary companies

During the half year the Group companies carried out transactions with subsidiary and associated companies and with subsidiaries of the parent company CAD IT. The effects of transactions with fully consolidated companies on the financial position and results are eliminated, except for certain sales of instrumental goods of a not significant amount carried out, anyway, under arm's length conditions as well as services regarding investments for development of application operating software currently under further development.

Sales of goods and services to the Group companies consolidated on a line-by-line basis resulted in revenues of € 11,985.4 thousand, arising from licences and analysis, assistance, design and development services. The difference of € 1,444.6 thousand between costs and turnover regards costs capitalization for intangible fixed assets under development and payments on account.

All transactions with related parties are carried out on an arm's length basis.

Intercompany turnover from goods and services and intercompany receivables and payables at 30 June 2004 may be broken down as follows:

| | <i>Costs</i> | <i>Turnover</i> | <i>Receivables</i> | <i>Payables</i> |
|----------------------------|-------------------|-------------------|--------------------|-------------------|
| <i>Name of the company</i> | | | | |
| Cad It S.p.a. | 652,936 | 7,440,755 | 18,174,508 | 6,735,215 |
| Cad S.r.l. | 9,571,414 | 1,419,950 | 5,129,204 | 19,994,413 |
| Cesbe S.r.l. | 256,593 | 1,087,530 | 3,949,737 | 786,432 |
| NetBureau S.r.l. | 17,254 | 284,842 | 273,560 | 258,988 |
| DQS S.r.l. | 3,099 | 920,532 | 484,888 | 253,620 |
| SGM S.r.l. | 3,616 | 392,340 | 207,771 | 103,928 |
| SmartLine Line S.r.l. | 4,125 | 59,848 | 24,544 | 138,413 |
| BitGroove S.r.l. | 20,670 | 159,658 | 85,823 | 42,007 |
| Elidata S.r.l. | 11,088 | - | - | 205,518 |
| Datafox S.r.l. | - | 219,956 | 188,564 | - |
| Total | 10,540,793 | 11,985,411 | 28,518,599 | 28,518,533 |

As for the annual financial statements, the following paragraphs comment on the reclassified profit and loss account of CAD IT S.p.A., which best represents the performance of the company.

This reclassified profit and loss account complies with the format required by law.

It should be pointed out that the results take into consideration the total dividend payments made in the corresponding period whatever the collection date.

4.4.2 Reclassified Profit and Loss Account of CAD IT S.p.A.

| 31/12/2003 | % | Reclassified Profit and Loss Account | 30/06/2004 | % | 30/06/2003 | % |
|-------------------|----------------|---|-------------------|----------------|-------------------|----------------|
| 22,715,841 | 99.90% | Turnover - goods and services | 10,272,890 | 90.17% | 12,635,127 | 99.91% |
| | | Variations in contract work in progress | 1,103,000 | 9.68% | 0 | 0.00% |
| 22,445 | 0.10% | Other revenues and income | 17,223 | 0.15% | 11,715 | 0.09% |
| 22,738,286 | 100.00% | Production revenues | 11,393,113 | 100.00% | 12,646,842 | 100.00% |
| (117,172) | (0.52%) | Raw materials, consumables and supplies | (63,525) | (0.56%) | (56,209) | (0.44%) |
| (5,443,960) | (23.94%) | Services | (1,742,595) | (15.30%) | (2,539,192) | (20.08%) |
| (306,964) | (1.35%) | Other operating costs | (152,770) | (1.34%) | (138,030) | (1.09%) |
| 16,870,190 | 74.19% | Added value | 9,434,223 | 82.81% | 9,913,411 | 78.39% |
| (13,282,395) | (58.41%) | Personnel expenses | (7,074,166) | (62.09%) | (6,704,898) | (53.02%) |
| (916,823) | (4.03%) | Other administrative expenses | (465,494) | (4.09%) | (473,059) | (3.74%) |
| 2,670,972 | 11.75% | Gross operating result (EBITDA) | 1,894,563 | 16.63% | 2,735,454 | 21.63% |
| (3,168) | (0.01%) | Charge to provision for bad debts | | | | |
| (1,687,520) | (7.42%) | Amortisation and depreciation | (853,026) | (7.49%) | (829,193) | (6.56%) |
| | | Other provisions | | | | |
| 980,284 | 4.31% | Operating profit (EBIT) | 1,041,537 | 9.14% | 1,906,261 | 15.07% |
| 3,585,056 | 15.77% | Financial income and charges, net | 1,159,880 | 10.18% | 1,908,180 | 15.09% |
| 4,565,341 | 20.08% | Profit/(loss) from ordinary activities | 2,201,417 | 19.32% | 3,814,441 | 30.16% |
| (35,140) | (0.15%) | Revaluations and write-downs | | | | |
| 49,788 | 0.22% | Extraordinary income and expenses | (233,709) | (2.05%) | 45,904 | 0.36% |
| 4,579,989 | 20.14% | Profit (loss) before taxation | 1,967,708 | 17.27% | 3,860,345 | 30.52% |
| (1,431,712) | (6.30%) | Taxation on profit for the period | (763,746) | (6.70%) | (1,245,288) | (9.85%) |
| 3,148,277 | 13.85% | Net profit / (loss) for the period | 1,203,962 | 10.57% | 2,615,057 | 20.68% |

4.4.3 Reclassified Balance Sheet CAD IT S.p.A.

| 31/12/2003 | Reclassified Balance Sheet | 30/06/2004 | 30/06/2003 |
|-------------------|--|-------------------|-------------------|
| | Fixed assets | | |
| 1,876,191 | Intangible fixed assets | 3,949,450 | 2,410,001 |
| 11,811,765 | Tangible fixed assets | 11,632,925 | 12,008,569 |
| 20,087,362 | Other fixed assets | 20,320,503 | 19,983,427 |
| 33,775,317 | Total fixed assets | 35,902,878 | 34,401,997 |
| | Current assets | | |
| 4,212,726 | Trade receivables, net | 3,223,132 | 4,793,237 |
| | Closing inventory | | |
| 18,674,368 | Other current assets | 18,252,453 | 18,340,682 |
| 120,630 | Accrued income and deferred expenses | 453,012 | 190,704 |
| 23,007,725 | Total current assets | 21,928,597 | 23,324,623 |
| | Current liabilities | | |
| | Payments on account received | | |
| 1,191,148 | Accounts payable to creditors | 728,472 | 1,352,029 |
| | Sums due to other financial institutions | | |
| | Payables due to former shareholders | | |
| 7,594,778 | Other current liabilities | 10,416,016 | 6,736,718 |
| 736,223 | Sums payable to taxation authorities | 1,053,748 | 1,265,565 |
| 371,878 | Accrued expenses and deferred income | 254,923 | 217,890 |
| 9,894,026 | Total current liabilities | 12,453,159 | 9,572,202 |
| 13,113,699 | Operating capital, net | 9,475,438 | 13,752,421 |
| 2,187,801 | Employees' leaving entitlement | 2,489,927 | 2,043,346 |
| 44,701,215 | Invested capital, net | 42,888,389 | 46,111,072 |
| | Shareholders' equity and net indebtedness | | |
| 52,952,805 | Total shareholders' equity | 51,462,767 | 52,419,585 |
| | Minority interest | | |
| | Medium/long-term payables due to banks | | |
| 386 | Provisions for contingencies and other charges | 146 | 330 |
| (8,251,976) | Short-term net indebtedness (financial position) | (8,574,524) | (6,308,843) |
| 44,701,215 | Invested capital, net | 42,888,389 | 46,111,072 |

4.4.4 Cash Flow Statement of CAD IT S.p.A.

| Year 2003 | Cash Flow Statement of CAD IT S.p.A. | 1 st half year 2004 | 1 st half year 2003 |
|---------------------|--|-----------------------------------|-----------------------------------|
| | <u>OPERATING ACTIVITIES</u> | | |
| 3,148,277 | Profit (loss) for the period | 1,203,962 | 2,615,057 |
| | Amortisation and depreciation: | | |
| 539,648 | - Tangible fixed assets | 276,397 | 263,678 |
| 1,147,872 | - Intangible fixed assets | 576,629 | 565,515 |
| | Accruals: | | |
| 657,069 | - Employees' leaving entitlement | 362,365 | 324,873 |
| | - Other provisions | | |
| 287 | Increase/(Decrease) in provisions for contingencies and other charges | (240) | 231 |
| | (Gains)/losses on sale of fixed assets | | |
| 5,493,152 | Sub-total | 2,419,113 | 3,769,354 |
| (289,620) | Utilisation of employees' leaving entitlement | (60,239) | (101,879) |
| 1,305,388 | (Increase)/Decrease in receivables included under assets forming part of working capital | 1,411,510 | 1,058,563 |
| | (Increase)/Decrease in inventory | | |
| (22,471) | (Increase)/Decrease in accrued income and deferred expenses | (332,382) | (92,544) |
| (68,336) | Increase/(Decrease) in accounts due to creditors | (462,676) | 92,546 |
| 371,878 | Increase/(Decrease) in accrued expenses and deferred income | (116,955) | 217,890 |
| | Increase/(Decrease) in sums due to other financial institutions | | |
| 2,117,935 | Increase/(Decrease) in other non-financial payables | 3,138,763 | 1,789,218 |
| 3,414,775 | Sub-total | 3,578,021 | 2,963,793 |
| 8,907,927 | (A) - Cash flows from (for) operating activities | 5,997,135 | 6,733,147 |
| | <u>INVESTING ACTIVITIES</u> | | |
| (260,527) | (Increase)/Decrease in intangible fixed assets | (2,649,888) | (211,980) |
| (281,483) | (Increase)/Decrease in tangible fixed assets | (97,557) | (202,317) |
| (83,092) | (Increase)/Decrease in other fixed assets | 1,914 | 3,983 |
| 109,830 | (Increase)/Decrease in investments in subsidiary companies | (701,784) | 10,971 |
| | (Increase)/ Decrease in investments in subsidiary companies valued using the equity method | 115,718 | |
| (115,718) | (Increase)/Decrease in investments in associated companies | 351,010 | (0) |
| | (Increase)/Decrease in other investments and securities | 0 | 0 |
| (630,990) | (B) - Cash flows from (for) investing activities | (2,980,587) | (399,343) |
| | <u>FINANCING ACTIVITIES</u> | | |
| | Increase/(Decrease) in financial payables | | |
| (26,940,000) | Increase/(Decrease) in reserves | | (26,940,000) |
| | Minority interest | | |
| (1,616,400) | Distribution of dividends | (2,694,000) | (1,616,400) |
| | Capital injections | | |
| (28,556,400) | (C) - Cash flows from (for) financing activities | (2,694,000) | (28,556,400) |
| (20,279,463) | (A+B+C) - Total cash flows | 322,548 | (22,222,596) |
| 28,531,439 | Opening liquid funds | 8,251,976 | 28,531,439 |
| 8,251,976 | Closing liquid funds | 8,574,524 | 6,308,843 |

On behalf of the Board of Directors

The Chairman

(Signed on the original)

Giuseppe Dal Cortivo