

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

CAD IT S.P.A.

Consolidated financial statements as at and for the year ended 31 December 2002

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**BOARD
OF DIRECTORS**¹ GIUSEPPE DAL CORTIVO
*Chairman and Managing Director*¹ LUIGI ZANELLA
*Managing Director*¹ GIAMPIETRO MAGNANI
*Managing Director*¹ MAURIZIO RIZZOLI
*Managing Director*³ PAOLO DAL CORTIVO² GIOVANNI COSTA² WOLFGANG KOENIG (until 03 February 2003)² JOZE GRIZAR**STATUTORY
AUDITORS**¹ SONIA MAZZI
*Chairman*¹ GIUSEPPE CEREGHINI
*Statutory Auditor*¹ GIANNICOLA CUSUMANO
*Statutory Auditor*¹ CESARE BRENA
*Substitute Statutory Auditor*¹ PAOLO DEBORTOLI
*Substitute Statutory Auditor***AUDITORS**
KPMG S.p.A.⁽¹⁾ Appointed on 23 February 2000; office expires on 22 February 2003.⁽²⁾ Appointed on 22 August 2000; office expires on 22 February 2003.⁽³⁾ Appointed on 30 April 2001; office expires on 22 February 2003.

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 buildings; 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 Euro 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 is authorised to perform all ordinary administrative duties and also to acquire or sell registered moveable assets.

CAD IT S.p.A.

Registered office: Verona - Via Torricelli, 37
Share capital Euro 4,669,600 fully paid in
Tax code and Verona Company Register no. 01992770238
REA no. 210441

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**DIRECTORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR
ENDED 31 DECEMBER 2002**

Dear Shareholders

With the positive results shown at 31 December 2002, the consolidated financial statements confirm the effectiveness of CAD IT Group's policies and its future growth potential, despite the slowdown and reduction in transaction volumes of the Group's main reference market (banks and financial institutions).

The consolidated figures show a 6.3% fall in net production revenues, down to Euro 57,111 thousand from Euro 60,957 in 2001.

Net consolidated profit, after minority interest of Euro 1,084 thousand, amounts to Euro 2,567 thousand compared to Euro 9,169 thousand in 2001.

The positive results obtained, despite the sharp slowdown in investments of the customers of the banking sector and therefore in incoming orders, confirm the validity of the Group's policy of intensifying the development of new products, which offers the Group the best opportunity to take advantage of the market recovery, expected for the second half of 2003.

The financial statements of the directly and indirectly controlled subsidiaries and associated companies have been prepared and approved by the respective boards of directors.

Their summary results, together with those of the parent company, are shown in the following table:

(in thousands of Euros)

COMPANY	PRODUCTION REVENUES	CASH-FLOW/*	NET PROFIT 31.12.2002	NO. OF EMPLOYEES AT 31.12.2002
Parent company				
Cad IT S.p.A.	22,322,052	4,951,624	3,133,858	220
Subsidiary companies:				
Cad S.r.l.	39,570,364	975,439	172,782	209
Cesbe S.r.l.	6,268,960	1,462,140	1,364,108	56
Syrm S.r.l.	174,863	1,595	(1,258)	1
4 Emme Informatica S.r.l.	1,017,684	97,124	79,915	9
NetBureau S.r.l.	778,521	(18,305)	(47,295)	12
SGM S.r.l.	2,121,339	(648,024)	(771,382)	33
S.M.A.R.T. Line S.r.l.	2,493,164	273,510	149,900	27
DQS S.r.l.	6,788,039	1,338,979	1,196,867	61
Bit Groove S.r.l.	479,317	46,482	4,183	3
Elidata S.r.l.	1,079,885	362,709	335,759	1

* net profit + amortisation/depreciation + provisions and write-downs

Information on CAD IT S.p.A.

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

The registered office is in Via Torricelli no. 37, Verona, while the administrative and operating offices are in the new building at Via Torricelli no. 44/a, Verona.

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

Share capital amounts to Euro 4,669,600 at 31 December 2002 and comprises 8,980,000 ordinary shares.

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.

Activities of the Group

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

CAD IT is 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 ordinary shares, bonds and derivatives in any currency.

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.

Sector and market performance

The world economy had registered a sharp slowdown already in 2001, particularly in the second half of the year, also following the 11 September events. This slackening of the economy continued throughout 2002 and persists in 2003.

Group financial position and performance

The CAD IT Group 2002 consolidated financial statements show a net profit for the year of Euro 2,566,895 (2001: Euro 9,169,462), net of Euro 1,084,391 of net profit pertaining to minority interests (2001: 897,095) and amortisation and depreciation of Euro 3,358,167 (2001: 2,982,300).

Profit before taxation amounts to Euro 8,097,904 (2001: Euro 17,297,015).

Taxation on profit for the year amounts to Euro 4,446,618 for 2002 (2001: 7,230,458).

The results obtained are consistent with the slowdown in demand and the general market trend and show good opportunities to achieve positive results also in the current year.

At 31 December 2002, consolidated shareholders' equity amounts to Euro 77,944,755 (2001: 81,214,861).

2002 production revenues amount to Euro 57,111,045 (2001: 60,957,466).

Personnel expenses reached Euro 28,693,998 (2001: 24,838,175).

Service costs amount to Euro 16,041,158 (2001: 15,551,764).

Amortisation, depreciation and write-downs amount to Euro 3,508,095 (2001: 3,104,569). Amortisation includes Euro 1,211,866 (2001: 1,083,609) of the amortisation of goodwill arising on the consolidation of subsidiaries.

Financial income and charges and adjustments to the values of investments amount to Euro 1,468,265 (2001: 2,609,539). Net extraordinary income and expenses contribute to net profit for the year with an income of Euro 323,086 (2001: 175,022).

As detailed below, the largest investments were made by the parent company CAD IT S.p.A. in corporate investments, the construction of the new Verona headquarters and the realisation and fitting of training rooms.

The Group companies made investments aimed in particular at the creation of new products, depending on their specific core businesses.

Reference should be made to the notes to the financial statements for a summary of the Group's fixed assets.

Performance of the parent company CAD IT S.p.A.

Our products and services are highly valued by the banking sector users. This allowed the company to maintain significant levels of demand and activities. Production revenues reached Euro 22,322,052, against Euro 19,405,640 in the previous year, an increase of 15.03%.

As in past years, the directors remained committed to their cost control and reduction policies in view of a rationalisation of the available resources.

Production cost totalled Euro 20,717,565 (2001: 9,363,992), a 121.25% increase, due to the internal reorganisation process of the Group activities.

Profit before taxation amounts to Euro 4,841,745 thousand with a decrease of 67.81% on the previous year (Euro 15,042,077 thousand).

The 2002 financial position of the company improved compared to the previous year, thanks to positive operating results. Share capital and reserves increased to Euro 75,227,069 (2001: 70,722,249) as an effect of the allocation to reserve of 2001 retained earnings for Euro

4,504,820, whereas shareholders' equity, including profit for the year, reached Euro 78,360,927 compared to Euro 81,064,070.

Shareholders' equity of CAD IT S.p.A. at 31 December 2002 and 2001 is made up as follows:

	(in Euros)	
	31.12.2002	31.12.2001
Share capital - fully paid-in	4,669,600	4,669,600
Share premium reserve	62,186,400	62,186,400
Legal reserve	864,419	347,328
Other available reserves	7,506,650	3,518,921
Total share capital and reserves	75,227,069	70,722,249
Retained earnings	-	-
Net profit for the year	3,133,858	10,341,821
Total	78,360,927	81,064,069

Significant events in 2002

The main events impacting the company's and the Group's performance in 2002 are described below.

In March, the Group signed a contract with Monte Paschi Asset Management S.p.A. for the supply of the new RG software and related services for the automation of the asset management operating room.

Recently launched onto the market, this software has been designed for the automation of the asset management front office of banks and savings management companies.

The fact that this new product has been sold to a banking Group already included in the customer portfolio confirms the success of CAD IT's cross-selling policies, aimed at offering an increasingly wide range of effective and innovative solutions to its numerous customers.

In March, CAD IT S.p.A. also acquired 51% of the quota capital of Bit Groove S.r.l., a Prato-based company specialised in the production of business intelligence software.

This acquisition allows an extension of the technical and functional know-how of CAD IT in the field of management control, in which Bit Groove operates, and increases its offer with an innovative business intelligence product called "Babele". The Group will be able to provide its customer banks with an innovative automated system for the management control of financial instruments. In addition, the Group will be able to integrate the software already installed at tax collection agencies and complete its offer to the industrial sector by adding "Babele" to the "SIGMA WEB" ERP system.

This investment of approximately Euro 180 thousand corresponds to an overall estimated value of the acquired company of approximately Euro 354 thousand. Based on the agreement with Bit Groove's shareholders, who will maintain an operating role in the company, CAD IT may pay a maximum of another Euro 40 thousand after the approval of

the 2002 financial statements, provided that Bit Groove achieves a 40% increase in turnover and a profit before taxation of at least 15% of 2002 turnover. Based on the results of these objectives, the maximum investment might reach a total of Euro 220 thousand.

In March, CAD IT signed a contract with Gestnord Intermediazione, a stock brokerage company of the Banca Sella Group, for the supply of the new SIBAC software. This software was implemented by the Verona IT Group for the automation of all the operations of banks, stock brokerage companies and savings management companies. On the basis of this contract, CAD IT will provide Gestnord Intermediazione with a licence to use this software and the related installation services.

SIBAC is innovative integrated modular software for the full automation of small and medium banks. As such it allows CAD IT to extend its offer to other clients such as virtual banks, the foreign branches of Italian banks, stock brokerage companies and savings management companies. With its leading edge technology, this web-based software can be used with the most well-known Internet browsers and is independent of the hardware platform. This ensures high flexibility and therefore adaptability to the hardware architecture of potentially every Italian or foreign bank.

The ordinary shareholders' meeting held at first call on 30 April 2002 approved the 2001 financial statements and resolved on the distribution of a dividend of Euro 0.65 per share, with an increase of approximately 80% on the previous year.

In June, CAD IT purchased 51% of the quota capital of Elidata S.r.l., a Milan-based company specialised in the production of software for financial institutions.

With this operation CAD IT takes over the great technical and operating know-how developed by ELIDATA and widens its offer with "Caronte" - an innovative software for the connection of banks, brokers, stock brokerage companies and savings management companies to the Italian and foreign stock markets.

"Caronte" is complementary to the Finance Area software developed by CAD IT for the complete automation of the financial instruments back office currently used by over 50% of the Italian bank branches.

The cost of the investment is approximately Euro 184 thousand, corresponding to a total estimated value of the target company of approximately Euro 361 thousand. Based on the agreement with Elidata quotaholders, who will maintain an operating role in the company, CAD IT may pay another Euro 591 thousand in two batches after the approval of the 2002 and 2003 financial statements, respectively. These payments are subject to the achievement by Elidata of a 100% increase in turnover each year and an increase of at least 40% in profit before taxation. In such a case, the maximum investment might reach a total of Euro 775 thousand.

With the product "Caronte" already operating at several Italian banking Groups, Elidata achieved a 2001 turnover of approximately Euro 302 thousand (up 116% on 2000) and a profit before taxation equal to 66% of turnover.

In October, CAD IT took part at SIBOS 2002, a forum organised by SWIFT in Geneva to focus on the challenges of leading edge technologies, production processes and the market, which require greater efficiency of operations to be addressed by the global financial industry.

On this occasion, CAD IT introduced the international financial community to two of its products destined also to the foreign market, EasySet and SIBAC. The latter is multi-platform software characterised by high flexibility. During the SIBOS 2002 Forum, Hewlett Packard, world leader in the production of hardware systems, made available to CAD IT its sales network for the distribution of SIBAC worldwide and passed on the names of potential customers to the Verona-based software house.

Performance of subsidiary and associated companies**Cad S.r.l.** (100% directly controlled)

- Services: Software application production, installation, customisation, maintenance and assistance for the banking and industrial sectors.

The financial statements at 31 December 2002 show a net profit of Euro 172,782 compared to Euro 562,863 in the previous year.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 1,112,571 compared to Euro 939,789 in the previous year.

2002 production revenues reached Euro 39,570,364 compared to Euro 46,588,968 in the previous year. 2002 personnel expenses amount to Euro 7,498,771 compared to Euro 13,854,560 in the previous year. This reduction is due to the transfer of personnel to the parent company. The average number of employees was 215 units compared to 326 in the previous year.

2002 investments totalled Euro 329,642, of which Euro 35,750 related to the development and operating of software applications and Euro 173,069 to hardware replacement and additions.

Amortisation and depreciation amount to a Euro 488,015 (2001: Euro 684,386), of which Euro 157,250 for intangible fixed assets and Euro 330,765 for tangible fixed assets.

The 2002 development strategy of the company was based on two main factors:

- the tailored design and production of new software based on the customers' actual needs and the technological and functional upgrade of the existing software;
- sales of software and services to the large existing customer portfolio ("cross-selling").

New applications were launched in 2002, among which the most important is SIBAC, a modular and integrated software for the complete automation of the IT systems of Italian and foreign banks.

Cesbe S.r.l. (52% directly controlled)

- Services: Consulting and technical-organisational training services for banks, state-owned and private companies; production, installation, customisation, maintenance and assistance services relating to the on-line trading platform.

The financial statements at 31 December 2002 show a net profit of Euro 1,364,108, an increase of Euro 1,560,769 over the previous year.

2002 production revenues reached Euro 6,268,960, an increase of Euro 5,906,001 over the previous year.

2002 personnel expenses amount to Euro 2,050,692, a 27.4% increase on 2001 (Euro 1,609,454). The average number of employees increased to 57 units, up 35.7%.

2002 investments totalled Euro 20,874.

Amortisation and depreciation amount to Euro 14,618.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 2,590,855 with respect to Euro 1,726,747 at 31 December 2001.

The company's performance was positive and a further increase in demand for the company's services is expected.

4 Emme Informatica S.r.l. (65% directly controlled)

- Services: Software installation and maintenance services for banks.

The financial statements at 31 December 2002 show a net profit of Euro 79,915 compared to Euro 53,905 in the previous year.

2002 production revenues reached Euro 1,017,684 compared to Euro 764,193 in the previous year.

2002 personnel expenses amount to Euro 536,318, compared to Euro 423,158 in the previous year. The average number of employees is 9.

Investments are immaterial, and amortisation and depreciation amount to Euro 7,166.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 169,758 with respect to Euro 89,843 at 31 December 2001.

In collaboration with CAD S.r.l., the company mainly provides assistance to customers located in northern Italy. The company's performance was positive and the overall 2003 results are expected to be in line with 2002.

Syrm S.r.l. (75% directly controlled)

- Services: Development of software relating to banking risk management, and related assistance service.

The financial statements at 31 December 2002 show a net loss of Euro 1,258, against a net profit of Euro 134,924 in 2001.

2002 production revenues reached Euro 174,864 compared to Euro 454,843 in the previous year.

2002 personnel expenses amount to Euro 56,971, compared to Euro 54,362, with only one employee.

Investments are immaterial, and amortisation and depreciation amount to Euro 1,245.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 129,914 with respect to Euro 161,174 at 31 December 2001.

NetBureau S.r.l. (60% controlled)

- Services: The company provides consulting and technical-organisational assistance to banks and companies, particularly with respect to internet-related issues; development, installation, customisation, maintenance and assistance relating to web software applications (portals, web sites, etc.) for banks and industrial companies.

The financial statements at 31 December 2002 show a loss of Euro 47,295, against a net profit of Euro 68,422 in 2001.

2002 production revenues reached Euro 778,521, compared to Euro 736,598 in the previous year.

2002 personnel expenses amount to Euro 352,955, compared to Euro 253,638 in 2001. The average number of employees was 11 compared to 8 in the previous year.

2002 investments totalled Euro 11,756. Amortisation and depreciation amount to Euro 19,359.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 72,996 compared to Euro 120,291 at 31 December 2001.

SGM S.r.l. (52% controlled)

- Services: Software application development, installation, customisation, maintenance and assistance for small and medium enterprises.

The financial statements at 31 December 2002 result in a net loss of Euro 771,382, against a net profit of Euro 706,279 in 2001.

This negative result is due to the organisation of the company and to the decision to allocate more development staff, software analysts and programmers, to studying and developing new and innovative programs, which may also be used via internet, in order to speed up the related realisation process and the subsequent introduction into the market.

2002 production revenues reached Euro 2,121,339, compared to Euro 1,924,785 in the previous year.

2002 personnel expenses amount to Euro 1,572,232, compared to Euro 1,636,507 in 2001 (Euro 1,057,483). The average number of employees was 41, as in the previous year. However, once completed the phase of investments in new products, the actual workforce at year end was reduced to 33 units, based on the new strategic decisions of company management.

2002 investments amounted to Euro 73,585, of which Euro 13,262 in software licences and other intangible fixed assets, Euro 45,906 in hardware and equipment upgrade and Euro 14,417 in financial fixed assets.

Amortisation, depreciation and write-downs amount to Euro 90,082.

Quotaholders' equity decreased from Euro 814,906 at the beginning of the year to Euro 43,524 at the year end, as an effect of losses for the year.

As in the previous year, 2002 performance showed significant investments in the production of new software, which was partly launched in the year.

More specifically, the company completed the new analytical accounting and production control modules of the ERP business management information system, "SIGMAWEB".

The year also saw a more intense cooperation of this subsidiary with the parent company for the supply of services to banks.

The company's management foresee to achieve positive results starting from 2003 and the foresight is substantially confirmed by the first quarter 2003 trends.

DQS S.r.l. (55% directly controlled)

- Services: Development of software applications for the banking sector and technical assistance.

The financial statements at 31 December 2002 show a net profit of Euro 1,196,867, compared to Euro 881,130 in the previous year.

2002 production revenues amount to Euro 6,788,039, compared to Euro 5,283,114 in the previous year.

2002 personnel expenses amount to Euro 2,004,546, compared to Euro 1,575,207 in the previous year. The average number of employees increased to 57 units.

2002 investments totalled Euro 67,990, of which Euro 48,762 in operating tangible fixed assets and Euro 19,227 in software licences and other intangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 35,541.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 1,213,270 with respect to Euro 896,403 at 31 December 2001.

In 2002, DQS achieved the budget targets agreed with CAD IT upon acquisition.

S.m.a.r.t. Line S.r.l. (51% directly controlled)

- Services: Development of software applications for tax collection agencies and technical assistance.

The financial statements at 31 December 2002 show a net profit of Euro 149,900, compared to Euro 52,534 in the previous year.

2002 production revenues amount to Euro 2,493,164 compared to Euro 2,132,606 in the previous year.

2002 personnel expenses amount to Euro 1,241,070, compared to Euro 1,045,975 in the previous year. The average number of employees increased to 27 units compared to 12 in the previous year.

2002 investments totalled Euro 20,765, of which Euro 20,165 in operating tangible fixed

assets and Euro 600 in intangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 56,224.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 264,136 with respect to Euro 164,143 at 31 December 2001.

Bit Groove S.r.l. (51% directly controlled)

- Services: Development of software applications for public entities and technical assistance.

This subsidiary was acquired in the first quarter 2002.

The financial statements at 31 December 2002 show a net profit of Euro 4,183, against a loss of Euro 3,182 in the previous year.

2002 production revenues amount to Euro 479,317 compared to Euro 369,275 in the previous year.

2002 personnel expenses amount to Euro 60,082 compared to Euro 54,085 in the previous year. The average number of employees increased to 2 units.

2002 investments of Euro 14,194 related to software licences and hardware.

Amortisation, depreciation and write-downs amount to Euro 36,489.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 22,031 compared to Euro 17,846 at 31 December 2001.

In 2002 Bit Groove realised new products, currently under further development, which are very alluring to the existing customers of the Group and other potential customers.

Elidata S.r.l. (51% directly controlled)

- Services: Development of software applications for the banking-financial sector.

This subsidiary was acquired in the second quarter 2002 based on an agreement stipulated at the beginning of the year.

The financial statements at 31 December 2002 result in a net profit of Euro 335,759.

2002 production revenues amount to Euro 1,079,885.

Personnel expenses for the year 2002 amount to Euro 86,662. Only one employee was in force at the year end.

2002 investments totalled Euro 40,471, of which Euro 23,124 for intangible fixed assets and Euro 17,347 for tangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 24,085.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 1,356,641.

In 2002, Elidata achieved the budget targets agreed with CAD IT upon acquisition.

Sicom Informatica S.r.l. (associated company - 25% directly held)

- Services: Software development for the banking sector and IT technical assistance.

The financial statements at 31 December 2002 show a net profit of Euro 299,895 compared to Euro 391,098 in the previous year.

2002 production revenues reached Euro 1,419,639 compared to Euro 1,297,538 in the previous year.

2002 personnel expenses amount to Euro 189,104 compared to Euro 150,178 in the previous year. The average number of employees is 5, as in 2001.

2002 investments totalled Euro 23,483, of which Euro 19,118 in operating tangible fixed assets and Euro 4,365 in intangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 31,605.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 703,808 with respect to Euro 518,004 at 31 December 2001.

Datafox S.r.l. (associated company - 35.05% directly held)

-IT Services; software development for the banking sector and IT technical assistance.

In April 2001, CAD IT purchased 35.05% of the company's quotas.

The financial statements at 31 December 2002 show a net profit of Euro 68,004 compared to the loss of Euro 12,129 registered in the previous year.

2002 production revenues reached Euro 809,805 compared to Euro 498,024 in the previous year.

2002 personnel expenses amount to Euro 343,685 compared to Euro 285,652 in the previous year.

Amortisation, depreciation and write-downs amount to Euro 30,319.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 372,349 with respect to Euro 304,345 at 31 December 2001.

Tecsit S.r.l. (associated company - 70% indirectly held through DQS S.r.l.)

-Sector: Production and distribution of hardware and software.

The financial statements at 31 December 2002 show a net profit of Euro 7,772 compared to Euro 9,529 in the previous year.

2002 production revenues reached Euro 262,395, compared to Euro 61,894 in the previous year.

2002 personnel expenses amount to Euro 38,270 compared to Euro 1,358 in the previous year. The average number of employees is 1 unit.

In 2002, total investments of Euro 15,456 were made in operating intangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 4,573.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 82,318 with respect to Euro 74,546 at 31 December 2001.

Arch-it S.r.l. (associated company - 70% indirectly held through DQS S.r.l.)

-Sector: development of software applications for the industrial sector.

The company was set up in July 2001.

The financial statements at 31 December 2002 show a net profit of Euro 30,324 compared to the loss of Euro 3,881 registered in the previous year.

2002 production revenues reached Euro 362,236, compared to Euro 66,001 in the previous year.

2002 personnel expenses amount to Euro 93,636 compared to Euro 4,002 in the previous year. The average number of employees is 5 units.

In 2002, total investments of Euro 11,499 were made in operating tangible fixed assets.

Amortisation, depreciation and write-downs amount to Euro 4,831.

Quotaholders' equity at 31 December 2002, including net profit for the year, amounts to Euro 76,443 with respect to Euro 46,119 at 31 December 2001.

Firstcom S.r.l. (associated company - 52% indirectly held through SGM S.r.l.)

Set up in February 2001, the company is dormant and not significant.

Nestegg S.r.l. (associated company - 55% indirectly held through SGM S.r.l.)

The control over this company, which is still dormant and not significant, was acquired in January 2002.

Research and development activities of the Group

Investments in research and development activities are fully expensed in the year. They principally comprise expenses for the personnel dedicated to the design and development of new software.

The boost given to these activities throughout 2001 was further developed in 2002. Taking advantage of a slowdown in the demand for services, the Group invested in the production and finalisation of new products to meet the expected growth in demand in future years.

The Group continues to design new modules to upgrade the technological and functional content of its broad range of software products 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 was launched during April 2002 thanks to the significant investments made therein. This software, created for the management of the entire IT system of Italian and stock brokerage companies, is currently being used by the Central Bank of San Marino (Istituto di Credito Sammarinese) as a pilot bank and is being installed at Gestnord Intermediazione, a stock brokerage company of the Banca Sella Group.

The "financial instruments back-office" division is also upgrading the functions of the private banking platform.

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 into the market in 2003. They are also focused on the integration of the "Babele" software product of Bit Groove with several products offered by CAD IT Group to customers of both the industrial and banking sectors.
- An innovative project called EasySET was completed in the first half of 2002. This software procedure allows Italian and foreign banks to comply with the new ISO15022 SWIFT message standard for the management of securities and entails significant benefits in terms of organisation, security and complexity of manageable transactions.
- Cesbe S.r.l. continued to invest in the technological and functional upgrading of its solutions for on-line trading and training solutions;
- 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.
- SGM S.r.l. developed vertical IT solutions of the SIGMAWEB software for various sectors;
- DQS S.r.l. is investing resources to re-engineer the procedure for the management of "depository banks";
- Smart Line S.r.l. is investing resources to upgrade the functionalities of the Web-based tax collection procedure;
- Elidata S.r.l. continues investing to further increase the functions of its platform for

- linking to the financial markets.

Relationships of the parent company CAD IT S.p.A. with subsidiary, associated, parent and other Group companies

On 30 September 2002, the Verona-based company Sofyl S.r.l. ceased to control 54.65% of CAD IT S.p.A.'s share capital, following the assignment of 4,704,608 of CAD IT's shares, representing approximately 52.390% of share capital, to the shareholders of the same, in accordance with article 3 of Law no. 448 of 28 December 2001. As a consequence, since that date, no individual shareholder has had the control over the parent company.

The parent company CAD IT S.p.A. carries out commercial and financial transactions with subsidiary and associated companies on an arm's length basis.

The principal transactions carried out with such companies may be summarised as follows:

(in thousands of Euros)

<i>Name of the company</i>	<i>Revenues</i>	<i>Costs</i>	<i>Receivables</i>	<i>Payables</i>
Cad IT S.p.A.	15,215,243	2,119,676	19,012,539	1,733,679
Cad S.r.l.	1,735,335	22,827,766	1,676,296	21,101,514
Cesbe S.r.l.	3,099,098	782,537	1,305,500	556,396
Syrm S.r.l.	79,428	9,183	63,087	13,040
4 Emme In. S.r.l.	1,017,684	-	302,373	-
NetBureau S.r.l.	474,118	35,670	348,997	159,632
DQS S.r.l.	2,682,623	8,198	637,098	1,240
S.G.M. S.r.l.	1,148,130	11,079	177,594	9,945
Smart Line S.r.l.	394,297	140,581	160,228	106,067
Bit Groove S.r.l.	137,186	19,590	720	2,919
Elidata S.r.l.	-	28,861	-	-
Total	25,983,142	25,983,142	23,684,432	23,684,432

No significant transactions were carried out with the parent company Sofyl S.r.l..

Own shares or quotas, or shares or quotas of parent companies, held, acquired or sold

The company does not hold either directly or indirectly own quotas/ shares or quotas/shares of parent companies.

Subsequent events and expected future developments

No events have occurred after 31 December 2002 that may have a significant impact on the financial position and results of the company or the Group. The Group's performance continues with positive results.

The board of directors pays close attention to the market requirements when tailoring its management and development strategies, and coordinates the use of the Group resources in order to maintain high efficiency and attain positive economic results.

CAD IT S.p.A.'s directors are constantly examining possible development opportunities, both internally and through external channels by acquiring further investments in order to implement additional activities that are complementary and synergic to those already in place.

In their meeting of 26 February 2003, CAD IT S.p.A.'s directors resolved on the distribution of an extraordinary dividend of Euro 3 per share, subject to the approval of the shareholders' meeting to be held at first call on 9 April 2003 or at second call on 10 April 2003.

The distribution of this extraordinary dividend, which totals Euro 26.94 million, is enabled by a net financial position of Euro 31.5 million at 31 December 2002.

Related companies

The members of the boards of directors and statutory auditors that receive any consideration, either directly from the parent company or subsidiaries or indirectly, are as follows:

(in thousands of Euros)

Name Last name and Name	Description of role Role held	Duration of office	Emoluments for the office	Fees		
				Fringe benefits	Bonuses and other incentives	Other fees
Giuseppe Dal Cortivo	Chairman of the Board of Directors	1/1 - 31/12/2002	118		17	
	and Managing Director of CAD IT S.p.A.					
	Legal representative of CAD S.r.l.	1/1 - 31/12/2002	87			
	Director of CESBE S.r.l.	1/1 - 31/12/2002	6			
	Director of SYRM S.r.l.	1/1 - 31/12/2002	6			
Giampietro Magnani	Director of SICOM S.r.l.	1/1 - 31/12/2002	6			
	Managing Director of CAD IT S.p.A.	1/1 - 31/12/2002	118		17	
Maurizio Rizzoli	Chairman of the Board of Directors of CAD S.r.l.	1/1 - 31/12/2002	87			
	Director of NetBureau S.r.l.	1/1 - 31/12/2002	6			
	Director of SMART LINE S.r.l.	22/4- 31/12/2002	4			
	Director of I.S.I.S. S.p.A.	1/1 - 31/12/2002	3			
	Managing Director of CAD IT S.p.A.	1/1 - 31/12/2002	118		17	
Luigi Zanella	Legal representative of CAD S.r.l.	1/1 - 31/12/2002	25			
	Managing Director of CAD IT S.p.A.	1/1 - 31/12/2002	118		17	
	Legal representative of CAD S.r.l.	1/1 - 31/12/2002	87			
	Director of CESBE S.r.l.	1/1 - 31/12/2002	6			
	Director of SYRM S.r.l.	1/1 - 31/12/2002	6			
Giovanni Costa	Director of 4 EMME INFORMATICA S.r.l.	1/1 - 31/12/2002	6			
	Director of SICOM S.r.l.	1/1 - 31/12/2002	6			
	Director of DQS S.r.l.	1/1 - 31/12/2002	27		7	
	Director of CAD IT S.p.A.	1/1 - 31/12/2002	11			
	Director of CAD IT S.p.A.	1/1 - 31/12/2002	9			
Wolfgang Koenig	Director of CAD IT S.p.A.	1/1 - 31/12/2002	8			
	Director of CAD IT S.p.A.	1/1 - 31/12/2002	11			
	Director of 4 EMME INFORMATICA S.r.l.	1/1 - 31/12/2002	6			
	Director of SGM S.r.l.	1/1 - 31/12/2002	6			
	Chairman of the Board of Statutory Auditors CAD IT S.p.A.	1/1 - 31/12/2002	26			
Joze Gricar	Chairman of the Board of Statutory Auditors CAD S.r.l.	1/1 - 31/12/2002	8			
	Statutory Auditor of SGM S.r.l.	1/1 - 31/12/2002	3			
	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	19			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			
	Chairman of the Board of Statutory Auditors SGM S.r.l.	1/1 - 31/12/2002	4			
Paolo Dal Cortivo	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	18			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			
Sonia Mazzi	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	18			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			
	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	18			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			
	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	18			
Giuseppe Cereghini	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			
	Chairman of the Board of Statutory Auditors SGM S.r.l.	1/1 - 31/12/2002	4			
Giannicola Cusumano	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/2002	18			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/2002	5			

Investments of the directors and statutory auditors of the parent and subsidiary companies

Name	Investment	Number of shares held at 31 December 2001	Number of shares/quotas acquired	Number of shares sold	Number of shares held at 31 December 2002
Giuseppe Dal Cortivo	CAD IT S.p.A.	375,969 ⁽¹⁾	1,178,863 (*)	0	1,554,832 ⁽⁵⁾
Giampietro Magnani	CAD IT S.p.A.	374,069 ⁽¹⁾	1,176,152 (*)	0	1,550,221 ⁽⁵⁾
Maurizio Rizzoli	CAD IT S.p.A.	416,311 ⁽²⁾	1,193,841 (*)	1,800	1,608,352 ⁽⁶⁾
Luigi Zanella	CAD IT S.p.A.	376,798 ⁽³⁾	1,276,152 (*)	100,270	1,552,680 ⁽⁷⁾
Paolo Dal Cortivo	CAD IT S.p.A.	417	2,300	2,076	641
Giovanni Costa	CAD IT S.p.A.	180 ⁽⁴⁾	0	0	180 ⁽⁸⁾
Wolfgang Koenig	CAD IT S.p.A.	0	0	0	0
Joze Gricar	CAD IT S.p.A.	76	0	0	76
Sonia Mazzi	CAD IT S.p.A.	2,165	0	0	2,165
Giuseppe Cereghini	CAD IT S.p.A.	838	0	0	838
Giannicola Cusumano	CAD IT S.p.A.	0	0	0	0

(1) of which 189,535 owned by his wife

(2) of which 208,811 owned by his wife

(3) of which 199,635 owned by his wife

(4) of which 60 owned by his wife

(5) of which 424,765 owned by his wife

(6) of which 451,430 owned by his wife

(7) of which 434,865 owned by his wife

(8) of which 60 owned by his wife

(*) The number of shares acquired by the directors Giuseppe Dal Cortivo, Giampietro Magnani, Maurizio Rizzoli and Luigi Zanella, includes the shares assigned to them in accordance with article 3 of Law no. 448 of 28 December 2001 by Sofyl, which controlled CAD IT S.p.A. until 30 September 2002. Such units are in proportion to the number of Sofyl S.r.l.'s quotas held by each of them and were allocated as follows:

- 940,922 units to Giuseppe Dal Cortivo and 235,230 to his wife, for a total of 1,176,152 shares;
- 940,922 units to Giampietro Magnani and 235,230 to his wife, per a total of 1,176,152 shares;
- 940,922 units to Maurizio Rizzoli and 235,230 to his wife, for a total of 1,176,152 shares;

- 940,922 units to Luigi Zanella and 235,230 to his wife, for a total of 1,176,152 shares;

CODE OF ETHICS AND CORPORATE GOVERNANCE REGULATIONS

The Board of Directors' meeting of 27 March 2003 approved the annual report of compliance with the Code of Ethics adopted by Borsa Italiana S.p.A..

Code of Ethics on Internal Dealing

The Board of Directors' meeting of 20 December 2002 approved the Code of Ethics on Internal Dealing in compliance with articles 2.6.3, 2.6.4 and 2.6.4bis of the Regulations of the New Market regulated and managed by Borsa Italiana S.p.A..

Other information

Reference should be made to the notes to the consolidated financial statements and related annexes for further information on the Group performance and the relationships with the Group companies.

On behalf of the Board of Directors

The Chairman

(signed on the original)

(Giuseppe Dal Cortivo)

**Consolidated financial statements as at and for the year ended 31 December 2002 -
amounts in Euros**
Consolidated balance sheet - Assets

	31/12/2002	31/12/2001	Variations
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
I. Called up			
II. Not yet called up			
Total share capital proceeds to be received (A)			
B) FIXED ASSETS			
I. Intangible fixed assets			
1) Start-up and capital costs	1,763,690	2,639,995	(876,306)
2) Research, development and advertising costs			
3) Industrial patents and similar rights	16,012		16,012
4) Licenses, trademarks and similar rights	368,117	386,940	(18,823)
5) Goodwill	19,522	22,776	(3,254)
5 bis) Goodwill arising on consolidation	9,269,492	9,494,198	(224,706)
6) Assets under development and payments on account	116,009		116,009
7) Other	880,043	422,212	457,831
Total intangible fixed assets	12,432,885	12,966,121	(533,235)
II. Tangible fixed assets			
1) Land and buildings	11,433,644	119,550	11,314,094
2) Plant and machinery	211,256	119,509	91,747
3) Industrial and commercial equipment	484		484
4) Other assets	2,090,803	1,317,136	773,667
5) Assets under construction and payments on account		7,608,187	(7,608,187)
Total tangible fixed assets	13,736,187	9,164,382	4,571,805
III. Financial fixed assets			
1) Investments in:			
a) Subsidiary companies	0		0
a-bis) Subsidiaries valued using the equity method	114,778	87,878	26,900
b) Associated companies	568,323	520,578	47,745
c) Other	6,022,073	6,023,064	(991)
2) Amounts receivable:			
a) From subsidiary companies:			
b) From associated companies			
d) Other due after one year	68,451	66,894	1,556
3) Other securities			
4) Own shares			
Total financial fixed assets	6,773,625	6,698,415	75,211
Total fixed assets (B)	32,942,697	28,828,917	4,113,781
C) ASSETS FORMING PART OF WORKING CAPITAL			
I. Inventory			
1) Raw materials, consumables and supplies		2,479	(2,479)
2) Work in progress and semi-finished products			
3) Contract work in progress			
4) Finished goods	323,553	144,190	179,363
5) Payments on account			
Total	323,553	146,669	176,884
II. Receivables			
1) Trade receivables	28,401,499	29,840,499	(1,439,000)
2) Subsidiary companies			
2 bis) Subsidiaries valued using the equity method	119,392		119,392
3) Associated companies		2,311	(2,311)
4) Parent companies		2,350	(2,350)
5) Others due within one year	3,822,248	2,195,738	1,626,510
Total	32,343,139	32,040,898	302,241
III. Financial assets not of a fixed nature			
1) Investments in subsidiary companies			
2) Investments in associated companies		61,975	(61,975)
4) Other investments			
5) Own shares (total nominal value)			
6) Other securities			
8) Repurchase agreements			
7) Insurance policies capitalised	5,249,442	2,600,251	2,649,192
Total	5,249,442	2,662,225	2,587,217
IV. Liquid funds			
1) Bank and postal accounts	27,046,609	38,445,075	(11,398,466)

2) Cheques on hand	643	7,592	(6,950)
3) Cash-in-hand and cash equivalents	21,875	17,502	4,373
Total	27,069,127	38,470,170	(11,401,043)
Total assets forming part of working capital	64,985,261	73,319,962	(8,334,701)
D) ACCRUED INCOME AND DEFERRED EXPENSES			
Accrued income	4,869	2,589	2,280
Deferred expenses	179,219	193,550	(14,331)
Total	184,088	196,139	(12,051)
TOTAL ASSETS	98,112,046	102,345,018	(4,232,972)

**Consolidated financial statements as at and for the year ended 31 December 2002 -
amounts in Euros**

Consolidated balance sheet - Shareholders' equity and Liabilities

	31/12/2002	31/12/2001	Variations
A) SHAREHOLDERS' EQUITY			
I Share capital	4,669,600	4,669,600	
II Share premium reserve	62,186,400	62,186,400	
III Revaluation reserves			
IV Legal reserve	864,419	347,328	517,091
V Reserve for purchase of own shares			
VI Statutory reserves			
VII Other reserves	7,506,650	3,518,921	3,987,729
Consolidation reserves	150,791	1,323,150	(1,172,359)
VIII Retained earnings or losses carried forward	0		0
IX Profit /(loss) for the year of the Group	2,566,895	9,169,462	(6,602,567)
Shareholders' equity of the Group	77,944,755	81,214,861	(3,270,105)
Share capital and reserves pertaining to minority interest	1,171,879	923,819	248,060
Profit (loss) for the period pertaining to minority interest	1,084,391	897,095	187,296
Shareholders' equity pertaining to minority interest	2,256,270	1,820,914	435,356
Total consolidated shareholders' equity (including minority interest)	80,201,025	83,035,775	(2,834,749)
B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES			
1) Pension and similar provisions	93,682	23,363	70,319
2) Taxation	2,719		2,719
3) Exchange rate risk	99		99
Total	96,500	23,363	73,137
C) EMPLOYEES' LEAVING ENTITLEMENT	4,009,989	3,145,511	864,478
D) PAYABLES			
1) Debentures			
2) Convertible debentures			
3) Due to banks	842,662	46,946	795,717
Due after one year			
4) Sums due to other financial institutions	7,302		7,302
Due after one year	348,420		348,421
5) Payments on account	133,971	299,209	(165,237)
6) Accounts payable to creditors	4,160,723	6,588,639	(2,427,917)
7) Accounts payable on bills accepted and drawn			
Due after one year			
8 bis) Amounts payable to subsidiaries valued using the equity method	16,378	20,671	(4,293)
9) Amounts payable to associated companies	18,215	40,298	(22,082)
10) Amounts payable to parent companies			
11) Sums payable to taxation authorities	1,327,936	2,053,751	(725,815)
12) Social security charges payable	1,931,916	1,760,871	171,045
13) Other sums payable	4,898,156	5,268,814	(370,658)
Total	13,685,679	16,079,198	(2,393,519)
E) ACCRUED EXPENSES AND DEFERRED INCOME			
Accrued expenses	11,125	8,126	2,999
Deferred income	107,728	53,046	54,682
Total	118,853	61,172	57,681
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	98,112,046	102,345,018	(4,232,972)
MEMORANDUM AND CONTINGENCY ACCOUNTS	12,394,966	12,394,966	

**Consolidated financial statements as at and for the year ended 31 December 2002 -
amounts in Euros
Consolidated profit and loss account**

	31/12/2002	31/12/2001	Variations
A) PRODUCTION REVENUES			
1) Turnover - goods and services	56,825,622	60,955,403	(4,129,781)
2) Variation in inventories and work in progress			
3) Variation in contract work in progress		(287,395)	287,395
4) Increase in internal work capitalised under fixed assets			
5) Other revenues and income	285,423	289,458	(4,035)
Total production revenues	57,111,045	60,957,466	(3,846,420)
B) PRODUCTION COST			
6) Raw materials, consumables and supplies	(1,526,850)	(1,583,070)	56,221
7) Services	(16,041,158)	(15,551,764)	(489,394)
8) Use of third party assets	(1,015,903)	(856,103)	(159,800)
9) Personnel expenses			
a) Wages and salaries	(21,017,003)	(18,048,347)	(2,968,656)
b) Social security contributions	(6,212,035)	(5,375,438)	(836,598)
c) Employees' leaving entitlement	(1,335,537)	(1,142,943)	(192,594)
d) Pension and similar costs			
e) Other costs	(129,423)	(271,447)	142,024
Total personnel expenses	(28,693,998)	(24,838,175)	(3,855,823)
10) Amortisation, depreciation and write-downs:			
a) Amortisation of intangible fixed assets	(2,563,208)	(2,320,781)	(242,427)
b) Depreciation of tangible fixed assets	(794,959)	(661,519)	(133,441)
c) Write-downs of fixed assets		(265)	265
c) Write-downs of receivables included under assets forming part of working capital	(149,928)	(122,004)	(27,924)
Total amortisation, depreciation and write-downs	(3,508,095)	(3,104,569)	(403,527)
11) Variation in raw materials, supplies and consumables	176,884	36,582	140,302
12) Provisions for contingencies	(1,264)		(1,264)
13) Other provisions			
14) Other operating costs	(194,108)	(197,870)	3,762
Total production cost	(50,804,492)	(46,094,969)	(4,709,524)
Difference between production revenues and cost (A-B)	6,306,553	14,862,497	(8,555,944)
C) FINANCIAL INCOME AND CHARGES			
15) Income from investments in subsidiary companies	(0)		(0)
Associated companies			
Other	119,179		119,180
Tax credits on dividends	(0)		(0)
16) Other financial income			
a) Receivables classified as fixed assets	1,388	1,479	(91)
b) From securities included as fixed assets which are not investments			
c) From securities included under assets forming part of working capital		841,692	(841,692)
d) Other income	1,350,550	1,745,040	(394,490)
17) Interest and other financial charges			
a) Other	(91,753)	(31,035)	(60,718)
b) Subsidiaries			
c) Associated companies			
d) Parent companies			
Total (15+16-17)	1,379,364	2,557,176	(1,177,812)
D) ADJUSTMENTS TO FINANCIAL ASSET VALUES			
18) Revaluation of investments in associated companies	103,124	136,509	(33,385)
19) Write-downs of investments in associated companies	(14,223)	(84,146)	69,922
Total adjustments to financial asset values	88,901	52,363	36,537
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	552,932	49,203	503,729
Profit on sale of assets	5,695		5,696
21) Expenses	(235,418)	(222,882)	(12,536)
Loss on sale of assets	(123)	(1,343)	1,219
Total extraordinary items (20-21)	323,086	(175,022)	498,108

PROFIT (LOSS) BEFORE TAXATION (A-B+C+-D+-E)	8,097,904	17,297,015	(9,199,111)
22) Taxation on profit for the year	(4,446,618)	(7,230,458)	2,783,840
23) Profit before minority interest	3,651,286	10,066,557	(6,415,270)
24) Profit (loss) for the year pertaining to minority interest	(1,084,391)	(897,095)	(187,296)
26) Profit (loss) for the year	2,566,895	9,169,462	(6,602,567)

Notes to the consolidated financial statements as at and for the year ended 31 December 2002

Foreword

These notes present the consolidated financial position and results as at and for the year ended 31 December 2002 together with the comparative prior year figures.

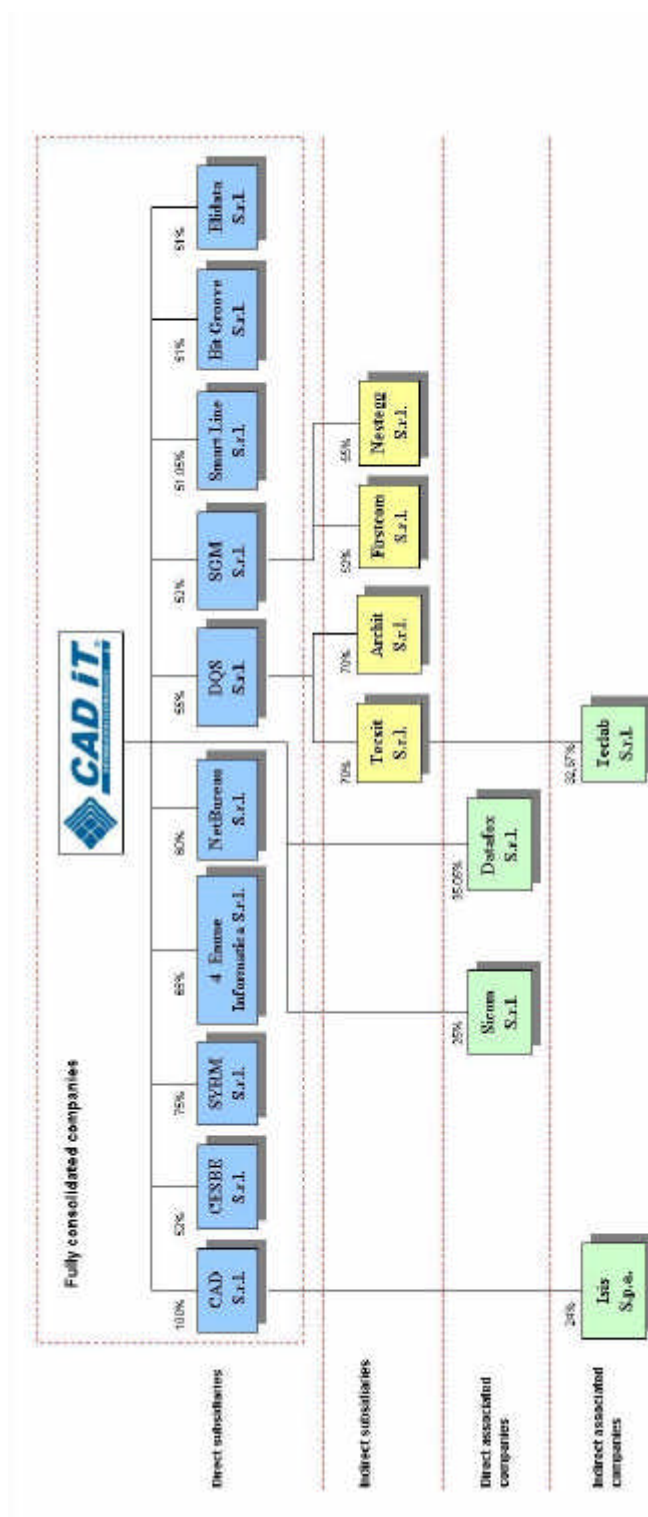
Unless otherwise indicated, amounts in the notes and enclosed schedules are stated in Euros.

The purpose of these notes is to present and comment on the consolidated financial statement figures duly analysed and integrated. They include the information required by article 38 and following of Legislative Decree no. 127/1991, together with the disclosures considered necessary to provide a complete, true and fair view of the Group.

1 Consolidation area and policies

1.1 Consolidation area

At the reference date of the consolidated financial statements, the Group structure is shown in the following chart:



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:

Company name	Registered offices	Share capital	Percentage of investment	Percentage held by the Group
<i>Consolidated with the full consolidation method</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%
Syrm S.r.l.	Verona	10,400	75.00%	75.00%
4 Emme Informatica S.r.l.	Lodi	26,000	65.00%	65.00%
NetBureau S.r.l.	Milan	50,000	60.00%	60.00%
S.G.M. S.r.l.	Padua	1,044,650	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%
<i>Subsidiaries valued using the equity method</i>				
Tecsit S.r.l.	Rome	75,000	70.00%	38.50%
Arch it S.r.l.,	Rome	50,000	70.00%	38.50%
Nestegg S.r.l.	Milan	25,000	55.00%	28.60%
Firstcom S.r.l.	Padua	25,000	52.00%	27.04%
<i>Associated companies valued using the equity method</i>				
Datafox S.r.l.	Florence	99,999	35.05%	35.05%
Sicom S.r.l.	Viadana (MN)	10,400	25.00%	25.00%
Isis S.p.A.	San Marino	284,048	24.00%	24.00%

With respect to 2001 Consolidated Financial Statements, Bit Groove S.r.l. and Elidata S.r.l., acquired by the parent company respectively in the first and in the second quarter 2002, have been included in the consolidation area for the first time this year.

The following subsidiaries, which are valued using the equity method, are not consolidated on a line-by-line basis:

- Tecsit S.r.l., controlled by DQS S.r.l., as it operates in a sector different from that of the Group and is immaterial;

--Arch It S.r.l., controlled by DQS S.r.l., incorporated on 23 July 2001 and immaterial;

--Nestegg S.r.l., controlled by SGM S.r.l., dormant and immaterial;

--Firstcom S.r.l., controlled by SGM S.r.l., incorporated on 27 February 2001 and immaterial.

Total assets and revenues of non-consolidated subsidiaries represent 0.68% of the Group's assets and 1.14% of the Group's revenues, respectively.

1.2 Consolidation policies

The consolidated financial statements as at and for the year ended 31 December 2002 are prepared on the basis of the financial statements of the individual Group companies, approved by the respective directors' boards and duly reclassified and adjusted for consistency with the accounting policies applied.

The quotaholders' equities of the fully consolidated subsidiaries, which have been used for the preparation of these consolidated financial statements at 31 December 2002, are as follows:

Company name	Date of reference	Quotaholders' equity (*)	Profit for the year	Percentage of investment	Shareholding value
Cad S.r.l.	31/12/2002	939,789	172,782	100.00%	1,112,571
Cesbe S.r.l.	31/12/2002	1,226,747	1,364,108	52.00%	1,347,245
Syrm S.r.l.	31/12/2002	131,174	(1,258)	75.00%	97,437
4 Emme Informatica S.r.l.	31/12/2002	89,843	79,915	65.00%	110,343
NetBureau S.r.l.	31/12/2002	120,291	(47,295)	60.00%	43,798
S.G.M. S.r.l.	31/12/2002	814,906	(771,382)	52.00%	22,632
D.Q.S. S.r.l.	31/12/2002	16,403	1,196,867	55.00%	667,299
Bit Groove S.r.l.	31/12/2002	17,846	4,183	51.00%	11,235
Elidata S.r.l.	31/12/2002	20,883	335,759	51.00%	181,888
Smart Line S.r.l.	31/12/2002	114,235	149,900	51.05%	134,843

(*): excluding the profit for the year

The valuation of subsidiaries not consolidated on a line-by-line basis and associated companies valued using the equity method is based on the quotaholders' equities resulting from the latest financial statements to be approved by the respective directors' boards or quotaholders at their meetings, and opportunely adjusted for consistency with the Group accounting policies.

Strategically relevant investments in listed companies, which are not subsidiaries or associated companies, are valued at cost.

The companies held for less than 20% and accounted for as financial fixed assets are stated at acquisition cost reduced for permanent impairment in value.

In the preparation of consolidated financial statements the following items have been eliminated:

- intercompany costs and revenues;
- intercompany receivables and accounts payable;
- intercompany profits and unrealised profits from transactions with independent parties.

The carrying amounts of the parent company's investments in each subsidiary are eliminated against the related quotaholders' equities as a consequence of the recognition of the subsidiaries' assets and liabilities, revenues and costs and of minority interest.

The difference between the subsidiaries' acquisition cost and their quotaholders' equities at the date of acquisition is allocated to the subsidiaries' assets and liabilities for the portion attributable thereto. Any positive difference is included in the asset caption "Goodwill arising on consolidation". Any negative difference is included under the caption "Consolidated provision for contingencies and other charges", if due to an expected negative result, or otherwise under the shareholders' equity caption "Consolidation reserve".

The mentioned consolidation difference is amortised over a period of ten years, representing its income generating potential.

Unrealised profit and losses arising from intercompany transactions are eliminated. Intercompany receivables, payables, revenues, costs and distributed dividends are also eliminated.

The caption "Variation in consolidation area" that is part of the movement tables presented in the following pages, shows the initial values of the companies that have been included for the first time in the consolidated financial statements (Bit Groove S.r.l. and Elidata S.r.l.).

2 Accounting policies

2.1 Fixed assets

2.1.1 Intangible fixed assets

They are stated at acquisition cost and amortised over their residual income generating potential, based on the provisions of point 5, article 2426 of the Civil Code.

- Start up and capital costs are amortised over five years on a straight-line basis.
- Industrial patents and similar rights are amortised on a straight-line basis over a variable period of 3-5 years.
- Software licenses are amortised on a straight-line basis over a variable period of 3-5 years.
- Trademarks are amortised over five years on a straight-line basis.
- Goodwill is amortised over five years on a straight-line basis.
- Goodwill arising on consolidation is amortised on a straight-line basis over ten years, representing its estimated income-generating potential.
- Leasehold improvements are amortised over the length of the related rental contracts.

2.1.2 Tangible fixed assets

These are stated at acquisition cost including any related costs less related depreciation.

Depreciation rates are calculated on a straight-line basis over the expected useful economic lives of the assets. The depreciation rates applied, which are also in accordance with current tax legislation, are the following:

- industrial buildings: 3%
- electric plants: 10%
- air conditioning systems: 15%
- telephones: 20%
- alarm systems: 30%
- furniture and fittings: 12%
- electric equipment: 15%
- electronic equipment: 20%
- vehicles: 25%

These rates are halved in the first year of utilisation of the assets.

The depreciation rates applied by the Group also include the portion of accelerated depreciation as provided by current tax legislation.

No revaluations of fixed assets were made except for the building owned by Cad S.r.l, as better specified in paragraph 3 .1.2 below.

Ordinary maintenance costs are fully charged to the profit and loss account in the year in which they are incurred, while maintenance costs of an incremental nature are attributed to the assets to which they relate and depreciated over the residual useful lives of the respective assets.

2.1.3 Financial fixed assets

Investments in subsidiaries not consolidated on a line-by-line basis and associated companies are valued using the equity method.

Other significant investments are valued at cost.

2.2 Inventory

Raw materials and supplies are valued at the lower of purchase cost, calculated on a LIFO basis, and market value.

Contract work in progress is stated at cost reasonably calculated using the contract completion method, gross of any payments on accounts and progress bills which have not yet been definitively collected; future expenses, if any, are included in the specific provision for contingencies and other charges.

Inventories of goods and consumables are stated at the lower of purchase cost, calculated on a LIFO basis, and market value.

2.3 *Receivables*

Receivables are stated at their estimated realisable value represented by their nominal value less the related bad debt provision. This value is the result of an analysis of the recoverability of receivables, considering the existence of any legal or bankruptcy proceedings.

Receivables for interest in arrears are directly written down by a "bad debt provision for interest in arrears".

2.4 *Financial assets not of a fixed nature*

They are stated at the lower of cost or market value at year end.

2.5 *Liquid funds*

Liquid funds are stated at their nominal value. Bank balances include cheques issued, bank transfers ordered and collections received and credited prior to the year end. They also include bank interest expenses and charges, even if not yet accounted for by the banks.

2.6 *Accruals and deferrals*

They are calculated on an accruals basis of accounting.

2.7 *Payables*

Payables are stated at their nominal value. Foreign currency payables are converted at the year end exchange rates. The related gains or losses are recorded in the profit and loss account.

Sums payable to taxation authorities include taxation on profit for the year, as per the profit and loss account.

2.8 *Provisions for contingencies and other charges*

These provisions are made for losses or payables of a certain or probable existence, of which the amount or date of occurrence are uncertain at year end.

2.9 *Employees' leaving entitlement*

This represents the accrued payables due to employees in accordance with current Italian legislation and labour contracts relating to any type of on-going working relationship, as per article 2120 of the Civil Code.

The balance represents total entitlements due to employees at the year end, net of advances.

2.10 Taxation on profit for the year

Current taxes are calculated based on the taxable income of each company in accordance with current legislation.

Deferred tax assets and liabilities are also calculated on consolidation and temporary differences between the consolidated assets and liabilities and the corresponding tax-driven amounts resulting from the individual financial statements of the Group companies.

In particular, deferred tax assets are recognised only if their recoverability is reasonably certain, whereas deferred tax liabilities are not accounted for, if the related payable is not likely to arise.

2.11 Recognition of revenues

Revenues are recognised on the basis of the following criteria:

- Revenues from the sale of licenses are accounted for upon delivery of the product.
- Revenues from consulting and extraordinary maintenance services (for those activities which are not included in ordinary maintenance service contracts and, in any case, which absorb resources exceeding 20 man/days) are recognised on the basis of the actual days of consulting work made at the customer's at the year end.
- Revenues arising from ordinary maintenance services related to products sold are based on the duration of the related maintenance contracts, which usually expire on 31 December each year.
- Financial income is recognised on an accruals basis.
- Dividends are accounted for when approved by the shareholders' meeting of the individual companies. The related tax credit is accounted for upon collection.

2.12 Research and development

Research and development costs are charged to the profit and loss account in the year in which they are incurred.

3 Composition of the principal captions of the consolidated balance sheet

The following table presents the reclassified consolidated balance sheet of the Group as at 31 December 2002.

	31/12/2002	31/12/2001
Fixed assets		
Intangible fixed assets	12,432,885	12,966,121
Tangible fixed assets	13,736,187	9,164,382
Other fixed assets	6,773,625	6,698,415
Total fixed assets (A)	32,942,697	28,828,917
Current assets		
Trade receivables, net	28,520,891	29,845,160
Closing inventory	323,553	146,669
Other current assets	3,822,248	2,195,738
Accrued income and deferred expenses	184,088	196,139
Total current assets (B)	32,850,780	32,383,706
Current liabilities		
Payments on account	133,971	299,209
Accounts payable to creditors	4,195,316	6,649,608
Sums due to other financial institutions	355,722	-
Other current liabilities	6,830,072	7,029,685
Sums payable to taxation authorities	1,327,936	2,053,751
Accrued expenses and deferred income	118,853	61,172
Total current liabilities (C)	12,961,870	16,093,424
Working capital, net (D = (B-C))	19,888,910	16,290,282
Employees' leaving entitlement (E)	4,009,989	3,145,511
Net invested capital (F = (A+D-E))	48,821,618	41,973,689
Shareholders' equity and net financial position		
Total shareholders' equity of the Group	77,944,755	81,214,861
Minority interest	2,256,270	1,820,914
Medium/long term payables due to banks	-	-
Provisions for contingencies and other charges	96,500	23,363
Short term net indebtedness/(financial position)	(31,475,907)	(41,085,449)
Total shareholders' equity and net financial position	48,821,618	41,973,689

3.1 Fixed assets

3.1.1 Intangible fixed assets

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

	31/12/2002	31/12/2001
Start-up and capital costs	1,763,690	2,639,995
Industrial patents and similar rights	16,012	0
Licenses, trademarks and similar rights	368,117	386,940
Goodwill	19,522	22,776
Goodwill arising on consolidation	9,269,492	9,494,198
Assets under development and payments on account	116,009	0
Other intangible fixed assets	880,043	422,212
Total intangible fixed assets	12,432,885	12,966,121

The residual start-up and capital costs at 31 December 2002 principally consist of the costs incurred by the parent company for the listing of Cad It S.p.A.'s ordinary shares on the New Market organised and managed by Borsa Italiana S.p.A.. These costs have been capitalised in accordance with the Accounting Principle no. 24 established by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*, as they are considered to generate income as an effect of the improved financial position of the company, the opportunity to avail of the corporate tax benefit granted to newly listed companies with effect from the year ended 31 December 2001, and the opportunities for development arising from the listing.

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

"Goodwill arising on consolidation" is amortised on a straight-line basis over ten years, representing its estimated income-generating potential. This item was generated with the acquisitions made by the company at the 1999 year end, in 2000 (CAD S.r.l. and SGM S.r.l.), in 2001 (SMART LINE S.r.l. and DQS S.r.l.) and in 2002 (BIT GROOVE S.r.l. and ELIDATA S.r.l.).

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

Amortisation for the period of "Intangible fixed assets" è equal to Euro 2,563,208 (2001: Euro 2,321 thousand), of which Euro 1,211,866 (2001: Euro 1,084 thousand) relates to goodwill arising on consolidation, Euro 883,895 to listing and capital expenditure (2001: Euro 882 thousand), Euro 325,350 (2001: Euro 250 thousand) to licences, trademarks and similar rights, Euro 22,467 to intellectual patents and similar rights and Euro 116,376 (2001: Euro 102 thousand) to other intangible fixed assets.

The caption "Intangible fixed assets" varied as follows in 2002:

	Start-up and capital costs	Industrial patents and similar rights	Licenses, trademarks and similar rights	Goodwill	Assets under development and payments on account	Goodwill arising on consolidation	Other	Total
Purchase or production cost	4,417,008	0	1,397,087	32,537	0	11,131,501	681,207	17,659,340
Previous years revaluations	0	0	0	0	0		0	0
Previous years amortisation and write-downs	(1,777,013)	0	(1,010,147)	(9,761)	0	(1,637,303)	(258,995)	(4,693,219)
Adjustments to previous years write-downs	0	0	0	0	0	0	0	0
Opening balance	2,639,995	0	386,940	22,776	0	9,494,198	422,212	12,966,121
Variations in consolidation area	6,290	38,479	2,889	0	0	0	4,102	51,760
Additions	1,300	0	303,638	0	116,009	987,160	570,105	1,978,212
Transfers	0	0	0	0	0	0	0	0
Reduction in accumulated amortisation due to disposals	0	0		0	0	0	0	0
Disposals	0	0		0	0	0	0	0
Revaluations for the year	0	0	0	0	0	0	0	0
Amortisation and write-downs for the year	(883,895)	(22,467)	(325,350)	(3,254)	0	(1,211,866)	(116,376)	(2,563,208)
Adjustments to write-downs for the year	0	0	0	0	0	0	0	0
Total intangible fixed assets	1,763,690	16,012	368,117	19,522	116,009	9,269,492	880,043	12,432,885
(of which revaluations)	0	0	0	0	0	0	0	0

3.1.2 Tangible fixed assets

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

	31/12/2002	31/12/2001
Land and buildings	11,433,644	119,550
Plant and machinery	211,256	119,509
Industrial and commercial equipment	484	0
Other assets	2,090,803	1,317,136
Assets under construction and payments on account	0	7,608,187
Total tangible fixed assets	13,736,187	9,164,382

In its financial statements at 31 December 2000, CAD S.r.l. revalued the building and the related accumulated depreciation in accordance with Law no. 342/2000 by adjusting the original acquisition cost of € 41,015 (equal to Lit 79,416,103) to € 318,800 (Lit 617,283,964). Accordingly, the accumulated depreciation was revalued from € 23,173 (Lit 44,870,099) to € 189,686 (Lit 367,283,964).

Thus the building was revaluated to €129,114 (Lit 250,000,000), net of accumulated depreciation, at 31 December 2000, the substitute tax on the revaluation, totalling € 22,959 (Lit 44,455,000) was deducted from the revaluation reserve ex Law no. 342/2000.

The year 2002 saw the completion of the construction of an industrial building of Euro 11,143 thousand. Such costs were sustained in 2002 for Euro 4,825 thousand, in 2001 for Euro 5,138 thousand and in previous years for Euro 1,180 thousand.

The caption "Land and buildings" includes Euro 353 thousand for the acquisition of a building leased by the subsidiary Elidata S.r.l. in 2002.

The caption "Tangible fixed assets" varied as follows in 2002:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Purchase or production cost	41,015	363,779	0	3,671,491	7,608,187	11,684,472
Previous years revaluations	120,837	0	0	0	0	120,837
Previous years depreciation and write-downs	(42,302)	(244,271)	0	(2,352,644)	0	(2,639,216)
Adjustments to previous years write-downs	0	0	0	(1,711)	0	(1,711)
Opening balance	119,550	119,509	0	1,317,136	7,608,187	9,164,382
Variations in consolidation area	352,350	1,447	0	59,874	0	413,671
Additions	3,887,913	155,636	587	1,290,562	0	5,334,698
Transfers	7,608,187	0	0	0	(7,608,187)	0
Reduction in accumulated depreciation due to disposals	14,829	46,833	0	188,091	0	249,753
Disposals	(362,111)	(62,203)	0	(207,044)	0	(631,358)
Revaluations for the year	0	0	0	0	0	0
Depreciation and write-downs for the year	(187,074)	(49,966)	(103)	(557,816)	0	(794,959)
Adjustments to write-downs for the year	0	0	0	0	0	0
Total tangible fixed assets	11,433,644	211,256	484	2,090,803	0	13,736,187
(of which revaluations)	120,837	0	0	0	0	120,837

Gross values including related depreciation can be broken down as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction	Total
Gross value	161,852	363,779	0	3,671,491	7,608,187	11,805,309
Accumulated depreciation	(42,302)	(244,271)	0	(2,354,355)	0	(2,640,927)
Net value at 31/12/2001	119,550	119,509	0	1,317,136	7,608,187	9,164,382
Gross value	11,648,190	458,660	587	4,814,884	0	16,922,320
Accumulated depreciation	(214,546)	(247,404)	(103)	(2,724,080)	0	(3,186,133)
Net value at 31/12/2002	11,433,644	211,256	484	2,090,803	0	13,736,187

3.1.3 Other fixed assets

Financial fixed assets are composed of investments in associated companies valued using the equity method, investments in other companies valued at cost, receivables for taxes on employees' leaving entitlement paid on account (Law no. 123/96) and other receivables due after one year.

Financial fixed assets	31/12/2002	31/12/2001
Investments in subsidiary companies valued using the equity method		
Firstcom S.r.l.	1,996	5,656
Nestegg S.r.l.	5,528	0
Archit S.r.l.	53,510	32,283
Tecsit S.r.l.	53,744	49,939
Total investments in fully consolidated subsidiaries	114,778	87,878
Investments in associated companies:		
Datafox S.r.l.	322,562	322,751
Sicom S.r.l.	175,953	129,501
Isis S.p.A.	69,808	68,327
Total investments in associated companies	568,323	520,579
Other investments:		
Nestegg S.r.l.	0	1,016
DQS' investment in Finiter (Finance for enterprises)	26	26
Cad's investment in the Consortium CF-PRO	26	0
Class Editori S.p.A.	6,022,021	6,022,021
CIA S.p.A.	0	0
Total other investments	6,022,073	6,023,064
Tax credits for payments on account on employees' leaving entitlement	40,993	47,423
Other receivables due after one year	27,458	19,471
Total receivables due after one year	68,451	66,894
Total financial fixed assets	6,773,625	6,698,415

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

Company name	Date of reference	Quotaholders' equity including profit for the year	Profit for the year	Percentage of investment	Shareholding value	Percentage of shareholding of the Group
Tecsit S.r.l.	31/12/2002	82,319	7,772	70.00%	57,623	38.50%
Arch It S.r.l.	31/12/2002	76,443	30,324	70.00%	53,510	38.50%
Nestegg S.r.l.	31/12/2002	12,086	(12,361)	55.00%	6,647	28.60%
Firstcom S.r.l.	31/12/2002	3,839	(7,037)	52.00%	1,996	27.04%

The values used as a basis for the valuation of investments in associated companies using the equity

method and the related dates of reference are as follows:

Company name	Date of reference	Share/Quotaholders' equity including profit for the year	Profit for the year	Percentage of investment	Shareholding value	Percentage of shareholding of the Group
Datafox S.r.l.	31/12/2002	372,349	68,004	35.05%	130,506	35.05%
Sicom S.r.l.	31/12/2002	703,811	299,895	25.00%	175,953	25.00%
Isis S.p.A.	31/12/2002	290,870	2,765	24.00%	69,809	24.00%

3.2 Current assets

3.2.1 Trade receivables, net

Trade receivables are composed as follows:

	31/12/2002	31/12/2001
Associated companies	0	4,661
Subsidiaries companies valued using the equity method	119,392	0
Trade receivables	28,972,274	30,262,048
Bad debt provision	(570,775)	(421,549)
Total trade receivables	28,520,891	29,845,160
Average debtor days	162	145
Coverage of bad debt provision	1.96%	1.39%

Trade receivables principally comprise receivables from customers of the banking division. The decrease recorded at year end compared to the previous year is principally due to the decline in turnover for the period only partially off-set by the increase in the average debtor days.

As indicated above, the Group accounts for receivables at their estimated realisable value. This valuation is performed analytically for overdue and to be due receivables with ageing exceeding average debtor days and on a lump sum basis for the other receivables based on the historic incidence of the Group's losses on sales by year of invoicing. Receivables for interest in arrears are written down by an amount that is included in the related provision.

The bad debt provision covers 1.96% of total receivables.

In the course of time, 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 increase in the average value of in-coming orders led to an expansion of the payments terms agreed with customers.

3.2.2 *Closing inventory*

The caption "Inventory" exclusively comprises finished goods and supplies.
It may be broken down as follows:

Closing inventory	31/12/2002	31/12/2001
Raw materials, consumables and supplies	0	2,479
Contract work in progress	0	0
Finished goods	323,553	144,190
Total final inventory	323,553	146,669

3.2.3 *Accrued income and deferred expenses*

The caption principally relates to prepaid advertising, insurance and rental costs related to the subsequent period.

3.3 *Current liabilities*

3.3.1 *Payments on account*

The balance of Euro 133,971 (2001: Euro 299,209) comprises payments on account received upon stipulation of service or goods supply contracts not yet executed.

3.3.2 *Accounts payable to trade creditors*

The caption varied as follows:

Accounts payable to trade creditors	31/12/2002	31/12/2001
Accounts payable to creditors	4,160,723	6,588,639
Amounts payable to subsidiaries valued using the equity method	16,378	20,671
Amounts payable to associated companies	18,215	40,298
Total accounts payable to creditors	4,195,316	6,649,608
Average creditor days	88	95

The residual amount relates to accounts payable for the ordinary supply of services and goods.

3.3.3 Other current liabilities

The caption "Other current liabilities" is composed as follows:

	31/12/2002	31/12/2001
Social security charges payable	1,931,916	1,760,871
Other sums payable	4,898,156	5,268,814
Total other current liabilities	6,830,072	7,029,685

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

Other sums payable	31/12/2002	31/12/2001
Directors' emoluments	57,902	38,170
Dividends to be distributed to shareholders (third parties)	351	248,251
Wages and salaries	952,314	1,033,535
Production bonuses due to employees	591,865	1,178,813
Accrued holidays due to employees	1,350,233	1,119,067
Thirteenth month salary	536	0
Fourteenth month salary	605,222	410,007
Acquisition of investments	1,177,524	1,084,562
Other	162,209	156,409
Total other sums payable	4,898,156	5,268,814

3.3.4 Sums payable to taxation authorities

The caption "Sums payable to taxation authorities" represents the aggregate tax payables of the individual consolidated companies of the Group for each period. They comprise income taxes, VAT tax and withholding agent activities carried out by the individual companies on behalf of their employees and consultants.

At the date of preparation of these financial statements at 31 December 2002, the company does not have any assessments by or litigations with the Tax Authorities. With respect to the parent company

the last year closed to inspection for direct tax purposes is 1996, whereas 1997 is the last year for VAT purposes.

3.3.5 *Accrued expenses and deferred income*

The caption principally relates to deferred income from annual ordinary maintenance contracts on licences that do not expire at the year end.

3.4 *Employees' leaving entitlement*

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

It varied as follows:

Employees' leaving entitlement	31/12/2002	31/12/2001
Opening balance	3,145,511	3,490,483
Variations in consolidation area	2,348	133,434
Accruals	1,335,537	1,142,943
Utilisation	(473,407)	(1,621,349)
Closing balance	4,009,989	3,145,511

The average workforce of the Group in the year of reference is as follows:

	31/12/2002	31/12/2001	Variation
Management	5	3	+ 2
White collars	622	541	+ 81
Blue collars	2	2	0
Apprentices	3	0	+ 3
Total average number of employees	632	546	+ 86

At 31 December 2002 the number of employees of the fully consolidated companies was as follows:

	31/12/2002	31/12/2001	Variation	of which due to variations in the consolidation area
Management	15	3	+ 12	-
White collars	611	593	+ 18	2
Blue collars	2	2	0	0
Apprentices	4	2	+ 2	1
Total number of employees	632	600	+ 32	3

The associated companies SICOM S.r.l. and Datafox S.r.l. had an average workforce of 5 and 7 units, respectively, in 2002.

3.5 Shareholders' equity and net financial position

3.5.1 Shareholders' equity of the Group

The following table shows the adjustments made to the parent company's shareholders' equity and profit for the period as an effect of the consolidation policies applied for the preparation of the 2002 consolidated financial statements.

	2002		2001	
	Shareholders' equity	Profit for the year	Shareholders' equity	Profit for the year
Shareholders' equity and profit for the year of the parent company	78,360,927	3,133,858	81,064,070	10,341,820
Elimination of the carrying value of consolidated investments				
- difference between the carrying value and the pro quota value of shareholders' equity	(11,259,638)		(11,126,378)	0
- effects on reserves			(223)	0
- pro quota profits of the investments in subsidiaries/associated companies	1,403,579	1,403,579	1,679,180	1,679,180
- goodwill arising on consolidation	9,269,492	(1,211,866)	9,494,198	(1,083,609)
- consolidation reserves	6,409		6,409	0
- elimination of intercompany dividends		(859,389)	-	(1,870,194)
- other effects on the profit and loss account		535	-	(1,027)
Valuation of investments in associated companies using the equity method	163,986	100,178	97,606	103,290
Total consolidated shareholders' equity at 31/12/2002	77,944,755	2,566,895	81,214,862	9,169,460

The current share capital of the parent company comprises 4,669,600 ordinary shares with the nominal value of Euro 0.52 each and a total amount of Euro 8,980,000.

The following table presents the variations in the Group's shareholders' equity.

Variations in shareholders' equity of the Group	Share capital	Reserves	Profit for the year	Shareholders' equity of the Group
31 December 2001	4,669,600	67,375,799	9,169,462	81,214,861
Increase in revaluation reserves				
Allocation of profit for the year to reserves		3,332,461	(3,332,462)	
Distribution of dividends - parent company			(5,837,000)	(5,837,000)
Effects on consolidation reserves				
Capital injections				
Profit for the year			2,566,895	2,566,895
31 December 2002	4,669,600	70,708,260	2,566,895	77,944,755

3.5.2 *Quotaholders' equity pertaining to minority interest*

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

Quotaholders' equity pertaining to minority interest	31/12/2002	31/12/2001
Minority quotaholders of Cesbe S.r.l.	1,243,610	828,839
Minority quotaholders of Syrm S.r.l.	32,479	40,293
Minority quotaholders of 4 Emme Informatica S.r.l.	59,415	31,445
Minority quotaholders of NetBureau S.r.l.	29,198	48,117
Minority quotaholders of SGM S.r.l.	20,354	391,155
Minority quotaholders of DQS S.r.l.	554,221	400,636
Minority quotaholders of Bit Groove S.r.l.	10,794	
Minority quotaholders of Elidata S.r.l.	176,906	
Minority quotaholders of Smart Line S.r.l.	129,293	80,430
Total quotaholders' equity pertaining to minority interests	2,256,270	1,820,914

3.5.3 *Medium to long term payables due to banks*

There are no medium to long term payables due to banks.

3.5.4 *Provisions for contingencies and other charges*

The caption comprises pension and similar costs of Euro 93,681, deferred taxation of Euro 2,719 and other not significant amounts of Euro 99.

3.5.5 Short term net indebtedness/(financial position)

Reference should be made to paragraph 5.4 for an analysis of the net short term financial position.

4 Consolidated profit and loss account for the period ended 31 December 2002

The following table shows the reclassified consolidated profit and loss account of the Group for the year ended 31 December 2002.

	31/12/2002	%	31/12/2001	%
Turnover - goods and services	56,825,622	99.50%	60,955,403	100.00%
Variations in contract work in progress	-	-	(287,395)	(0.47%)
Other revenues and income	285,423	0.50%	289,458	0.47%
Production revenues	57,111,045	100.00%	60,957,466	100.00%
Raw materials, consumables and supplies	(1,349,966)	(2.36%)	(1,546,488)	(2.54%)
Services	(13,212,072)	(23.13%)	(13,087,486)	(21.47%)
Other operating costs	(1,210,011)	(2.12%)	(1,053,973)	(1.73%)
Added value	41,338,996	72.38%	45,269,518	74.26%
Personnel expenses	(28,693,998)	(50.24%)	(24,838,175)	(40.75%)
Other administrative expenses	(2,829,086)	(4.95%)	(2,464,278)	(4.04%)
Gross operating result (EBITDA)	9,815,912	17.19%	17,967,066	29.47%
Accrual to bad debt provision	(149,928)	(0.26%)	(122,004)	(0.20%)
Amortisation and depreciation	(3,358,167)	(5.88%)	(2,982,565)	(4.89%)
Other provisions	(1,264)	0.00%	-	-
Operating profit (EBIT)	6,306,553	11.04%	14,862,497	24.38%
Financial income and charges, net	1,379,364	2.42%	2,557,176	4.20%
Profit/(loss) from ordinary activities	7,685,917	13.46%	17,419,673	28.58%
Revaluations and write-downs	88,901	0.16%	52,363	0.09%
Extraordinary income and expenses	323,086	0.57%	(175,022)	(0.29%)
Profit (loss) before taxation	8,097,904	14.18%	17,297,015	28.38%
Taxation on profit for the year	(4,446,618)	(7.79%)	(7,230,458)	(11.86%)
Profit before minority interest	3,651,286	6.39%	10,066,557	16.51%
Profit / (loss) for the period pertaining to minority interest	(1,084,391)	(1.90%)	(897,095)	(1.47%)
Profit/(loss) before taxation of the Group	2,566,895	4.49%	9,169,462	15.04%

4.1 Variations in production revenues

The Group's activities and results may be classified in two principal areas:

- the banking division
- the industrial division.

The banking division comprises the following five main sectors:

- (I) "Financial instruments back office";
- (II) "Software for banking services";
- (III) " SIBAC - integrated banking information systems";
- (IV) "Training and organisation";
- (V) "New technologies".

The following table breaks down production revenues by such business areas:

	31/12/2002	%	31/12/2001	%
Financial instruments B.O.	40,785,801	71.77%	41,571,226	68.20%
Banking services software	6,939,967	12.21%	7,295,470	11.97%
Integrated IT systems	1,130,488	1.99%	694,635	1.14%
Training and organisation	957,255	1.68%	3,422,043	5.61%
New technologies	2,426,835	4.27%	3,078,600	5.05%
Total banking division	52,240,346	91.93%	56,061,974	91.97%
Industrial hardware and software	3,918,680	6.90%	4,102,733	6.73%
Consulting, training and industrial services	666,596	1.17%	790,696	1.30%
Total industrial division	4,585,276	8.07%	4,893,429	8.03%
Total turnover - goods and services	56,825,622	100.00%	60,955,403	100.00%

This table evidences the following matters:

- total 2002 turnover of Cad It Group declined due to an overall slowdown in investments of customers of the banking sector, which affected both the Italian and the international markets.
- The banking division represents 91.93% of total turnover. The Group activities in fact, are mainly focused on the production of the "Finance Area" banking software, which allows the management of back office activities related to the brokerage of Italian and foreign financial instruments for the banks own portfolios and of third parties.

A breakdown by geographic area is not significant, as the company principally operates in the Italian market, particularly the North East, where the major banking customers are located.

4.2 Variation in production costs

The trend of the principal production costs grouped by nature is as follows:

Cost components	31/12/2002	%	31/12/2001	%
Hardware	574,161	1.13%	687,516	1.49%
Software	587,610	1.16%	600,685	1.30%
Other additions	365,079	0.72%	294,869	0.64%
Variations in raw materials	(176,884)	(0.35%)	(36,582)	(0.08%)
Total raw materials	1,349,966	2.66%	1,546,488	3.36%
External consultants	7,895,297	15.54%	7,318,873	15.88%
Reimbursements of out-of-pocket and travel expenses	2,811,683	5.53%	2,665,504	5.78%
Other	2,505,092	4.93%	3,103,108	6.73%
Total service costs	13,212,072	26.00%	13,087,486	28.39%
Wages and salaries	21,017,003	41.37%	18,048,347	39.15%
Social security contributions	6,212,035	12.23%	5,375,438	11.66%
Employees' leaving entitlement	1,335,537	2.63%	1,142,943	2.48%
Pension and similar costs	0	-	0	-
Other	129,423	0.25%	271,447	0.59%
Total personnel expenses	28,693,998	56.48%	24,838,175	53.88%
Emoluments of directors and legal representatives	2,000,211	3.94%	1,848,245	4.01%
Telephone charges	495,258	0.97%	325,490	0.71%
Commissions and advertising	333,617	0.66%	290,543	0.63%
Total other administrative expenses	2,829,086	5.57%	2,464,278	5.35%
Amortisation and depreciation	3,358,167	6.61%	2,982,565	6.47%
Accruals	151,192	0.30%	122,004	0.26%
Use of third parties' assets	1,015,903	2.00%	856,103	1.86%
Other operating costs	194,108	0.38%	197,870	0.43%
Total other costs	4,719,370	9.29%	4,158,542	9.02%
Total production cost	50,804,492	100.00%	46,094,969	100.00%

In respect to the figures above, the following considerations are made:

- 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, which reach only 2.5% of turnover.
- Service cost items represent 26.00% of total production cost and 23.13% of production revenues. They principally comprise the costs incurred by the Group for occasional or on-going technical consultancy services. The use of external consultants is principally due to the Group policy of structural flexibility. This caption principally comprises expert consultancy costs, which represent 15.54% of production cost. Such experts are frequently involved for the development and implementation of the Group's products.
- In 2002, the most significant resource of the Group is represented by personnel (managers, programmers, system administrators, application developers, administrative clerks and other), who represent 56.48% of total production cost and 50.24% of production revenues. As already specified in paragraph 3.4 above, the increase in total personnel expenses (up 15.52% in 2002 on 2001) is principally due to the addition of 86 employees (up 15.75%) compared to the average workforce of the previous year .
- The caption "Directors' emoluments" includes 2002 emoluments of the parent company's directors and may be broken down as follows:

Directors:	Role	CAD IT S.p.A.	Subsidiaries
Giuseppe Dal Cortivo	Chairman and Managing Director	117,752	99,160
Luigi Zanella	Managing Director	117,752	132,213
Giampietro Magnani	Managing Director	117,752	97,271
Maurizio Rizzoli	Managing Director	117,752	24,790
Giovanni Costa	Director	11,362	0
Wolfgang Koenig	Director	7,747	0
Joze Gricar	Director	7,747	0
Paolo Dal Cortivo	Director	11,879	12,395
Total		509,743	365,829

4.3 *Performance of financing activities*

The Group's financial income and charges, including adjustments to financial asset values, varied as follows:

	31/12/2002	31/12/2001
Total financial income	1,471,117	2,588,212
Revaluation of investments valued using the equity method	103,124	136,509
Write-downs of investments valued using the equity method	(14,223)	(84,146)
Financial charges	(91,753)	(31,035)
Total financial income and charges performance	1,468,265	2,609,540

This table shows the impact of financing activities on profit for the year, equal to 2.58% of production revenues.

Although it shows a decrease compared to the previous year, principally due to the contraction in the rate of return of liquidity, this positive result is principally related to the net financial position of the Group, that remains positive and substantial also in 2002.

4.4 *Extraordinary income*

Starting from a negative balance of Euro 175,022 at the previous year end, extraordinary income reached a positive balance of Euro 323,086.

The principal components of extraordinary income are represented by lower tax charges, due to tax benefits on CAD IT S.p.A.'s 2001 income for Euro 436 thousand, and savings of Euro 46 thousand on the estimated costs of DQS S.r.l. for the year 2001. Total extraordinary expenses of Euro 236 thousand comprise Euro 147 thousand of adjustments to 2001 estimated costs and Euro 87 thousand of adjustments to previous year's revenues.

4.5 *Ratio of taxation to gross profit*

The consolidated financial statements at 31 December 2002 record average income taxes of 54.91%.

The increase in taxation compared to the previous year (41.8%) is principally due to the lower tax benefits granted for the capitalisation of enterprises (DIT), which led to reduced tax benefits estimated at approximately Euro 730 thousand.

The significant tax burden is also due to the amortisation of goodwill arising on consolidation of Euro 1,211,866, which determines higher taxable bases compared to profit before taxation. Net of these charges, taxation would represent 47.73% of profit before taxation.

4.6 *Ratio of gross operating result, operating profit and profit from ordinary activities to production revenues.*

The ratio of gross operating result (EBITDA) to production revenues is equal to 17.19%.

This result reflects the prudent approach of customers, who preferred to delay their necessary investments.

As a consequence, it was resolved to avail of human resources to speed up the design and creation of new products, the costs of which are expensed in the year.

Net operating profit (EBIT) amounts €6,306,553 and reaches 11.04% of production revenues. This caption is principally influenced by the amortisation of intangible fixed assets due to goodwill arising on consolidation. Excluding such costs, net operating profit reaches 13.16% of production revenues.

Ordinary profit is affected by the reduction in the rate of return of liquidity, but it still remains very positive at Euro 7,685,917, equal to 13.46% of production revenues.

5 Performance of the Group

5.1 *The Group's financial balance*

At 31 December 2002 the Group recorded a contribution margin from shareholders' equity of Euro 47,258,328. This is attributable to the increase in shareholders' equity as an effect of both retained earnings and the resources deriving from the listing process.

5.2 *Net assets forming part of working capital*

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

	31/12/2002	31/12/2001
Trade receivables, net	28,520,891	29,845,160
Accounts payable to trade creditors	(4,195,316)	(6,649,608)
Payments on account	(133,971)	(299,209)
Total net assets forming part of working capital	24,191,604	22,896,344
Closing inventory	323,553	146,669
Other current assets	3,822,248	2,195,738
Accrued income and deferred expenses	184,088	196,139
Sums payable to taxation authorities	(1,327,936)	(2,053,751)
Sums due to other financial institutions	(355,722)	-
Other current liabilities	(6,830,072)	(7,029,685)
Accrued expenses and deferred income	(118,853)	(61,172)
Total working capital, net	19,888,910	16,290,282

Given the labour intensive nature of the Group's activities, the netting of trade receivables and payables of the same nature is negative compared to other companies where production revenues are more affected by raw material costs, payable in more extendable terms, than by personnel expenses.

5.3 *Variations in cash flows*

The following table shows the principal components of CAD IT cash flows for the year of reference:

	31/12/2002	31/12/2001
Cash flows from/for operating activities (A)	3,264,048	7,100,198
Cash flows from/for investing activities (B)	(7,471,946)	(17,259,010)
Cash flows from/for financing activities (C)	(5,401,644)	(2,799,322)
Variation in liquid funds (A+B+C)	(9,609,542)	(12,958,134)

5.4 *Net financial position*

The following table shows the variations in net financial position.

	31/12/2002	31/12/2001
Cash on hand and at bank	27,069,127	38,470,170
Financial assets not of a fixed nature	5,249,442	2,662,225
Payables due to banks including current portion of medium to long term loans	(842,662)	(46,946)
Short term net financial position	31,475,907	41,085,449
Medium to long-term loans net of current portion	-	-
Long term net financial position	-	-
Net financial position	31,475,907	41,085,449

This table shows a positive financial position of Euro 31,475,907 at 31 December 2002, principally comprising liquid funds, bank balances and lending available at a notice not exceeding 30 days.

Yields are generally in line with the net yields of government securities.

6 Consolidated cash flows of Cad It Group at 31 December 2002

The following table shows the consolidated cash flows of the Group at 31 December 2002.

	2002	2001
Cash flows of Cad It Group for the period 1 January to 31 December		
OPERATING ACTIVITIES		
Profit (loss) for the year	2,566,895	9,169,462
Amortisation and depreciation:		
- tangible fixed assets	794,959	661,519
- intangible fixed assets	1,351,342	1,237,172
- goodwill arising on consolidation	1,211,866	1,083,609
Accruals:		
- employees' leaving entitlement	1,335,537	1,142,943
- other provisions	1,264	0
Increase/(Utilisation) of provisions for contingencies and other charges	71,873	21,030
Sub-total	7,333,736	13,315,735
Utilisation of employees' leaving entitlement	(471,059)	(1,487,916)
(Increase)/Decrease in receivables included under assets forming part of working capital	(302,241)	(3,451,421)
(Increase)/Decrease in inventory	(176,884)	159,047
(Increase)/Decrease in accrued income and deferred expenses	12,051	71,844
Increase/(Decrease) in accounts due to creditors	(2,593,154)	589,807
Increase/(Decrease) in accrued expenses and deferred income	57,681	30,704
Increase/(Decrease) in sums due to other financial institutions	355,722	
Increase/(Decrease) in other non-financial payables	(951,804)	(2,127,602)
Sub-total	(4,069,688)	(6,215,537)
(A) - Cash flows from (for) operating activities	3,264,048	7,100,198
INVESTING ACTIVITIES		
(Increase)/ Decrease in investments in subsidiary companies valued using the equity method	(26,900)	(87,878)
(Increase)/Decrease in intangible fixed assets	(2,029,972)	(4,653,856)
(Increase)/Decrease in tangible fixed assets	(5,366,764)	(6,318,915)
(Increase)/Decrease in other fixed assets	(1,556)	109,798
(Increase)/ Decrease in investments in associated companies	(47,745)	(311,951)
(Increase)/Decrease in other investments and securities	991	(5,996,208)
(B) - Cash flows from (for) investing activities	(7,471,946)	(17,259,010)
FINANCING ACTIVITIES		
Increase/(Decrease) in financial payables	0	0
Increase/(Decrease) in reserves	0	0
Minority interest	435,356	400,748
Distribution of dividends	(5,837,000)	(3,200,070)
Capital injections	0	0
(C) - Cash flows from (for) financing activities	(5,401,644)	(2,799,322)
(A+B+C) - Total cash flows	(9,609,542)	(12,958,133)
Opening liquid funds, net	41,085,449	54,043,582
Closing liquid funds	31,475,907	41,085,449

Reference should be made to the consolidated directors' report of the parent company for more complete information on the nature of the Group's activity, on subsequent events, on relationships with subsidiaries, associated and related parties , and finally on the performance of the Group.

On behalf of the Board of Directors

The Chairman

(signed on the original)

(Giuseppe Dal Cortivo)

SUBSIDIARY AND ASSOCIATED COMPANIES

The following table shows CAD IT S.p.A.' direct and indirect investments in non-listed joint stock companies and limited liability companies exceeding 10% of the respective shares/quotas with voting rights at 31 December 2002.

All the investments below are owned by the company, and the percentage of shares or quotas held corresponds exactly to the percentage of voting rights.

CONSOLIDATED COMPANIES

Companies consolidated using the full consolidation method

Company name	Registered offices		Share capital	Percentage of investment	Percentage held by the Group
Cad S.r.l.	Verona Via Torricelli, 37	Euros	130,000	100%	100%
Cesbe S.r.l.	Verona Via Torricelli, 37	Euros	10,400	52%	52%
Sym S.r.l.	Verona Via Torricelli, 37	Euros	10,400	75%	75%
4 Emme Informatica S.r.l.	Lodi Corso Archinti 25	Euros	26,000	65%	65%
NetBureau S.r.l.	Milan Via Morigi 13	Euros	50,000	60%	60%
SGM S.r.l.	Padua Galleria Spagna 28	Euros	1,044,650	52%	52%
D.Q.S. S.r.l. - Data Quality System	Rome Via Silvio D'Amico 40	Euros	11,000	55%	55%
Smart Line S.r.l.	Avellino Via Tagliamento 165	Euros	102,700	51.05%	51.05%
Bit Groove S.r.l.	Agliana (PT) Piazza IV Novembre 8	Euros	15,500	51%	51%
Elidata S.r.l.	Castiglione d'Adda - LO Via Sanadolo 19	Euros	20,000	51%	51%

COMPANIES VALUED USING THE EQUITY METHOD

Company name	Registered offices		Share capital	Percentage of investment	Percentage held by the Group
Sicom Informatica S.r.l.	Viadana (MN) Via Verdi 15/a	Euros	10,400	25%	25.000%
Datafox S.r.l.	Florence Via Circondaria 56/3	Euros	99,999	35.055%	35.055%
I.S.I.S. S.p.A.	S. Marino Via Del Volfone 120	Euros	284,047	(*) 24%	24.000%
Tecsit S.r.l.	Rome Via Silvio D'Amico 40	Euros	75,000	(**) 70%	38.500%
Arch It S.r.l.,	Rome Via Silvio D'Amico 40	Euros	50,000	(***) 70%	38.500%
Firstcom S.r.l.	Padua Galleria Spagna 28	Euros	25,000	(****) 52%	27.040%
Nestegg S.r.l.	Milan Piazza Borromeo 10	Euros	25,000	(****) 55%	28.60%

(*) held through CAD S.r.l.

(**) held through DQS S.r.l.

(***) held through DQS S.r.l.

(****) held through SGM S.r.l.

COMPANIES VALUED AT COST

Company name	Registered offices		Share capital	Percentage of investment	Percentage held by the Group
Teclab S.r.l.	La Spezia Via delle Pianazze 74	Euros	72,303	(*) 32.57%	12.539%

(*) held through Tecsit S.r.l.

CAD IT S.p.A.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED

31 DECEMBER 2002

SUMMARY FINANCIAL STATEMENTS OF THE CONSOLIDATED

SUBSIDIARY COMPANIES

(ex point 4, article 2429 of the Civil Code)

CAD S.r.l.**REGISTERED OFFICE:** Via Torricelli, 37 - 37100 VERONA**SHARE CAPITAL:** € 130,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 100%

	2002	2001
TURNOVER	39,518,333	46,635,482
GROSS OPERATING RESULT	1,597,766	2,750,525
NET OPERATING PROFIT	976,698	1,958,437
FINANCIAL INCOME AND CHARGES, NET	148,694	313,257
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	976,698	2,271,694
PROFIT / (LOSS) FOR THE YEAR	172,782	562,862
TANGIBLE FIXED ASSETS, NET	1,087,013	1,268,287
WORKING CAPITAL, NET	(1,092,189)	(2,180,753)
INVESTED CAPITAL, NET	(1,461,806)	(2,187,507)
EMPLOYEES' LEAVING ENTITLEMENT	1,456,630	1,275,041
SHAREHOLDERS' EQUITY	1,112,571	939,789
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(2,574,377)	(3,127,296)

CESBE S.r.l.**REGISTERED OFFICE:** Via Torricelli, 37 - 37100 VERONA**SHARE CAPITAL:** € 10,400.00**% OF INVESTMENT OF CAD IT S.p.A.:** 52%

	2002	2001
TURNOVER	6,179,651	5,873,076
GROSS OPERATING RESULT	2,418,594	2,743,010
NET OPERATING PROFIT	2,392,850	2,710,773
FINANCIAL INCOME AND CHARGES, NET	1,569	11,538
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	2,394,419	2,722,311
PROFIT / (LOSS) FOR THE YEAR	1,364,108	1,560,769
TANGIBLE FIXED ASSETS, NET	33,796	29,273
WORKING CAPITAL, NET	2,351,049	1,777,786
INVESTED CAPITAL, NET	2,201,374	1,695,875
EMPLOYEES' LEAVING ENTITLEMENT	183,471	111,184
SHAREHOLDERS' EQUITY	2,590,855	1,726,747
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(389,481)	(30,871)

SYRM S.r.l.**REGISTERED OFFICE:** Via Torricelli, 37 - 37100 VERONA**SHARE CAPITAL:** € 10,400.00**% OF INVESTMENT OF CAD IT S.p.A.:** 75%

	2002	2001
TURNOVER	174,845	454,782
GROSS OPERATING RESULT	7,749	234,425
NET OPERATING PROFIT	6,503	233,013
FINANCIAL INCOME AND CHARGES, NET	2,361	6,176
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	6,503	239,189
PROFIT / (LOSS) FOR THE YEAR	(1,258)	134,924
TANGIBLE FIXED ASSETS, NET	2,397	1,442
WORKING CAPITAL, NET	111,702	(93,864)
INVESTED CAPITAL, NET	105,156	(99,758)
EMPLOYEES' LEAVING ENTITLEMENT	8,943	7,335
SHAREHOLDERS' EQUITY	129,916	161,173
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(24,760)	(260,932)

NETBUREAU S.r.l.**REGISTERED OFFICE:** Via Morigi, 13 - MILAN**SHARE CAPITAL:** € 50,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 60%

	2002	2001
TURNOVER	777,655	736,598
GROSS OPERATING RESULT	(13,422)	162,253
NET OPERATING PROFIT	(22,780)	146,509
FINANCIAL INCOME AND CHARGES, NET	(2,456)	(475)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(25,236)	146,034
PROFIT / (LOSS) FOR THE YEAR	(47,295)	68,422
TANGIBLE FIXED ASSETS, NET	25,555	27,570
WORKING CAPITAL, NET	116,454	(30,813)
INVESTED CAPITAL, NET	109,796	(15,824)
EMPLOYEES' LEAVING ENTITLEMENT	32,213	12,581
SHAREHOLDERS' EQUITY	72,996	120,291
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	36,800	(136,115)

4 EMME INFORMATICA S.r.l.**REGISTERED OFFICE:** Corso Archinti, 25 - 26900 LODI**SHARE CAPITAL:** € 26,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 65%

	2002	2001
TURNOVER	1,017,684	758,254
GROSS OPERATING RESULT	193,488	131,899
NET OPERATING PROFIT	184,810	124,480
FINANCIAL INCOME AND CHARGES, NET	(5,521)	656
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	179,289	125,136
PROFIT / (LOSS) FOR THE YEAR	79,915	53,905
TANGIBLE FIXED ASSETS, NET	19,189	17,640
WORKING CAPITAL, NET	182,103	76,519
INVESTED CAPITAL, NET	155,675	57,073
EMPLOYEES' LEAVING ENTITLEMENT	45,617	37,086
SHAREHOLDERS' EQUITY	169,758	89,843
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(14,083)	(32,770)

DQS S.r.l.**REGISTERED OFFICE:** Via Silvio d'Amico, 10 - 00145 ROME**SHARE CAPITAL:** € 11,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 55%

	2002	2001
TURNOVER	6,788,026	5,281,212
GROSS OPERATING RESULT	2,109,291	1,587,411
NET OPERATING PROFIT	2,073,750	1,563,529
FINANCIAL INCOME AND CHARGES, NET	9,387	14,718
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	2,083,137	1,578,247
PROFIT / (LOSS) FOR THE YEAR	1,196,867	881,130
TANGIBLE FIXED ASSETS, NET	226,820	194,370
WORKING CAPITAL, NET	852,473	689,324
INVESTED CAPITAL, NET	887,138	760,305
EMPLOYEES' LEAVING ENTITLEMENT	192,155	123,389
SHAREHOLDERS' EQUITY	1,213,270	896,403
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(385,990)	(158,150)

SGM S.r.l.**REGISTERED OFFICE:** Galleria Spagna, 28 - 35100 PADUA**SHARE CAPITAL:** 1,044,650.00 €**% OF INVESTMENT OF CAD IT S.p.A.:** 52%

	2002	2001
TURNOVER	2,085,442	1,914,203
GROSS OPERATING RESULT	(567,470)	(853,082)
NET OPERATING PROFIT	(657,551)	(927,466)
FINANCIAL INCOME AND CHARGES, NET	(37,742)	864
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(695,293)	(926,602)
PROFIT / (LOSS) FOR THE YEAR	(771,382)	(706,279)
TANGIBLE FIXED ASSETS, NET	276,001	306,079
WORKING CAPITAL, NET	542,697	576,225
INVESTED CAPITAL, NET	679,713	775,331
EMPLOYEES' LEAVING ENTITLEMENT	138,985	106,973
SHAREHOLDERS' EQUITY	43,524	814,905
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	633,615	(40,884)

SMART LINE S.r.l.**REGISTERED OFFICE:** Via Tagliamento, 165 - 83100 AVELLINO**SHARE CAPITAL:** € 102,700.00**% OF INVESTMENT OF CAD IT S.p.A.:** 51%

	2002	2001
TURNOVER	2,475,149	1,259,181
GROSS OPERATING RESULT	453,681	123,114
NET OPERATING PROFIT	397,457	95,183
FINANCIAL INCOME AND CHARGES, NET	6,520	(1,563)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	403,976	93,620
PROFIT / (LOSS) FOR THE YEAR	149,900	20,540
TANGIBLE FIXED ASSETS, NET	119,695	155,278
WORKING CAPITAL, NET	179,268	(15,970)
INVESTED CAPITAL, NET	173,638	50,119
EMPLOYEES' LEAVING ENTITLEMENT	125,325	89,189
SHAREHOLDERS' EQUITY	264,136	164,143
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(121,748)	(114,024)

BIT GROOVE S.r.l.**REGISTERED OFFICE:** Piazza IV Novembre, 8 - 51031 AGLIANA (PT)**SHARE CAPITAL:** € 15,500.00**% OF INVESTMENT OF CAD IT S.p.A.:** 51%

	2002	2001
TURNOVER	479,317	321,072
GROSS OPERATING RESULT	63,316	61,751
NET OPERATING PROFIT	26,827	22,594
FINANCIAL INCOME AND CHARGES, NET	(12,429)	(10,351)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	14,398	12,243
PROFIT / (LOSS) FOR THE YEAR	4,183	(3,182)
TANGIBLE FIXED ASSETS, NET	61,300	83,050
WORKING CAPITAL, NET	60,017	10,853
INVESTED CAPITAL, NET	115,508	91,555
EMPLOYEES' LEAVING ENTITLEMENT	5,809	2,348
SHAREHOLDERS' EQUITY	22,029	17,846
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	93,478	73,709

ELIDATA S.r.l.**REGISTERED OFFICE:** Via Sanadolo, 19 - Castiglione d'Adda - LO**SHARE CAPITAL:** € 20,000,00**% OF INVESTMENT OF CAD IT S.p.A.:** 51%

	2002	2001
TURNOVER	1,079,885	
GROSS OPERATING RESULT	544,307	
NET OPERATING PROFIT	517,846	
FINANCIAL INCOME AND CHARGES, NET	(9,190)	
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	508,656	
PROFIT / (LOSS) FOR THE YEAR	335,759	
TANGIBLE FIXED ASSETS, NET	51,498	
WORKING CAPITAL, NET	107,709	
INVESTED CAPITAL, NET	158,719	
EMPLOYEES' LEAVING ENTITLEMENT	488	
SHAREHOLDERS' EQUITY	356,643	
NET SHORT TERM INDEBTEDNESS / (FINANCIAL POSITION)	(197,923)	



KPMG Assurance

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

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Cad IT S.p.A.

- 1 We have audited the consolidated financial statements of Cad IT Group as at and for the year ended 31 December 2002. These financial statements are the responsibility of the Cad IT S.p.A. company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 8 April 2002 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

- 3 In our opinion, the consolidated financial statements of Cad IT Group as at and for the year ended 31 December 2002 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the Group.

Verona, 7 April 2003

KPMG S.p.A.

(Signed on the original)

Manuela Grattoni
Director of Audit



KPMG S.p.A. is a member of KPMG International.

Milan Ancona Bari Bergamo Bologna Bolzano Brescia Como
Florence Foggia Genoa Lecce Naples Novara Padua
Palermo Parma Perugia Pescara Rome Turin Treviso Udine
Verona

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