

**CAD IT S.p.A.**

Registered office: Verona - Via Torricelli, 37

Share capital Euro 4,669,600 fully paid-up

Verona Company Register no 25971 - Chamber of Commerce no. 210441

Tax and VAT no. 01992770238

**FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2002  
in Euro**

\* \* \*

**BALANCE SHEET**

<b>ASSETS</b>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>VARIAZIONI</b>
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
Total share capital proceeds to be received (A)	0	0	0
B) FIXED ASSETS			
I - Intangible fixed assets			
1) start-up and capital costs	1,751,663	2,627,494	-875,831
4) licences, trademarks and similar rights	178,010	90,578	87,432
7) other	833,863	360,736	473,127
Total intangible fixed assets	2,763,536	3,078,808	-315,272
II - Tangible fixed assets			
1) land and buildings	10,976,083	0	10,976,083
2) plant and machinery	129,134	35,342	93,792
4) other assets	964,712	93,988	870,724
5) Assets under construction and payments on account	0	7,608,187	-7,608,187
Total tangible fixed assets	12,069,929	7,737,518	4,332,411
III - Financial fixed assets			
1) investments in:			
a) subsidiary companies	13,573,466	12,528,116	1,045,350
b) associated companies	353,610	353,610	0
d) other companies	6,022,021	6,022,021	0

Total investments	19,949,097	18,903,747	1,045,350
2) amounts receivable:			
a) from subsidiary companies due after one year			
d) other due after one year	49,284	50,493	-1,209
Total other amounts receivable	49,284	50,493	-1,209
Total amounts receivable included under fixed assets	49,284	50,493	-1,209
Total financial fixed assets	19,998,381	18,954,241	1,044,140
Total fixed assets (B)	34,831,846	29,770,566	5,061,280
C) ASSETS FORMING PART OF WORKING CAPITAL			
I - Inventory			
Total inventory	0	0	0
II - Receivables			
1) Trade receivables due within one year	2,452,679	3,877,076	-1,424,397
2) Subsidiary companies due within one year	19,012,539	18,279,799	732,740
5) Others due within one year	2,727,264	1,304,582	1,422,682
Total receivables	24,192,482	23,461,456	731,026
III - Financial assets not of a fixed nature			
6) Other securities			
7) Insurance policies capitalised	5,249,442	2,600,251	2,649,191
Total financial assets not of a fixed nature	5,249,442	2,600,251	2,649,191
IV - Liquid funds			
1) bank and postal accounts	23,275,417	34,578,992	-11,303,575
3) cash-in-hand and cash equivalents	6,643	5,163	1,480
Total liquid funds	23,282,060	34,584,155	-11,302,095
Total assets forming part of working capital (C)	52,723,984	60,645,861	-7,921,877
D) ACCRUED INCOME AND DEFERRED EXPENSES	98,160	49,877	48,283
TOTAL ASSETS	87,653,990	90,466,304	-2,812,314

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>VARIAZIONI</b>
<b>A) SHAREHOLDERS' EQUITY</b>			
I - Share capital	4,669,600	4,669,600	0
II - Share premium reserve	62,186,400	62,186,400	0
III - Revaluation reserve			
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
VIII - Retained earnings or losses carried forward			
IX - Net profit/(loss) for the year	3,133,858	10,341,820	-7,207,962
Total shareholders' equity (A)	78,360,927	81,064,070	-2,703,143
<b>B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES</b>			
3) others	99	0	99
Total provisions for contingencies and other charges (B)	99	0	99
C) EMPLOYEES' LEAVING ENTITLEMENT	1,820,352	1,382,730	437,622
<b>D) PAYABLES</b>			
3) due to banks due within one year	63	0	63
6) accounts payable to creditors due within one year	1,259,483	3,246,018	-1,986,535
8) amounts payable to subsidiaries due within one year	1,733,679	707,239	1,026,440
11) sums payable to taxation authorities due within one year	601,025	477,254	123,771
12) social security charges payable due within one year	1,002,850	799,828	203,022
13) other sums payable due within one year	2,875,512	2,761,189	114,323
Total payables (D)	7,472,612	7,991,529	-518,917
E) ACCRUED EXPENSES AND DEFERRED INCOME	0	27,975	-27,975
<b>TOTAL LIABILITIES</b>	<b>87,653,990</b>	<b>90,466,304</b>	<b>-2,812,314</b>

## PROFIT AND LOSS ACCOUNT

	31/12/2002	31/12/2001	VARIAZIONI
<b>A) PRODUCTION REVENUES</b>			
1) Turnover - goods and services	22,219,486	19,330,666	2,888,820
5) other revenues and income:	83,973	72,908	11,065
grants for operating expenses	18,593	2,066	16,527
<b>Total production revenues (A)</b>	<b>22,322,052</b>	<b>19,405,640</b>	<b>2,916,412</b>
<b>B) PRODUCTION COST</b>			
6) raw materials, consumables and supplies	83,337	19,655	63,682
7) services	5,517,845	3,282,521	2,235,324
8) Use of third party assets	425,806	122,898	302,908
9) personnel expenses			
a) wages and salaries	9,654,036	3,494,018	6,160,018
b) social security contributions	2,972,275	1,095,487	1,876,788
c) employees' leaving entitlement	598,288	227,796	370,492
e) other costs	16,111	15,456	655
<b>Total personnel expenses</b>	<b>13,240,710</b>	<b>4,832,757</b>	<b>8,407,953</b>
10) amortisation, depreciation and write-downs:			
a) amortisation of intangible fixed assets	1,088,981	1,006,232	82,749
b) depreciation of tangible fixed assets	289,203	39,629	249,574
<b>Total amortisation and depreciation</b>	<b>1,378,184</b>	<b>1,045,861</b>	<b>332,323</b>
d) write-downs of receivables included under assets forming part of working capital	1,860	0	1,860
<b>Total write-downs</b>	<b>1,860</b>	<b>0</b>	<b>1,860</b>
<b>Total amortisation, depreciation and write-downs</b>	<b>1,380,044</b>	<b>1,045,861</b>	<b>334,183</b>
14) Other operating costs	69,823	60,300	9,523
<b>Total production cost (B)</b>	<b>20,717,565</b>	<b>9,363,992</b>	<b>11,353,573</b>

Difference between production revenues and cost (A-B)	1,604,487	10,041,648	-8,437,161
<b>C) FINANCIAL INCOME AND CHARGES</b>			
15) income from investments			
a) in subsidiary companies - dividends	830,867	1,870,194	-1,039,327
b) in associated companies - dividends	28,522	0	28,522
c) in other companies - dividends	74,544	0	74,544
d) tax credits on dividends	676,401	940,641	-264,240
Total income from investments	1,610,334	2,810,835	-1,200,501
16) Other financial income			
a ) Receivables classified as fixed assets			
- other companies	1,388	1,479	-91
Total a) receivables classified as fixed assets	1,388	1,479	-91
c) from securities included under assets forming part of working capital	0	833,301	-833,301
d) Other income			
- Other income	1,170,772	1,356,817	-186,045
Total d) Other income	1,170,772	1,356,817	-186,045
Total other financial income	1,172,160	2,191,598	-1,019,438
Total financial income	2,782,494	5,002,432	-2,219,938
17) Interest and other financial charges			
d) other interest payable	47	179	-132
e) other financial charges	0	250	-250
Total interest and other financial charges	47	429	-382
Total financial income and charges (C) (15+16-17)	2,782,447	5,002,003	-2,219,556
<b>D) ADJUSTMENTS TO FINANCIAL ASSET VALUES</b>			
Total revaluations	0	0	0
Total write-downs			
Total revaluations and write-downs (D) (18-19)			

E) EXTRAORDINARY INCOME AND EXPENSES

20) Income	455,391	1	455,390
21) Expenses	580	1,574	-994
Total extraordinary items (E) (20-21)	454,811	-1,574	456,385
Profit (loss) before taxation (A-B+/-C+/-D+/-E)	4,841,745	15,042,077	-10,200,332
22) Taxation on profit for the year			
a) Current taxation	1,710,617	4,653,181	-2,942,564
b) Deferred taxation	-2,730	47,076	-49,806
Total taxation on profit for the year	1,707,887	4,700,257	-2,992,370
26) NET PROFIT/(LOSS) FOR THE YEAR	3,133,858	10,341,820	-7,207,962

**MEMORANDUM AND CONTINGENCY ACCOUNTS**

	31/12/2002	31/12/2001	VARIAZIONI
MEMORANDUM AND CONTINGENCY ACCOUNTS	12,394,966	12,394,966	0

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

# CAD IT S.P.A.

## Financial statements as at and for the year ended 31 December 2002

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## **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2002**

### **FOREWORD**

The financial statements are drawn up in accordance with the provisions of the Civil Code and comprise balance sheet, prepared in the format required by articles 2424 and 2424 bis, profit and loss account prepared in the format required by articles 2425 and 2425, and these notes.

Disclosures in these notes are those required by article 2427 of the Civil Code and comply with the provisions of Legislative Decree no. 127/1991 and previous legislation, as amended. As they are also intended to comply with the provisions of Legislative Decree no. 58/1998, and CONSOB relevant recommendations, these notes also disclose any complementary information which is considered necessary to give a true and fair view of the financial statements.

Except for the specific cases disclosed in the notes to the financial statements, it should be noted that:

- no exceptional events occurred requiring waivers of the mentioned principles, as provided by paragraph 4, article 2423 and paragraph 2, article 2423 bis of the Civil Code;
- the valuations adopted are made in accordance with article 2426 of the Civil Code, on the basis of the principles of prudence and going concern;
- income and expenses are accounted for on an accruals basis, regardless of the date of collection or payment;



- any contingencies and losses, including those realised after the year end, are accounted for on an accruals basis;
- comparative prior year figures are given, in accordance with paragraph 5, article 2423 ter of the Civil Code;
- the balance sheet and the profit and loss account items are not aggregated, not even as allowed by paragraph 2, article 2423 ter of the Civil Code;
- specific reference is made, if necessary, to the assets and liabilities pertaining to more than one balance sheet caption;
- revenues and income, costs and expenses are stated net of returns, discounts, bonuses and premiums and any directly related taxes;
- the accounting policies comply with the provisions of article 2426 of the Civil Code and are consistent with those applied for the preparation of the financial statements of the preceding year.

Cad It S.p.A. is required by law to present its consolidated financial statements, to which reference is made for further information on the results of the Group.

#### **1 - CRITERIA APPLIED IN THE EVALUATION OF THE FINANCIAL STATEMENT CAPTIONS, THE RELATED ADJUSTMENTS AND CONVERSION**

The most significant accounting policies adopted in the preparation of the financial statements as at and for the year ended 31 December 2002 in accordance with article 2426 of the Civil Code are as follows:

Intangible fixed assets - Deferred costs capitalised are stated at cost, including related expenses, net of amortisation, calculated over a period not exceeding five years on the basis of their residual income-

generating potential.

Licences, trademarks and similar rights are stated at cost and amortised over a period comprised between three years and the useful life of the asset.

Other intangible fixed assets comprise deferred costs not yet classified and leasehold improvements. These costs are amortised according to their nature and their income-generating potential.

Tangible fixed assets - They are stated at purchase cost, including related charges. The financial statement values are net of depreciation applied in the current and previous years.

These assets are annually depreciated in accordance with their residual useful lives at the maximum rates provided by the tax law for the individual categories of assets.

The costs incurred to increase the functionalities of the company's plants are capitalised and recognised under tangible fixed assets.

Maintenance and repair costs that are not of an incremental nature are expensed in the year in which they are incurred.

Depreciation is not applied to fixed assets under construction.

Should the residual useful life of an asset at year end result significantly shorter than expected, the residual value is adjusted accordingly.

The original value is reinstated in subsequent years if the reasons for the write-down no longer exist.

Financial fixed assets They are valued at acquisition or subscription cost, possibly adjusted in value to reflect permanent impairment

losses due to current and prospected negative economic trends.

Should the reasons for the impairment in value no longer exist, the original value is re-instated.

The cost of investments in listed companies other than subsidiary or associated companies is reduced for values lower than the book value in case of permanent impairment in value.

Financial assets not of a fixed nature - They are stated at the lower of cost and market value, calculated using the LIFO method.

Receivables - Receivables are stated at their estimated realisable value represented by their nominal value net of the related bad debt provision.

Accruals and deferrals - They are stated on accruals basis. Their amounts vary depending on the period of accrual or deferral.

Provisions for contingencies and charges - If existing, they serve the purpose of covering specific losses or liabilities of a certain or probable existence, the exact amount of which or date of occurrence cannot be determined at year end. The accruals represent the best estimate based on the information available at the date of preparation of the financial statements.

Employees' leaving entitlement - The provision is calculated in accordance with article 2120 of the Civil Code and integrated by the relevant labour contract. It covers the entitlements matured by employees on the basis of their current wages and salaries. The current portion is expensed.

Payables - They are stated at nominal value, which is expected to

represent the actual amount to be paid.

Costs and revenues - Costs and revenues are defined on the basis of the principles of prudence and accruals, regardless of the date of payment or collection.

Recognition of revenues - Sales turnover is credited to the profit and loss account as follows:

- for services, upon actual execution;
- for goods, upon transfer of ownership, i.e. delivery or consignment.

Dividends - They are accounted for in the year in which the shareholders' meetings of the respective companies approve their distribution.

The related tax credit is accounted for upon collection.

Taxation on profit for the year - It is calculated on taxable income in accordance with current legislation.

In addition, the financial statements record deferred tax assets related to deductible accruals and expenses which are expected to be recovered and deferred tax liabilities related to taxable revenues and income which are expected to be paid, on an accruals basis.

Figures in the notes and the financial statement schedules are stated in units of Euro, unless otherwise indicated.

The composition of the financial statement captions and the related variations compared to the previous year are described here below.

## **2 – VARIATIONS IN FIXED ASSETS**

The following tables summarise the variations in fixed assets compared to the situation at the previous year end.

**INTANGIBLE FIXED ASSETS**

(in Euros)

INTANGIBLE FIXED ASSETS	START-UP AND CAPITAL COSTS	RESEARCH, DEVELOPMENT AND ADVERTISING COSTS	PATENTS AND SIMILAR RIGHTS	LICENSES, TRADEMARKS AND SIMILAR RIGHTS	GOODWILL	ASSETS UNDER DEVELOPMENT AND PAYMENTS ON ACCOUNT	OTHER
Purchase or acquisition cost+	4,379,156			201,216			434,116
Previous year amortisation and write-downs -	-1,751,662			-110,638			-73,380
Adjustments to previous year write-downs+							
Opening balance. =	2,627,494	0	0	90,578	0	0	360,736
Additions +				216,626			557,083
Transfers +/-							
Disposals -							
Revaluations for the year (b)							
Amortisation and write-downs for the year -	-875,831	0	0	-129,194			-83,956
Adjustments to write-downs for the year +							
Closing balance =	<b>1,751,663</b>	<b>0</b>	<b>0</b>	<b>178,010</b>	<b>0</b>	<b>0</b>	<b>833,863</b>
(of which revalued)	0	0	0	0	0	0	0

Start-up and capital costs for the year relate to the costs incurred for the listing of the company's ordinary shares on the New Market managed and organised by Borsa Italiana S.p.A.. These costs of a deferred nature, which are capitalised, are amortised over five years on the basis of their residual income-generating potential.

Software licences used for production were purchased for Euro 217 thousand and recorded under "Licences, trademarks and similar rights".

The caption "Other" includes leasehold improvements of Euro 557 thousand for the realisation and fitting of rooms and areas destined to training activities.

**TANGIBLE FIXED ASSETS**

(in Euros)

TANGIBLE	LAND AND	PLANT AND	INDUSTRIAL AND	OTHER ASSETS	ASSETS UNDER
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FIXED ASSETS	BUILDINGS	MACHINERY	COMMERCIAL EQUIPMENT		CONSTRUCTION AND PAYMENTS ON ACCOUNT
Purchase or acquisition cost +		54,221	0	602,670	7,608,187
Previous year revaluations (a)					
Depreciation and previous year write-downs -		-18,879	0	-508,682	
Adjustments to previous year write-downs . (b) +					
Opening balance. =	0	35,342	0	93,988	7,608,187
Additions +	3,535,044	112,700		973,870	
Utilisation of accumulated depreciation +/-					
Disposals -					
Transfers +/-	7,608,187				-7,608,187
Revaluation of accumulated depreciation (b) -					
Revaluations for the year (b) +					
Depreciation and write-downs for the year -	-167,148	-18,908		-103,146	
Adjustments to write-downs for the year +					
Closing balance =	10,976,083	129,134	0	964,712	0
(of which revalued = a + b)	0	0	0	0	0

The caption "Assets under construction and payments on account", which included the 2001 costs sustained for the new registered office of CAD IT S.p.A., was transferred to the caption "Land and buildings" following completion of the investment. Completion costs amount to Euro 3,535 thousand.

Further investments of Euro 1,086,570 were made in plants, furniture, computers and other instrumental assets for the new headquarters.

**FINANCIAL FIXED ASSETS**

(in Euros)

FINANCIAL FIXED ASSETS	INVESTMENTS	AMOUNTS RECEIVABLE	SECURITIES	OWN SHARES	GUARANTEE DEPOSITS
Purchase cost	18,903,747	50,493			
Previous year revaluations (a) +					
Depreciation and previous year write-downs -					
Adjustments to previous year write-downs +					
Opening balance =	18.903.747	50,493	0	0	0
[Additions / subscriptions	1,045,350	5,221			
Transfers					
Opening of credit lines +					
Reimbursements and utilisation -		-7,818			
Disposals -					
Revaluations for the year (b)		1,388			
Write-downs for the year					
Adjustments to write-downs for the year +					
<b>Closing balance =</b>	<b>19,949,097</b>	<b>49,284</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the year, the company continued to acquire investments in companies performing activities similar to those of the Group.

Additions and subscriptions are shown in the following table:

Name of the company	% of investment	Value
Controlling investments		
- ELIDATA S.r.l.: Registered office in Castiglione d'Adda (LO)	51%	780,904
- BIT GROOVE S.r.l.: Registered office in Agliana (PT)	31%	225,557
- NETBUREAU S.r.l.: Registered office in Milan		38,889
<b>Total additions / subscriptions</b>		<b>1,045,350</b>

The tables included in paragraphs 5.1 and 5.2 of these notes show the financial statement values and the company's portion of quotaholders' equity of subsidiaries and associated companies. For comments and details on the caption "Other investments", reference is made here to the following section 5.3.

The financial fixed asset caption "Amounts receivable" relates to the advance tax payment on employees' leaving entitlement (ex Law no. 123/1996), which amounts to Euro 40,993 including related revaluations less utilisations. The difference of Euro 8,291 relates to guarantee deposits for supply or rental contracts.

### **3 - COMPOSITION OF THE CAPTIONS "START-UP AND CAPITAL COSTS" AND "RESEARCH, DEVELOPMENT AND ADVERTISING COSTS"**

As described above, these asset captions include start-up and capital costs of Euro 4,379,156, of which Euro 1,524,403 relates to the listing project and activities, including advertising costs; Euro 10,033 relates to the capital injection and Euro 2,844,720 relates to commissions and placement costs of the capital injection. These costs, which have a deferred nature, are amortised over five years.

Research, development and advertising costs for the current year are expensed as incurred.

### **4 - VARIATIONS IN THE OTHER ASSET AND LIABILITY CAPTIONS**



With respect to the variations in the other asset and liability captions,  
the most significant figures are as follows:

(in Euros)

**ASSETS**

CAPTION	DESCRIPTION	BALANCE AT 31/12/2002	BALANCE AT 31/12/2001	VARIATION S ±
C II 1	TRADE RECEIVABLES	2,452,679	3,877,076	-1,424,397
C II 2	RECEIVABLES FROM SUBSIDIARY COMPANIES	19,012,539	18,279,799	732,740
C II 5	OTHERS	2,727,264	1,304,582	1,422,682
C III 7	CAPITALISED INSURANCE POLICIES	5,249,442	2,600,251	2,649,191
C IV 1	BANK DEPOSITS	23,275,417	34,578,992	-11,303,575
C IV 3	CASH-IN-HAND AND CASH EQUIVALENTS	6,643	5,163	1,480
D	ACCRUED INCOME AND DEFERRED EXPENSES	98,160	49,877	48,283

Trade receivables They principally comprise receivables due from banks or other financial institutions. A limited portion is due from other companies.

The amount recorded is net of the accruals of Euro 1,860 to the bad debt provision related to interest in arrears, made to adjust the initial amount to the estimated realisable value.

Receivables from subsidiary companies: the caption comprises receivables of Euro 19,012,539 due from the following subsidiaries:

- Cad S.r.l. for Euro 18,769,053, of which Euro 18,710,299 relates to trade receivables and Euro 58,754 to the transfer of personnel in 2001;
- NetBureau S.r.l. for Euro 134,694 related to advances paid on behalf of the subsidiary;
- Cesbe S.r.l. for Euro 106,313 related to trade receivables;
- Syrm S.r.l. for Euro 2,479 related to trade receivables.

Other receivables: the caption, which amounts to Euro 2,727,264, comprises:

- tax credits of Euro 2,390,321 for income tax advance payments in

excess;

- receivables of Euro 12,818 recorded for deferred tax assets arising in the current and previous years and reasonably recoverable in subsequent years, in accordance with accounting standard no. 25;
- VAT tax credits of Euro 294,672;
- trade payments on account of Euro 21,664 for services;
- other receivables of Euro 7,788.

Insurance policies capitalised: a capitalisable insurance policy of Euro 5,249,442 has been signed with a leading insurance company aimed at ensuring higher interest income than that arising from bank accounts. This policy is redeemable with a notice of 20 days, without any commissions, starting from the fourth month after subscription. Annual expected yield is 3.35%, net.

Bank and postal accounts: they comprise promptly available cash on hand and at bank.

Accrued income and deferred expenses: the caption is entirely composed of prepaid expenses of Euro 98,160, principally comprising advertising costs, insurance costs, specialised services, assistance and other minor costs.

**LIABILITIES AND NET EQUITY**

(in Euros)

CAPTION	DESCRIPTION	BALANCE AT 31/12/2002	BALANCE AT	VARIATIONS ±
A I	QUOTA	4,669,600	4,669,600	0
A II	SHARE PREMIUM RESERVE	62,186,400	62,186,400	0
A IV	LEGAL RESERVE	864,419	347,328	517,091
A VII	OTHER RESERVES	7,506,650	3,518,921	3,987,729
B 3	PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	99	0	99
C	EMPLOYEES' LEAVING ENTITLEMENT	1,820,352	1,382,730	437,622
D 3	PAYABLES DUE TO BANKS	63	0	63
D 6	ACCOUNTS PAYABLE TO CREDITORS	1,259,483	3,246,018	-1,986,535
D 8	AMOUNTS PAYABLE TO SUBSIDIARIES	1,733,679	707,239	1,026,440
D 11	SUMS PAYABLE TO TAXATION AUTHORITIES	601,025	477,254	123,771
D 12	SOCIAL SECURITY CHARGES PAYABLE	1,002,850	799,828	203,022
D 13	OTHER SUMS PAYABLE	2,875,512	2,761,189	114,323
and	ACCRUED EXPENSES AND DEFERRED INCOME	0	27,975	-27,975

Share capital is fully subscribed and comprises 8,980,000 ordinary shares with the nominal value of Euro 0.52 each. It did not vary during the year.

The share premium reserve, amounting to Euro 62,183,400, remained unvaried compared to 31 December 2001.

The legal reserve increased by Euro 517,091 from Euro 347,328 at 31 December 2001 as an effect of the allocation of profit for the year.

The available reserve, which is composed of retained earnings, increased from Euro 3,518,921 to Euro 3,987,728 as an effect of the allocation of 2001 retained earnings.

Variations in 2002 shareholders' equity are shown in the following table.

**Share capital and reserves:**

Share capital and shareholders' equity varied as follows in the year:

**VARIATIONS IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2002**

	QUOTA CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	AVAILABLE RESERVE RETAINED EARNINGS	PROFIT FOR THE YEAR	TOTAL €
- Share capital and reserves at 31/12/2001	4,669,600	62,186,400	347,328	3,518,921		70,722,249
- 2001 profit for the year					10,341,820	10,341,820
Shareholders' equity at 31.12.2001						81,064,069
Allocation of profit - meeting of 30.4.2002:						
- to legal reserve			517,091		-517,091	0
- to available reserve				3,987,729	-3,987,729	0
- to shareholders as dividends					-5,837,000	-5,837,000
Shareholders' equity at 31.12.2002						75,227,069
2002 profit for the year					3,133,858	3,133,858
Total at 31.12.2002	4,669,600	62,186,400	864,419	7,506,650	3,133,858	78,360,927

The following comments are disclosed concerning the other liability captions:

Employees' leaving entitlement: the employees' leaving entitlement amounts to Euro 1,820,352 net of payments on account.

The provision varied as follows:

	(in Euros)
<b>Balance at 31.12.2001</b>	<b>1,382,730</b>
Utilisation for terminations	-163,014
Transfers of personnel	2,348
2002 accrual	598,288
<b>Balance at 31.12.2002</b>	<b>1,820,352</b>

Payables due to banks: they are immaterial at year end.

The company has current accounts with banks of Euro 8.26 million related to the investment for the construction of the new headquarters in Verona. The line of credit is guaranteed by way of mortgages on the building for a total amount of approximately Euro 12.40 million. The mortgages are recognised under memorandum and contingency accounts.

Accounts payable to creditors: they represent normal accounts payable for services and goods received.

Amounts payable to subsidiaries: the caption is related to services received from the subsidiaries Cad S.r.l. (Euro 1,422,187), Cesbe S.r.l. (Euro 277,016), Syrm S.r.l. (Euro 15,035), Smart Line S.r.l. (Euro 18,000), NetBureau S.r.l. (Euro 720) and Bit Groove S.r.l. (Euro 720).

Sums payable to taxation authorities: they are represented by

advance withholding tax for corporate income tax, subsequently paid within the terms, on behalf of employees (Euro 572,653) and third parties (Euro 28,372).

Social security charges payable: they comprise Euro 1,002,850 due to social security authorities for legally required contributions to the charge of both the company and the employees.

Other sums payable: the balance of Euro 2,875,512 comprises Euro 1,697,988 due to employees for current wages and salaries, holidays, production bonuses and reimbursements and Euro 1,177,524 due to quotaholders of subsidiary companies to fully pay the investments made therein upon realisation of the agreed conditions and subject to the approval of the 2002 and 2003 financial statements.

Accrued expenses and deferred income: there are no accrued expenses and deferred income at year end.

Net financial position: 2002 cash flows are shown in the following table with comparative prior year figures.

<b>Cash flows of Cad IT S.p.A.</b>	<b>31/12/2002</b>	<b>31/12/2001</b>
<b>OPERATING ACTIVITIES</b>		
Profit / (loss) for the year	3,133,858	10,341,820
Amortisation and depreciation:		
- tangible fixed assets	289,203	39,629
- intangible fixed assets	1,088,981	1,006,231
Accruals:		
provisions for contingencies and other charges	-	-
employees' leaving entitlement	598,288	227,796
deferred taxation	-	-
Utilisation of provisions for contingencies and other charges	99	-
(Gains) on sale of fixed assets	-	-
Losses on sale of fixed assets	-	-
<i>Sub-total a)</i>	<u>5,110,429</u>	<u>11,615,478</u>
Utilisation of employees' leaving entitlement	- 160,666	139,907
(Increase)/Decrease in receivables included under assets forming part of working capital	- 731,026	- 9,357,315
(Increase)/Decrease in inventory	-	-
(Increase)/Decrease in accrued income and deferred expenses	- 48,283	115,847
Increase/(Decrease) in accounts payable to creditors	- 1,986,535	1,970,598
Increase/(Decrease) in Accrued expenses and deferred income	- 27,975	25,970
Increase/(Decrease) in other non-financial payables	1,467,556	- 9,454
<i>Sub-total b)</i>	<u>- 1,486,929</u>	<u>- 7,114,445</u>
<b>Cash flow from (for) operating activities</b>	<b>3,623,500</b>	<b>4,501,032</b>
<b>INVESTING ACTIVITIES</b>		
(Purchase)/Sale of tangible and intangible fixed assets	- 5,395,323	- 5,778,155
(Purchase)/Sale of investments in subsidiary companies	- 1,045,350	- 3,898,278
(Increase)/Decrease in other financial fixed assets	1,209	- 5,330,268
<b>Cash flow from (for) investing activities</b>	<b>- 6,439,464</b>	<b>- 15,006,702</b>
<b>FINANCING ACTIVITIES</b>		
Increase/(Decrease) in short term financial payables	-	-
Increase/(Decrease) in reserves	-	-
Distribution of dividends	- 5,837,000	- 3,200,070
Capital injections	-	-
<b>Cash flow from (for) financing activities</b>	<b>- 5,837,000</b>	<b>- 3,200,070</b>
<b>Total cash flows</b>	<b>- 8,652,964</b>	<b>- 13,705,740</b>
Short term opening liquid funds	37,184,405	50,890,146
<i>Rounding</i>	-	2
<b>Short term closing liquid funds</b>	<b>28,531,439</b>	<b>37,184,405</b>



**5.1 - INVESTMENTS IN SUBSIDIARY COMPANIES**

(amounts in Euros)

COMPANY NAME	QUOTA CAPITAL Euro	QUOTAHOLDERS' EQUITY AT 31/12/2002 including PROFIT OR LOSS	PROFIT or LOSS AT 31.12.2002	PERCENTAGE OF INVESTMENT AT 31/12/2002	FINANCIAL STATEMENT VALUE AT 31/12/2002	PORTION QUOTAHOLDERS' EQUITY HELD	OF
CAD S.r.l. - Registered office: Verona <sup>(1)</sup>	130,000	1,112,571	172,782	100.000%	5,823,653	1,112,571.00	
CESBE S.r.l. - Registered office: Verona	10,400	2,590,855	1,364,108	52.000%	56,818	1,347,244,60	
4 Emme Informatica S.r.l. - Registered office: Lodi <sup>(1)</sup>	26,000	169,758	79,915	65.000%	118,401	110,342,70	
SYRM S.r.l. - Registered office: Verona	10,400	129,914	-1,258	75.000%	32,457	97,435,50	
NETBUREAU S.r.l. - Registered office: Milan <sup>(6)</sup>	50,000	72,996	-47,295	60.000%	68,889	43,797,60	
SGM S.r.l. - Registered office: Padua <sup>(2)</sup>	1,044,650	43,524	-771,382	52.000%	2,539,247	22,632,48	
S.M.A.R.T. LINE S.r.l. - Reg. office: Avellino <sup>(1)</sup> <sup>(3)</sup>	102,700	264,136	149,900	51.0506%	664,065	134,843,01	
DQS S.r.l. - Registered office: Rome <sup>(4)</sup>	11,000	1,213,270	1,196,867	55.000%	3,263,475	667,298,50	
BITGROOVE S.r.l. - Registered office: Agliana (PT) <sup>(7)</sup>	15,500	37,876	20,030	51.000%	225,557	19,316,76	
ELIDATA S.r.l. - Registered office: Castiglione d'Adda (LO) <sup>(8)</sup>	20,000	356,642	335,759	51.000%	780,904	181,887,42	
<b>TOTAL</b>					<b>13,573,466</b>	<b>3,737,467,97</b>	

**5.1.1 - INVESTMENTS IN INDIRECT SUBSIDIARY COMPANIES**

COMPANY NAME	QUOTA CAPITAL Euro	QUOTAHOLDERS' EQUITY AT 31/12/2002 Including PROFIT OR LOSS	PROFIT or LOSS AT 31.12.2002	PERCENTAGE OF INVESTMENT AT 31/12/2002	COMPANY THROUGH WHICH THE INVESTMENT IS CONTROLLED
ARCH-IT S.r.l. - Registered office: Rome	50,000	76,444	30,324	70%	Through: DQS S.r.l.
TECSIT S.r.l. - Registered office: Rome	75,000	82,318	7,772	70%	Through: DQS S.r.l.
FIRSTCOM S.r.l. - Registered office: Padua	25,000	3,838	-7,037	52%	Through: SGM S.r.l.
NESTEGG S.r.l. - Registered office: Milan	25,000	12,086	-12,361	55%	Through: SGM S.r.l.

**5.2 - INVESTMENTS IN ASSOCIATED COMPANIES**

(amounts in Euros)

COMPANY NAME	QUOTA CAPITAL Euro	QUOTAHOLDERS' EQUITY AT 31/12/2002 Including PROFIT OR LOSS	PROFIT or LOSS AT 31.12.2002	PERCENTAGE OF INVESTMENT AT 31/12/2002	FINANCIAL STATEMENT VALUE AT 31/12/2002	PORTION OF QUOTAHOLDERS' EQUITY HELD
DATAFOX S.r.l. - Registered office: Florence	99,999	372,348	68,004	35,055%	351,010	130,526,59
SICOM INFORMATICA S.r.l. - Registered office: Viadana	10,400	703,808	299,895	25,000%	2,600	175,952,00
<b>TOTAL</b>					<b>353,610</b>	<b>306,478,59</b>

**5.2.1 - INVESTMENTS IN INDIRECT ASSOCIATED COMPANIES**

COMPANY NAME	QUOTA CAPITAL Euro	QUOTAHOLDERS' EQUITY AT 31/12/2002 Including PROFIT OR LOSS	PROFIT or LOSS AT 31.12.2002	PERCENTAGE OF INVESTMENT AT 31/12/2002	COMPANY THROUGH WHICH THE INVESTMENT IS HELD
ISIS S.p.A. - Registered office: 24,000	284,047	290,870	2,765	24%	Through: CAD S.r.l.
TECLAB S.r.l. - Registered office: LA SPEZIA <sup>(6)</sup>	72,303,96	59,843	2,616	32,571%	Through: DQS S.R.L. - TECSIT S.r.l.

(1) The higher financial statement values compared to the portions of quotaholders' equity of Cad S.r.l., 4 Emme Informatica S.r.l. and Smart Line S.r.l. held are due to goodwill paid upon acquisition of these investments. The recognition of these investments at cost, which is higher than the respective portion of quotaholders' equity, is justified by their positive actual and/or expected results also in connection with the issues previously disclosed in the Directors' report.

(2) The higher financial statement value compared to the portion of quotaholders' equity of SGM S.r.l. held is due to goodwill paid upon acquisition of this investment. The recognition of this investment at cost, which is higher than the portion of quotaholders' equity, is justified by its positive actual and/or expected results.

(3) The controlling investment in SMART Line S.r.l. was purchased on 22 June 2001. The higher financial statement values compared to the portions of quotaholders' equity

held is due to goodwill paid upon acquisition of these investments.

(4) The controlling investment in DQS S.r.l was purchased on 14 May 2001. The higher financial statement values compared to the portions of quotaholders' equity held is due to goodwill paid upon acquisition of these investments.

(5) The investment in the associated company Datafox S.r.l. was made on 17 April 2001 through the acquisition of quotas and the subscription of a capital injection.

(6) Data related to the latest financial statements available, at 31.12.2001.

(7) The controlling investment in BitGroove S.r.l. was purchased on 28 March 2002. The higher financial statement values compared to the portions of quotaholders' equity held is due to goodwill paid upon acquisition of the investment.

(8) The controlling investment in Elidata S.r.l. was purchased on 20 June 2002. The higher financial statement values compared to the portions of quotaholders' equity held is due to goodwill paid upon acquisition of the investment.

(9) The higher financial statement values compared to the portions of quotaholders' equity held is due to losses realised by the subsidiary which are not considered permanent also in connection with the business developments disclosed in the Directors' report.

### 5.3 – OTHER INVESTMENTS

CAD IT also has a 1.84% investment in the listed company Class Editori S.p.A.. The stake in this Milan-based company consists of 1,694,171 ordinary shares each of the nominal value of Euro 0.10.

	<b>2002</b>	<b>2001</b>
Percentage of investment	1.8356%	1.8356%
Number of shares held	1,694,171	1,694,171
Book value in the financial statements €:	5,977,068	6,022,021
Stock Exchange value (average price in the past half year) €:	3,197,874	7,062,999

With the hive-off of 23 December 2002, Class Editori S.p.A. transferred to the beneficiary "Compagnia Immobiliare Azionaria S.p.A.", (in short "CIA S.p.A.") part of the assets and liabilities included in the hive-off plan approved by the extraordinary shareholders' meeting of Class Editori S.p.A. of 21 October 2002. As an effect of the hive-off, CAD IT received 1,694,171 shares of CIA S.p.A., each of the nominal value of Euro 0.01, in proportion to its investment in Class Editori S.p.A., corresponding to a total value of the hived-off shares of Euro 2,448,978.00. On 30 December 2002, CIA S.p.A.'s shares were admitted to the listing on the Mercato Ristretto, a specific division of the official Italian stock exchange market managed by Borsa Italiana S.p.A.. The value of CIA S.p.A.'s shares, recorded following the hive-off of Class Editori S.p.A., is proportional to the shareholders' equity of Euro 44,953.43, which was accounted for as a deduction from the investment in Class Editori S.p.A..

Both the investment in Class Editori S.p.A. and the investment in CIA

S.p.A. are of strategic importance for the Group commercial relationships and therefore are accounted for at cost under financial fixed assets, even though their values exceed the portion of shareholders' equity held.

For further information on investments in subsidiary and associated companies reference is made to the directors' report enclosed to these notes and to the consolidated financial statements of CAD IT Group.

**6 - RECEIVABLES AND PAYABLES DUE AFTER FIVE YEARS AND PAYABLES GUARANTEED BY WAY OF COLLATERAL ON THE COMPANY'S ASSETS, WITH SPECIFIC INDICATION OF THEIR NATURE AND RELATED GUARANTEES**

The financial statements do not include any other receivables or payables due after five years.

**7 - COMPOSITION OF THE CAPTIONS "DEFERRED EXPENSES AND ACCRUED INCOME", "ACCRUED EXPENSES AND DEFERRED INCOME", "OTHER PROVISIONS" AND "OTHER RESERVES"**

As already indicated, the caption D) "Accrued income and deferred expenses" comprises Euro 98,160 of prepayments.

There are no "Accrued expenses and deferred income".

The liability caption AVII) "Other reserves" is entirely composed of total retained earnings of Euro 7,506,650, which are available provided that compliance is maintained with the provision of point 5, paragraph 1, article 2426 of the Civil Code - related to non-amortised start-up and capital costs, research, development and advertising costs - within the limit of Euro 1,751,663.

## Reserves and provisions

The variations in reserves and provisions are as follows:

(in Euros)

Description	31.12.2001	Increase	Decrease	31.12.2002
Legal reserve	347,328	517,091	0	864,419
Available reserve	3,518,924	3,987,726	0	7,506,650

### DISCLOSURE IN ACCORDANCE WITH ARTICLE 105 OF PRESIDENTIAL DECREE NO. 917/1986

For the purpose of the recognition of tax credits on dividends, it should be noted that at the date of presentation of the latest tax return:

- the total tax credit calculated in accordance with paragraphs 2 and 3, article 105 of Presidential Decree no. 917/1986 amounts to Euro 7,014,816, of which Euro 3,283,312 has already been resolved to be used for the distribution of 2002 dividends.

- The total limited tax credit calculated in accordance with paragraph 4, article 105 of Presidential Decree no. 917/1986, amounts to Euro 673.

Taxation on profit - The caption of Euro 1,707,887 comprises the IRPEG and IRAP tax charges for the year of Euro 1,051,620 and Euro 658,997 respectively. These amounts are deducted by Euro 2,730 arising from the recognition of deferred tax assets and liabilities, and related adjustments, in the profit and loss account.

At the date of preparation of these notes the company does not have any assessments by or litigations with the tax authorities. The last

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

#### **8 - BREAKDOWN OF FINANCIAL CHARGES FOR THE YEAR CAPITALISED UNDER FIXED ASSETS BY CATEGORY**

No financial charges were capitalised.

#### **9 - COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET**

The company has not given any endorsement liabilities or personal guarantees on behalf of third parties, subsidiaries or associated companies, which are not included in the balance sheet.

At the year end there was a bank guarantee deposit of Euro 10,329 on behalf of third parties related to a rented building.

Memorandum and contingency accounts include mortgages of Euro 12.4 million, issued against bank credit lines of Euro 8.26 for the construction of the new headquarters. These credit lines are not currently being used.

#### **10 - ALLOCATION OF TURNOVER FROM GOODS AND SERVICES BY CUSTOMERS' BUSINESS AND GEOGRAPHIC AREA**

Turnover can be broken down as follows:	(in Euros)	
	<b>31.12.2002</b>	<b>31.12.2001</b>
= Software services	22,128,214	19,308,650
= Software and hardware assistance services	87,578	0
= Other	106,260	96,990
<b>Total production revenues</b>	<b>22,322,052</b>	<b>19,405,640</b>

A breakdown of services by geographic area or customers' business is not significant.

The company's turnover arises from the provision of services to

subsidiary companies for Euro 15,215,243. The significant increase compared to the previous year is due to the rise in turnover from sales to other customers, totalling Euro 7,004,243.

The transactions with CAD S.r.l. and the other Group companies take place at arm's length conditions.

#### **11 - INCOME FROM INVESTMENTS (OTHER THAN DIVIDENDS)**

Tax credits on dividends amount to Euro 676,401.

#### **12 - BANK INTEREST EXPENSE, OTHER PAYABLES DUE TO BANKS AND OTHER FINANCIAL CHARGES**

The profit and loss account caption C17) can be broken down as follows:

	(in Euros)	
	31.12.2002	31.12.2001
- Bank interest expense	47	178
- Other interest expense	0	2
- Losses on sale of securities included under assets forming part of working capital	0	250
<b>Total</b>	<b>47</b>	<b>430</b>

#### **13 - COMPOSITION OF THE CAPTIONS "EXTRAORDINARY INCOME" AND "EXTRAORDINARY EXPENSES"**

The caption "Extraordinary income", of Euro 455,391, comprises Euro 425,022 of lower tax charges for 2001- this decrease compared to the budget is an effect of tax benefits on investments and the related reduction in taxable income; Euro 28,840 of reimbursements from insurance companies and Euro 1,529 of extraordinary gains.

The caption "Extraordinary expenses" comprises previous years costs of Euro 579.



**14 - TAX-DRIVEN ADJUSTMENTS TO VALUES AND PROVISIONS**

No such adjustments or provisions were made.

**15 - AVERAGE NUMBER OF EMPLOYEES**

The average number of employees is as follows:

<i>Average number of employees</i>	<b>2002</b>	<b>2001</b>	<b>Variation</b>
- Managers	2	0	<b>2</b>
- White collars	207	60	<b>147</b>
- Apprentices	1	0	<b>1</b>
<b>Total</b>	<b>210</b>	<b>60</b>	<b>150</b>

The average number of the company's employees at the 2002 and 2001 year ends is as follows:

<i>Number of employees at</i>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>Variation</b>
- Managers	12	0	<b>12</b>
- White collars	207	186	<b>21</b>
- Apprentices	1	1	<b>0</b>
<b>Total</b>	<b>220</b>	<b>187</b>	<b>33</b>

**16 - EMOLUMENTS OF DIRECTORS AND STATUTORY AUDITORS**

Total emoluments of directors for the year amount to Euro 509,743, while those of statutory auditors amount to Euro 62,897.

The emoluments of the directors and statutory auditors of the parent company and subsidiaries are shown in the following table:

(in Euros)

Directors:	Role	CAD IT S.p.A. *	Subsidiaries
Giuseppe Dal Cortivo <sup>(1)</sup>	Chairman and Managing Director	117,752	99,160
Giampietro Magnani <sup>(2)</sup>	Managing Director	117,752	97,271
Luigi Zanella <sup>(3)</sup>	Managing Director	117,752	132,213
Maurizio Rizzoli <sup>(4)</sup>	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 <sup>(5)</sup>	Director	11,879	12,395
<b>Total</b>		<b>509,743</b>	<b>365,829</b>

\* as directors, Giuseppe Dal Cortivo, Giampietro Magnani, Maurizio Rizzoli and Luigi Zanella also receive an indemnity equal to 1/5 of their annual emoluments upon conclusion of their term of office. This indemnity is subject to annual revaluation on the basis of the cost-of-living index.

(1) the emoluments received from subsidiaries comprise Euro 6,197 as director of Cesbe S.r.l., Euro 6,197 as director of Syrm S.r.l. and Euro 86,765 million as legal representative of CAD S.r.l..

(2) the emoluments received from subsidiaries comprise Euro 86,765 as chairman and managing director of CAD S.r.l., Euro 6,197 as director of NetBureau S.r.l. and Euro 4,309 as director of Smart Line S.r.l..

(3) the emoluments received from subsidiaries comprise Euro 6,197 as director of Cesbe S.r.l., Euro 6,197 as director of Syrm S.r.l., Euro 86,765 as legal representative of CAD S.r.l., Euro 6,197 as director of 4 Emme Informatica S.r.l. and Euro 26,856 as director of DQS S.r.l..

(4) the emoluments received from subsidiaries comprise Euro 24,790 as legal representative of CAD S.r.l..

(5) appointed on 30 April 2002; the emoluments received from subsidiaries comprise Euro 6,197 as director of 4 Emme Informatica S.r.l. and Euro 6,197 as director of SGM S.r.l..

Statutory Auditors:	Role	CAD IT S.p.A.	Subsidiaries *
Sonia Mazzi <sup>(1)</sup>	Chairman	25,927	10,527
Giuseppe Cereghini <sup>(2)</sup>	Statutory Auditor	18,585	9,608
Giannicola Cusumano <sup>(3)</sup>	Statutory Auditor	18,385	5,332
Cesare Brena	Substitute Auditor		
Paolo Debortoli	Substitute Auditor		
<b>Total</b>		<b>62,897</b>	<b>25,467</b>

(1) the emoluments received from subsidiaries comprise Euro 7,792 as chairman of CAD S.r.l. and Euro 2,735 as statutory auditor of SGM S.r.l..

(2) the emoluments received from subsidiaries comprise Euro 5,332 as statutory auditor of CAD S.r.l. and Euro 4,276 as chairman of SGM S.r.l..

(3) the emoluments received from subsidiaries comprise Euro 5,332 as statutory auditor of CAD S.r.l..

**17 - SHARE CAPITAL**

The company's share capital amounts to Euro 4,669,600.00 and is composed of 8,980,000 shares each of a nominal value of Euro 0.52.

The share premium reserve amounts to Euro 62,186,400.00.

**18 - SECURITIES OR SIMILAR PRODUCTS ISSUED BY THE COMPANY**

The company has no new or circulating securities, bonds or similar products.

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For further information on the company's management, subsequent events and the relationships with subsidiary and associated companies, reference should expressly be made to the directors' report.

On behalf of the Board of Directors

The Chairman

(signed on the original)

(Giuseppe Dal Cortivo)

## BOARD OF DIRECTORS

- <sup>1</sup> GIUSEPPE DAL CORTIVO  
*Chairman and Managing Director*
- <sup>1</sup> LUIGI ZANELLA  
*Managing Director*
- <sup>1</sup> GIAMPIETRO MAGNANI  
*Managing Director*
- <sup>1</sup> MAURIZIO RIZZOLI  
*Managing Director*
- <sup>3</sup> PAOLO DAL CORTIVO
- <sup>2</sup> GIOVANNI COSTA (until 03 February 2003)
- <sup>2</sup> WOLFGANG KOENIG
- <sup>2</sup> JOZE GRIZAR

## STATUTORY AUDITORS

- <sup>1</sup> SONIA MAZZI  
*Chairman*
- <sup>1</sup> GIUSEPPE CEREGHINI  
*Statutory Auditor*
- <sup>1</sup> GIANNICOLA CUSUMANO  
*Statutory Auditor*
- <sup>1</sup> CESARE BRENA  
*Substitute Statutory Auditor*
- <sup>1</sup> PAOLO DEBORTOLI  
*Substitute Statutory Auditor*

## AUDITORS KPMG S.p.A.

- (<sup>1</sup>) Appointed on 23 February 2000; office expires on 22 February 2003.
- (<sup>2</sup>) Appointed on 22 August 2000; office expires on 22 February 2003.
- (<sup>3</sup>) 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.

Verona Company Register no. 25971 - REA no. 210441

Tax code and VAT no. 01992770238

**2002 DIRECTORS' REPORT**

Dear Shareholders

the financial statements as at and for the year ended 31 December 2002 show a profit for the year of Euro 3,133,858, net of amortisation and depreciation of Euro 1,378,184 and taxation on profit for the period of Euro 1,707,887.

The trend of the company's performance is evidenced by the following comparative figures:

	(in thousands of Euros)
1999 profit for the year	3,627
2000 profit for the year	6,533
2001 profit for the year	10,342
2002 profit for the year	3,134

**Sector and market performance**

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

## **Financial position of the company and performance**

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 with a decrease of 67.8% on the previous year (Euro 15,042,077).

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 4,504,819, 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)	
	<b>31.12.2002</b>	<b>31.12.2001</b>
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
<b>Total share capital and reserves</b>	<b>75,227,069</b>	<b>70,722,249</b>
<b>Retained earnings</b>		
<b>Net profit for the year</b>	<b>3,133,858</b>	<b>10,341,821</b>
<b>Total</b>	<b>78,360,927</b>	<b>81,064,070</b>

The balance sheet and profit and loss account figures reported in the 2002 financial statement schedules, together with the comparative prior year figures, fairly represent the components of the company's financial position and results.

### **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 is 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 "SIGMAWEB" 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 achievement 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 size 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 common 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 - 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 the global financial industry to develop greater and greater efficiency of operations.

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.

### **Financial position**

The company's financial position at 31 December 2002 is summarised here below in comparison with the corresponding financial position at 31 December 2001.

**RECLASSIFIED BALANCE SHEET**

	(Euros)	
	<b>31/12/2002</b>	<b>31/12/2001</b>
<b>FIXED ASSETS</b>		
Intangible fixed assets	2,763,536	3,078,808
Tangible fixed assets	12,069,929	7,737,518
Financial fixed assets	19,998,381	18,954,241
<b>TOTAL FIXED ASSETS (A)</b>	<b>34,831,846</b>	<b>29,770,567</b>
<b>CURRENT ASSETS</b>		
Trade receivables, net	2,452,679	3,877,076
Closing inventory	0	0
Other current assets	21,739,803	19,584,379
Accrued income and deferred expenses	98,160	49,877
<b>TOTAL CURRENT ASSETS (B)</b>	<b>24,290,642</b>	<b>23,511,332</b>
<b>CURRENT LIABILITIES</b>		
Payments on account	0	0
Accounts payable to trade creditors	1,259,483	3,246,018
Other current liabilities	6,213,066	4,745,512
Accrued expenses and deferred income	0	27,975
<b>TOTAL CURRENT LIABILITIES (C)</b>	<b>7,472,549</b>	<b>8,019,505</b>
<b>WORKING CAPITAL, NET (B-C)</b>	<b>16,818,093</b>	<b>15,491,827</b>
Employees' leaving entitlement (D)	1,820,352	1,382,730
<b>INVESTED CAPITAL, NET (A+B-C-D)</b>	<b>49,829,587</b>	<b>43,879,664</b>
<b>Funded as follows:</b>		
Total shareholders' equity	78,360,927	81,064,070
Medium/long term payables due to banks	0	0
Debentures due after one year	0	0
Provisions for contingencies and other charges	99	0
<b>Total shareholders' equity</b>	<b>78,361,026</b>	<b>81,064,070</b>
Short term financial position (-)	-28,531,439	-37,184,406
<b>INVESTED CAPITAL, NET</b>	<b>49,829,587</b>	<b>43,879,664</b>

Compared to 31 December 2001, net invested capital increased by Euro 5,950 thousand as an effect of the following variations.

Fixed assets, amounting to Euro 34,832 thousand, increased by Euro 5,061 thousand.

Current assets, amounting to Euro 24,291 thousand, increased by Euro 779 thousand.

Current liabilities, equal to Euro 7,472 thousand, decreased by Euro 547 thousand.

Net working capital of Euro 16,818 thousand registers an increase of Euro 1,326 thousand. This is principally due to the increase in other current activities for Euro 2,155 thousand, principally represented by receivables from subsidiary companies, and a decrease of Euro 1,424 thousand in trade receivables. The variation is net of the increase of Euro 1,467 thousand in other current liabilities and of the reduction of Euro 1,987 thousand in accounts payable to creditors.

Employees' leaving entitlement, equal to Euro 1,820 thousand, increased by Euro 438 thousand.

Shareholders' equity, equal to Euro 78,361 thousand, fully covers invested capital of Euro 49,830 thousand, leaving a residual short-term financial position of Euro 28,531 thousand.

For further information on the variations above, reference is made to the notes to the financial statements.

### Investments

The construction of the new headquarters was finalised with an overall investment of Euro 11.14 million.

Total investing activities can be analysed as follows (in thousands of Euros):

Investments in intangible fixed assets 774 of which:

- Licences and trademarks		217
- Other intangible fixed assets		557
Investments in tangible fixed assets		4,622
of which:		
- Industrial buildings	3,535	
- Plant and machinery	113	
- Other tangible fixed assets	974	
Investments in financial fixed assets		1,050
of which:		
- Investments	1,045	
- Amounts receivable	5	

### Investments

Investing activities were directed to the following new investments, totalling Euro 1,045 thousand:

#### a) Subsidiary companies:

- Elidata S.r.l.: investment of 51% equal to Euro 781 thousand;
- Bit Groove S.r.l.: investment of 31% equal to Euro 225 thousand;
- NetBureau S.r.l.: payment in capital account of Euro 39 thousand.

### Financial position

The net financial position at 31 December 2002 presents a positive balance of Euro 28,531 thousand compared to Euro 37,184 thousand in the previous year.

The variation of Euro 8,653 thousand is due to:

( in Euros)

<b>CASH FLOWS</b>	<b>31/12/2002</b>	<b>31/12/2001</b>
Cash flows from (for) operating activities	3,623,500	4,501,032
Investing activities	-6,439,464	-15,006,702
Distribution of dividends	-5,837,000	-3,200,070
<b>Cash flows for the year</b>	<b>-8,652,964</b>	<b>-13,705,740</b>
Short term opening liquid funds	37,184,405	50,890,146
Rounding	-2	-
<b>Short-term closing liquid funds</b>	<b>28,531,439</b>	<b>37,184,406</b>

The net financial position of the company may be broken down as follows:

(in Euros)

<b>NET FINANCIAL POSITION</b>	<b>31/12/2002</b>	<b>31/12/2001</b>
Cash on hand and at bank	23,282,060	34,584,155
Financial assets not of a fixed nature	5,249,442	2,600,251
Payables due to banks including current portion of medium to long-term loans	-63	0
<b>Short-term net financial position</b>	<b>28,531,439</b>	<b>37,184,406</b>
Medium to long-term loans net of current portion	0	0
<b>Long-term net financial position</b>	<b>0</b>	<b>0</b>
<b>Net financial position</b>	<b>28,531,439</b>	<b>37,184,406</b>

Financing activities, including income from investments, produced a net financial income of Euro 2,782 thousand (2001: Euro 5,002 thousand). Interest expenses and other financial charges are immaterial.

The company's financing activities produced the following results:

<b>PERFORMANCE OF FINANCING ACTIVITIES</b>	<b>2002</b>	<b>2001</b>
Income from investments:		
- Dividends from subsidiary companies	830,867	1,870,194
- Dividends from associated companies	28,522	0
- Other dividends	74,543	0
- Tax credits on dividends	676,401	940,641
<b><i>Total income from investments</i></b>	<b>1,610,333</b>	<b>2,810,835</b>
Financial income from receivables classified as fixed assets and adjustments	1,388	1,479
Securities included under assets forming part of working capital	0	833,301
Bank and other interest	1,170,772	1,356,817
<b><i>Total other financial income</i></b>	<b>1,172,160</b>	<b>2,191,597</b>
<b><i>Total interest expense and other financial charges</i></b>	<b>(47)</b>	<b>(429)</b>
<b><i>Total financial income and charges, net</i></b>	<b>2,782,446</b>	<b>5,002,003</b>

### **Performance**

The reclassified profit and loss account figures, which best represent the performance of the company, are shown below. This profit and loss account has been duly reclassified to comply with the requirements of the Civil Code.



**RECLASSIFIED PROFIT AND LOSS ACCOUNT REPORTING ADDED VALUE**

	<b>31/12/2002</b>	<b>%</b>	<b>31/12/2001</b>	<b>%</b>
Turnover - goods and services	22,219,486	99.54	19,330,666	99.61
Variations in contract work in progress	0	0.00	0	0.00
Other revenues and income	83,973	0.38	72,908	0.38
Grants for operating expenses	18,593	0.08	2,066	0.01
<b>A) PRODUCTION REVENUES</b>	<b>22,322,052</b>	<b>100.00</b>	<b>19,405,640</b>	<b>100.00</b>
Raw materials, consumables and supplies	83,337	0.37	19,655	0.10
Variations in inventories, work in progress, semi-finished products and finished goods	0	0.00	0	0.00
Services	4,736,192	21.22	2,576,856	13.28
Other operating costs	495,629	2.22	183,198	0.94
<b>B) ADDED VALUE</b>	<b>17,006,894</b>	<b>76.19</b>	<b>16,625,931</b>	<b>85.68</b>
Personnel expenses	13,240,710	59.32	4,832,757	24.90
Other administrative expenses	781,653	3.50	705,665	3.64
<b>C) GROSS OPERATING RESULT (EBITDA)</b>	<b>2,984,531</b>	<b>13.37</b>	<b>11,087,508</b>	<b>57.14</b>
Amortisation and depreciation	1,378,184	6.17	1,045,861	5.39
Bad debt provision	1,860	0.01	0	0.00
<b>D) NET OPERATING PROFIT (EBIT)</b>	<b>1,604,487</b>	<b>7.19</b>	<b>10,041,647</b>	<b>51.75</b>
Dividends from parent companies, associated companies and tax credits	1,610,333	7.21	2,810,835	14.48
Other financial income and charges	1,172,113	5.25	2,191,169	11.29
Adjustments to financial asset values	0	0.00	0	0.00
<b>E) PROFIT FROM ORDINARY ACTIVITIES</b>	<b>4,386,933</b>	<b>19.65</b>	<b>15,043,651</b>	<b>77.52</b>
Extraordinary income and expenses	454,812	2.04	-1,574	-0.01
<b>F) PROFIT BEFORE TAXATION</b>	<b>4,841,745</b>	<b>21.69</b>	<b>15,042,077</b>	<b>77.51</b>
Taxation on profit for the year	1,707,887	7.65	4,700,257	24.22
<b>NET PROFIT FOR THE YEAR</b>	<b>3,133,858</b>	<b>14.04</b>	<b>10,341,820</b>	<b>53.29</b>

Production revenues increased to Euro 22,322 thousand (2001: 19,406) principally as an effect of the reorganisation of the Group's activities.

Service costs increased to Euro 4,736 thousand (2001: 2,577), mostly as an effect of the increases in travel expenses and reimbursement (up Euro 530 thousand), services received from

subsidiary and associated companies (up Euro 1,189 thousand), legal, administrative and organisational services (up Euro 110 thousand), out-of-pocket expenses (up Euro 203 thousand) and other services (up 203 thousand).

Added value amounts to Euro 17,007 thousand (2001: 16,626), as an effect of the increase in production revenues.

Personnel expenses increased to Euro 13,240 thousand (2001: 4,833) basically as an effect of the increase in the average number of employees from 54 to 210 units.

Gross operating result is equal to Euro 2,985 thousand (2001: 11,088).

Net operating profit resulted of Euro 1,604 thousand (2001: 10,042). This decrease is due to the Group companies' intense investments in the production of new IT procedures, which started in 2000 and are still continuing. As already mentioned, research and development costs are not capitalised but expensed in the year in which they are incurred.

Net financial income and charges are equal to Euro 2,782 thousand (2001: 5,002), and comprise income from investments for Euro 1,610 thousand (2001: 2,811), other financial income for Euro 1,172 thousand (2001: 2,192), interest expense and other financial charges (immaterial).

Profit from operating activities reached Euro 4,386 thousand (2001: 15,044), a decrease of 70.8%.

Taxation on profit for the period amounts to Euro 1,708

thousand (2001: 4,700). The incidence of income taxes is negatively affected by the changes in the tax regulations related to the three-year tax benefit granted to recently listed companies, which allowed the reduction of the IRPEG tax rate to 7% on part of the company's taxable profit. Had the previous tax benefit been applied, taxation would have resulted lower by approximately Euro 730 thousand.

### **Performance of subsidiary and associated companies**

The financial statements at 31 December 2002 of subsidiaries and of the main direct and indirect associated companies were prepared and subsequently approved by the respective directors' boards. Their results, including those of the parent company, are summarised in the following table:

Company	Production revenues	Cash-flow*	Net profit at 31.12.2002	No. of employees at 31.12.2002
<b>Parent company</b>				
Cad IT S.p.A.	22,322,052	5,116,961	3,140,489	220
<b>Subsidiary companies:</b>				
Cad S.r.l.	39,570,363	1,143,889	168,224	209
Cesbe S.r.l.	6,268,959	1,508,534	1,390,634	56
Sym S.r.l.	174,863	2,346	-1,473	1
4 Emme Informatica S.r.l.	1,017,684	112,153	79,915	9
NetBureau S.r.l.	778,521	-16,981	-47,295	12
SGM S.r.l.	2,121,339	-607,606	-771,382	33
DQS S.r.l.	6,788,039	1,329,183	1,196,867	61
BIT GROOVE S.r.l.	479,317	44,143	4,183	3
ELIDATA S.r.l.	1,079,885	362,709	335,759	1
S.M.A.R.T. Line S.r.l.	2,493,164	247,915	149,900	27

#### **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 operation of software applications and Euro 173,069 to hardware replacement and additions.

Amortisation and depreciation amount to Euro 488,015 (2001: Euro 504,478), of which Euro 157,250 for intangible fixed assets and Euro 330,765 for tangible fixed assets.

The 2002 development strategy of the company had two main objectives:

- the tailored design and production of new software based on the customers' actual needs and the technological and functional upgrade of the existing software;
- the sale 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, 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, while 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 services.

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, while 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% directly 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% directly 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, usable also 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, based on the new strategic decisions of company management, with the completion of the phase of investments in new products, the actual workforce was reduced to 33 units at year end.

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

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

- Services: Development of software applications for the banking sector and IT 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 and continued to develop new products, which are of great interest for the Group existing and potential customers.

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

- Services: Development of software applications for 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 1,085,471.

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 this 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 controlled 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.

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 controlled 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 controlled 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.

### **Relationships with subsidiary, associated and parent companies**

The parent company carries out commercial and financial transactions with the subsidiary and associated companies on an arm's length basis.

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

The principal transactions carried out with subsidiary and associated companies may be summarised as follows:

	<b>Revenues</b>	<b>Costs</b>	<b>Receivables</b>	<b>Payables</b>
CAD S.r.l.	15,021,723	1,424,569	18,769,053	1,422,187
Cesbe	156,430	637,216	106,313	277,016
Syrm	2,582	12,529	2,479	15,035
4 Emme		34,248		
NetBureau	34,508	153,648	134,694	720
SGM				
DQS				
Smart Line		20,000		18,000
Bit Groove		63,598		720
Elidata				
ISIS				
Sicom				
Datafox		34,086		
	<u>15,215,243</u>	<u>2,379,894</u>	<u>19,012,539</u>	<u>1,733,679</u>

Intercompany transactions generated revenues of Euro 15,215

thousand, principally related to the supply of software analysis, assistance, design and development services.

The company purchased goods and services from the Group companies for a total amount of Euro 2,380 thousand, of which Euro 185 thousand related to software licences and Euro 41 thousand to hardware.

2002 dividends from subsidiary and associated companies, excluding tax credits, amount to Euro 859,389, of which Euro 260,000 from Cesbe S.r.l., Euro 22,500 from Syrm S.r.l., Euro 38,889 from NetBureau S.r.l., Euro 484,000 from DQS S.r.l., Euro 25,478 from Smart Line S.r.l. and Euro 28,522 from Sicom S.r.l..

### **Research and development activities**

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

The boost given to these activities throughout 2001 was further increased 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 as follows:

- CAD IT S.p.A. and CAD S.r.l. are developing new important modules of the Finance Area software, which will be launched onto the market in 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.

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

The company does not hold, nor has it acquired or sold, either directly or indirectly, own shares/quotas or shares/quotas of parent companies.

**Subsequent events**

**and expected future development**

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 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 maxi-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 maxi-dividend, which totals Euro 26.94 million, is enabled by a net financial position of Euro 28,531,439 at 31 December 2002.

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

Name	Investment	Number of shares held at 31 December 2002	Number of shares acquired	Number of shares sold	Number of shares held at 31 December 2002
Giuseppe Dal Cortivo	CAD IT S.p.A.	375,969 <sup>(1)</sup>	1,178,863 (*)	0	1,554,832 <sup>(5)</sup>
Giampietro Magnani	CAD IT S.p.A.	374,069 <sup>(1)</sup>	1,176,152 (*)	0	1,550,221 <sup>(5)</sup>
Maurizio Rizzoli	CAD IT S.p.A.	416,311 <sup>(2)</sup>	1,193,841 (*)	1,800	1,608,352 <sup>(6)</sup>
Luigi Zanella	CAD IT S.p.A.	376,798 <sup>(3)</sup>	1,276,152 (*)	100,270	1,552,680 <sup>(7)</sup>
Paolo Dal Cortivo	CAD IT S.p.A.	417	2,300	2,076	641
Giovanni Costa	CAD IT S.p.A.	180 <sup>(4)</sup>	0	0	180 <sup>(8)</sup>
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, for 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;

## **Proposals of the Board of Directors**

Dear shareholders, the 2002 financial statements of your company close in a profit of Euro 3,133,858.

If you agree with the criteria and accounting policies adopted in the preparation of these financial statements, we suggest that you resolve as follows:

"Having heard the communications of the directors and taken note of the report of the statutory auditors to the shareholders, as per article 153 of Legislative Decree no. 58/1998, and of the report of the auditors on the financial statements as at and for the year ended 31 December 2002, the shareholders' in a meeting

resolve:

- 1 - to approve the directors' report;
- 2 - to approve the financial statements as at and for the year ended 31 December 2002 as a whole and in all their parts;
- 3 - to allocate the net profit for the year of Euro 3,133,858 as follows:

---

= to dividends, in the proportion of Euro 0.18 (zero point eighteen cents), gross of withholding tax, for each of the 8,980,000 ordinary shares	Euro	1,616,400.00
= to available reserve of undistributed earnings	Euro	1,517,458.00
<hr/>		
equal to a total net profit for the year of	Euro	3,133,858.00
<hr/>		

The tax credit on dividends is calculated in accordance with point 1, letter a), of articles 14 and 105 of Presidential Decree no. 917/86 and

represents 56.25% of the dividends.

These dividends will be paid starting 15 May 2003 (the dividend coupon will be detached on 12 May 2003)."

On behalf of the Board of Directors

The Chairman

(signed on the original)

(Giuseppe Dal Cortivo)

**CAD IT S.p.A.**

Registered office: Verona - Via Torricelli, 37

Share capital Euro 4,669,600 fully paid-up

Verona Company Register no 25971 - Chamber of Commerce no. 210441

Tax and VAT no. 01992770238

**FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2002  
in Euro**

\* \* \*

**BALANCE SHEET**

<b>ASSETS</b>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>VARIATIONS</b>
<b>A) SHARE CAPITAL PROCEEDS TO BE RECEIVED</b>			
Total share capital proceeds to be received (A)	0	0	0
<b>B) FIXED ASSETS</b>			
I - Intangible fixed assets			
1) start-up and capital costs	1,751,663	2,627,494	-875,831
4) licences, trademarks and similar rights	178,010	90,578	87,432
7) other	833,863	360,736	473,127
Total intangible fixed assets	2,763,536	3,078,808	-315,272
II - Tangible fixed assets			
1) land and buildings	10,976,083	0	10,976,083
2) plant and machinery	129,134	35,342	93,792
4) other assets	964,712	93,988	870,724
5) Assets under construction and payments on account	0	7,608,187	-7,608,187
Total tangible fixed assets	12,069,929	7,737,518	4,332,411
III - Financial fixed assets			
1) investments in:			
a) subsidiary companies	13,573,466	12,528,116	1,045,350
b) associated companies	353,610	353,610	0
d) other companies	6,022,021	6,022,021	0
Total investments	19,949,097	18,903,747	1,045,350

2) amounts receivable:			
a) from subsidiary companies due after one year			
d) other due after one year	49,284	50,493	-1,209
Total other amounts receivable	49,284	50,493	-1,209
Total amounts receivable included under fixed assets	49,284	50,493	-1,209
Total financial fixed assets	19,998,381	18,954,241	1,044,140
Total fixed assets (B)	34,831,846	29,770,566	5,061,280
<b>C) ASSETS FORMING PART OF WORKING CAPITAL</b>			
I - Inventory			
Total inventory	0	0	0
II - Receivables			
1) Trade receivables due within one year	2,452,679	3,877,076	-1,424,397
2) Subsidiary companies due within one year	19,012,539	18,279,799	732,740
5) Others due within one year	2,727,264	1,304,582	1,422,682
Total receivables	24,192,482	23,461,456	731,026
III - Financial assets not of a fixed nature			
6) Other securities			
7) Insurance policies capitalised	5,249,442	2,600,251	2,649,191
Total financial assets not of a fixed nature	5,249,442	2,600,251	2,649,191
IV - Liquid funds			
1) bank and postal accounts	23,275,417	34,578,992	-11,303,575
3) cash-in-hand and cash equivalents	6,643	5,163	1,480
Total liquid funds	23,282,060	34,584,155	-11,302,095
Total assets forming part of working capital (C)	52,723,984	60,645,861	-7,921,877
D) ACCRUED INCOME AND DEFERRED EXPENSES	98,160	49,877	48,283
<b>TOTAL ASSETS</b>	<b>87,653,990</b>	<b>90,466,304</b>	<b>-2,812,314</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>VARIATIONS</b>

## A) SHAREHOLDERS' EQUITY



I - Share capital	4,669,600	4,669,600	0
II - Share premium reserve	62,186,400	62,186,400	0
III - Revaluation reserve			
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
VIII - Retained earnings or losses carried forward			
IX - Net profit/(loss) for the year	3,133,858	10,341,820	-7,207,962
Total shareholders' equity (A)	78,360,927	81,064,070	-2,703,143
<b>B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES</b>			
3) others	99	0	99
Total provisions for contingencies and other charges (B)	99	0	99
<b>C) EMPLOYEES' LEAVING ENTITLEMENT</b>			
	1,820,352	1,382,730	437,622
<b>D) PAYABLES</b>			
3) due to banks due within one year	63	0	63
6) accounts payable to creditors due within one year	1,259,483	3,246,018	-1,986,535
8) amounts payable to subsidiaries due within one year	1,733,679	707,239	1,026,440
11) sums payable to taxation authorities due within one year	601,025	477,254	123,771
12) social security charges payable due within one year	1,002,850	799,828	203,022
13) other sums payable due within one year	2,875,512	2,761,189	114,323
Total payables (D)	7,472,612	7,991,529	-518,917
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>			
	0	27,975	-27,975
<b>TOTAL LIABILITIES</b>	<b>87,653,990</b>	<b>90,466,304</b>	<b>-2,812,314</b>

## PROFIT AND LOSS ACCOUNT

31/12/2002      31/12/2001      VARIATIONS

## A) PRODUCTION REVENUES

1) Turnover - goods and services	22,219,486	19,330,666	2,888,820
5) other revenues and income:	83,973	72,908	11,065
grants for operating expenses	18,593	2,066	16,527
Total production revenues (A)	22,322,052	19,405,640	2,916,412

## B) PRODUCTION COST

6) raw materials, consumables and supplies	83,337	19,655	63,682
7) services	5,517,845	3,282,521	2,235,324
8) Use of third party assets	425,806	122,898	302,908
9) personnel expenses			
a) wages and salaries	9,654,036	3,494,018	6,160,018
b) social security contributions	2,972,275	1,095,487	1,876,788
c) employees' leaving entitlement	598,288	227,796	370,492
e) other costs	16,111	15,456	655
Total personnel expenses	13,240,710	4,832,757	8,407,953
10) amortisation, depreciation and write-downs:			
a) amortisation of intangible fixed assets	1,088,981	1,006,232	82,749
b) depreciation of tangible fixed assets	289,203	39,629	249,574
Total amortisation and depreciation	1,378,184	1,045,861	332,323
d) write-downs of receivables included under assets forming part of working capital	1,860	0	1,860
Total write-downs	1,860	0	1,860
Total amortisation, depreciation and write-downs	1,380,044	1,045,861	334,183
14) Other operating costs	69,823	60,300	9,523
Total production cost (B)	20,717,565	9,363,992	11,353,573
Difference between production revenues and cost (A-B)	1,604,487	10,041,648	-8,437,161

## C) FINANCIAL INCOME AND CHARGES

15) income from investments			
a) in subsidiary companies - dividends	830,867	1,870,194	-1,039,327

b) in associated companies - dividends	28,522	0	28,522
c) in other companies - dividends	74,544	0	74,544
d) tax credits on dividends	676,401	940,641	-264,240
Total income from investments	1,610,334	2,810,835	-1,200,501
16) Other financial income			
a ) Receivables classified as fixed assets			
- other companies	1,388	1,479	-91
Total a) receivables classified as fixed assets	1,388	1,479	-91
c) from securities included under assets forming part of working capital	0	833,301	-833,301
d) Other income			
- Other income	1,170,772	1,356,817	-186,045
Total d) Other income	1,170,772	1,356,817	-186,045
Total other financial income	1,172,160	2,191,598	-1,019,438
Total financial income	2,782,494	5,002,432	-2,219,938
17) Interest and other financial charges			
d) other interest payable	47	179	-132
e) other financial charges	0	250	-250
Total interest and other financial charges	47	429	-382
Total financial income and charges (C) (15+16-17)	2,782,447	5,002,003	-2,219,556
D) ADJUSTMENTS TO FINANCIAL ASSET VALUES			
Total revaluations	0	0	0
Total write-downs			
Total revaluations and write-downs (D) (18-19)			
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	455,391	1	455,390
21) Expenses	580	1,574	-994
Total extraordinary items (E) (20-21)	454,811	-1,574	456,385
Profit (loss) before taxation (A-B+/-C+/-D+/-E)	4,841,745	15,042,077	-10,200,332

22) Taxation on profit for the year			
a) Current taxation	1,710,617	4,653,181	-2,942,564
b) Deferred taxation	-2,730	47,076	-49,806
Total taxation on profit for the year	1,707,887	4,700,257	-2,992,370
26) NET PROFIT/(LOSS) FOR THE YEAR	3,133,858	10,341,820	-7,207,962

### MEMORANDUM AND CONTINGENCY ACCOUNTS

	31/12/2002	31/12/2001	VARIATIONS
MEMORANDUM AND CONTINGENCY ACCOUNTS	12,394,966	12,394,966	0



KPMG Assurance

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Telefax +39 (045) 8015313

(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 financial statements of Cad IT S.p.A. 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 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 financial statements of Cad IT S.p.A. 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 company.
- 4 As described in the notes to the financial statements, the company holds controlling interests in a number of companies and, in accordance with current legislation, has



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

Società per azioni  
Capitale sociale Euro 4.386.923,85 i.v.  
Registro imprese Milano N. 276823  
R.E.A. Milano N. 512867  
Cod. Fisc. e IVA 00709600159  
Sede legale: Via Vittor Pisani, 25 - 20124 Milano MI

prepared consolidated financial statements. Such statements are presented in addition to its own financial statements in order to furnish adequate information on the financial position and results of both the company and the group. We have audited the consolidated financial statements and these (with our audit report thereon) are presented together with the statutory financial statements.

Verona, 7 April 2003

KPMG S.p.A.

(Signed on the original)

Manuela Grattoni  
*Director of Audit*