



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

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

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First Half-Year Report 2003

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

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Corporate Bodies

BOARD OF DIRECTORS ¹

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Managing Director

GIAMPIETRO MAGNANI
Managing Director

MAURIZIO RIZZOLI
Managing Director

PAOLO DAL CORTIVO
Managing Director

FRANCESCO ROSSI

LAMBERTO LAMBERTINI

ALBERTO MIAZZI

STATUTORY AUDITORS ²

SONIA MAZZI
Chairwoman

GIUSEPPE CEREGHINI
Statutory Auditor

GIANNICOLA CUSUMANO
Statutory Auditor

GIAN PAOLO RANOCCHI
Substitute Statutory Auditor

CESARE BRENA
Substitute Statutory Auditor

AUDITORS KPMG S.p.A.

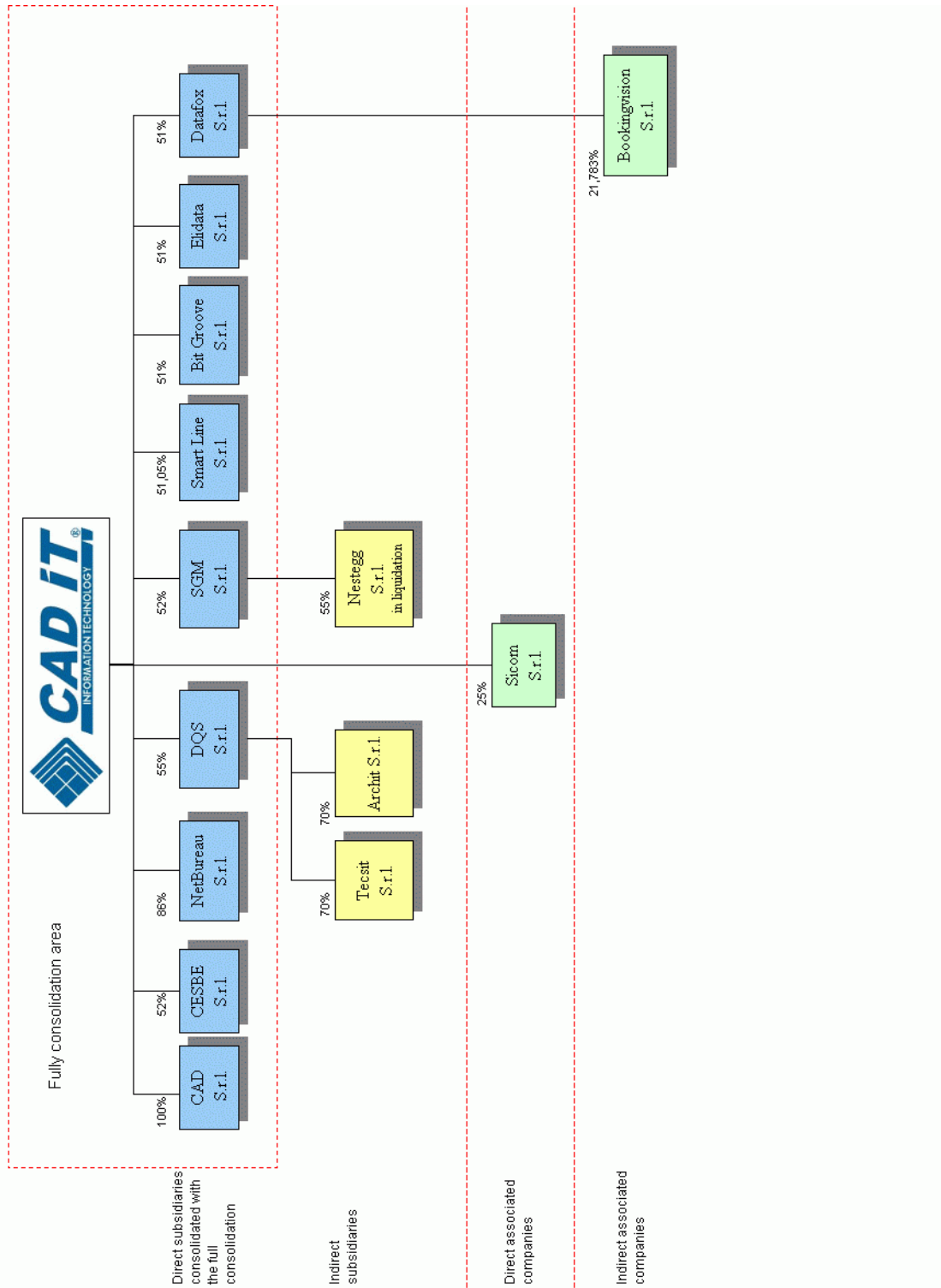
⁽¹⁾ Appointed on 30 April 2003; office expires with the shareholders' meeting for the approval of the 2005 financial statements.

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

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

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

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



1. Performance of the Group and the company

1.1 Foreword

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

1.2 Information on CAD IT S.p.A.

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

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

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

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

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

1.2.1 Corporate Bodies

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

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

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

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

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

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

1.3 Activities of the Group

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

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

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

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

1.4 Significant events in 2004

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

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

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

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

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

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

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

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

1.5 The market

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

1.6 Research and development

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

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

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

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

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

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

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

1.7 Investments

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

The trend of investments is shown in the following table:

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

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

1.8 Financial performance

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

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

1.9 Net consolidated financial position

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

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

1.10 Significant subsequent events and expected future developments

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

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

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

1.11 Consolidation area

Consolidation principles

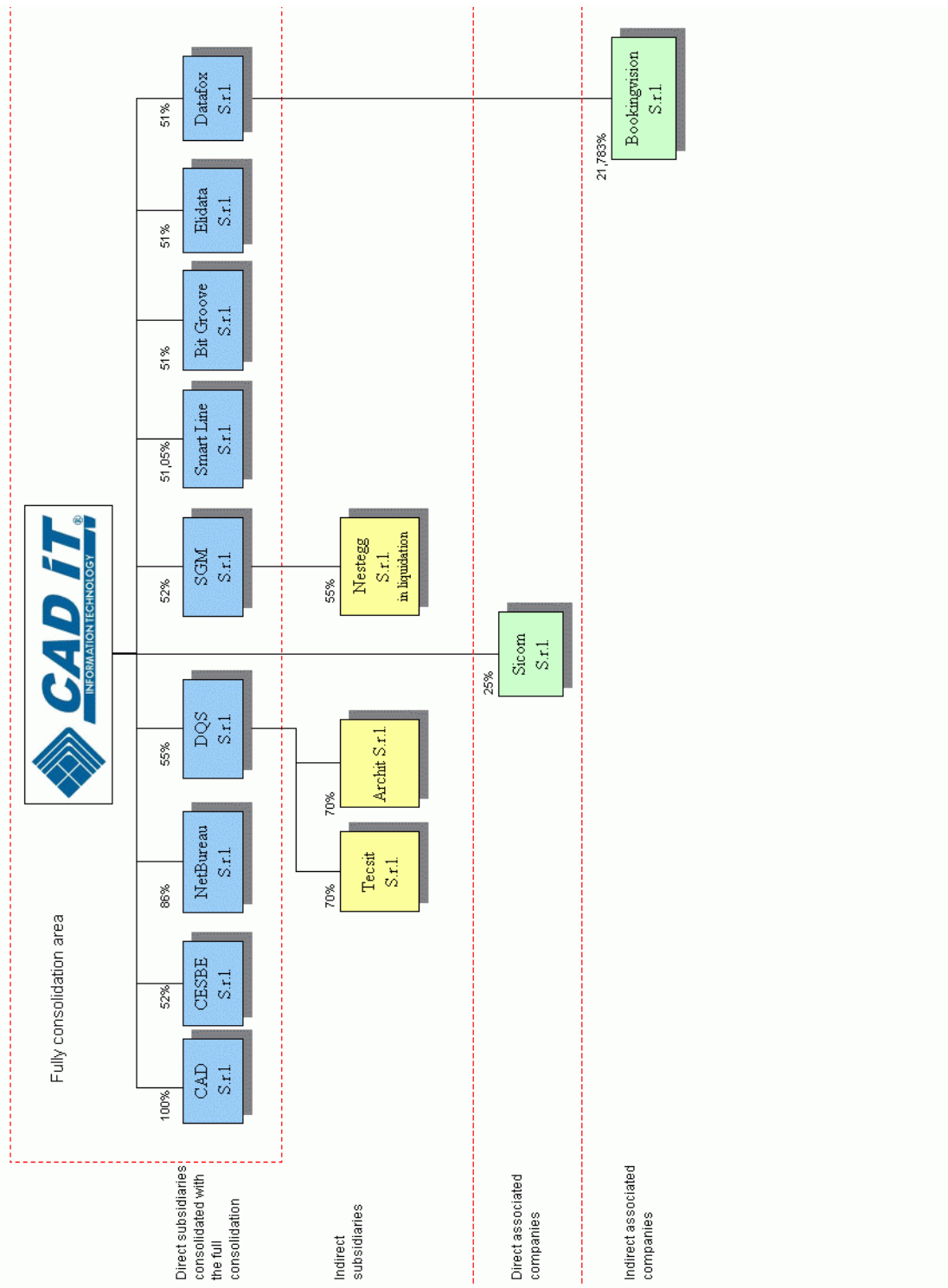
The operating companies that are directly or indirectly controlled by CAD IT, or on which it had a dominating influence are usually consolidated on a line-by-line basis.

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

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

Consolidation area and related variations

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12.1 Recognition of revenues and costs

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

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

Costs are recognised on a similar basis to revenues.

1.12.2 Comparison with previous periods

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

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

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

2. Consolidated Half-Year Report of the Group

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

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

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

2.1 Consolidated Balance Sheet - Assets

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

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

2.2 Consolidated Balance Sheet - Shareholders' Equity and Liabilities

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

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

2.3 Consolidated Profit and Loss Account

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

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

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3. Information on the consolidated half-year report

3.1 Principal figures

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

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

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

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

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

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

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

3.2 Consolidated results

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Analysis of consolidated results

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

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

3.4 Information on the balance sheet

3.4.1 Composition of the principal items of the consolidated balance sheet

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

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

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

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

3.4.2 Fixed assets

Intangible fixed assets

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

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

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

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

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

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

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

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

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

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

Tangible fixed assets

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

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

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

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

Tangible fixed assets as at 30 June 2004

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

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

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

Other fixed assets

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

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

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

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

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

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

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

Other investments

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

3.4.3 Current assets

Trade receivables, net

Trade receivables are composed as follows:

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

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

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

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

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

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

Closing inventory

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

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

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

Other current assets

This item may be broken down as follows:

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

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

Accrued income and deferred expenses

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

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

3.4.4 Current liabilities

Payments on account

The item varied as follows:

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

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

Trade accounts payable to creditors

The item varied as follows:

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

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

Sums due to other financial institutions

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

Other current liabilities and Sums payable to taxation authorities

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

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

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

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

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

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

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

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

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

Accrued expenses and deferred income

Accrued expenses amount to € 15 thousand.

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

Employees' leaving entitlement

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

It varied as follows:

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

3.4.5 Variations in net assets forming part of working capital

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

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

13,894,041	Total working capital, net	10,677,653	14,587,720
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3.4.6 Shareholders' equity and liabilities

Shareholders' equity of the Group

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

Minority interest

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

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

Provisions for contingencies and other charges

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

Liquid funds and net financial position

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

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

3.4.7 Memorandum and contingency accounts and guarantees

Guarantees given

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

3.5 Information on the profit and loss account

3.5.1 Turnover - goods and services

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

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

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

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

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

3.5.2 Variation in production costs

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

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

This table evidences the following matters:

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

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

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

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

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

Financial income and charges, net

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

Extraordinary income

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

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

3.6 Other information

3.6.1 Personnel

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

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

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

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

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

3.6.2 Relationships with related parties

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

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

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

Shareholders' equity of the Group

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

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

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

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

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

<i>Variations in shareholders' equity of the Group</i>	<i>Share capital</i>	<i>Reserves</i>	<i>Profit for the period</i>	<i>Shareholders' equity of the Group</i>
<i>31 December 2003</i>	4,669,600	44,718,756	1,840,539	51,228,895
Increase/(Decrease) in reserves				
Increase in revaluation reserves				
Allocation of profit for the period to reserves		1,840,539	(1,840,539)	
Distribution of dividends - parent company		(2,694,000)		(2,694,000)
Effects on consolidation reserves				
Capital injections				
Profit for the period			223,024	223,024
<i>Total at 30 June 2004</i>	4,669,600	43,865,295	223,024	48,757,919

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

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

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

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

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

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

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

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

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

<u>31/12/2003</u>		<u>30/06/2004</u>	<u>30/06/2003</u>
	A) SHAREHOLDERS' EQUITY		
4,669,600	I capital	4,669,600	4.669.600
35,246,400	II Share premium reserve	35,246,400	35.246.400
	III Revaluation reserves		
933,920	IV Legal reserve	933,920	933,920
	V Reserve for purchase of own shares		
	VI Statutory reserves		
8,954,608	VII Other reserves	9,408,885	8,954,608
	Consolidation reserves		
	VIII Retained earnings or losses carried forward		
<u>3,148,277</u>	IX Profit /(loss) for the period of the Group	<u>1,203,962</u>	<u>2,615,057</u>
52,952,805	Shareholders' equity	51,462,767	52,419,585
	B) PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		
	1) Pension and similar provisions		
	2) Taxation		
<u>386</u>	3) Exchange rate risk	<u>146</u>	<u>330</u>
386	Total	146	330
2,187,801	C) EMPLOYEES' LEAVING ENTITLEMENT	2,489,927	2,043,346
	D) PAYABLES		
	1) Debentures		
	2) Convertible debentures		
	3) Due to banks		
	Due after one year		
	4) Sums due to other financial institutions		
	Due after one year		
	5) Payments on account		
1,191,148	6) Accounts payable to creditors	728,472	1,352,029
	7) Accounts payable on bills accepted and drawn		
	Due after one year		
4,588,605	8) Amounts payable to subsidiary companies	6,735,215	3,154,636
9,573	8 bis) Amounts payable to subsidiaries valued using the equity method		
31,007	9) Amounts payable to associated companies		77,453
	10) Amounts payable to parent companies		
736,223	11) Sums payable to taxation authorities	1,053,748	1,265,565
952,081	12) Social security charges payable	1,008,843	955,819
<u>2,013,511</u>	13) Other sums payable	<u>2,671,958</u>	<u>2,548,810</u>
9,522,148	Total	12,198,236	9,354,312
	E) ACCRUED EXPENSES AND DEFERRED INCOME		
	Accrued expenses		
<u>371,878</u>	Deferred income	<u>254,923</u>	<u>217,890</u>
371,878	Total	254,923	217,890

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

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

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

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

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

4.4.1 Relationships with subsidiary companies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On behalf of the Board of Directors
The Chairman

(Signed on the original)

Giuseppe Dal Cortivo