

PROFITABILITY MARGINS INCREASING FOR CAD IT IN THE THIRD QUARTER 2003

CAD IT closes the third quarter of 2003 with a Production Value of €12.8 million, in line with the corresponding period of the last fiscal year.

**Profitability margins in considerable growth:
+35.37% the Gross Operating Result (€2.56 million);
+62.41% the Operating Profit (€1.64 million);
+25.47% the Pre-tax Profit (€0.67 million).**

**The Net Financial Position continues to increase,
standing at €11.6 million on 30th September.**

The CAD IT SpA Board of Directors has approved the Third Quarterly Report of 2003, which highlights a steady increase in all profitability margins.

The **Quarterly Report on 30th September 2003** states the following consolidated data:

- a **Production Value** of €12.81 million, in line with the €12.99 million of the third quarter in 2002;
- a **Gross Operating Result** (EBITDA) of €2.56 million, corresponding to 20% of the Production Value, showing an increase of 35.37% compared to the €1.89 million (14.58% of the Production Value) in the third quarter of 2002;
- an **Operating Profit** (EBIT) of €1.64 million (12.83% of the Production Value), an increase of 62.41% compared to the €1.01 million of the third quarter of 2002;
- a **Pre-tax Profit** (EBT) of €0.67 million, showing a 25.47% increase compared to the same quarter of the previous fiscal year despite lower active interest (€41 thousand against €281 thousand in the third quarter of 2002).

During the third quarter of 2003, the CAD IT Group has continued to **invest in Research and Development activities** in order to enrich the range of products on offer and at the same time implementing a **cost containing policy for services (-18.71% compared to the third quarter of 2002)**, which had already been announced at the beginning of 2003, limiting the use of external staff. Investments in R&D, mainly made up of internal staff costs, are not capitalised.

CAD IT further reports that the **consolidated Net Financial Position** at 30th September 2003 was €11.6 million. The cash flow from operating activities during the first 9 months was €8.7 million, an increase of 86% compared to the €4.7 million generated in the first nine months of 2002. The cash outlay for investments absorbed in material assets, which amounted to an expenditure of €5.3 million in 2002, has been completed with the building of the new technological centre in Verona (CAD IT headquarters), with a further benefit to the Net Financial Position of the subsequent periods. The entire cash outlay for the third quarter of 2003 for investments in material, non-material and financial assets was only €85 thousand.



The President of CAD IT, Giuseppe Dal Cortivo, said: "We are satisfied with the results of this year's third quarter since they highlight the Group's ability to generate profit and cash flows. The growth in the gross operating result appears particularly positive, bringing the value of the first nine months of 2003 to €9.16 million, therefore showing an increase of 11% compared to the first nine months of the previous fiscal year".

The CAD IT Group

The CAD IT Group has developed and distributed information systems for the banking sector and small and medium sized companies for over 20 years. CAD IT's offers include standard and personalized applicative packages, software maintenance, updating, consultancy and training.

CAD IT is leader in the Italian software market for the banking sector with its main product, Financial Area, a programme which completely manages all functions connected to negotiation, settlement and administration of security transactions, debentures, derivatives (in any currency) and adopted by 50% of Italian banking outlets.

In addition, the Group boasts a long-standing activity in the industrial sector and the capacity to offer solutions for e-business, credit and industrial companies in constant evolution.

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Data summary

Consolidated profit and loss account for the period ended 30 September 2003

Consolidated profit and loss account	Third quarter 2003		Third quarter 2002		Period 2003 01/01 - 30/09		Period 2002 01/01 - 30/09	
	Turnover - goods and services	12,680,160	98.97%	12,907,473	99.39%	41,492,232	99.06%	42,852,390
Variation in contract work in progress	81,000	0.63%	(10,000)	(0.08%)	250,000	0.60%	0	0.00%
Other revenues and income	50,815	0.40%	89,544	0.69%	144,062	0.34%	184,050	0.43%
Production revenues	12,811,975	100.00%	12,987,017	100.00%	41,886,294	100.00%	43,036,440	100.00%
Raw materials, consumables and supplies	(252,827)	(1.97%)	(266,431)	(2.05%)	(819,733)	(1.96%)	(1,024,610)	(2.38%)
Services	(2,460,517)	(19.20%)	(3,027,021)	(23.31%)	(8,224,161)	(19.63%)	(9,587,436)	(22.28%)
Other operating costs	(211,628)	(1.65%)	(311,664)	(2.40%)	(669,552)	(1.60%)	(1,019,902)	(2.37%)
Added value	9,887,003	77.17%	9,381,901	72.24%	32,172,848	76.81%	31,404,492	72.97%
Personnel expenses	(6,688,286)	(52.20%)	(6,780,929)	(52.21%)	(21,026,207)	(50.20%)	(21,144,801)	(49.13%)
Other administrative expenses	(636,429)	(4.97%)	(708,101)	(5.45%)	(1,985,528)	(4.74%)	(2,023,245)	(4.70%)
Gross operating result (EBITDA)	2,562,288	20.00%	1,892,871	14.58%	9,161,113	21.87%	8,236,446	19.14%
Accrual to provision for bad debts	13,540	0.11%	(25,280)	(0.19%)	(76,904)	(0.18%)	(90,579)	(0.21%)
Amortisation and depreciation								
- Amortisation of intangible fixed assets	(684,619)	(5.34%)	(676,750)	(5.21%)	(2,055,610)	(4.91%)	(1,970,816)	(4.58%)
- Depreciation of tangible fixed assets	(251,807)	(1.97%)	(178,569)	(1.37%)	(749,640)	(1.79%)	(586,771)	(1.36%)
Other accruals	3,811	0.03%	(516)	(0.00%)	(26,023)	(0.06%)	(1,032)	(0.00%)
Operating profit (EBIT)	1,643,213	12.83%	1,011,756	7.79%	6,252,936	14.93%	5,587,248	12.98%
Financial income and charges, net	40,976	0.32%	281,473	2.17%	383,930	0.92%	1,068,049	2.48%
Profit from ordinary activities	1,684,189	13.15%	1,293,229	9.96%	6,636,866	15.84%	6,655,297	15.46%
Revaluations and write-downs	78,053	0.61%	9,414	0.07%	229,297	0.55%	70,645	0.16%
Extraordinary income and expenses	(1,472)	(0.01%)	(21,791)	(0.17%)	63,057	0.15%	341,309	0.79%
Profit before taxation and minority interests	1,760,770	13.74%	1,280,852	9.86%	6,929,220	16.54%	7,067,251	16.42%
Profit/(loss) of minority interests before taxation	(1,092,005)	(8.52%)	(747,830)	(5.76%)	(2,342,018)	(5.59%)	(1,805,234)	(4.19%)
Profit/(loss) of the Group before taxation	668,765	5.22%	533,022	4.10%	4,587,202	10.95%	5,262,017	12.23%

Consolidated Cash flow statement

<i>at 31/12/2002</i>	<i>Cash flow statement of Cad It Group</i>	<i>at 30/09/2003</i>	<i>at 30/09/2002</i>
<u>OPERATING ACTIVITIES</u>			
2,566,895	Profit (loss) for the year	4,587,202	5,262,017
Amortisation and depreciation:			
794,959	- tangible fixed assets	749,640	586,771
1,351,342	- intangible fixed assets	1,147,625	1,061,916
1,211,866	- goodwill arising on consolidation	907,985	908,900
Accruals:			
1,335,537	- employees' leaving entitlement	995,379	938,569
1,264	- other provisions	26,023	1,032
71,873	Increase/(Utilisation) of provisions for contingencies and other charges	34,340	70,054
7,333,736	Sub-total	8,448,194	8,829,259
(471,059)	Utilisation of employees' leaving entitlement	(449,731)	(364,073)
(302,241)	(Increase)/Decrease in receivables included under assets forming part of working capital	522,136	(3,807,871)
(176,884)	(Increase)/Decrease in inventory	(266,539)	(162,783)
12,051	(Increase)/Decrease in deferred expenses and accrued income	(179,682)	(82,889)
(2,593,154)	Increase/(Decrease) in accounts due to creditors	(889,654)	(1,113,729)
57,681	Increase/(Decrease) in accrued expenses and deferred income	1,747,938	1,398,938
355,722	Increase/(Decrease) in sums due to other financial institutions	(13,249)	15,617
(951,804)	Increase/(Decrease) in other non-financial payables	(216,013)	(44,099)
(4,069,687)	Sub-total	255,206	(4,160,889)
3,264,049	(A) - Cash flows from (for) operating activities	8,703,400	4,668,370
<u>INVESTING ACTIVITIES</u>			
(26,900)	(Increase)/ Decrease in investments in subsidiary companies valued using the equity method	(107,707)	(5,168)
(2,029,973)	(Increase)/Decrease in intangible fixed assets	(885,027)	(1,984,366)
(5,366,765)	(Increase)/Decrease in tangible fixed assets	(331,155)	(5,177,174)
(1,556)	(Increase)/Decrease in other fixed assets	(11,162)	(5,235)
Acquisition of investments in unconsolidated subsidiaries			
(47,745)	(Increase)/Decrease in investments in associated companies	(12,051)	(51,221)
991	(Increase)/Decrease in other investments and securities	-	991
(7,471,948)	(B) - Cash flows from (for) investing activities	(1,347,102)	(7,222,174)
<u>FINANCING ACTIVITIES</u>			
Increase/(Decrease) in financial payables			
-	- Increase/(Decrease) in reserves	(26,940,000)	
435,356	Minority interest	1,358,413	1,369,840
(5,837,000)	Distribution of dividends	(1,616,400)	(5,837,000)
-	Capital injections	-	-
(5,401,644)	(C) - Cash flows from (for) financing activities	(27,197,987)	(4,467,160)
(9,609,543)	(A+B+C) - Total cash flows	(19,841,689)	(7,020,964)
41,085,449	Opening liquid funds	31,475,907	41,085,449
31,475,907	Closing liquid funds	11,634,218	34,064,485