

AISoftw@re SpA – Q2 2000 Report (unaudited figures)

AISoftw@re reports significant growth in Group structure and performance

Milan, 31<sup>st</sup> August 2000

Highlights of the period - Four majority acquisitions completed

- Three minority investments made
- 30% increase in sales on like-for-like basis- 217% increase in sales, including acquisitions
- Positive EBITDA achieved in the first half of a year for the first time
- Promising development of international channels
- Increase in staff (including technical consultants) from 95 to 239

The last six months have seen a period of rapid structural and commercial developments for the group, and I am pleased to report results that demonstrate the success that we have had in implementing a strategy begun some two years ago.

In the first half of this year the group has completed four majority acquisitions, as well as creating INFUSION, an industrial and financial accelerator (holding company) through which a further three minority investments have been made. We have continued to strengthen our international distribution channels, while increasing critical mass in the Italian market. And finally during this busy period, we also undertook the listing of AISoftw@re on the Nuovo Mercato in Milan, which was completed on 1<sup>st</sup> August.

This intense period of corporate development has inevitably placed many demands upon the daily management of the business, but I am pleased to report strong revenue growth also on a like for like basis despite these distractions. Total sales in our traditional businesses (AIS and ODS, now renamed ODX) grew by 30% to Euros 3.5 million, including an increase of 209% from Euros 850,000 in Q1 to Euros 2.6 million in Q2 (Q1 is typically a quiet quarter for the group).

In our Banking Business Unit revenues grew by 10%, and the group signed an important framework distribution contract with the Italian Association of Popular Banks for distribution of our credit rating banking products to its member banks within the Italian market. The division also deployed its redesigned version of Daisy, the treasury management system, at its German reference customer's site. This was an important milestone which bodes well for the future exploitation of this major technological development. Moreover an online mortgages auction system for Italia-Invest was delivered on schedule at the end of Q2.

In Medical Imaging Business Unit, like for like revenues fell by 70%, due to the postponement of new contracts during the second quarter. The group is currently negotiating with an international partner to expand its distribution of the group's medical imaging technology from Italy to the whole of Europe, and new contracts in Italy are therefore being postponed pending the completion of these negotiations. While impacting adversely on our Q2 figures, we expect to complete these negotiations in the next few weeks, and as a result we are hopeful of a significant uplift in our medical division performance. However, on a consolidated basis revenues in this area grew 45% in H1 2000 compared to the same period of 1999.

The Internet Technology Business Unit (Internet/Intranet solutions, database management systems and knowledge management) performed well, with a sales increase of 83% to Euros 2.6 million. This performance benefited from various large projects, including an Internet TV project for the Italian Ministry of the Environment, and a patents repository system for the Italian Patents and Brands Office as well as large sales of third parties Orbix and OODMS development platforms.

At the consolidated level, most of proceeds from our listing on Easdaq were used to finance the following acquisitions and investments:

Date	Shareholding	Company	Activity
Dec '99	20%	Italia-Invest.Com	Internet services
Mar '00	0.5%	Global Euro Net	Internet services
Mar '00	60%	SE Informatica	IT services
Apr '00	60%	Itaca	Software
Jun '00	60%	Program	Medical Imaging
Jun '00	23%	ACS	Software

Other acquisitions concluded after 30<sup>th</sup> June 2000:

Jul '00	15,79%	Tiltan Geosim	Software
Jul '00	20%	Impression	Web services
Jul '00	60%	Farm	Web consult

This investment program, outlined at the time of our IPO in November 1999, has had a material impact upon the size, structure and profitability of the group. Staff, including technical consultants, have increased from 95 to 239 personnel at the end of Q2, including the recruitment of additional management and administration staff at Head Office. This increase in overheads was considered prudent in order to strengthen management reporting and controls during this period of change and group integration.

Including acquisitions, the group achieved sales of Euros 8.4 million in the first half, up 217% from Euros 2.7 million during H1 1999. Despite the higher overhead structure, the group achieved a profit at the EBITDA level of Euros 87,000 for the first half (1% on revenues), compared to losses of Euros 230,000 in H1 1999. The 2000 result included a Euros 482,000 profit for the second quarter (8% on revenues), turning around a loss of Euros 395,000 during the first quarter of 2000. This was a particularly pleasing result, and is the first time that the group has made an operating profit during the first half of the year (the first half has historically been loss-making due to seasonality of revenues). The result demonstrates the stabilising of the group's operating cashflow, which was one of our key objectives in adopting our acquisition strategy.

At the EBIT level, after depreciation and amortisation (including amortisation of Euros 290,000 of goodwill), the group made a loss of Euros 1.3 million, or 16% on revenues, up from Euros 1.1 million in 1999, or 41% on revenues. Financial charges, minority interests and costs of Nuovo Mercato listing up to H1, increased this loss to Euros 1.8 million before tax (22%) compared to Euros 1.4 million in 1999 (51%) and Euros 2.5 million after tax, or 30% on revenues, up from Euros 1.4 million in 1999, or 53% on revenues.

The group's net financial position improved from a net debt of Euros 7.3 million in June 1999 to a net cash position of Euros 1.1 million in June 2000, principally due to the proceeds of the group's IPO in November 1999. Subsequent to the period end, the group raised a further Euros 21.2 million in net proceeds from its listing on Nuovo Mercato. These funds will be used to fund further acquisitions, organic growth (including acquisition integration and international expansion) and the group's R&D programme.

Once again, I would like to thank Flemings, who acted as Sponsor, Specialist and Global Coordinator for the listing on Nuovo Mercato, and Twice SIM, who acted as Italian Lead Manager. And finally I would like to thank my management team and staff, whose dedicated efforts have made this expansion of the group possible.

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