

Third Quarter Report 2000 (uncertified statement)

Performance trends and Group structure Report

Milan, 7<sup>th</sup> November 2000

### **Third Quarter 2000 Highlights**

- Increase of approximately 30% in sales turnover (AISoftw@re and ODX) in the first 9 months compared with the same period in 1999 that confirms the growing trend forecasted for the year;
- Completion of acquisition of a majority shareholding;
- Acquisition of two minority shareholdings;
- Increase of 141% in Group sales in the quarter compared with the same period in 1999
- Consolidated EBITDA profit in the quarter;
- Definition of international partnership agreements.

During the third quarter of 2000 the AISoftw@re Group has concluded the acquisition of a majority shareholding in the company FARM Multimedia S.r.l. (60%) and has purchased a minority shareholding in two companies through the company INFUSION S.p.A.:

- Tiltan Geosim (15,79%);
- Impression S.r.l. (20%).

On 1<sup>st</sup> August 2000, AISoftw@re S.p.A. was listed on the Italian Stock Exchange New Market in Milan thereby achieving the objective set at the beginning of 2000.

We are very satisfied with the quarterly results, even if historically speaking the third quarter has always made a limited contribution to the annual turnover. (approximately 16%)

Sales turnover in the quarter, confirmed at 4,109 million Itl. ( 2.12 million Euros), in our traditional areas of business (AIS / ODX) has increased by 26% with respect to the same quarter of 1999.

Consolidated group sales turnover in the quarter has increased by 141% going from 3,253 million Itl. (1.7 million Euros) in the third quarter of 1999, to 7,825 million Itl. (4.04 million Euros) in the same quarter of 2000.

The year on year third quarter for each business area is as follows:

- **% 3rd quarter**
  - Banking -57%
  - Medical Imaging +60%
  - Advanced Software Systems +40%

The turnover percentage variation as at 30 September for each business area is as follows:

- **% 9 months**
  - Banking -14%
  - Medical Imaging +65%
  - Advanced Software Systems +352%

With regard to the **Banking** area the downturn recorded with respect to last year is attributable to the anticipating investments finalised to capture all the ebusiness market opportunity.

In particular, the banking sector range has been reviewed and integrated, giving rise to the "Global Credit

Management" solution. The investment is leading to the development of two new product lines:

- Credit Risk Management and Credit Data Analysis: development of the overall range for the credit sector with production of two new products for credit lines.
- Online Internet banking services: investments for the creation of online banking services have been oriented towards two main areas: 1) production of customer base data analysis and profiling services for online trading services, 2) production of software for the management of independent consultancy services and "online" brokering in the financial sector.

In the **Medical Imaging** area, a growth level of 60% has realigned the Business Unit with the objectives established for the current year. The third quarter has been characterised by a significant effort by the commercial department to conclude the European agreement, signed on the 20<sup>th</sup> October 2000 with Eastman Kodak, for an exclusive license for the DicomWare solution for digital X-ray image diagnostics in the European Union, Switzerland, Norway and Iceland.

Consolidated growth of 65% year on year over the first nine months in this area is attributable to the contribution of Program S.r.l. turnover.

Growth in the **Advanced Software Systems** area (internet/intranet solutions, database management systems and knowledge management) confirms and consolidates the positive trend already underway from the beginning of the year.

Over nine months, the exceptional consolidated turnover growth performance of 352% has been possible thanks to the contribution of associates Itaca SpA and SE Informatica SpA in this area of the market.

Comparing general costs with the budget, the AISoftw@re Group has achieved a profit at **EBTIDA** level of 559 million Itl. (0.29 million Euros) during the third quarter of 2000, equal to 7% of the value of income from sales and services.

In the first 9 months the AISoftw@re group has reached an EBITDA level of 728 million Itl. (0.38 million Euros) equal to 3% of the value of income from sales and services. In the same period of 1999, EBTDA amounted to 1% of the value of income from sales and services.

With regard to **EBIT**, the AISoftw@re group has recorded a loss of 861 million Itl. (0.44 million Euros), equal to 11% of the value of income from sales and services while in the same period of 1999 EBIT amounted to 10%. It should be considered that in the third quarter of 2000, 281 million Itl. (0.15 million Euros) is included for depreciation of goodwill for the shares purchased.

In the first 9 months, the AISoftw@re Group recorded a loss of 3,401 million Itl. (1.76 million Euros), equal to 14% of the value of income from sales and services while in the same period of 1999, the loss amounted to 29%.

In this case we must also consider 839 million Itl. (0.43 million Euros) for depreciation of goodwill.

In the first 9 months, Ordinary financial charges and income showed a net improvement with respect to the same period of 1999, due to the effect of listings on the Brussels EASDAQ and the Milan Stock Exchange New Market. The costs relating to listing on the Milan Stock Exchange New Market of 3,350 million Itl. (1.73 million Euros) have increased the loss before taxes in the first nine months, taking it to 7,344 million (3.79 million Euros) equivalent to 30% of the value of income from sales and services, while in 1999 it was equivalent to 40%.

The net consolidated financial position has improved, going from a net debt of 13,613 million Itl. (7.03 million Euros) at the end of September 1999 to a net financial position of 34,138 million Itl. (17.63 million Euros) at the end of September 2000, mainly due to funds derived from listing on the New Market.

In the next period, it is expected to continue development of the Company and its subsidiaries by following the plans defined at the beginning of the year. In particular, some significant development projects are highlighted below:

- **Recruitment:** specific initiatives have been implemented by all Group companies in order to increase specialised technical resources. In particular, with current activities AISoftw@re confirms its own recruitment plan for this year, which anticipates a 30% increase in AISoftw@re and ODX resources and for the rest of the Group.
- **Acquisitions:** in process of completion some strategic acquisitions in the three strategic market sectors for the Group.
- **Budget:** the forecast budget costs set out at the beginning of the year are confirmed both at Group level and for each of the individual companies.

The forecast results in terms of operating margin for all subsidiary companies are confirmed.

With regard to AISoftw@re in the banking sector the result forecast is lower by around 30% due to restructuring of investments for the new offer that probably could be balanced by the other two business areas Medical Imaging and Advanced Software Systems.

I would like to give particular thanks to the managers and staff who have devoted a great deal of energy to the various company activities, thereby enabling continued expansion of the Group.

***Prof. Francesco Gardin***

Chairman and Managing Director

#### **AISoftw@re**

AISoftw@re SpA founded in 1983 and with a consolidated value of production in 1999 of Euros 11,882 million - is a company specialised in the development of decision-supporting knowledge processing and data intelligence technologically innovative Internet and Intranet solutions. Its technical expertise in proprietary products distributed on reference markets positions AISoftw@re as a leading company in medical imaging, communications & networking, and financial market software solutions.

AISoftw@re has been listed on Easdaq since 23<sup>rd</sup> November 1999, and on Nuovo Mercato since 1<sup>st</sup> August 2000, and has started a program of growth based both on international expansion and aggressive recruitment, acquisitions and equity investments in software companies working in the area of Internet applications development.

For further information

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