CONSOLIDATED BALANCE SHEET

	Notes	31 December, 1998	31 December, 1997 (Lit. millions)	31 December, 1996
Assets				
Receivables from shareholders for due payments		–	223	–
Fixed assets:				
Intangible, net:	(1)			
– Start-up costs		19	12	8
– Research and development costs		6,426	5,323	3,027
– Licences and other similar rights		641	1,022	1,390
– Goodwill		521	645	893
– Assets under development		1,145	1,190	2,227
– Other		123	111	113
Total intangible, net		8,875	8,303	7,658
Tangible, net:	(2)			
– Other		296	277	366
Investments				
– Shareholdings in subsidiaries		–	20	–
– Shareholdings in other enterprises		42	42	42
– Receivables from subsidiaries		–	–	–
– Receivables from other		72	23	7
Total fixed assets		9,285	8,665	8,073
Current assets:				
Inventories, net:	(3)			
– Work-in-progress		178	763	666
– Finished products and goods		985	444	330
– Payments on account		539	5	26
Total inventories, net		1,702	1,212	1,022
Receivables, net:				
– Trade receivables	(4)	12,775	9,112	7,588
– Trade receivables from subsidiaries	(5)	–	996	–
– Other receivables due within one year	(6)	933	563	404
– Other receivables due after one year		41	11	11
Cash and bank current accounts:	(7)			
– Bank accounts		40	156	–
– Cash-in-hand		1	13	–
Total current assets		15,492	12,063	9,025
Accruals and deferrals	(8)	88	120	138
Total assets		24,865	21,071	17,236

CONSOLIDATED BALANCE SHEET (continued)

	Notes	31 December, 1998	31 December, 1997 (Lit. millions)	31 December, 1996
Shareholders' equity	(9)			
– Share capital		2,550	2,550	2,000
– Reserves		17	13	12
– Profit (loss) brought forward ..		(118)	(189)	(223)
– Net profit (loss) for the year ..		74	75	35
		2,523	2,449	1,824
Liabilities				
Provision for contingencies and other charges		–	–	14
Employees' leaving entitlement.. ..	(10)	696	572	510
Payables	(11)			
– Payables to banks due within one year		10,164	7,786	6,044
– Payables to banks due after one year		2,700	3,892	2,211
– Other financial liabilities		982	1,457	1,603
– Payments on account			2	3
– Trade payables		4,120	2,911	3,060
– Tax payables	(12)	1,963	716	445
– Payable to social security institutions		473	362	278
– Other payables		1,108	671	632
Accruals and deferrals		136	253	612
Total liabilities		22,342	18,622	15,412
Total liabilities and shareholders' equity		24,865	21,071	17,236
Memorandum accounts	(13)	3,818	627	540

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

	Notes	For the years ended 31 December, 1998	1997 (Lit. millions)	1996
Revenues:				
– Revenues from sales and services	(14)	15,494	12,819	8,818
– Changes in work in progress ..		(584)	97	435
– Capitalised software costs	(15)	3,612	3,133	2,974
– Other revenues		144	92	123
– Grants	(16)	961	975	1,315
		19,627	17,116	13,665
Operating costs:				
– Cost of goods..	(17)	(2,981)	(2,682)	(2,011)
– Service costs	(18)	(4,662)	(3,677)	(3,008)
– Leases and rental expenses.. ..		(830)	(826)	(592)
– Personnel	(19)	(5,986)	(5,429)	(3,931)
– Depreciation, amortisation and write-downs		(3,507)	(2,790)	(2,267)
– Changes in inventory		541	113	140
– Other provisions		–	–	(34)
– Other operating costs..		(169)	(206)	(791)
		(17,594)	(15,497)	(12,494)
Operating result		2,033	1,619	1,171
Financial income and charges:-				
– Financial income:				
– From other..		76	23	42
– Interest charges and other financial charges:	(20)			
– From banks		(1,236)	(1,457)	(1,043)
		(1,160)	(1,434)	(1,001)
Extraordinary income and expense:				
– Other..		1	1	(25)
Total extraordinary income and expense		–	–	(25)
Profit/(loss) before taxes		874	186	145
Income tax for the year..	(21)	(800)	(111)	(109)
Net profit/(loss) for the year		74	75	36

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	For the years ended 31 December, 1998	1997	1996
		(Lit. millions)	
Cash flow from operating activities			
– Net income	74	75	36
Adjustments to reconcile net profit for the year to net cash provided by operating activities:			
– Depreciation and amortisation	3,243	2,743	2,213
– Employees' leaving entitlement	(111)	(150)	(54)
– Employees' leaving entitlement matured during the year	235	212	180
Changes in operating assets and liabilities:			
– Inventory	(491)	(190)	(523)
– Trade receivables	(2,666)	(2,520)	(1,444)
– Other receivables	(400)	(159)	(133)
– Trade payables	1,210	(149)	514
– Other payables	1,793	393	448
– Accruals and deferrals	(117)	(359)	282
– Provision for contingencies and other charges	–	(14)	(25)
– Employees' indemnity received from ARS	–	–	69
– Accruals and deferrals	32	17	(86)
Net cash provided by (used in) operating activities	2,802	(101)	1,477
Cash flows from investing activities:			
– Tangible fixed assets	(119)	(66)	(205)
– Intangible assets	(3,722)	(3,291)	(4,052)
– Increase of financial assets	(29)	(39)	(4)
– Net book value of tangible assets sold	7	61	14
Net cash provided by (used in) investing activities	(3,863)	(3,334)	(4,247)
Cash flow from financial activities:			
– Payables to banks	1,902	1,596	3,672
– Increase in payables due after 12 months	–	2,870	–
– Transfer of current portion of medium-term liabilities	(1,192)	(1,189)	(957)
– Capital increase	223	327	–
Net cash provided by (used in) financing activities	933	3,604	2,715
Increase (decrease) in cash	(128)	169	(55)
Cash and bank at the beginning of the year	169	–	55
Cash and bank at the end of the year	41	169	–
Increase (decrease) in cash	(128)	169	(55)

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 1998, 1997 and 1996

1 Structure and content of the consolidated financial statements

The consolidated financial statements consist of the balance sheet, income statement, cash flow statement and notes to the consolidated financial statements, in addition to the directors' report.

The consolidated financial statements, expressed in Italian lire, have been prepared in conformity with the accounting principles and valuation criteria issued by the National Boards of *Dottori Commercialisti e Ragionieri.*

In view of the possibility of requesting a listing on EASDAQ, these consolidated financial statements present three-year comparative figures.

All amounts in the notes are expressed in millions of Italian lire, unless otherwise indicated.

2 Consolidation area

The sole consolidated company is that in which AISoftw@re S.p.A. has control as defined by article 2359 of the Italian Civil Code as follows:

Registered Company	Office	Shareholders' Share Capital	Equity	Current per cent. of Net result	Ownership
ODS s.r.l.	Milan	180	181	1	100

The financial statements of ODS s.r.l. refer to the period 1 January to 31 December 1998.

The figures commented on herein are those shown in the financial statements of AISoftw@re S.p.A., as approved by the relevant Company bodies, for the years 1996 and 1997 and the consolidated financial statements as at and for the year ended 31 December 1998. A comparison of the captions over the three years is possible as the activities of ODS s.r.l. were performed directly by AISoftware S.p.A. in 1997 and in 1996. The financial statements of ODS s.r.l. are consolidated using the line by line method.

3 Accounting and consolidation principles

The accounting principles and evaluation criteria adopted by the Group are described below.

The valuation criteria adopted are consistent with those of previous years.

All significant inter-company transactions and balances are eliminated.

Intangible assets

Intangible assets are stated at cost, net of amortisation calculated on a straight line basis in relation to the residual income generating potential of the assets.

The costs of computer software internally developed and produced to be sold, leased or otherwise marketed are capitalised only if the related product is technologically feasible.

The following amortisation rates are applied:

- Start-up costs at 20 per cent. per year.
- Research and development costs: development costs which consist mainly of salaries for technical staff, consulting fees for technical consultants and technical facility costs related directly to specific software products to be sold, are capitalised and amortised over the expected service life (four to five years) of the product. Generic research and development costs are expensed as incurred.
- Licences, trade-marks and similar rights: these relate to acquisition costs for licences and are amortised over three to five years.
- Goodwill: from 1 January, 1998 the Company, under a new plan of utilising the related activities, amortises this cost at ten per cent. as compared to 20 per cent. in the previous years. Goodwill consists of the excess of the price paid for acquisitions over the net asset value at the time of such acquisitions.

- Assets under development: development costs which consist mainly of salaries for technical staff, consulting fees for technical consultants and technical facility costs related directly to specific software products to be sold that are still being developed. Amortisation commences in the year of completion.
- Other deferred charges: these relate to charges incurred for leasehold improvements and are depreciated over three to six years in relation to the residual life of the lease.

Tangible assets

Tangible assets are stated at purchase or internal construction cost and are shown net of the respective depreciation.

The purchase cost includes all directly attributable additional charges.

Depreciation is applied on a straight line basis using rates considered representative of the estimated technical-economic life of the assets. The rates applied are in line with those allowed by fiscal law, reduced by 50 per cent. for assets purchased during the year.

Ordinary maintenance and repair costs related to assets are charged against income when incurred. Extraordinary maintenance costs which extend the life of the asset or increase its productivity capacity are capitalised and depreciated over the remaining life of the asset to which it refers.

Leased assets are recorded by charging the lease payments for the year to the income statement. The balance sheet effect of applying the finance lease method and the effect on shareholders' equity and earnings for the year would not be significant.

The rates applied are as follows:

	per cent.
Plant and machinery	15
Special system for internal communication	25
Video system	30
Motor vehicles	25
General furniture	15
Electronic machines	20
Office furniture	12
Equipment	15

Long term financial investments

Shareholdings are stated at purchase cost, adjusted, where necessary, for permanent impairment of value.

Inventories

Finished products and goods (software packages) are stated at the lower of purchase cost, inclusive of related charges, calculated under the LIFO method, and the corresponding market value.

Work in progress related to customers' specific orders, is valued using the percentage of completion method (''cost-to-cost'' method) on the basis of agreed contractual fees.

Receivables and payables

Receivables are stated at their expected realisable value, which corresponds to their nominal value less the provision for bad debts.

Payables are stated at their nominal value

Foreign currency operations are initially accounted for on the basis of the exchange rate ruling at the date of the transaction. The differences resulting from the valuation of balances at the exchange rate ruling at the end of the year are allocated to a specific provision, if said differences are negative.

Accruals and deferrals

Accruals and deferrals are recorded on the basis of accrual and matching principles and refer to costs and income which relate to two or more years.

Employees' leaving entitlement

This entitlement represents the liability for each single employee at the balance sheet date net of advances paid, calculated in accordance with existing laws and labour contracts.

Revenue and costs

These are recorded in accordance with the concepts of prudence and on an accruals basis by stating the related prepayments and accruals in the financial statements in accordance with current contractual agreements.

Revenue is recognised on the despatch of goods from the Company's premises.

Income taxes

Taxation is determined on the basis of a realistic estimate of the taxation charges to be settled, in compliance with the current tax regulations.

Grants

Grants are recorded when the right to their receipt is considered certain on the basis of objective evaluations.

4 Notes to the consolidated financial statements

Balance sheet

Assets

1) *Intangible assets*

The movements during the years are shown in the attached Schedule 1.

	31 December, 1996	31 December, 1997	31 December, 1998
Start up costs	8	12	19
Research & Development	3,027	5,323	6,426
Licences and other rights	1,390	1,022	641
Goodwill	893	645	521
Assets under development	2,227	1,190	1,145
Other	113	111	123
	7,658	8,303	8,875

Research and development costs relate to specific projects (see attached Schedule 2), and have been capitalised with the approval of the board of statutory auditors. The allocation of these costs to intangible assets is possible as they satisfy the following criteria:

- the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- the costs capitalised will give rise to future economic benefits and there is reasonable assurance that future benefits will be realised;
- adequate resources exist to complete the project.

Licences and other similar rights relate mainly to the acquisition costs of tolls for application software development.

Goodwill relates to the acquisition of certain ARS and ACS operations respectively for Lit. 490 million in 1995 and Lit. 749 million in 1996. Until 31 December, 1997, these items were amortised at 20 per cent. per year. From 1998 the amortisation rates have been reduced to ten per cent. per year.

Assets under development relates to certain projects of research and development which will be completed in the following year and consequently no amortisation is calculated.

2) Tangible assets

The movements during the years are shown in the attached schedule 3. The caption relates mainly to office equipment. No revaluations have been performed.

3) Inventory

Finished products and goods are stated net of the provision for write-downs established at Lit. 20 million.

Payments on account relate to advance payments to Object Design Inc. (U.S.A.) in connection with the contract in respect of object oriented technology products.

4) Trade receivables

Receivables may be analysed as follows:

	Balance at 31 December, 1996	**Balance at 31 December, 1997**	**Balance at 31 December, 1998**
Receivables from Italian customers	6,799	6,901	12,024
Receivables from foreign customers	1,010	2,477	1,282
Provision for bad debts	(221)	(266)	(531)
	7,588	9,112	12,775

The increase in the overall exposure towards customers is linked to the increase in sales.

The net balance of trade accounts receivable is collectible within one year. No receivables are due after one year.

The provision for bad debts relates to general and specific risk for losses.

5) Trade receivables from subsidiaries

This caption at 31 December, 1997 fully relates to ODS s.r.l., consolidated in 1998.

6) Other receivables

Other receivables may be detailed as follows:

	31 December, 1996	**31 December, 1997**	**31 December, 1998**
Grants received from the European Union ..	295	327	389
Advance payments for ILOR	16	32	–
Advance payments for IRPEG	40	74	77
Advance payments for IRAP	–	–	392
Other receivables due within one year	53	130	75
Other receivables due after one year..	11	11	41
	415	574	974

Grants received from the European Union consist of receivables related to costs booked during the year for software projects financed by the European Union paid in the following year.

Advance payments for taxes relate to Italian fiscal laws and are deductible from income taxes calculated on the net profit of the year.

7) Cash and bank current accounts

Cash and bank current accounts represent temporary deposits with banks, as well as cash-in-hand.

8) Accruals and deferrals

Accruals and deferrals may be detailed as follows:

	31 December, 1996	31 December, 1997	31 December, 1998
Accruals on leasing	40	34	34
Accruals on insurance	11	14	8
Accruals on software maintenance rates	64	58	19
Other accruals	23	14	27
	138	120	88

9) Shareholders' equity

The change in consolidated shareholders' equity are as follows:

	Share capital	*Legal reserve*	*Extraordinary reserve*	*Retained earnings*	*Profit (loss) for the year*	*Shareholders' equity*
31 December, 1995	2,000	4	7	(233)	10	1,778
Destination of net result as approved by shareholders' meeting		1	9		(10)	
Increase in share capital						
Net result for 1996					35	
31 December, 1996	2,000	5	7	(223)	35	1,824
Destination of net result as approved by shareholders' meeting		1	34	(35)	–	
Increase in share capital	550					550
Net result for 1997					75	75
31 December, 1997	2,550	6	7	(189)	75	2,449
Destination of net result as approved by shareholders' meeting		4	71	(75)	–	
Net result for 1998				74	74	
31 December, 1998	2,550	10	7	(118)	74	2,523

The share capital of AISoftw@re S.p.A. is fully paid-up and at 31 December, 1998 amounted to Lit. 2,550 million, consisting of 5,100,000 ordinary shares with a par value of Lit. 500 each.

Under paragraph 5 of article 2426 of the Civil Code, dividends may only be distributed to the extent that the Company has sufficient reserves to cover the unamortised intangible assets.

10) Employees' leaving entitlement

The movements are as follows:

	31 December, 1996	31 December, 1997	31 December, 1998
Balance at the beginning of the year	315	510	572
Utilisation for termination of employment	(33)	(150)	(49)
Utilisation for advance payments	(21)	–	(62)
Acquisition from ARS s.r.l. and ACS s.r.l.	69	–	–
Accrual	180	212	235
	510	572	696

The closing balance of the employees' leaving entitlement is sufficient to cover the liability arising in respect of contractual obligations and laws in force.

11) Payables to banks

Payables to banks may be detailed as follows:

	31 December, 1996	31 December, 1997	31 December, 1998
Payables due within one year	6,044	7,786	10,164
Payables due after one year	2,211	3,892	2,700
Other financial liabilities	1,603	1,457	982
	9,858	13,135	13,846

The increase in 1997 is due to the extension of current credit lines and the opening of new loans with two large banks for software projects.

The financial exposure has remained constant between the end of 1997 and 1998.

12) Tax payables

Tax payables have been determined by reference to existing tax legislation; payments made on account are shown in ''Other receivables'' under current assets.

Tax payables may be detailed as follows:

	31 December, 1996	**31 December, 1997**	**31 December, 1998**
IRPEG	75	77	415
ILOR	33	34	–
IRAP	–	–	384
IRPEF payroll taxes for employees	206	299	330
VAT payable	121	292	797
Other accrued taxes	10	14	37
	445	716	1,963

13) Memorandum accounts

Memorandum accounts may be detailed as follows:

	31 December, 1996	**31 December, 1997**	**31 December, 1998**
Leasing instalments to be paid	540	602	487
Commitments for the purchase of software products	–	–	3,306
Third party goods in stock	–	25	25
	540	627	3,818

Commitments for the purchase of software products are related to the future purchase of products in connection with the agreement with Object Design Inc. to guarantee certain minimum accrual purchase quantities (1999: UDS 800.000), in order to maintain exclusive representation in Italy.

Income statement

14) Revenues from sales and services

The caption may be detailed as follows:

	31 December, 1996	**31 December, 1997**	**31 December, 1998**
Products for banking and financial sectors	3,225	5,315	4,119
Products for medical imaging sector	377	1,430	1,778
Customer projects	1,121	1,378	3,573
Others products	4,095	4,066	6,024
Total revenues	8,818	12,819	15,494

Between 1996 and 1997 the increase was due to the growth in sales of products and services for the banking and financial sectors.

The increase from 1997 and 1998 is due to the development of the medical imaging sector and to the growth of activities regarding other products, including ODS software products.

Revenue by geographical area

	31 December, 1996	31 December, 1997	31 December, 1998
Italy	7,395	10,716	13,218
Abroad	1,423	2,103	2,276
Total revenues	8,818	12,819	15,494

15) Capitalisation of software costs

The caption is related to research and development costs capitalised for software projects. The growth is due to the Group's strategy based on the development of advanced software products.

The figures shows an increase from Lit. 2,974 million in 1996, to Lit. 3,133 million in 1997 and Lit. 3,612 million in 1998.

16) Grants

Grants shows a decrease from Lit. 1,315 million in 1996 to Lit. 975 million in 1997 and Lit. 961 million in 1998. Changes are due to the different involvement of AISoftw@re in these projects and the related costs.

The European Union has already approved grants to the Company in 1999 for approximately Lit. 410 million. The Company intends to continue applying for European Union grants to finance part of the Company's research and development plans. This source of financing has had an important role for the Company in the past ten years, but it has fallen as a proportion of revenues over the last three years to 5.8 per cent. in 1998.

17) Cost of goods

The stability from 1997 to 1998 is due to the AISoftw@re strategy to increase the market of its proprietary offer despite sales of third party products.

18) Service costs

The caption shows an increase of Lit. 669 million from 1996 to 1997 and an increase of Lit. 985 million from 1997 to 1998.

The executive compensation due to the boards of directors was Lit. 168 million in 1998, Lit. 132 million in 1997 and Lit. 92 million in 1996.

19) Personnel

The variation from 1997 to 1998 is due to introduction of the IRAP tax. The introduction of this new tax, in 1998, has led to a reduction in state health contribution.

The number of employees is as follows:

	31 December, 1996	31 December, 1997	31 December, 1998
Managers	5	5	7
Employees	48	55	62
Total	**53**	**60**	**69**

20) Interest charges and other financial charges

The caption shows a decrease from 1997 to 1998, respectively from Lit. 1,457 million to Lit. 1,236 million and is mainly related to interest charged by banks.

This decrease is mainly due to a reduction in interest rates.

21) Income taxes for the year

The caption shows an increase from Lit. 111 million in 1997 to Lit. 800 million in 1998.

This increase is due to the introduction of a new tax, IRAP, charged on statutory gross margin; personnel costs and net interest expense are not deductible for IRAP.

22) Related parties

The related parties with whom the Company deals are the following:

- SICI s.a.s. a limited partnership in which Francesco Gardin is the general partner.
- MAIS s.r.l. which is owned principally by employees of AISoftw@re S.p.A.
- IMMICRA, the property subsidiary of ICCREA Holding S.p.A., a shareholder in the Company.

Transactions with related parties refer to the supply of services, rent and third party products to AISoftw@re and are based on market price.

23) Financial strategy

Due to the significant investments made in software applications, the Group continues to be under financial pressure. In order to return to a steady financial footing, the directors have taken various initiatives aimed at obtaining long term financing, as described in the directors' report.

24) Summary of significant differences between accounting principles generally accepted in Italy (Italian GAAP) and International Accounting Standards (IAS)

The financial statements included in this Prospectus are prepared in accordance with generally accepted accounting principles in Italy (Italian GAAP), which differ in certain respects from International Accounting Standards (IAS).

The effects of the application of IAS on the Group's net equity and results are negligible and not material.

The following is a brief summary of the principal differences between Italian GAAP and IAS:

Research and development costs

Under Italian GAAP, research and development costs can be recognised as an asset if they have future benefits, while under IAS development costs should be recognised as an asset if they satisfy the following criteria:

1. the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
2. the technical feasibility of the product or process can be demonstrated;
3. the enterprise intends to produce and market, or use, the product or process;
4. the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated;
5. adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Finance leases

Under Italian GAAP, a lease that transfers substantially all the risks and rewards pertinent to ownership of an asset is treated as an operating lease: therefore it cannot be capitalised by the lessee as per IAS 17. Rather, lease instalments must be recognised in the income statements as paid.

Retirement benefit costs

Under Italian GAAP only the severance indemnity fund must be accrued for, while retirement benefit costs are not addressed. Under IAS defined benefit plans, past service costs, experience adjustments and the effects of changes in actuarial assumptions and of plan amendments should be recognised as an expense or as income systematically over the expected remaining working lives of existing employees.

Schedule 1: Intangible assets

	31/12/1995 (Lit. millions)	Increase (Lit. millions)	Amortis-ation (Lit. millions)	31/12/1996 (Lit. millions)	Increase (Lit. millions)	Amortis-ation (Lit. millions)	31/12/1997 (Lit. millions)	Increase (Lit. millions)	Amortis-ation (Lit. millions)	31/12/1998 (Lit. millions)
Start-up costs	5	6	3	8	8	4	12	14	7	19
Licences and other similar rights										
– Software internal use	282	1,646	538	1,390	90	458	1,022	32	417	637
– Trademark, right	–	–	–		–		–	6	2	4
	282	1,646	538	1,390	90	458	1,022	38	419	641
Goodwill	392	749	248	893	–	248	645	–	124	521
Other:										
– Leasehold improvements/ other costs..	111	39	42	108	27	48	87	67	47	107
– Loan expenses	9	–	3	6	26	8	24	–	8	16
	120	39	45	114	53	56	111	67	55	123
Total..	799	2,440	834	2,405	151	766	1,790	119	605	1,304

Schedule 2: Capitalised research and development costs

	Capitalised costs at 31/12/95 (Lit. millions)	Capitalised costs during 1996 (Lit. millions)	Amortis-ation 1996 (Lit. millions)	Capitalised costs at 31/12/96 (Lit. millions)	Capitalised costs during 1997 (Lit. millions)	Amortis-ation 1997 (Lit. millions)	Capitalised costs at 31/12/97 (Lit. millions)	Capitalised costs during 1998 (Lit. millions)	Amortis-ation 1998 (Lit. millions)	Capitalised costs at 31/12/98 (Lit. millions)
Banking										
Flora..	–	140	28	112	–	28	84	85	45	124
Daisy	2,370	1,995	657	3,708	1,126	1,111	3,723	1,027	1,366	3,384
Per Fido	230	–	77	153	465	193	425	611	315	721
SEAC	250	–	83	167	196	83	280	235	170	345
MarketMine	–	–	–	–	29	–	29	172	–	201
Medical Imaging										
DicomWare	–	182	–	182	444	111	515	727	270	972
Industry										
3Desk (VIP)	–	272	–	272	205	–	477	306	–	783
SpaceZoom (WIRE)	–	99	–	99	68	–	167	46	42	171
AntiFraud (COLBA)	–	169	–	169	80	50	199	–	50	149
VisualMine (AMODES) ..	–	117	–	117	36	31	122	–	30	92
K@Work	–	–	–	–	356	71	285	233	118	400
Libraries	–	–	–	–	128	32	96	162	32	226
Others	713		438	275	7	172	110	–	106	4
Total projects	3,563	2,974	1,283	5,254	3,140	1,882	6,512	3,604*	2,544	7,572

* This amount does not include Lit. eight million capitalised in tangible assets.

Schedule 3: Tangible fixed assets

	31 December, 1996 (Lit. millions)	Increase	Decrease	31 December, 1997 (Lit. millions)	Increase	Decrease	31 December, 1998 (Lit. millions)
Motor vehicles	81	1	(6)	76	–	(31)	45
Furniture	90	3	–	93	15	(9)	99
Electronic machines	457	25	(161)	321	31	(17)	335
Equipments	1	3		4	4	–	8
Plant and machinery	87	–	(60)	27	52	(27)	52
Office furniture	77	26	–	103	9	(28)	84
Video system	13	–	–	13	–	–	13
Special system for internal communication	67	11	–	78	7	–	85
Total tangible fixed assets	873	69	(227)	715	118	(112)	721

Depreciation

	31 December, 1996 (Lit. millions)	Increase	Decrease	31 December, 1997 (Lit. millions)	Increase	Decrease	31 December, 1998 (Lit. millions)
Motor vehicles	45	11	(5)	51	7	(25)	33
Furniture	39	11	–	50	11	(9)	52
Electronic machines	286	52	(161)	177	50	(16)	211
Equipments	1	–	–	1	1	–	2
Plant and machinery	27	–	–	27	4	(27)	4
Office furniture	56	7	–	63	6	(28)	41
Video system	8	3	–	11	2	–	13
Special system for internal communication	45	13	–	58	11	–	69
Total depreciation tangible fixed assets..	507	97	(166)	438	92	(105)	425
Net book value	366	(28)	(61)	277	26	(7)	296

REVIEW REPORT

To the Board of Directors of
A.I.S. Artificial Intelligence Software S.p.A.

We have reviewed the accompanying consolidated balance sheets of A.I.S. Artificial Intelligence Software S.p.A. and its subsidiaries at 30 June, 1999, and the related consolidated statements of income and cash flows for the six month period then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the above mentioned interim consolidated financial statements at 30 June, 1999 do not give a true and fair view in accordance with Italian accounting principles promulgated by the *Consigli Nazionali Del Dottori Commercialisti e dei Ragionieri,* which differs in certain respects from International Accounting Standards (see note 23 of the Notes to the unaudited interim consolidated financial statements).

Milan, 30 September, 1999

KPMG S.p.A.

Francesco Magni
Director of Audit