AISoftw@re SpA: Reports Final Results for 1999

The board of AISoftw@re announces the company's results for the financial year to 31st December 1999

Milan, 31st March 2000

Financial Highlights:

- Total production value up 17.2% to Euro 11.9 million
- Sales up by 21% to Euro 9.7 million
- Operating margin falls to 6.7%, after one-off increases in technical staff costs, marketing costs and contingency charges
- Exceptional costs of Euro 3.5 million relating to transaction charges for the company's listing on EASDAQ
- Net loss after tax of Euro 2.8 million

Business Highlights in 1999:

- Medical imaging sector sales up by 152%
- Banking and financial sector sales up by 28%
- Continued development of products and technologies, including new Internet versions of key products
- Development of K@Work, an important new knowledge management technology
- International distribution agreements under negotiation
- Partnership established with Global-iNvest, through a 20% stake in Italia.iNvest.com SpA
- Two important acquisitions agreed during 1999, and completed post year-end
- Board strengthened by two non-executives, Mr Jacques Raiman and Mr Alberto Agosta
- Listing of the company on EASDAQ

Breakdown of sales:

Revenues	**1999**	**1998**	**1997**
Banking and financial sectors	2,719	2,127	2,999
Medical imaging sector	2,315	918	739
Industrial sector	4,646	4,956	2,883
Total revenues	**9,680**	**8,001**	**6,621**

Year Overview1999 was a year of great significance to the company, and of key strategic developments. Principal amongst these were the listing of the company on EASDAQ, the development of the company's acquisition strategy, and the strengthening of internal management resources and external partnerships.

The company performed well during the year, given the difficult conditions in same of its core markets (see table above). The banking and financial sectors, which, in Italy, suffered distractions during the year due to Y2K fears, saw growth nonetheless of 28% to Euro 2.7 million, slightly ahead of our expectations. This growth was due to an increase in the sales of licences for credit products, including important new contracts established with BCI and Cedacrinord. Also important was a new contract signed with Italia-iNvest for the development of financial services applications for the Internet.

In the industrial sector the acquisition of Telecom Italia by Olivetti Group led to delays in its investment programme, which affected key contracts involving AISoftw@re. In addition, the company suffered from the postponement of two government contracts due to administrative delays at the year end (this delay also affected the grant revenues).

These factors created a shortfall in the company's revenues in the industrial project area, which fell by 6% to Euro 4.7 million in the year. We are pleased to report however that the two postponed contracts have since been signed.

The medical sector, on the other hand, performed well ahead of our expectations, with sales growth of 152% to

Euro 2.3 million. Important developments in this area included the appointment of an additional distributor for the small to medium sized hospital sector, and the gaining of five important new hospital contracts. Given our continued market leadership in this area we remain very optimistic about future growth within the sector.

Revenues received from grants fell from Euro 496,000 to Euro 247,000, partly as a result of the delay in government project funding mentioned above, which postponed grant revenues of Euro 150,000 from 1999 into 2000. However, since the company now has sufficient financing to support its product development programme independently, in future we will be moving away from grants as a form of R&D financing.

Costs rose from 90% of production value in 1998 to 94% in 1999, due to a number of specific issues. Firstly, the cost of technical consultants rose by Euro 421,000, as a result of an increase in the number of consultants working with the company to deliver own licence sales and industrial projects. This increase was due, in part, to the involvement of the management team in the IPO, which led to lower than usual levels of recruitment during the year, and the need for additional consultants at the year end. This situation has however been corrected in the current year, with the recruitment of seven new staff during the first quarter. The company is currently undertaking a major recruitment programme, to ensure sufficient internal staff resources for future growth.

The second area of significant cost increase was in marketing costs, and in particular in the medical sector where the appointment of an additional distributor for the Italian market led to higher commercial costs in the start up phase (an increase of Euro 146,000). These costs were of a one-off nature, and will not affect performance in the current year.

Finally, the company incurred costs of Euro 3.5 million relating to its listing on EASDAQ during the year. In the interests of prudence and transparency these costs have been fully expensed in the year.

The above trends in revenues and costs led to a reduction in profit before interest from Euro 1.0 million in 1998 (12.4% of revenues) to Euro 0.7 million in 1999 (6.7% of revenues), and a net loss, after exceptional transaction costs and tax, of Euro 2.8 million. Although this result was below our expectations, the reduction in profitability was primarily related to the non-recurring items detailed above, and we are therefore confident that our profitability will improve in the current year.

Successive Events

The company has seen a good start to the year, with revenues well ahead of Q1 1999. In addition, we have made rapid progress in our acquisition programme, completing the two acquisitions that were announced at the time of the IPO, namely Itaca Srl and SE Informatica Srl. These companies have brought important synergies in products, technological expertise, and distribution channels, and will add significantly to our revenues in the current year: on a pro forma basis, consolidated group revenues in 1999, including these companies, would have been Euro 16.3 million, and we are expecting attractive growth from these subsidiaries during 2000.

In addition, AISoftw@re has taken a 23% stake in ACS, an important software development company based in Rome, and this investment will form the basis of an important partnership between our two companies. Other acquisition negotiations are also progressing rapidly, and we expect to be able to make further announcement during the year.

Also in this year the company has undertaken a strategic reorganisation of its business units, appointing a manager for international sales and investing in a new R&D laboratory. This laboratory will focus in particular on the development of new applications in the Internet sector.

In terms of strategic developments, the company is continuing to emphasise its own licence sales, while also expanding its international distribution channels. These now include a distribution contract signed with Much-Net AG, a software house based in Zurich and specialised in banking solutions, for the distribution of AISoftw@re DAISY (treasury management) products within Switzerland. Investments will continue in product development, as well as in strengthening the technical and commercial infrastructure of the group.

In addition, the company has recently announced a stock option plan, to assist in the recruitment and retention of key technical and management staff, and it is our intention to seek a second listing on the Nuovo Mercato stock exchange (Milan) during 2000. This listing will assist the company to expand its acquisition strategy, while also providing an opportunity for Italian retail investors to participate in the growth of the company.

Product Development
The company has made good progress during the year in its R&D programmes, both in the launch of new products and in the research and development of new technologies. These developments included the continuing development of the Daisy product range, upgrading of the credit products for Internet hosting, investments in DicomWare (medical imaging), the launch a new version of the 3Desk software, research and development of K@Work (knowledge management solutions).

In the current year the company expects to complete developing the following products:

- Per*Fido, Internet version. The Internet-ready version of the company's core credit analysis product, Per*Fido, has been completed during the first quarter, and is now ready for release during Q2 to key clients
- K@Work. This is now in the Beta test phase, and will be released for commercial distribution during the first half of 2000
- Daisy, new modules. Currently in development, these modules are expected for launch in the second half of the year
- Internet datamining. The company is currently testing an Internet datamining tool for banking applications, which are expected to be released during the second half of the year
- Medical sector, technical modules. The company is now developing the underlying technical modules needed to launch its successful DicomWare product on the international market. Beta test version is expected by the final quarter of the year.

New Partnerships
The company is currently negotiating with a number of OEM's and consultancy companies in the medical and banking sectors, with a view to strengthening the company's product distribution in the Italian market. Other international distribution agreements are also under negotiations, and we are confident of announcing progress in these areas within the second quarter of this year.

Executive Recruitment
During 1999 the company recruited two non-executive directors, Mr Jacques Raiman and Mr Alberto Agosta, to its board, and recruited Mr Giorgio Rolando as Chief Financial Officer. Mr Raiman was the founder and President of GSI, one of the largest software services businesses in France, and Mr Agosta was previously responsible for software company investments and acquisitions for IBM Italia. Mr Rolando is a certified accountant and has previously been CFO or COO for the Italian subsidiaries of a number of multi-national companies, including Philip Morris, Pioneer, Landis & Gyr, and Superga.

For further information:
Dott.ssa Alessia Vanzini
Tel. +39-02-28014.1
Fax. +39-02-2610853
E-Mail: avanzini@ais.it