



Annual Report 2004

cdb web tech

Annual Report 2004

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CORPORATE GOVERNANCE

Board of Directors

Chairman	Carlo De Benedetti *
Vice-Chairman	Franco Girard **
CEO	Vittorio Moscatelli**
Director	Giampio Bracchi
Director	Michel Cicurel
Director	Pietro D'Agui
Director	Elserino Piol
Director	Massimo Segre***
Director	Gian Carlo Vaccari

Secretary to the Board	Franca Segre
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Board of Auditors

Chairman	Flavio Dezzani
Principal auditor	Vittorio Ferreri
Principal auditor	Luigi Nani
Alternate auditor	Luigi Macchiorlatti Vignat
Alternate auditor	Michele Passera
Alternate auditor	Gianfranco Grimaldi

* Ordinary and extraordinary executive powers exercised with single signatory

** Ordinary executive powers exercised with single signatory, extraordinary executive powers exercised with dual signatories

*** Executive powers exercised with single signatory limited to powers so delegated, extraordinary powers exercised with dual signatories

In all cases, the exercise of extraordinary executive powers is exclusively restricted to the limitations set by law on the Board of Directors.

Independent Auditors

PricewaterhouseCoopers SpA

DIRECTORS' 2004 FISCAL YEAR REPORT

EXECUTIVE SUMMARY

Dear Shareholders,

For the 2004 fiscal year ending December 31, 2004:

- Cdb Web Tech Group realized a consolidated net profit of **€ 8.6 million**, a four-fold increase on 2003. This figure does not include unrealized holding gains in excess of € 15 million;
- NAV improved to € 2.73 per share at December 31, 2004, up 3.4% over the same time last year and representing an aggregate increase of € 9.3 million;
- Direct investments and venture capital funds investments at December 31, 2004 were up 37.3% on the previous year-end;
- At December 31, 2004, the Group's net financial assets continue to exceed its venture capital funds investment commitments;
- The Group's net financial position continues to be very strong, enabling it to further develop its investment program.
- Cash and share distributions received from venture capital funds increased to \$US 17.5 million from \$US 5.9 million for 2003.

Key Cdb Web Tech Group Financial Results

(€ thousands)	Dec. 31, 2004	Dec. 31, 2003
Net profit for the fiscal year	8,629.5	1,911.5
Net Asset Value (NAV) per share (€)	2.73	2.64
Investments*	123,966.6	90,336.1
Net Financial Position	136,709.0	160,649.3
Commitments/Net Financial Assets	90%	90%

* Direct investments in technology companies and venture capital funds investments

THE MARKET

Cdb Web Tech's main venture capital investment focus remains the Information & Communication Technology (ICT) and Life Sciences sectors, mainly in the US and Israel. The venture capital industry was first developed in the US, creating very large successful global companies. These companies were innovators, driving change in industry, production, commerce, services, daily life and the economy in general. Having come through the crisis of the 2001 – 2003 period, the US venture capital industry is now once again building successful companies promoting economic growth with positive economic returns for investors.

The venture capital industry in Israel, developed during the 90s, has now passed the critical post-bubble phase and is once again growing. Many investors, including Cdb Web Tech, have been directing investment into this market. It should be noted that even Israeli companies use the US market as their principal market for the development of products and venture capital financed company listings.

The European venture capital industry is experiencing a period of stagnation. Some sectors like biotechnology are growing, while others like IT are falling sharply in terms of new investment. Few companies with innovative products are being developed, exit opportunities are scarce and returns are slow. Cdb Web Tech's new commitments in Europe have also been limited.

In the emerging economies of South East Asia, China and India, venture capital investments are growing exponentially. Numerous companies are being established, offering and developing new services and technological products. This growth and development has already seen its first success stories, with eight venture capital backed Chinese technology companies listed in the US during 2004. For the venture capital industry, the countries of South East Asia hold a two-fold attraction. They represent huge markets with opportunities for venture capital backed companies to develop their operations, and are also a low cost resource with major potential for the sourcing of professional staff and for entrepreneurs launching new companies. Many initiatives are started by Chinese and Indian immigrants to the US returning to South East Asia to start businesses on completion of their education in the US. Some US venture capital funds, in which Cdb Web Tech has invested in the past, are operating in China and India. There have already been some success stories and some of Cdb Web Tech's Asian investments have performed excellently.

Cdb Web Tech has increased their investment profile in South East Asia, despite being aware of the difficulties that exist with investment in this part of the world. Commitments of \$US 8 million have been made in two venture capital funds focusing on South East Asia. An investment commitment of \$US 3 million in an India-focused US venture capital fund was acquired on the secondary market and at the start of 2005 a direct investment of \$US 10.2 million was made in GSMC, a manufacturer of integrated circuits based in Shanghai, China.

During 2004, the growth trend first observed in the venture capital industry during the second half of 2003 was confirmed with the development and growth of companies with innovative products and healthy market prospects and with the growth, investment levels have increased. Most investment values now reflect the value of innovation, market prospects and strong management with the capacity to develop.

The increase in liquidity events, leading to an increase in IPOs and M&A transactions in venture capital backed companies, has seen some funds realizing capital gains, thus confirming the venture capital industry's potential for the creation of value.

All of this has been happening against the backdrop of the uncertain global geo-political situation and the stagnant general economic environment in the West.

We have noted a renewed level of attention in technology investments, following the downturn of recent years on the part of companies needing to reduce costs and investment levels following the excesses of the 1999-2000 period.

We are firmly convinced that research and technological development are the foundation of economic and industrial progress, as shown by the dynamics of the US economy.

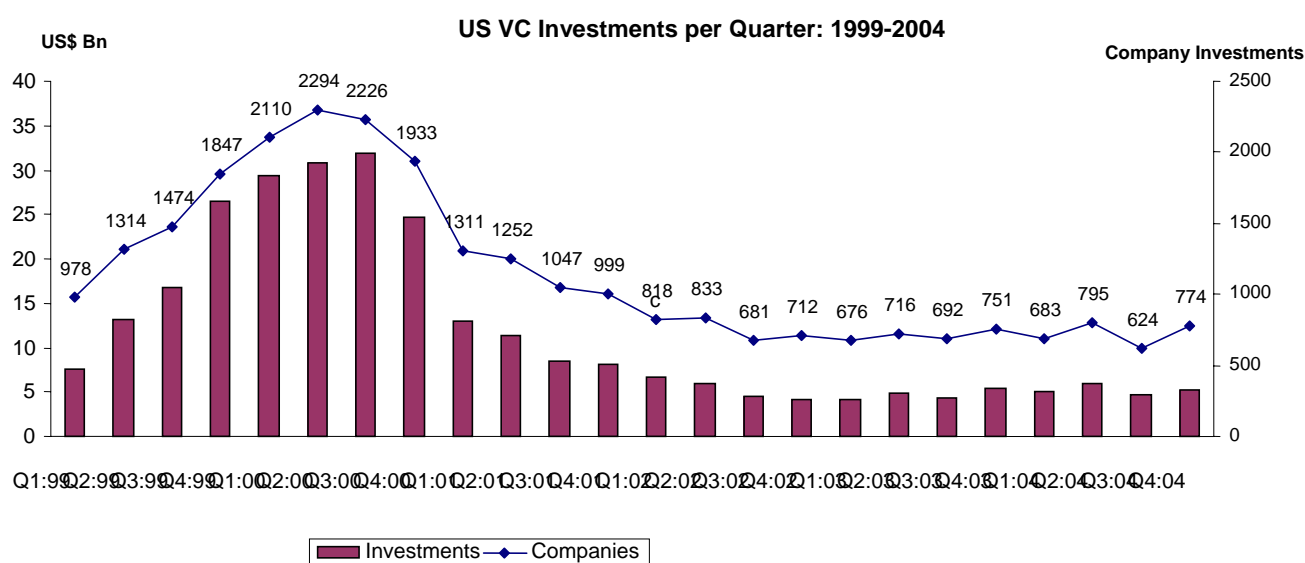
In this context, the venture capital industry has a vital role to play. This is borne out by the boost received by the US economy from this sector, not only in terms of financial and entrepreneurial investment activity, but also as the driving force behind the creation of value and new jobs, which at this stage nobody expects the traditional sectors to produce. Companies like Microsoft, Cisco, Intel and Google are strong examples of the importance of the venture capital industry in North America.

Two facts show clearly the determining role played by the venture capital industry in the US economy over the last few years. At the end of 2003, 10.1 million people were employed by venture capital backed companies in the US, representing 9.4% of the workforce of North America. This figure had increased by 6.5% since 2000, with 600,000 new jobs created during a period

dominated by a crisis in the world of venture capital. Furthermore, during 2003 venture capital backed companies sold goods and services to a value of \$US 1,800 billion, equivalent to 9.6% of all US sales with an increase of 12% on 2000. (Source: Global Insight, studies carried out on a sample of 26,494 venture capital backed companies, based on data provided by Thomson Financial / PWC / NVCA).

A cautious optimism has been spreading among agents and brokers in this sector regarding prospects, with an awareness that the extensive selection process begun by the market will continue, due not only to the fact that the economy shows no signs of lasting sustainable growth but also as a result of the doubling of the US deficit.

Venture capital fund investment levels in the US, Israel and Asia have increased on 2003.

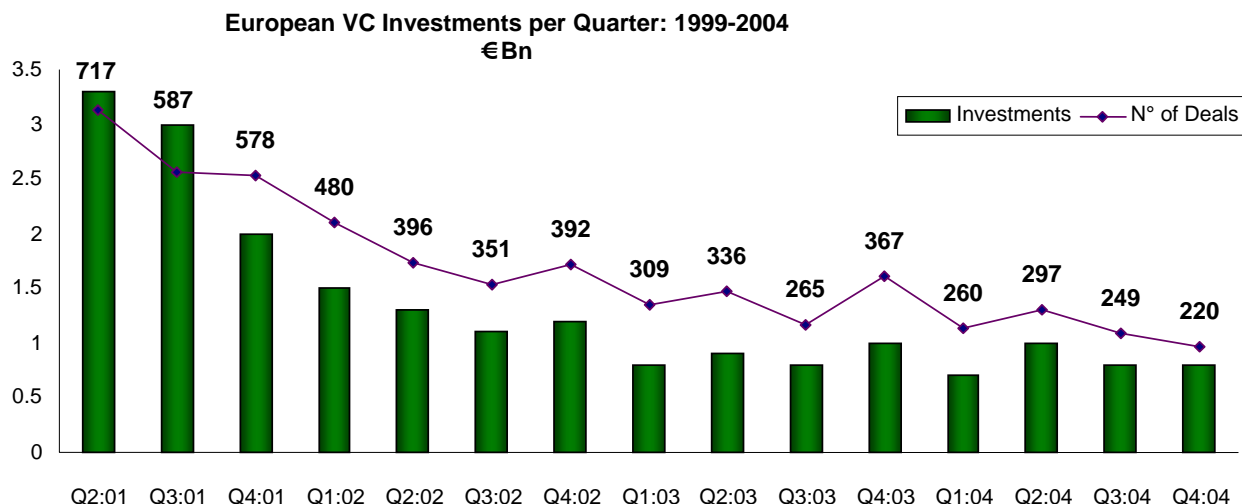


Source: Thomson Venture Economics; National Venture Capital Association and PricewaterhouseCoopers

During 2004, \$US 20.9 billion was invested in 2,876 US venture capital funds, compared with \$US 18.2 billion invested in 2,662 companies in 2003. This is an increase of 14.8% in one year. This increase is largely due to the increase in later stage investments, up 50% on 2003, motivated either by the approach of the end of the investment period for many companies which emerged during the 1999-2000 period or by the expiry of the fund itself, leaving less time for developing startups. Furthermore, with the window of exit opportunities which has been opened, many funds have wanted to exploit the potential for relatively fast returns for their investors. Early stage investment levels have grown 19% on 2003, showing that the US venture capital industry has begun once again to focus attention on new initiatives.

Sector	\$US billion		%	
	2004	2003	2004	2003
Software	5.1	3.6	24.0	19.8
Biotech & Healthcare	5.6	3.4	27.0	18.7
Telecommunication	1.9	2.0	9.1	10.9
Networking	1.6	1.7	7.7	9.3
Semiconductor	1.6	1.2	7.7	6.6

Cdb Web Tech invested \$US 1.1 million in two US technology companies and made new commitments totaling \$US 26.5 million in venture capital funds. \$US 5 million of this amount was invested in life sciences venture capital fund, while a further \$US 3 million was invested in an Indian – American fund acquired on the secondary market.



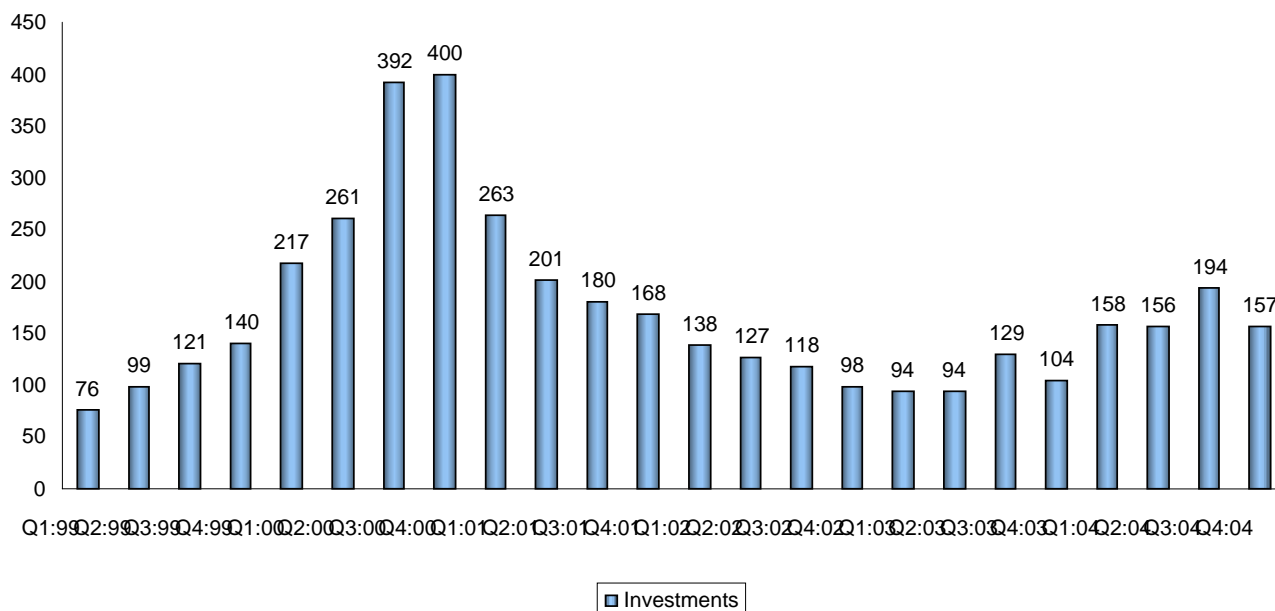
Source: Ventureone

In Europe, 2004 saw € 3,484 million invested in 1,026 venture capital funds, compared to € 3,524 million invested in 1,277 venture capital funds in 2003. This represents a 20% fall in the number of investments, although the total invested has remained largely stable. The biotech and life sciences sector received most investment, a total of € 1,486 million representing 42.6% of the total invested, up 19% on 2003. This confirms that this sector is of much greater importance in Europe than in the US where it received approximately 27% of the investment total. Almost all other sectors saw investment levels fall. Only the software and communications sectors received strong levels of investment, totaling € 745 million (down 10% on 2003) and € 425 million (up 2% on 2003) respectively.

Cdb Web Tech made one new € 5 million investment commitment in a biotech venture capital fund and acquired a similar stake in a technology venture capital fund on the secondary market.

Israeli VC Investments per Quarter: 1999-2004

US\$ millions



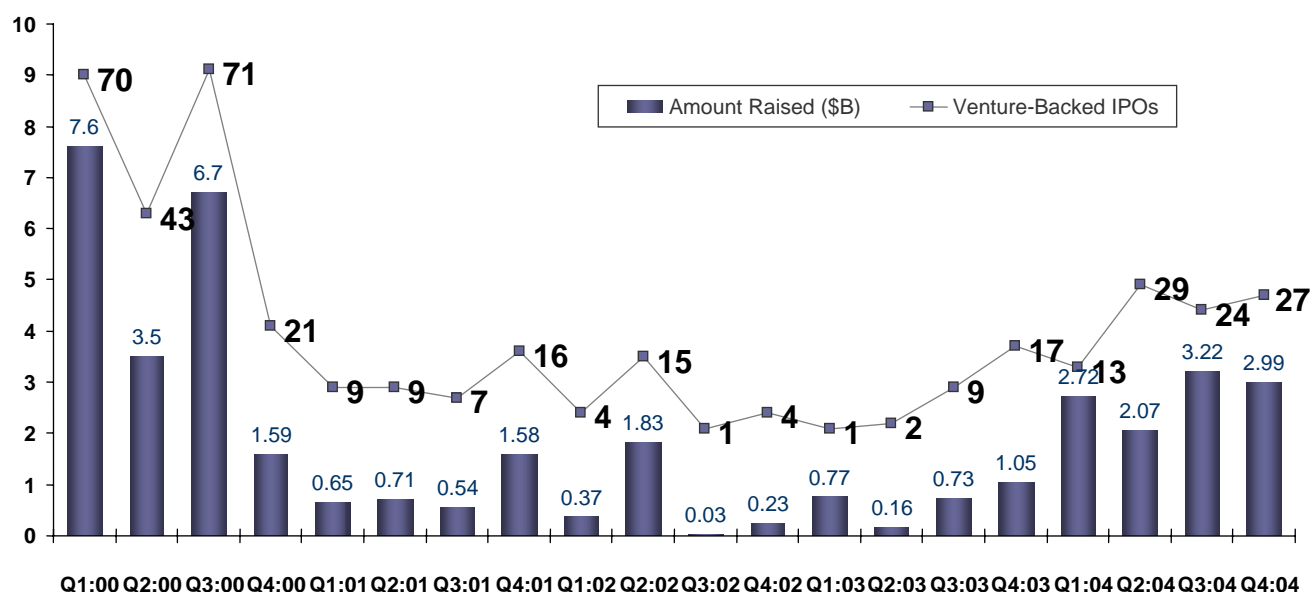
Source: IVC Research Center

During 2004, \$US 665 million was invested in Israeli venture capital funds, against \$US 421 million in 2003, an increase of 58%. 428 Israeli technology firms received \$US 1.46 billion from national and international venture capital funds during 2004, up from \$US 1.01 billion in 2003. These figures further demonstrate the dynamism of the venture capital industry in this small country which has ten times the venture capital investment level of Europe, in proportion to the population. 29% of investment went to the communications sector with software and life sciences receiving a further 22%. Investment in life sciences has grown from 8% in 2000 to 22% in 2004.

Cdb Web Tech committed an additional \$US 9 million to three Israeli venture capital funds during 2004 but made no direct investments in this market.

Exit opportunities were quite plentiful during 2004 for venture capital backed companies, with IPOs and M&A transactions at the highest levels seen since 2000, both in terms of the number of transactions and the levels of liquidity generated.

US IPOs of venture-backed companies



Source: Thomson Venture Economics; National Venture Capital Association

Year	Venture backed IPOs	IPOs Value (\$US millions)	Post IPO companies total value (\$US millions)	Post-IPO average company value (\$US millions)
1999	245	18,831	122,230	501
2000	215	20,885	112,088	521
2001	41	3,489	18,004	439
2002	24	2,473	8,992	374
2003	29	2,022	8,257	284
2004	93	11,014	61,087	656

In 2004, there were 93 venture-backed IPOs in US, totaling \$US 11 billion. This means that the number of companies involved has more than tripled since 2003, and the capital raised is five times that raised in 2003. These figures clearly demonstrate that the market is more receptive to IPOs from companies with innovative products and growing business. Furthermore, at December 31 2004, 57 companies have registered with the SEC for an IPO, which indicates that this favorable trend is set to continue into 2005.

Of the 93 US IPOs, Cdb Web Tech has a direct investment in just one company, PeopleSupport and through 26 venture capital funds Cdb Web Tech had invested in 19 of the IPO companies: 51Job, Atheros, Cytokinetics, GuruNet, Inhibitex, InPhonic, Intralase, JamDat Mobile, KongZhong, MarketAxess, Memory Pharmaceuticals, MortgageIT, NetLogic, PeopleSupport, Phase Forward, SalesForce, Semiconductor Manufacturing International, Shopping.com and ZipRealty. Having part financed over 20% of the successful technology companies which completed an IPO in the US during 2004 constitutes a very positive result for Cdb Web Tech and confirms the high quality of our investment portfolio and business model. Shares in these companies remain mostly in the portfolio of the respective funds, due to the usual six month lockup period. Thus their positive performance is only partially reflected in the financial statements for the 2004 fiscal year.

It is also very positive that at the end of 2004, 69 of the IPO companies, equivalent to 74%, are trading at a price above their initial IPO price.

In Europe, 34 venture capital backed companies completed an IPO during 2004 (9 in 2003), generating total capital of € 712 million (€ 129 million in 2003). The number of companies involved is one third of the total for the US but the capital generated represents just 7% of that generated in the US.

M&A transactions relating to US companies or companies backed by US venture capital funds during 2004 grew both in number and value, confirming the lively nature of this market.

Year	Number of M&A operations	Average value per operation US\$ millions	Estimated total value of M&A operations US\$ millions
2000	326	330.8	107,840
2001	383	102.8	39,372
2002	315	52.2	16,443
2003	291	62.8	18,274
2004	333	84.5	28,138

M&A transactions remain the primary method for venture capital funds to realize and liquidate their investments. IPOs are favored as they give greater visibility to the event, but M&A operations remain the most frequent exit opportunity for the venture capital industry, both in terms of the number of transactions concluded and their average value. Thus the figures which show an increase in the number of M&A transactions and their value were determined by liquidity levels during 2004. 42 M&A transactions were carried out during 2004 relating to companies backed by venture capital funds in the Cdb Web Tech investment portfolio, representing 13% of operations concluded.

Year	Number of M&A operations	Average value per operation €millions	Estimated total value of M&A operations €millions
2003	141	26	3,666
2004	147	10.6	1,558

Source: VentureOne/Ernst & Young

While the number of operations has remained stable, their average value has collapsed, virtually transforming these operations into liquidation of assets rather than M&A operations.

Venture capital sector performance, as measured at the end of September 2004 by Thomson Venture Economics and National Venture Capital Association using the Private Equity Performance Index (PEPI) and presented in the table below, was positive by 8.9%, which confirms the recovery of the venture capital industry. This performance does not take into account the stream of IPO and M&A transactions carried out at the end of 2004. While the performance of the venture capital industry over three years is still negative, with the collapse of the 2001 – 2002 period not yet absorbed, the following table shows that the average annual return from venture capital over the last 5 and 10 years is better than the returns from other forms of investment. It also confirms the cyclical nature of this industry and highlights the potential for positive returns in the medium to long term for the venture capital sector

Annual Performance				
	1 year	3 years	5 years	10 years
Venture capital	8.9%	(7.4%)	10.5%	26.9%
Buyouts	17.3%	5.2%	2.7%	8.1%
NASDAQ	6.2%	8.2%	(7.1%)	9.5%
S&P 500	11.9%	2.3%	(2.8%)	9.2%

This data refers to the position at September 30, 2004 and expresses the average annual return.

Source: Thomson Financials/NVCA

The performance of Cdb Web Tech investments cannot be compared with the listed figures for venture capital as Cdb Web Tech only began investing in 2000 and market performance indicated in this table takes into account a historical perspective of the annual returns on the investment.

The revenue from US venture capital funds has been affected by the changing climate of the venture capital industry. During 2004, 170 venture capital funds collected investment inflows of \$US 17.6 billion, peaking at \$US 6 billion in the final quarter, compared to \$US 10.6 billion in 2003 and \$US 3.6 billion in 2002. Further growth is expected during 2005, even though top tier funds are reducing the size of their new funds. The worry is that higher levels of capital will be collected than the industry can sustain - as detailed above, in 2004 \$US 20.9 billion was invested in the US. This could generate inflation through excess capital investment. This analysis has led Cdb Web Tech to remain very selective in investment in new commitments.

We have always emphasized the cyclical nature of the venture capital industry. Study of these figures confirms our assertion that the venture capital industry cycle has now passed its lowest point and has entered a recovery phase.

GROUP INVESTMENTS AND INVESTMENT ACTIVITY

Overview of Group Investments at December 31, 2004

	December 31, 2004		December 31, 2003		Change	
	Number	€million	Number	€million	Number	%
Direct Investments	14	6.7	14	7.4	-	(9.5%)
Venture Capital Funds (VCF)	78	117.2	65	83.0	13	41.2%
Total Investments		123.9		90.4		37.1%
VCF Outstanding Commitments	70	129.8	57	149.7	4	(13.3)%

The change in commitments and investments values was due to new investments and the €/US dollar exchange rate, as most investments and commitments are denominated in \$US. The Group covers its exchange risk as always through forward contracts.

In previous years, technology and healthcare hedge funds were listed as investments, however, in 2004, they have been reclassified as marketable securities.

Overview of Group Investment Activity in 2004

During 2004 Cdb Web Tech realized the following major investment transactions:

- made a new investment of \$US 1 million in Kovio, a US company, which operates in the nanotechnology sector, in the field of printed electronics.
- participated in a share capital increase in Integral, valued at \$US 0.14 million. This company, already in the Group portfolio, provides software platforms to banks and other financial institutions for the management of network financial operations.
- undertook venture capital funds investment commitments totaling \$US 53.5 million comprising:
 - \$US 38.2 million and € 5 million in new commitments in the following funds: Arch Ventures IV; Pitango IV, DCM IV, Benchmark V, Sevin Rosen IX, Giza IV, Gemini IV, Orchid Asia III, Rho Venture V, HBM BioCapital and Prospect III, while the Group made an additional commitment in the JVP III Annex fund in which the Group already has a stake.
 - \$US 7.8 million in secondary market investment commitments acquisitions regarding the following funds: Artiman Ventures, Doughty Hanson Technology, Carlyle Asia II and Oxford Bioscience II. The Group thus increased its stake in both Doughty Hanson and Oxford Bioscience.
- invested \$US 62.6 million in venture capital funds pursuant to capital calls (2003: \$US 42.6 million)
- received \$US 17.5 million in cash and share distributions from venture capital funds, up from \$US 5.9 million in 2003, equivalent to 2.9 times cost, enabling the realization of € 9.3 million in capital gains.
- disposed of its 50% partnership in an Israeli fund, as it was felt that the share of the fund held was disproportionate to its size, resulting in realized capital gains of \$US 0.5 million, and a decrease in overall outstanding investment commitments of \$US 3.2 million.
- continued to place excess liquidity in hedge funds with a high level of diversification per industrial sector, strategy, manager and geographic area, in order to deploy all the available capital and to optimize yield. At December 31, 2004 the Group held stakes in 53 hedge funds worth € 84.5 million. During the year there have been numerous new investments and disinvestments reflecting the Group's dynamic portfolio management strategy.

Analysis of Group Investments at December 31, 2004

At December 31, 2004 Cdb Web Tech had invested, directly or indirectly, in some 1,150 companies, which develop and/or market applications, infrastructures and services in the telecommunications, optical equipment & components, software, internet services, semiconductors, biotech, diagnostic and healthcare equipment sectors, as well as services in the medical sector.

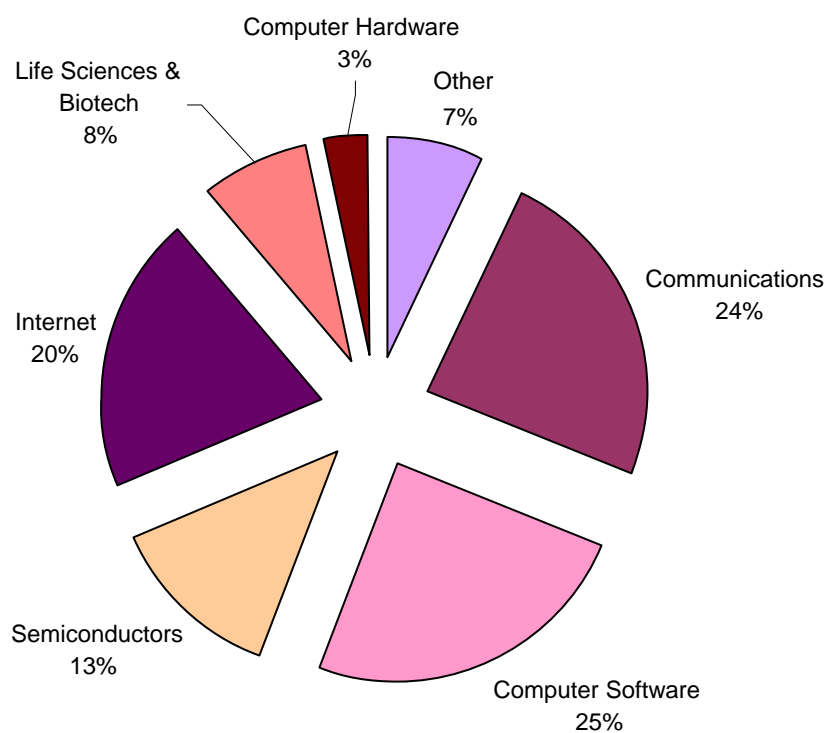
Through its venture capital funds investments, the Group had indirect equity stakes in 84 listed companies, whose December 31, 2004 discounted values amounted to 14% of the Group's investments in venture capital funds. These companies completed IPOs or are listed companies which acquired venture capital backed companies in total or partial exchange for their shares, to be sold on the open market in the coming months or distributed to investors like Cdb Web Tech to realize capital gains. Cdb Web Tech sells on the open market any shares it receives as it is part of Group strategy not to hold listed shares, except under lockup conditions as dictated by Stock Exchange rules, or for the time required to sell them at best market conditions.

Among Cdb Web Tech's direct investments are two other listed companies: Hostworks, listed on the Sydney Stock Exchange and PeopleSupport, recently listed on the Nasdaq.

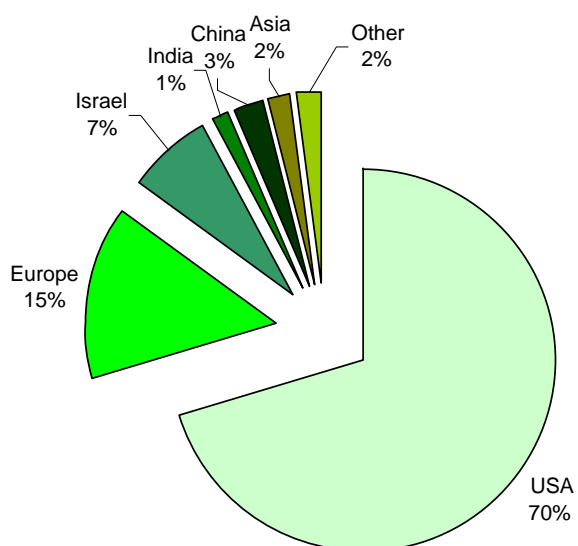
Analysis of Venture Capital Fund Investments by Industry Sector

- **25%** in software companies, including enterprise software, data storage, security and disaster recovery, software for infrastructure and telecommunications;
- **24%** in communication technologies companies, including network communications, wireless components, switches, hubs, routers, photonics and optical systems;
- **20%** in e-commerce and Internet services;
- **13%** in semiconductor companies;
- **8%** in Life Sciences companies and Biotech including medical devices, diagnostics and therapeutics;
- **3%** in infrastructure and hardware solutions;
- **7%** in companies operating in other sectors;

Analysis of Venture Capital Funds Investments by Industry Sector (Net Book Value)



Analysis of Venture Capital Fund Investments by Geographic Region



Direct Investments

At December 31, 2004, the Group held direct investments in 14 companies operating in the software development, new technology services, ICT systems and components, biotechnology and nanotechnology sectors. As previously discussed, during this period a new investment was made in Kovio, a US company, which operates in the nanotechnology sector, in the field of printed electronics, and the Group invested \$US 1.1 million in a share capital increase in Integral.

PeopleSupport (a US company in which Cdb Web Tech invested in 2000, in which it holds a 1.37% direct stake and an indirect stake through the Benchmark and Meritech venture capital funds) completed an IPO in September 2004 and is now listed on the Nasdaq. The IPO price was \$US 7 per share, with the share now trading at a higher price. Cdb Web Tech has held its shares and is bound by lockup conditions until the end of March 2005. At current market values, the shares represent holding gains of approximately \$US 0.8 million.

The investment made during 2003 in an Asian distressed assets company has been successful, generating capital gains over the 2003-2004 period equal to the capital invested.

At December 31, 2004, the value of direct investments was €6.7 million, down from €7.4 million at December 31, 2003, reflecting net writedowns in investments values that more than offset additional investments made.

Revenues and profit margins have continued to increase for PeopleSupport, TellMe, Hostworks and MobileAccess, confirming their positive performance.

Despite strong sales figures, 12Snap and Xpert have not achieved expected growth rates. Their financial position is such that they will not require further finance in the short-medium term. They have the resources and potential to seek out growth opportunities in order to be valued, but there are still some risk elements attached, particularly in terms of their markets.

Airband, considered a risk in the past, has successfully built a client portfolio and achieved notable sales of several million and increased its market share, increasing our level of optimism for future prospects.

Ecrio, written down to zero and maintained at this value, has secured licensing contracts during the second half of 2004 which have led to revenue of several million for 2004, to recur in 2005. A potential strategic partner has been identified, to invest in the share capital of this company, consolidating growth. If this is confirmed, the value of this investment will be reviewed.

Elixir Pharmaceuticals and Kovio (total Group investment €1.5 million) are early stage companies. They are developing positively according to all forecasts and both companies are expected to start production at the end of 2006.

Legerity and ETF are both facing problematic development and growth conditions resulting from their markets and/or their products and/or management difficulties, and accordingly the Group's direct investments in both have been written down to a token value of €1 at December 31, 2004. However negative the future performance of these companies will be, they will not have any significant impact on the financial position of Cdb Web Tech.

The Group concluded an agreement at the end of 2004 to be executed in the first quarter of 2005 to dispose of its direct investment in Teleknowledge, which is having difficulty developing its business.

Company	Country	Industry sector	Investment Value 31.12.2004 (€millions)	% owned
12Snap	Germany	Mobile marketing services	0.21	2.54
AirBand	USA	High bandwidth wireless internet access for companies	0.02	0.07
Ecrio	USA	Wireless messaging applications and infrastructure	0.00	10.35
Elixir Pharmaceuticals	USA	Biotech firm concentrating on the prevention of illnesses connected with the aging process	0.73	1.25
ETF Group	Switzerland	Europe and USA focus venture capital company	0.00	1.18
Hostworks	Australia	Web hosting and data center services for companies, listed in Australia	1.11	8.20
Integral Develop.	USA	Financial institution services and software	0.28	0.87
Kovio	USA	Nanotechnology – printed circuits	0.73	3.34
Legerity	USA	Integrated circuits for telecommunications sector	0.00	0.90
MobileAccess	USA	Wireless coverage systems for buildings and remote areas	0.43	2.17
PeopleSupport	USA	Integrated customer care services	1.25	1.37
Teleknowledge	Israel	IP billing system	0.02	0.83
TellMe Networks	USA	Voice recognition technology	0.30	0.17
Xpert	Israel	IP network and security systems	1.65	5.14

Details of the Group's major direct investments at December 31, 2004 are as follow:

PeopleSupport

PeopleSupport, based in Los Angeles, California, is a provider of on-line multi-channel assistance to customers of large companies (airlines, insurance companies, telephone companies, etc.). The company integrates its own platform with personalized customer care solutions. PeopleSupport has two call centers (St. Louis, USA and Manila, Philippines) and the technology to offer a complete service at very competitive prices. The company was listed on the Nasdaq index during 2004 and posted sales of \$US 31.9 million in the first three quarters of the year, up 49% on the same period of the previous year, and realized € 0.4 million in net profit. Cdb Web Tech has invested \$US 3 million to date in PeopleSupport. At December 31, 2004, this investment had a book value of \$US 1.7 million, lower than its market price.

Hostworks

Hostworks Group Limited, listed on the Sydney Stock Exchange is one of the leading Internet hosting services providers in Australia and South-East Asia, hosting information sites and particularly complex e-commerce sites. Hostworks realized sales of \$AUS 14 million for the fiscal year-ending June 30, 2004, up 13% over the previous year. It posted an EBITDA of \$AUS 3.19 million, largely unchanged on the previous year, reflecting the soundness of its operating strategy. The company had a net positive financial position at fiscal year-end. Cdb Web Tech holds an 8.20% stake in Hostworks through its \$AUS 3.87 million investment.

TellMe

TellMe, based in Mountain View, California, has developed voice recognition technology, which enables automated call centers to avoid caller identification requests, achieving considerable costs savings for its users. The company posted 2004 sales of \$US 80 million, up 105% over the previous year, as well as realizing positive operating cash flows and enjoying a positive net financial position. At the end of 2004 TellMe is completing a second center on the East Coast of the US which will serve as back-up for all company services.

Cdb Web Tech holds a 0.17% stake in TellMe through its \$US 2 million investment.

Xpert

Xpert is an Israeli company, which supplies security and continuity solutions to large companies, organizations and service providers, and now even to large data storage providers.

Xpert posted 2004 full year sales of \$US 9 million, a slight decrease on the previous year. This is due to a change of management and the decision to cease operations in Spain, which will be sold as part of a review of the strategic plan to be implemented by the new management in order to deliver on the expected level of development of this company. The company has available financial resources to facilitate investment in their product and their sales network.

Cdb Web Tech holds a 5.14% stake in Xpert through its \$US 3 million investment.

Kovio

A US company in the process of developing a technology that allows for the creation of electronic circuits using printed electronics technology, by modifying the physical structure of ink. Cdb Web Tech holds a 3.56% stake through its \$US 1 million investment.

Elixir Pharmaceuticals

Elixir Pharmaceuticals Inc was founded in 1999 and is based in Boston, USA. This company carries out research on the possible genetic causes of illnesses associated with the aging process. The company is in the process of developing new drugs that will prevent or slow down the appearance of such diseases. Cdb Web Tech holds a 1.35% stake in this company through its \$US 1 million investment. Other Elixir investors include MIT (Boston) and other venture capital funds. The company is proceeding according to plan and has identified a category of natural product which can affect these genetic factors, achieving the desired result with customized individual doses. This line of products may be developed by a new company and research centre, separate from Elixir. Cdb Web Tech would have a stake in this new company by virtue of its investment in Elixir. Elixir would continue to develop pharmacological products.

MobileAccess

MobileAccess was founded in Israel and then transferred to the US. This company develops, produces and markets solutions for RF communications via fiber optic cable which allows for the extension of wireless coverage (mobile phones, PCs and other systems) in remote areas and areas with coverage difficulties. MobileAccess is also developing a solution for wireless coverage inside large structures like airports, skyscrapers, university campuses, shopping centers, stadiums, etc. used by many telecommunications operators around the world. The company posted 2004 sales of \$US 18 million (up 50% on 2003).

Cdb Web Tech holds a 2.17% stake in MobileAccess through its \$US 2 million investment.

Integral

Integral is based in Mountain View, California and supplies platforms and software for financial transactions within a network, to banks and financial operators. It has, in the last few years, generated revenue with various products, all in the banking sector. At the end of 2004, Integral posted sales of \$US 2 million (down on 2003 figures) and is planning to carry out a further share capital increase in order to reposition their product in the market of international money market traders. After the 2003 financial year, Integral finalized a convertible bridge loan, which was partially financed by Cdb Web Tech to the extent of \$US 130 thousand. Including this loan, Cdb Web Tech holds a 0.87% stake in Integral through its \$US 3.14 million investment.

Legerity

Legerity, a spin off of Advanced Micro Devices (AMD), supplies integrated circuits to the telecommunications industry. The company is based in Austin, Texas, and has offices in Europe and Asia, where it is concentrating its efforts in order to acquire market share, relocating part of its production process.

Legerity realized sales of \$US 62 million for the first nine months of 2004, down from \$US 70 million for the same period last year.

Cdb Web Tech holds a 0.9% stake in Legerity through its \$US 3.45 million investment.

12Snap

12Snap is based in Munich, Germany, its main market, and also serves Italy and the United Kingdom. It is among the market leaders in the provision of “mobile marketing”, i.e. the performance of marketing services with mobile phones. In the first half of 2004, the 12Snap Group realized sales of €2 million, down from €2.9 million for the same period the previous year.

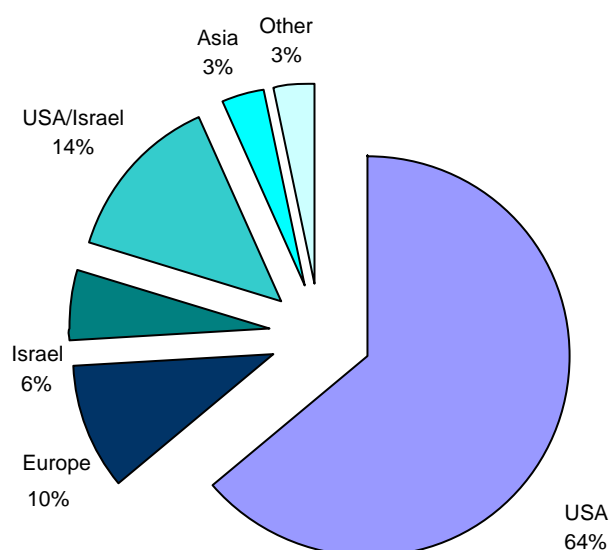
Cdb Web Tech holds a 2.54% stake in 12Snap through its €2 million investment.

Following the end of the 2004 fiscal year, Cdb Web Tech invested \$US 10.2 million in Grace Semiconductor Manufacturing Corporation, a manufacturer of integrated circuits based in Shanghai, China. This company was founded in 2000 and in 2004 realized sales of \$US 140 million. It has great potential for growth, with strategic partners and financiers from China, South East Asia and US share capital underwriters.

Venture Capital Funds (see listing on next page)

At December 31, 2004, Cdb Web Tech had invested in 78 venture capital funds, meeting 62.5% of its total capital commitments. The remaining 37.5% is expected to be fulfilled over the next 3 to 4 years.

Analysis of Venture Capital Fund Investments by Geographic Region



Cdb Web Tech has valued its venture capital funds investments based on their December 31, 2004 NAVs, which in most cases were derived from their unaudited preliminary financial results. Group management had not received sufficient financial information to value eight of its venture capital funds investments at December 31, 2004, and accordingly used their most recent NAVs. Although some differences in NAVs may result from their financial audit, it should be noted that the initial year-end NAVs were determined in a very prudent manner, and did not take into account the “J curve” typical of venture capital funds.

It should be noted that distributions have increased both in number and average value, with good returns achieved on capital invested. Cdb Web Tech has received 83 distributions, with a value of \$US 17.5 million (€ 13.9 million), realizing capital gains of \$US 11.3 million (€ 9.3 million) which has contributed to the Group financial results for 2004.

The table is a summary of the Group's commitments and investments in VC Funds:

Venture Capital Funds	Durisdiction	Subscription year	Fund Size	Commitment	CDB (%in the fund	Invested	Nominal Invested LC	Invested / Commitment (%)	Balance to Invest
USD Dollars					.00			.00	
Accel Europe	Delaware U.S.A.	2000	509,300,000	5,000,000	.98	2,225,000	2,225,000	44.50	2,775,000
Accel Internet Partners IV	Delaware U.S.A.	2000	820,760,000	9,724,000	1.18	7,106,099	7,153,084	73.56	2,570,916
AFA Private Equity Fund I	Cayman Islands	1999	16,500,000	2,500,000	15.15	2,435,387	2,500,000	100.00	0
ArchVenture Fund LP VI	Delaware U.S.A.	2004	355,230,016	5,000,000	1.41	375,689	375,689	7.51	4,624,311
Artiman Ventures	California U.S.A.	2004	165,000,000	3,600,000	2.18	374,000	1,956,000	54.33	1,644,000
Baker Communication Fund II	Delaware U.S.A.	2000	1,124,677,760	5,000,000	.44	3,122,966	3,272,156	65.44	1,727,844
Bay Partners X	Delaware U.S.A.	2000	364,480,000	4,000,000	1.10	2,637,500	2,637,500	65.94	1,362,500
Benchmark Capital Partners V	Delaware U.S.A.	2004	328,282,816	4,000,000	1.22	640,000	640,000	16.00	3,360,000
Benchmark Europe	Delaware U.S.A.	2000	379,449,600	3,333,333	.88	2,433,333	2,433,333	73.00	900,000
Benchmark Founders Fund IV	Delaware U.S.A.	2000	218,292,928	5,000,000	2.29	4,166,620	4,500,000	90.00	500,000
Benchmark Israel I	Delaware U.S.A.	2001	217,882,400	5,000,000	2.29	3,000,010	3,000,010	60.00	1,999,990
Bluestream Ventures	Delaware U.S.A.	2000	278,980,000	5,000,000	1.79	3,066,156	3,250,000	65.00	1,750,000
Carlyle Asia Vent. Partners I	Cayman Islands	2000	159,000,000	5,000,000	3.14	2,912,735	3,915,464	78.31	1,084,536
Carlyle Asia Vent. Partners II	Cayman Islands	2004	164,000,000	5,000,000	3.05	2,281,135	2,984,938	59.70	2,015,062
Castle Harlan Offshore IV	Delaware U.S.A.	2003	1,036,000,000	5,000,000	.48	1,445,324	1,925,586	38.51	3,074,414
Charles River Partnership XI	Delaware U.S.A.	2001	436,740,000	1,784,535	.41	1,215,161	1,215,161	68.09	569,374
Crescendo Ventures IV	Delaware U.S.A.	2000	585,808,064	9,977,217	1.70	7,916,216	8,227,217	82.46	1,750,000
Dawntreader Fund Offshore II	Cayman Islands	2000	270,000,000	2,500,000	.93	1,975,000	1,975,000	79.00	525,000
Doll Capital Management III	Delaware U.S.A.	2000	437,995,008	10,000,000	2.28	7,123,885	7,250,000	72.50	2,750,000
Doll Capital Management IV	Delaware U.S.A.	2004	375,000,000	5,000,000	1.33	500,000	500,000	10.00	4,500,000
Doughty Hanson & Co Technology	England EU	2000	236,700,000	10,000,000	4.22	4,950,965	5,162,102	51.62	4,837,898
Doughty Hanson & Co Technology	England EU	2004	236,700,000	1,925,000	.81	457,026	928,622	48.24	966,378
Dover Street V	Delaware U.S.A.	2002	515,151,520	5,000,000	.97	1,183,008	2,350,000	47.00	2,650,000
Draper Atlantic Venture Fund II	Delaware U.S.A.	2000	65,600,000	3,600,000	5.49	2,447,945	2,447,945	68.00	1,152,055
Draper Fisher Jurveston ePlanet	Delaware U.S.A.	2000	646,222,208	10,000,000	1.55	6,801,287	6,825,000	68.25	3,175,000
Draper Fisher Jurveston VII	Cayman Islands	2000	643,080,832	5,000,000	.78	3,012,500	3,012,500	60.25	1,987,500
Evergreen Partners III	Delaware U.S.A.	2003	170,500,000	10,000,000	5.87	2,363,364	8,600,000	86.00	1,400,000
Gemini Israel Funds IV	Delaware U.S.A.	2004	200,000,000	3,000,000	1.50	0	0	0	3,000,000
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211,680,000	10,000,000	4.72	2,427,813	7,700,000	77.00	2,300,000
GIZA Venture Fund IV	Delaware U.S.A.	2004	213,000,000	3,000,000	1.41	0	0	0	3,000,000
Healthcare Ventures VII	Delaware U.S.A.	2002	353,540,000	3,500,000	.99	1,504,920	1,504,920	43.00	1,995,080
Hummer Winblad Technology IV	Delaware U.S.A.	1999	10,374,500	500,000	4.82	500,000	500,000	100.00	0
Hummer Winblad Venture Part IV	Delaware U.S.A.	1999	318,205,184	4,500,000	1.41	4,000,095	4,000,095	88.89	499,905
Hummer Winblad Venture Part V	Delaware U.S.A.	2000	422,236,384	5,000,000	1.18	2,147,070	2,225,000	44.50	2,775,000
Infinity Capital Vent. Fund 99	California U.S.A.	1999	199,023,104	5,000,000	2.51	4,457,192	4,572,989	91.46	427,011
Israel Seed III	Cayman Islands	2003	200,000,000	4,000,000	2.00	10,313	4,000,000	100.00	0
Israel Seed IV	Cayman Islands	2000	200,000,000	4,000,000	2.00	2,749,123	2,800,000	70.00	1,200,000
Israel Seed IV	Cayman Islands	2003	200,000,000	5,000,000	2.50	1,071,976	3,500,000	70.00	1,500,000
Jerusalem Venture P. III Annex	Delaware U.S.A.	2002	22,000,000	660,000	3.00	547,780	547,780	83.00	112,220
Jerusalem Venture Partners III	Delaware U.S.A.	1999	146,400,000	5,000,000	3.42	4,910,491	5,000,000	100.00	0
Jerusalem Venture Partners IV	Delaware U.S.A.	2000	388,664,992	15,000,000	3.86	9,000,000	9,000,000	60.00	6,000,000
Meritech Capital Partners I	Delaware U.S.A.	1999	1,100,000,000	10,000,000	.91	7,082,917	9,175,000	91.75	825,000
Meritech Capital Partners II	Delaware U.S.A.	2000	738,712,512	7,500,000	1.02	4,071,553	4,300,000	57.33	3,200,000
NEA X	Delaware U.S.A.	2000	2,322,929,408	20,000,000	.86	14,540,509	15,500,000	77.50	4,500,000
NEA XI	Delaware U.S.A.	2003	1,111,111,168	7,500,000	.67	2,249,940	2,249,940	30.00	5,250,060
Nokia Venture Partners II	Delaware U.S.A.	2000	459,595,968	15,000,000	3.26	9,635,340	9,900,000	66.00	5,100,000
North Bridge Ventures Part. V	Delaware U.S.A.	2001	824,755,712	4,233,616	.51	1,336,124	1,375,512	32.49	2,858,104
Oak Investment Partners X	Delaware U.S.A.	2000	1,638,712,960	10,000,000	.61	6,711,962	7,089,650	70.90	2,910,350
Orchid Asia III LP	Cayman Islands	2004	125,000,000	3,000,000	7.20	0	0	0	3,000,000
Oxford Bioscience Partners II	Delaware U.S.A.	2003	106,768,152	3,500,000	3.28	1,600,000	3,500,000	100.00	0
Oxford Bioscience Partners IIB	Delaware U.S.A.	2004	106,768,152	500,000	.47	225,000	500,000	100.00	0
Pequot Private Equity II	Delaware U.S.A.	1999	537,718,976	5,000,000	.93	4,829,882	5,000,000	100.00	0
Pequot Private Equity III	Cayman Islands	2000	730,000,000	5,000,000	.68	2,356,385	2,925,000	58.50	2,075,000
Pequot Venture Partners II	Delaware U.S.A.	2000	179,411,088	2,000,000	1.11	1,511,191	1,580,000	79.00	420,000
Pitango Venture Capital II	Delaware U.S.A.	2003	125,000,000	5,000,000	4.00	814,747	5,000,000	100.00	0
Pitango Venture Capital III	Delaware U.S.A.	2003	387,172,000	5,000,000	1.29	1,164,747	3,900,000	78.00	1,100,000
Pitango Venture Capital IV	Cayman Islands	2004	300,000,000	3,000,000	1.00	420,000	420,000	14.00	2,580,000
Pond Venture Partners II	Regno Unito EU	2000	60,000,000	2,310,000	3.85	2,009,174	2,009,174	86.98	300,826
Portview Communications Partn.	Cayman Islands	2000	61,015,000	3,000,000	4.92	2,018,551	2,056,306	68.54	943,694
Prospect Venture Partners III	Delaware U.S.A.	2004	500,000,000	5,000,000	1.00	0	0	0	5,000,000
Rho Ventures V	Delaware U.S.A.	2004	425,000,000	4,000,000	1.41	0	0	0	4,000,000
Sequoia Capital IX	Delaware U.S.A.	1999	351,292,992	3,000,000	.85	2,665,225	2,850,000	95.00	150,000
Sequoia Capital Seed Fund II	Delaware U.S.A.	2001	150,800,000	4,000,000	2.65	1,602,390	1,700,000	42.50	2,300,000
Sequoia Capital X	Delaware U.S.A.	2000	695,134,976	10,000,000	1.44	7,940,020	8,500,000	85.00	1,500,000
Sequoia Capital XI	Delaware U.S.A.	2003	387,236,000	4,242,000	1.10	1,124,130	1,124,130	26.50	3,117,870
Sevin Rosen IX	Delaware U.S.A.	2004	304,000,000	3,000,000	.99	255,000	255,000	8.50	2,745,000
Sevin Rosen VIII	Delaware U.S.A.	2000	600,426,496	3,893,050	.65	2,615,005	2,615,005	67.17	1,278,045
Sierra Ventures VIII	California U.S.A.	2000	495,172,800	1,000,000	.20	500,005	500,005	50.00	499,995
Sofinnova VI	Delaware U.S.A.	2002	208,592,992	3,000,000	1.44	480,000	480,000	16.00	2,520,000
SPG Infinity Technology Fund I	Mauritius	2000	34,500,000	700,000	2.03	700,000	700,000	100.00	0
Storm Ventures Fund II	Delaware U.S.A.	2003	309,075,008	5,000,000	1.62	1,241,182	2,974,198	59.48	2,025,802
SVE Star Venture Enterprise IX	Germany EU	2003	340,467,008	15,000,000	4.41	4,167,447	9,112,500	60.75	5,887,500
Technology Crossover Vent. IV	Delaware U.S.A.	2000	1,703,600,000	5,000,000	.29	3,530,490	3,909,430	78.19	1,090,570
Technology Crossover Vent. V	Delaware U.S.A.	2003	900,000,000	5,000,000	.56	1,753,000	1,753,000	35.06	3,247,000
Thomas Weisel Capital Partners	Delaware U.S.A.	2000	1,120,741,504	10,000,000	.89	9,247,630	9,960,058	99.60	39,942
Trident Capital Fund V	Delaware U.S.A.	2000	519,000,000	3,529,333	.68	1,997,390	2,095,711	59.38	1,433,622
Vantage Point Venture IV	Delaware U.S.A.	2000	1,600,000,000	15,000,000	.94	7,737,240	8,100,000	54.00	6,900,000
Westbridge Ventures I	Mauritius	2000	135,110,000	5,000,000	3.70	2,877,592	2,931,971	58.64	2,068,029
Total USD Dollars			35,037,278,188	432,012,084	.00	224,506,851	272,654,681	63.11	159,357,403
EUR Euro					.00			.00	
HBM BioCapital	Cayman Islands		108,400,000	5,000,000	4.61			.00	5,000,000
Nexit Infocom 2000	Guernsey	2000	66,325,788	3,819,167	5.76	2,366,389	3,041,243	79.63	777,924
Total EUR Euro			174,725,788	8,819,167	.00	2,366,389	3,041,243	34.48	5,777,924
STG STG					.00			.00	
Amadeus Capital II	Regno Unito EU	2000	235,000,000	13,500,000	5.74	7,985,792	8,913,200	66.02	4,586,800
Total STG STG			235,000,000	13,500,000	.00	7,985,792	8,913,200	66.02	4,586,800
TOTAL Euro				346,424,580	.00	234,388,833	276,846,213	62.54	129,755,119

In light of the number of listed companies and those registered for an IPO in which Cdb Web Tech invests through venture capital funds and the increase in M&A transactions, we can expect a similar number of distributions for 2005 with equally significant returns.

Improved market conditions and investment levels have led to some valuation adjustments to investments in certain funds and not just writedowns as was the case in 2003. This has offered the potential to restore values written down in the past and has increased confidence in future prospects as we feel that this is part of the growth phase of the market and not merely a temporary event.

One indicator of venture capital industry performance is the total values of investments held and divestments, compared against total amounts invested (TVPI: Total Value to Paid In), analyzed by the year in which the fund began to invest. For 1999-2002 funds, in which most Group investment has been made, performance is starting to improve, as the trough phase of the "J curve" has passed. The following data supports this view:

Year	Industry average	Top quartile	Median quartile	Lower quartile
1999	0.67	0.97	0.61	0.36
2000	0.80	0.93	0.73	0.56
2001	0.85	1.00	0.84	0.72
2002	0.87	0.99	0.83	0.75

Note: Taking 1999 vintage results and the value of the top quartile, we see that \$US 1 invested in US 1999 vintage venture capital funds was at September 30, 2004 valued at \$US 0.97 (considering investments already in the Group portfolio and those already realized)

When analyzed in this way, the Cdb Web Tech portfolio contains 35 funds, which have performed better than average (an improvement compared to the 32 at June 2004), of which 19 belong to the top quartile (up from 13 in June 2004). Investments acquired at a discount on the secondary market have enjoyed even better performances. We have not included 2003-2004 funds here, as they are in the initial investment stages, and there is no significant reference sample.

As the majority of investments are in funds still in our portfolio, their performance is subject to change, in comparison to the performance of individual investments and to the valuation criteria adopted by each fund. Some funds have been pursuing a very aggressive strategy in writing down the value of their investments. Thus, from one quarter to the next, we see value adjustments, which could bring them into the top performer bracket. This is confirmed by the improvements seen since June 2004.

In light of this aggressive policy of the writing down of the value of investments on the part of funds in which we have invested, over the next few quarters we expect many investments to progress from the median and lower quartiles to the upper quartile, thus improving the overall performance of our investment portfolio above market levels.

As outlined above, this period saw new investment commitments made totaling \$US 53.5 million, of which \$US 51 million relate to 13 new venture capital funds and the remaining \$US 2.5 million relates to funds already in the Cdb Web Tech portfolio:

- Arch Ventures IV, an early stage US fund, based in Chicago-Seattle-Dallas, which invests in life sciences and ICT, particularly US university research. The Group undertook investment commitments of \$US 5 million, in a fund valued at \$US 355 million.
- Benchmark V, another early stage US fund, based in Palo Alto, California. Their investment strategy focuses on communication, networking, semiconductors and software. We already hold an investment in Benchmark IV. The Group undertook investment commitments of \$US 4 million, in a fund valued at \$US 328 million.

- DCM IV, a US early and mid-stage fund, based in Palo Alto, California, with an investment strategy focusing on US companies developing enterprise software and services. They have market prospects in China and Japan. We already hold an investment in DCM III. The Group undertook investment commitments of \$US 5 million, in a fund valued at \$US 375 million.
- Sevin Rosen IX, an early stage US company based in Texas and Palo Alto, California, investing primarily in ICT. We invested in Sevin Rosen VIII. The Group undertook investment commitments of \$US 3 million, in a fund valued at \$US 300 million.
- Rho Ventures V, a US early, mid-stage and late-stage fund based in New York investing primarily in US ICT, medical devices and healthcare companies. The Group undertook investment commitments of \$US 4 million, in a fund valued at \$US 425 million.
- Pitango IV is an early stage Israeli ICT, medical devices and healthcare fund. We have invested in Pitango II and III, which we acquired on the secondary market. The Group undertook investment commitments of \$US 3 million, in a fund valued at \$US 300 million.
- Gemini IV is an early stage Israeli ICT fund. The Group undertook investment commitments of \$US 3 million, in a fund valued at \$US 200 million.
- Giza IV is an early stage Israeli ICT, medical devices and healthcare fund. The Group undertook investment commitments of \$US 3 million, in a fund valued at \$US 213 million.
- Prospect III, an early stage US fund, based in California, invests in US Life sciences and healthcare companies. The Group undertook investment commitments of \$US 5 million, in a fund valued at \$US 500 million.
- HBM BioCapital is a mid-stage fund based in Switzerland, investing primarily in biotech, pharmaceuticals, diagnostics and medical devices both in Western Europe and the US. The Group undertook investment commitments of €5 million, in a fund valued at €108 million, set to rise during 2005 when the fund raising period ends.
- Carlyle Asia II is a fund investing in technology companies in South East Asia (China, Singapore, India and Japan). It was acquired on the secondary market for an investment commitment of \$US 5 million, 39% of which has been invested already. The fund totals \$US 164 million. Carlyle Asia I has been in the Cdb Web Tech portfolio for some time, yielding excellent results.
- Orchid Asia III focuses on expanding companies with growth potential in China, in the services sector, including technology, production, outsourcing, media and advertising. This fund favors companies with US – educated management teams (returning emigrants) and co-investments with multinationals. The Group undertook investment commitments of \$US 3 million, in a fund valued at \$US 72 million, expected to rise to \$US 125 million over the coming months.
- Artiman Ventures was acquired on the secondary market for an original investment commitment of \$US 3.6 million. The fund totals \$US 165 with a current investment level of 45%. Its primary investment focus is early stage ICT Indian–US companies. These are either Indian companies which have opened in the US to develop their operations or US companies with their technology R&D centre in India.

The Group increased its investment commitment in the Israeli fund JVP III Annex by \$US 0.2 million.

The Group also acquired on the secondary market partnerships in the following venture capital funds: Carlyle Asia II, Artiman Ventures, Doughty Hanson Technology and Oxford Bioscience II for a total original investment commitment of \$US 11.1 million and a total commitment from Cdb Web Tech of \$US 7.8 million, in light of the price paid and the residual commitment.

As discussed above, Carlyle Asia II and Artiman are new to the Cdb Web Tech portfolio, while the existing shares in Doughty Hanson Technology and Oxford Bioscience II have been increased.

Following the end of the 2004 fiscal year, Cdb Web Tech undertook a \$US 10 million investment commitment in the Spectrum Ventures V fund, a late stage US fund based in Boston worth over \$US 1 billion. This fund primarily invests in ICT and media companies in the US and Europe. This large commitment to a late stage fund is part of the Group strategy to increase the late stage element of the Cdb Web Tech investment portfolio to balance the early stage investments already present which are to be maintained.

Hedge Funds

The Group has always considered its investment in technology and healthcare hedge funds as complementary to its venture capital funds investments and its direct investments in companies, which represent its core business. In addition, the Group placed excess liquidity during the last eighteen months in hedge fund marketable securities, diversified by strategy, management and area, with the objective of optimizing the return on available cash. With the growth in venture capital investments, hedge funds have now been definitively reclassified as a temporary employment of available liquidity. They have been reduced in number, and technology and healthcare hedge funds are being further reduced to increase balance and diversification in the Group hedge fund portfolio and to reduce volatility, in order to best use the available cash, to be later invested in venture capital activities. Thus, in the 2004 financial statements, all hedge funds have been listed as marketable securities.

As part of a dynamic portfolio management strategy, Cdb Web Tech invested € 37.5 million in new hedge funds during 2004 and realized income of € 40.4 million, and net capital gains of € 3.8 million.

Following the end of the 2004 fiscal year, Cdb Web Tech invested a further \$US 7.5 million in two hedge funds.

At December 31, 2004, Cdb Web Tech had € 84.5 million in investments (book value: € 77.3 million) in 53 hedge funds, diversified by sector, market and management, including those representing technology and healthcare financial investments, with unrealized holding gains of € 7.2 million at December 31, 2004.

The Group's hedge fund investments posted a return of 5.96% for the 2004 fiscal year.

BIM Alternative Investments sgr

BIM Alternative Investments sgr, a jointly-owned associate company with BIM-Banca Intermobiliare, in 2004 continued to manage hedge funds. In November 2004 BIM Alternative Investments launched an equity arbitrage hedge fund. Their managed net investment assets portfolio increased to € 170 million at December 31, 2004, up from € 73.5 million the previous year. As well as being a shareholder, Cdb Web Tech acts as technology hedge fund investment advisor to this company.

2004 FINANCIAL RESULTS

Cdb Web Tech Group (Consolidated)

Executive Summary

The Group realized a 2004 fiscal year **consolidated net profit of €8.6 million** incorporating:

- €18.6 million in financial income, up 50% on last year
- €2.2 million in investment writedowns (net of reversals) (2003: \$US 4.6 million);
- €4.5 million in capital losses and other financial expenses arising from direct investments and venture capital fund disposals and hedge fund redemptions (2003: €2.8 million);
- €2.8 million in net operating expenses, unchanged on last year, amounting to 1.1% of the Group's total investments and venture capital commitments;
- €0.5 million in income tax.

The Group realized financial income of €0.1 million from direct investments (2003: €0.3), €9.7 million from venture capital fund distributions (2003: €2.7 million), and €3.7 million from hedge funds redemptions (2003: €3.3 million).

Analysis of 2004 Investment Capital Value Performance by Investment Type

(€ millions)	Disposal		Holding Values (Investment Value Adj.)		Total
	Capital gains	Capital losses	Reversals	Writedowns	
Direct investments	0.09	0.00	1.09	(2.16)	(0.98)
Venture capital funds	9.70	(0.04)	5.18	(6.35)	8.49
Hedge funds	4.13	(0.37)	0.63	(0.54)	3.85

Cdb Web Tech Group
Restated Consolidated Income Statement
for the fiscal year-ending December 31, 2004

(€ thousands)	2004	2003
Financial income and expenses		
Financial income	18,613.08	12,413.64
Direct investments investment income	90.00	270.82
Venture capital funds investment income	9,764.75	6,081.35
Marketable securities income	4,774.43	1,943.60
Other financial income	4,013.90	4,117.87
Financial expenses	(4,458.73)	(2,793.89)
Net financial income	14,154.35	9,619.75
Investments and marketable securities revaluations and writedowns		
Direct investment in technology companies	(1,072.18)	(2,950.92)
Revaluations	1,097.02	56.39
Writedowns	(2,169.20)	(3,007.31)
Venture capital funds	(1,168.22)	(1,641.79)
Revaluations	5,181.21	2,222.71
Writedowns	(6,349.43)	(3,864.50)
Marketable securities writedowns	(9.25)	(69.80)
Total net writedowns	(2,249.65)	(4,662.51)
Operating revenues	1,472.14	620.35
Operating expenses	(4,251.53)	(3,467.93)
Profit from ordinary activities	9,125.31	2,109.66
Exceptional income and expenses		
Exceptional income	33.95	66.82
Exceptional expenses	(3.02)	(16.90)
Net exceptional income	30.93	49.92
Profit before tax	9,156.24	2,159.58
Income tax	(526.71)	(248.09)
Net profit	8,629.53	1,911.49

Cdb Web Tech Group
Consolidated Balance Sheet
at December 31, 2004

(€ thousands)	Dec. 31, 2004	Dec. 31, 2003
Assets		
Non-current assets		
Intangible assets	214.44	273.46
Property, furniture and equipment	86.12	100.97
Investments	124,144.94	135,250.95
Total non-current assets	124,445.50	135,625.38
Current assets		
Receivables and advances	18,664.24	24,985.34
Marketable securities	82,434.80	65,131.25
Cash and bank	36,573.47	27,565.22
Total Current Assets	137,672.51	117,681.81
Prepaid Expenses and Accrued Income	115.59	350.13
Total Assets	262,233.60	253,657.32
Equity and Liabilities		
Equity		
Share capital	100,800.00	100,800.00
General reserves	100,448.93	113,563.15
Treasury share holding reserve	1,386.86	149.17
Treasury share acquisition reserve	52,088.39	40,011.14
Cumulative deficit	(2,913.84)	(4,598.16)
Fiscal year net profit/	8,629.53	1,911.49
Total Equity	260,439.87	251,837.09
Provision for employee termination benefits	60.82	27.90
Provisions for liabilities and charges	3.10	3.46
Liabilities	1,552.87	1,577.98
Accrued liabilities and deferred income	176.94	210.89
Total Equity and Liabilities	262,233.60	253,657.32
<i>Off-Balance Sheet Commitments</i>	<i>129,755.12</i>	<i>149,669.85</i>

**Cdb Web Tech Group
Net Financial Position
at December 31, 2004**

(€ thousands)	Dec. 31, 2004	Dec. 31, 2003	Change	% Change
Cdb Web Tech SpA	54,447.6	66,437.3	(11,989.7)	-18%
Cdb Web Tech Int LP	79,359.4	92,624.4	(13,265.0)	-14%
Cdb Web Tech Mngt LTD	787.9	433.7	354.2	82%
Cdb Private Equity	1,175.9	521.8	654.1	125%
ICT Investment srl	24.6	35.5	(10.9)	-31%
BIM Alternative Inv SGR	913.6	596.6	317.0	53%
Total	136,709.0	160,649.3	(23,940.3)	-15%
(€ thousands)	Dec. 31, 2004	Dec. 31, 2003	Change	% Change
Cash and Bank	36,573.5	27,565.2	9,008.3	33%
Financial Receivables	17,803.5	23,974.7	(6,171.2)	-26%
Marketable securities	82,434.8	109,872.2	(27,437.4)	-25%
Financial liabilities	(102.8)	(762.8)	660.0	-87%
Total	136,709.0	160,649.3	(23,940.3)	-15%

Note: For the purposes of comparability, hedge funds holdings are reclassified as marketable securities for both 2003 and 2004.

Details on the marketable securities, which include hedge funds, are discussed in the Notes to the Consolidated Financial Statements.

**Cdb Web Tech Group
Restated Consolidated Cash Flow Statement
for the fiscal year-ending December 31, 2004**

(€ thousands)	2004	2003
Cash Flow Sources		
Fiscal year net profit	8,629.5	1,911.5
Translation adjustment movements	54.8	(116.4)
Amortization and depreciation charges	163.2	178.3
Provision for employee termination benefits	32.9	(10.7)
Forex losses and writedowns	(8,346.2)	33,843.3
Cash generated from operations	534.2	35,806.0
PFE disposals – net book value	0.0	20.5
Investments disposals – net book value	24,657.4	11,064.6
Cash generated from investing activities	24,657.4	11,085.1
Net current assets movements	37,146.0	(19,535.8)
Total Cash Flow Sources	62,337.6	27,355.8
Cash Flow Uses		
Fiscal year net loss	-	-
Investments acquisitions	(53,240.9)	(51,310.9)
PFE acquisitions	(88.5)	(105.1)
Total Cash Flow Uses	(53,329.4)	(51,416.0)
Net Increase/(Decrease) in Cash & Cash Equivalents	9,008.2	(24,060.2)
Cash and Cash Equivalents - Start of Year	27,565.3	51,625.4
Cash and Cash Equivalents – End of Year	36,573.5	27,565.2

Investment commitments financial coverage

At December 31, 2004, Cdb Web Tech's net financial assets exceeded its investment commitments by € 14.1 million.

Outstanding VC funds investment commitments at December 31, 2003	149.7
Commitment decrease due to fund sizes	0.0
Investments/Capital Calls	(51.0)
Divestments	(2.9)
New investment commitments	44.3
Secondary Market investment acquisition commitments	(3.5)
FOREX effects	(6.8)
Outstanding VC funds investment commitments at December 31, 2004	129.8
Cash and marketable securities including hedge funds	143.9
Excess Net Financial Assets VC Over Commitments at December 31,2004	14.1

Note: hedge funds are listed at their fair market values.

This situation represents an opportunity for Cdb Web Tech to realize new venture capital fund investments in a favorable market situation for average values and exit opportunities. It also allows for the continued exploitation of opportunities for the acquisition of venture capital investments on the secondary market.

Group Net Asset Value (NAV) per Share at December 31, 2004

The Group's NAV at December 31, 2004 year-end was **€ 2.73 per share**, an increase of 3.4% on its December 31, 2002 NAV of € 2.64 per share. The NAV of venture capital investments, the Group's core business, grew 4.9%.

The NAV is determined by calculating the Group's consolidated equity net of minority interest and intangible assets, substituting the economic values of activities for the book values of investments where they differ from the book value, taking into account the NAVs of venture capital funds and hedge funds at year-end.

Cdb Web Tech SpA (Parent Company)

Executive Summary

Cdb Web Tech SpA, the Group's parent company (henceforth known as the Company) realized a net profit of € 10 million for 2004, compared to € 0.1 million for 2003.

This profit was determined largely by the € 10.7 million reversal of previous year writedowns in the investment value of the Group's Cdb Web Tech International LP subsidiary, to reflect the increase in its equity as a result of improved business activities. It should be noted that this latter subsidiary, which is fully owned by the Company, realized most of the Group's venture capital funds investments in 2004.

Cdb Web Tech SpA Parent Company Income Statement for the fiscal year ending December 31, 2004

<i>(€ thousands)</i>	2004	2003
Financial income and expenses		
Financial income	2,952,101	4,761,108
Subsidiaries and direct investments	0	0
Venture capital funds	617,353	0
Marketable securities	1,796,332	1,932,152
Other financial income	538,416	2,828,956
Financial expenses	(360,637)	(2,440,860)
Financial institutions	(360,637)	(2,440,860)
Net financial income	2,951,464	2,320,248
Investment revaluations/(writedowns)		
Subsidiaries and direct investments	10,040,451	1,212,296
Venture capital funds	(887,629)	(1,825,334)
Marketable securities	24,930	(6,759)
Net investment revaluations	9,177,752	(619,797)
Profit from investment activity	11,769,216	1,700,451
Operating revenues	454,279	420,451
Operating expenses	(2,018,152)	(1,789,190)
Profit from ordinary activities	10,205,343	331,712
Exceptional income and expenses		
Exceptional income	27,876	40,561
Exceptional expenses	(300)	(964)
Net exceptional income	27,576	39,597
Profit before tax	10,232,919	371,309
Income tax	(228,450)	(225,697)
Net profit	10,004,469	145,612

The difference between the Company net profit of € 10 million and the consolidated results (profit of € 8.6 million) are detailed in the Appendix 1, which reconciles the two results.

During 2004, the Company made a new investment in Kovio, a US nanotechnology company in the field of printed electronics, as previously discussed.

At December 31, 2004, the Company held investments in five technology companies: Elixir, Xpert, Kovio, MobileAccess and Teleknowledge. The total value of these investments was € 3.6 million, net of writedowns realized in previous years. The Group has agreed to sell its minority interest stake in Teleknowledge, which is behind schedule in the development of its business, with the sale to be finalized in the first quarter of 2005.

In early January 2005, the Company invested \$US 10.2 million in Grace Semiconductor Manufacturing Corporation (GSMC), a manufacturer of integrated circuits, based in Shanghai, China.

As part of an existing development strategy, the Company acquired a partnership in the European venture capital fund Doughty Hanson Technology, in which Cdb Web Tech already had a 38% stake. The total commitment is \$US 1.5 million.

At December 31, 2004 the Company held investments in 8 venture capital funds: Amadeus II, Nexit Infocom 2000, Giza III, Pitango II & III, Israel Seed III & IV and Doughty Hanson Technology. The total value of these investments is € 13.4 million. Unrealized capital gains on these investments total € 2.8 million.

During 2004, in addition to realizing direct investments in venture capital funds, the Company continued to provide coordination, consultancy and finance services to Group companies. Cdb Web Tech SpA's subsidiaries are listed in Appendix 1 to the Parent Company Financial Statements.

The Group operates three companies from London. Cdb Web Tech International LP and Cdb Private Equity LP invest in technology companies, venture capital funds and hedge funds. Cdb Web Tech Management Ltd acts as the Group's general partner, administering the investment portfolio held by UK subsidiaries. The Group's 50% owned subsidiary Bim Alternative Investments sgr has already been previously discussed.

With the exception of an increase in the capital of the two English limited partnerships, there have been no changes in subsidiaries since 2003. A detailed listing of Cdb Web Tech SpA subsidiaries is provided in Appendix 1 to the Parent Company Financial Statements.

ICT Investments is no longer operational.

The Company had net financial assets of € 54.4 million at December 31, 2004, comprising funds temporarily placed in corporate and government bonds and treasury bills, falling due in the short and medium term, as well as funds placed in hedge funds.

Cdb Web Tech SpA
Parent Company Balance Sheet
at December 31, 2004

<i>(€ thousands)</i>	Dec. 31, 2004	Dec. 31, 2003
Assets		
Non-current assets		
Intangible assets	122,116	166,520
Property, furniture and equipment	63,141	77,008
Investments	209,178,452	187,602,049
Total non-current assets	209,363,709	187,845,577
Current assets		
Receivables	7,340,160	8,895,384
Marketable securities	39,432,683	48,466,238
Cash and bank	8,359,602	9,795,941
Total current assets	55,132,445	67,157,563
Prepaid expenses and accrued income	55,739	291,217
Total assets	264,551,893	255,294,357
Equity and Liabilities		
Equity		
Equity excluding treasury share reserves	210,502,234	213,812,403
Treasury share acquisition reserve	1,386,859	149,466
Treasury share holding reserve	52,088,389	40,011,148
Total equity	263,977,482	253,973,017
Provision for employee termination benefits	38,285	23,651
Provisions for liabilities and charges	0	0
Liabilities	490,757	1,240,319
Accrued liabilities and deferred income	45,369	57,370
Total Equity and Liabilities	264,551,893	255,294,357
Off-Balance Sheet guarantees	210,000,000	300,000,000
Off-Balance Sheet investment commitments	11,756,014	18,988,700

OTHER INFORMATION

Transactions Between the Controlling Shareholder, Group Companies and Related Parties

Transactions between the Parent Company and Group subsidiaries related to the provision, by the Company, of investing consultancy services and management support, at market rates. At December 31, 2004, the Parent Company had receivables of €0.4 million from its subsidiaries and had earned €0.4 million in revenues from them during 2004.

There were no direct or indirect transactions between the Company and the Controlling Shareholder during 2004.

There were no transactions with Romed International S.A., the controlling shareholder, which pursuant to Art. 2497 of the Italian Civil Code controls the management and co-ordination of Group activities.

Treasury Shares and Controlling Company Shares

Treasury shares

Within the scope of the authority conferred at the Shareholders' Meeting, Cdb Web Tech shares were purchased and sold during 2004, in order to stabilize the market price.

Treasury Shares held at Dec. 31, 2003	2004 Purchases	2004 Sales	Treasury Shares held at Dec. 31, 2004	% Share Capital	Average price per share (€)
51,000	839,000	340,000	550,000	0.545	2.522

After December 31, 2004, a further 42,000 treasury shares were purchased and 130,000 were sold, bringing the total number of treasury shares held to 462,000, equivalent to 0.458% of the share capital, at an average price per share of €2.542.

Controlling Shareholder shares

The Company does not own shares in the Controlling Shareholder, nor has the Company purchased or received the transfer of such shares during this fiscal year.

Shares held by Directors, the Controlling Shareholder and General Management

In accordance with the Consob regulation n° 11971 of May 14, 1999, the directors' and controlling shareholder's ownership interests in the Company and its subsidiaries are as follows:

Name	Group Company	January 1, 2004	Number of Shares		December 31, 2004	Note
			Acquired	Sold		
Carlo De Benedetti	Cdb Web Tech SpA	47,660,001	391,000	206,000	47,845,001	(1)
Franco Girard	Cdb Web Tech SpA	54,000	0	0	54,000	
Gian Carlo Vaccari	Cdb Web Tech SpA	9,500	200	9,500	200	

(1) indirect stockholdings held through ROMED SpA and ROMED International SA

At December 31, 2004 Carlo De Benedetti holds 47.465% of the Company's shares.

Stock Option Plans

The Stock Option Plans, approved by the Shareholders' Meeting for Company's employees and officers and its subsidiaries, allow beneficiaries to exercise their options, enabling them to subscribe to share capital at a fixed price, which cannot be less than € 2.48 per share for Directors and € 1.76 for employees and within a set period of time. Options will be allocated in annual installments until 2007, and these options will mature quarterly until 2009 and matured options can be exercised until August 31, 2015.

At present, options have been allocated that can be exercised within the terms and conditions of the Plans to subscribe to 2,051,304 shares, equivalent to 2.03 % of the Company's share capital. Of these, the Directors of the Company and group companies were allocated options to subscribe to 1,257,695 shares.

At present, no allocated options have been exercised.

Stock Options granted to Directors

STOCK OPTIONS ALLOCATED TO DIRECTORS											
Director	Options outstanding at January 1, 2004			Options granted during 2004			Options exercised in 2004	Options expiring in 2004	Options held at December 31, 2004		
	Number of shares to be acquired or subscribed to	Exercise price per share	Exercise period	Number of options	Exercise price	Exercise period	N° of shares acquired or subscribed to	Number of shares	Number of shares	Average exercise price	Average expiry (months)
Benedetti Carlo	0	-	-	0	-	-	0		0		
Moscatelli Vittorio	200,000	6.39	2.1.02 - 5.5.06					35,000	165,000	6.39	14
	247,500	4.15	1.9.02 - 5.5.06					67,500	180,000	4.15	14
	30,000	2.48	1.5.04-1.4.08	500,000	2.48	2005-2015			530,000	2.48	60
	477,500						0		875,000		
Bracchi Giampio	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.06						30,000	2.48	28
	42,000						0		38,004		
Cicurel Michel	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
D'Agui Pietro	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
Girard Franco	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
Piol Elserino	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
Segre Massimo	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
Vaccari Giancarlo	12,000	6.39	2.1.02 - 5.5.06					3,996	8,004	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	42,000						0		38,004		
Alison Sachs	30,000	2.48	1.5.04-1.4.08				0		30,000	2.48	28
Mike Davies	10,000	6.39	2.1.02 - 5.5.06					3,333	6,667	6.39	14
	30,000	2.48	1.5.04-1.4.08						30,000	2.48	28
	40,000						0		36,667		
Douglas Paterson				50,000	2.48	31/8/05-31/8/2015	0		50,000	2.48	64
	841,500			550,000			0	133,805	1,257,695		

Post Balance Sheet Events

Some post balance sheet events have already been discussed previously in the Annual Report. During the first two months of 2005, venture capital funds investments totaling € 7.4 million were realized, virtually the same in comparison with the same period in 2004. The Group received \$US 1.1 million in distributions from venture capital funds during this time, equivalent to 4.7 times cost.

Data Protection (Legislative Decree no. 196/ 2003)

Pursuant to Section 26 of Appendix B of Legislative Decree 196/2003, the policy document on personal data security within the Group will be prepared before the June 30, 2005 deadline date. This document will highlight that the personal data is handled within the Group by its small workforce, as well with third parties with which the Group has business dealings.

Transition to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)

The Company has identified financial accounting areas that will be affected in the transition to IFRS/IAS in 2005 for further review, including the identification and quantification of their impacts on the Group's financial results.

Cdb Web Tech is required to use IFRS/IAS, which have been adopted by the European Union, in the preparation of its consolidated financial statements for the 2005 fiscal year. It is also Cdb Web Tech's intention to adopt IFRS/IAS in the preparation of its parent company financial statements from 2005.

The application of the IAS/IFRS will lead to certain differences in the financial accounting and presentation of financial statements.

The "functional currency" of the Group is currently being chosen. Should a currency other than the Euro be chosen, the correct treatment of FOREX risk cover operations relating to investments in that currency will need to be defined.

The principle changes for Cdb Web Tech, further to the determination of a functional currency, are as follow:

- regarding financial assets and liabilities, the application of IAS 39 will lead to the general application of "fair value" for investments, against the "cost" recorded up to now, while for liabilities the "amortized cost" will be recorded;
- treasury shares can no longer be recorded as assets, and their values must now be written off against the corresponding equity reserve. Hence all sales and purchases of treasury shares will now flow through equity;
- intangible assets and other capitalized costs, net of related amortization, will in certain circumstances no longer be compatible with IAS 38. The cost of these items will be expensed directly to the Income Statement;
- employee termination benefits and other deferred benefits will be determined through the application of actuarial practices;
- stock options will be valued at the moment they are assigned, at their fair value, with the cost expensed immediately to the Income Statement.

The application of the IAS/ IFRS to the results for the 2004 fiscal year will lead to the following differences in comparison with the 2004 financial statements, prepared under Italian GAAP:

- the valuation of venture capital and hedge fund investments at fair value will lead to the establishment of an equity reserve of € 15 million;
- treasury shares: the Balance Sheet account will no longer exist, and the Group equity will be accordingly reduced by € 1.3 million;
- stock options: the cost of options assigned subsequent to November 26, 2002 determined on the basis of the exercise price and the vesting period of the stocks themselves is estimated not to be of significant size, given the number of shares and their exercise price.
- intangible assets: the fall in value will total € 0.16 million, with the related fall in Group equity;
- the figure for employee termination benefits is small enough not to have any significant impact.

The application of the IAS/ IFRS for the first time could lead to the establishment of a net Group equity reserve of € 13 million. This estimate does not take into account the possible effects of the Group's potential "functional currency" being other than the Euro.

2005 OUTLOOK

Cdb Web Tech Group will continue to invest with increasing confidence in venture capital funds, focusing on new technology and the emerging economies of China and India.

We reiterate our position that technology and its applications in the various sectors including ICT, life sciences and the new world of nanotechnology will continue to be the driving force behind the global economy.

Cdb Web Tech Group will continue to invest in a very selective manner in top tier performing funds with an ICT and life sciences focus, seeking to use available financial resources to exploit the opportunities presented by the secondary market. The forecasted growth in venture capital fund distributions, in addition to the realizing of investments made in past years and the distribution or sale of listed shares currently in the fund portfolio should have a very positive effect on the financial results for 2005 and on the Group's financial position.

The Group will seek to move to an over commitment position whereby its total investment commitments will exceed its existing available financial assets in order to increase its investment commitment in the Group's core venture capital investment business, exploiting the best available market conditions. In this way, future generated cash flows would allow the Group to cover its commitments without recourse to additional external financing.

Cdb Web Tech forecasts the continuation into 2005 of the profitability it enjoyed in 2004, on the basis of its current investment portfolio and the most recently available information, notwithstanding the occurrence of any events that could have a negative impact on the market and economy.

PROPOSED ALLOCATION OF 2004 FISCAL YEAR NET PROFIT

To the shareholders of Cdb Web Tech SpA:

We submit for your approval the financial statements of Cdb Web Tech SpA for the fiscal year ended December 31, 2004, which report a net profit for the year of € 10,004,469.

We recommend that this amount be allocated as follows:

- € 504,469 to the Company's legal reserve
- € 9,500,000 to retained earnings

Milan, Italy
February 28, 2005

The Board of Directors

CDB WEB TECH GROUP

2004 FINANCIAL REPORT

Cdb Web Tech Group
Consolidated Balance Sheet
at December 31, 2004

<i>(€ thousands)</i>	Notes	December 31, 2004	December 31, 2003
Assets			
Non-current assets	3		
Intangible assets	3.1	214.44	273.46
Incorporation and start-up costs		14.08	23.49
Franchises, licenses and trademarks		89.70	89.43
Leasehold improvements		110.66	160.54
Property, furniture and equipment	3.2	86.12	100.97
Buildings		2.98	5.95
Furniture, fixtures and computer/office equipment		83.14	95.02
Investments	3.3	124,144.94	135,250.95
Direct investments in tech companies		6,729.98	7,411.12
Venture capital funds		117,236.66	127,665.89
Security and rental deposits		178.30	173.94
Total non-current assets		124,445.50	135,625.38
Current assets	4		
Receivables	4.1	18,664.24	24,985.34
Trade accounts receivable		555.73	263.02
Tax and subsidiary receivables		297.76	655.21
Other receivables		17,810.75	24,067.11
Marketable securities	4.2	82,434.20	65,131.25
Treasury shares		1,386.86	149.46
Hedge funds, company bonds and shares		81,047.94	64,981.79
Cash and bank	4.3	36,573.47	27,565.22
Bank balances		36,568.40	27,560.01
Cash balances		5.07	5.21
Total current assets		137,672.51	117,681.81
Prepaid expenses and accrued income	5		
Accrued income	5.1	39.18	210.02
Prepaid expenses	5.2	76.41	140.11
Total prepaid expenses and accrued income		115.59	350.13
Total Assets		262,233.60	253,657.32
Equity and Liabilities			
Equity	6		
Share capital	6.1	100,800.00	100,800.00
Share premium	6.2	98,285.89	111,600.53
Legal reserve	6.3	1,411.87	1,266.26
Treasury share holding reserve	6.4	1,386.86	149.47
Treasury share acquisition reserve	6.5	52,088.39	40,011.14
Cumulative deficit	6.6	(2,913.84)	(4,598.16)
Net profit/(loss) for the fiscal year	6.7	8,629.53	1,911.49
Consolidation reserve	6.8	777.97	777.97
Translation adjustment	6.9	(26.80)	(81.61)
Total equity		260,439.87	251,837.09
Provisions for liabilities and charges	7		
Provisions for employees long term benefits	7.1	60.82	27.90
Other provisions	7.2	3.10	3.46
Total provisions for liabilities and charges		63.92	31.36
Liabilities	8		
Bank borrowings	8.1	0	0
Trade accounts payable	8.2	999.18	630.30
Tax liabilities	8.3	366.81	112.84
Social security liabilities	8.4	42.56	29.13
Other	8.5	144.32	805.71
Total liabilities		1,552.87	1,577.98
Accrued expenses and deferred income	9		
Accrued expenses		136.36	157.13
Deferred income		40.58	53.76
Total accrued expenses and deferred income		176.94	210.89
Total Equity and Liabilities		262,233.60	253,657.32
Off-Balance Sheet commitments	10	129,755.12	149,669.85

Cdb Web Tech Group
Consolidated Income Statement
for the fiscal year ending December 31, 2004

<i>(€ thousands)</i>	Notes	2004	2003
Operating revenues	12	1,472.14	620.35
Operating expenses	13		
Services	13.1	(2,953.10)	(2,188.60)
Rental expenses and license fees	13.2	(309.77)	(301.48)
Personnel	13.3	(731.29)	(579.19)
Wages and salaries		(486.58)	(379.76)
Social security charges		(215.36)	(178.09)
Employee termination benefits		(26.26)	(19.01)
Retirement benefits		(2.13)	(1.53)
Other		(0.96)	(0.80)
Depreciation and amortization	13.4	(163.20)	(178.28)
Intangible assets amortization		(120.87)	(89.61)
Property, furniture and equipment depreciation		(42.33)	(88.67)
Other operating expenses	13.5	(94.17)	(220.38)
Total operating expenses		(4,251.53)	(3,467.93)
Operating loss		(2,779.39)	(2,847.58)
Financial income and expenses	14		
Financial income	14.1	18,613.08	12,413.64
Direct investments investment income		90.00	270.82
Venture capital funds investment income		9,764.75	6,081.35
Marketable securities income		4,744.43	1,943.60
Other financial income		4,013.90	4,117.87
Financial expenses	14.2	(3,946.50)	(2,819.42)
Net foreign exchange gain/(loss)	14.3	(512.23)	25.53
Net financial income		14,154.35	9,619.75
Investments and marketable securities revaluations and writedowns	15		
Investments and marketable securities revaluations	15.1	6,981.30	2,309.70
Direct investments		1,097.02	56.39
Venture capital funds		5,181.21	2,222.71
Marketable securities		703.07	30.60
Investments and marketable securities writedowns	15.2	(9,230.95)	(6,972.21)
Direct investments		(2,169.20)	(3,007.31)
Venture capital funds		(6,349.43)	(3,864.50)
Marketable securities		(712.32)	(100.40)
Investments and marketable securities net writedowns		(2,249.65)	(4,662.51)
Exceptional income and expenses	16		
Exceptional income	16.1	33.95	66.82
Exceptional expenses	16.2	(3.02)	(16.90)
Net exceptional income		30.93	49.92
Profit before tax		9,156.24	2,159.58
Income tax	17	(526.71)	(248.09)
Net profit		8,629.53	1,911.49

Notes to the Consolidated Financial Statements

1. Basis of preparation of Cdb Web Tech Group consolidated financial statements

Cdb Web Tech Group consolidated financial statements were prepared in accordance with Legislative Decree no. 127/91, and consist of a Balance Sheet and an Income Statement pursuant to Articles 2424 and 2425 and these accompanying notes. Accounting standards used regarding the recording of expenses and revenues, income and charges, valuation and note disclosure criteria are based, where applicable, on accounting standards recommended by the Italian regulatory accounting body, the Commission for Accounting Standards of the National Council of Financial Accountants, and the Italian Order of Accountants (IOA).

These notes contain the information necessary to provide a fair and accurate representation of the financial and economic position of the Group in accordance with Article 2427 of the Italian Civil Code.

The consolidated financial statements at December 31, 2004 have been prepared based on the financial statements of individual companies, which were subsequently consolidated, and reflect the financial statements of these companies prepared at the same date. The statements of the individual companies have been reviewed and approved by the appropriate public bodies, and have been restated and reclassified where necessary to bring them into line with the aforementioned accounting standards and the presentation requirements set by Italian law.

Group consolidated financial statements and all company financial statements have a common year-end.

The Directors' Report contains further information relating to the nature of activities for the period, significant post-balance sheet events and transactions with the Controlling Shareholder, Group companies and related parties.

Group financial statements and tables contained in the Notes are expressed in thousands of Euros unless otherwise indicated.

Consolidation accounting

Consolidation method

The full consolidation method has been used, whereby:

- The purchase price of acquired subsidiary and associated companies is allocated to the net assets of the company acquired. The difference between purchase price and book value is initially allocated to specific assets and liabilities of the acquired company. Any remaining positive difference is capitalized as a Goodwill asset on the consolidated Balance Sheet and amortized over a period of five years, whereas any remaining negative difference is recorded in Consolidation Reserves on the consolidated Balance Sheet;
- Intra-Group receivables, liabilities, unrealized gains and losses and transactions between consolidated companies are eliminated.

Translation of foreign currency denominated subsidiary financial statements into Euros

Foreign currency denominated subsidiary Balance Sheets are translated at the year-end rate. Foreign currency denominated Income Statements are translated at the average rate for the year. The difference arising from translation of a foreign currency denominated subsidiary's Balance Sheet assets and liabilities at the year-end exchange rate and the translation of its Income Statement items at the average rate for the year is recorded as a Translation Adjustment in the Equity section of the consolidated Balance Sheet.

For the translation of the 2004 fiscal year financial statements of Cdb Web Tech Management Ltd., the Group's only foreign currency denominated subsidiary, a year-end exchange rate of €1 = UK£ 0.70657 and an average exchange rate of €1 = UK£ 0.681 were used.

Consolidation scope

The consolidated financial statements comprise the following companies:

Company name	Head Office	Currency	Share Capital	% Owned	Consolidation Method
Cdb Web Tech SpA	Turin, Italy	Euro	100,800,000	Parent company	Full consolidation
Cdb Web Tech International LP	London, United Kingdom	Euro	327,850,310	100.00%	Full consolidation
Cdb Web Tech Management LTD	London, United Kingdom	Gbp	150,000	100.00%	Full consolidation
Cdb Private Equity LP	London, United Kingdom	Euro	5,155,388	100.00%	Full consolidation
ICT Investments Srl	Turin, Italy	Euro	46,482	100.00%	Full consolidation
BIM Alternative Investments Sgr SpA.	Turin, Italy	Euro	1,500,000	50.00%	Proportional consolidation

Change in consolidation scope

The consolidation scope has remained unchanged during 2004.

2. Valuation Principles and Methods

The primary valuation principles and methods used in the preparation of the consolidated financial statements at December 31, 2004, are in accordance with the provisions of the Italian Civil Code and are as follow:

Intangible assets

Intangible assets are valued at their acquisition or production costs and include related costs. They are amortized in accordance with rates specified in Note 3.1 to the Balance Sheet.

Property, furniture and equipment

Property, furniture and equipment assets are valued at their acquisition or production costs and include related costs and are depreciated to reflect their remaining useful economic lives. The ordinary depreciation rates used as well as the accelerated depreciation rates allowed under income tax law are specified in Note 3.2 to the Balance Sheet to reflect asset value impairment.

Investments

Investment assets are valued at their acquisition or subscription costs and include related costs. If an asset suffers a permanent impairment in value, independent of the depreciation as outlined in the previous paragraph, this investment is written down accordingly. However, it may be restated to its original book value in a subsequent year if the basis for the writedown is no longer applicable.

Receivables

Receivables are valued at their estimated net realizable value, are all due within the year and have not been pledged as a guarantee on Group assets or operations.

Marketable securities

Marketable securities are valued at the lower of cost, using the LIFO method, and market value. Market value is determined based on the average security price for the last month of the fiscal year for listed securities and on the estimated resale value for unlisted securities. Marketable securities are written down to their market values when these are lower than their acquisition cost. However, it may be restated to its original book value in a subsequent year if the basis for the writedown is no longer applicable.

All acquisition, subscription and sales transactions are recorded in the marketable securities asset account on the settlement date.

Prepaid expenses and accrued income

Prepaid expenses and accrued income relating to two or more fiscal years is accounted for in accordance with the matching principle.

Provisions for other liabilities and charges

The provisions for other liabilities and charges are set aside to cover certain or probable future losses or liabilities whose amount and date of occurrence could not be determined at year-end.

Provision for employees' termination benefits

The provision for employee termination benefits reflects the Group's accrued liability to employees in accordance with current legislation and employment contracts.

Liabilities

Liabilities are valued at cost, are all due within the year and are not part of any Group assets or operations guarantee.

Foreign exchange forward contracts

The exchange risk relating to equity investments denominated in foreign currency is covered by means of hedging contracts. These contracts are valued in a manner consistent with the activities covered. Exchange gains and losses arising from these contracts are recorded in the Income Statement for the fiscal year in which they are realized. Investments for which a hedging loss arises are valued at the lower of cost and market value, losses being written off to the Income Statement and gains being deferred until their date of realization.

Translation of foreign currency denominated assets and liabilities

Assets and liabilities originally denominated in a foreign currency, other than those relating to non-current assets, are revalued in Euros at the year-end closing exchange rates, with any resulting foreign exchange loss recognized immediately and any resulting foreign exchange gain deferred until the realization of the related asset.

Non-current assets, comprising intangible assets, property, furniture and equipment and investments, are recorded at their transaction date exchange rate. The asset's value is reduced at year-end for any non-temporary unfavorable exchange rate movement.

Exchange gains or losses arising from the collection of foreign denominated receivables or the payment of foreign denominated liabilities are recorded in the Income Statement.

Assets and liabilities subject to foreign exchange forward contracts to cover exchange rate risks are considered as debt instruments in regard to exchange rate movements.

Income tax

Income taxes are calculated on the basis of a reasonable estimation of the tax liability for the year, taking into account the various exemptions, tax rates and applicable legislation regarding the many countries in which the Group's companies operate. Deferred taxes, both assets and liabilities, are calculated taking into account the timing differences between assets and liabilities' accounting book values and their corresponding income tax values.

Deferred tax assets arise from a fiscal year tax loss, asset writedown or establishment of a provision for risk and liability, and are recorded only if there is a reasonable certainty that future fiscal years will generate a net profit against which these items may be offset.

Notes to the Consolidated Balance Sheet - Assets

3. Non-current assets

3.1- Intangible assets

(€ thousands)	Jan. 1, 2004	Additions	Disposals	Accumulated amortization	Consolidation impact	Dec. 31, 2004
Incorporation costs	23.4	8.9	-	(18.3)	-	14.1
Licenses	89.4	52.6	-	(52.3)	-	89.7
Leasehold improvements	160.6	-	-	(50.2)	0.4	110.7
Total	273.4	61.5	-	(120.8)	0.4	214.5

The increase in licenses relates to the cost of acquiring software licenses.

Amortization rates for intangible assets

Category	Ordinary rate
Software licenses	20.0% - 33.3%
Leasehold improvements	16.6%
Other licenses	10.0%
Leasehold improvements	20.0%

3.2 - Property, furniture and equipment

(€ thousands)	Jan. 1, 2004	Additions	Disposals	Disposals – accumulated depreciation	Accumulated depreciation	Consolidation impact	Dec. 31, 2004
Buildings	5.9	-	-	-	(3.0)	-	2.9
Furniture and fixtures	51.9	0.1	-	-	(23.6)	0.2	28.6
Computers and office equipment	14.8	26.9	(0.8)	0.8	(15.7)	0.4	26.4
Non-depreciable furnishings	28.3	-	-	-	-	-	28.3
Total	100.9	27.0	(0.8)	0.8	(42.3)	0.6	86.2

Depreciation rates for property, furniture and equipment assets

Category	Ordinary rate	Accelerated rate
Buildings	20.0%	20.0%
Furniture and fixtures	12.0%	12.0%
Computers and office equipment	20.0%	20.0%
Immaterial value assets	100.0%	0

3.3 - Investments

Direct investments in tech companies

The Group has direct minority interest equity holdings in technology companies. During 2004, the Group made additional investments of € 907.3 thousand and realized writedowns of € 1,072.2 thousand in order to reduce investments to their market values. The Group also had to adjust the value of its direct investments for the adverse impact of foreign exchange contracts coverage the latter movements had. The Group realized a € 90 thousand capital gain on its liquidation of its holdings in Strategic Asset, which it had acquired in 2004.

(€ thousands)	Jan. 1, 2004	Investments	Refunds	Writedowns	Forex movements net loss	Dec. 31, 2004
Direct investments	7,411.1	907.3	(18.6)	(1,072.2)	(497.6)	6,730.0
Total	7,411.1	907.3	(18.6)	(1,072.2)	(497.6)	6,730.0

Venture capital funds

The Group only invests in venture capital funds that invest in companies that are representative of the Group's investment focus. The Group reclassified at year-end its investments in hedge funds as current assets – marketable securities, as they serve to place temporary excess Group liquidity.

(€ thousands)	Jan. 1, 2004	Increases from investments	Reductions from distributions and disposals	Revaluations / (writedowns)	Forex movements net gain/(loss)	Year-end reclassification	Dec. 31, 2004
Venture capital funds	82,925.0	52,333.6	(6,290.9)	(1,168.2)	(10,562.8)		117,236.7
Hedge funds	44,740.9	410.7	(13,905.5)	1,229.5	455.9	(32,931.5)	0
Total	127,665.9	52,744.3	(20,196.4)	61.3	(10,106.9)	(32,931.5)	117,236.7

During 2004, the Group made investments of € 52,333.6 thousand in venture capital pursuant to commitments made, while realizing distributions and disposals that resulted in decreases of € 6,290.0 thousand. € 4,674.6 thousand of these decreases resulted from distributions amounting to € 13,944.0 thousand, which generated net capital gains of € 9,269.4 thousand. Total distributions and refunds amounted to € 14,241.5 thousand when the € 297.5 thousand in capital refunds arising from a commitment reduction or sale of stake to third party is taken into account. A further € 1,318.8 thousand in reductions resulted from the sale of the Group's stake in the Giza Ventures II venture capital fund, which generated a capital gain of € 460.5 thousand.

Venture capital funds are valued based on their Net Asset Value (NAV) at December 31, 2004, which for the most part have not been definitively set (8 funds are valued at their September 30, 2004 NAV adjusted for estimated changes in value to year-end). Based on these valuations, the Group recorded net writedowns of € 1,168.2 thousand, reflecting € 6,349.4 thousand in writedowns partially offset by revaluations of € 5,181.2 thousand.

Hedge funds recorded as investments in Q3 2004 were subject to € 13,905.5 thousand in disposals during 2004, as a result of the full redemption of the Genaissance, Andor Technology, Galleon Captain and Miats Metha Biopharm hedge funds and the partial redemption of the Camelot Offshore, Sidus Investments, Spheric Global and Spinner Global hedge funds. As previously discussed, the remaining funds were reclassified at year-end as current assets – marketable securities, reflecting their use for the placement of temporary excess liquidity.

Almost all of the above investments are quoted in US dollars, with a few quoted in pounds sterling, Australian dollars and Swiss francs. FOREX forward contracts are entered into for the full value of the investments, providing coverage for the impact of all foreign exchange movements.

The net loss from foreign exchange movements for venture capital funds reflects the impact of the latter on the FOREX forward contracts and is treated as a financial expense.

Security and rental deposits

These relate to security deposits on licenses and rental deposits on property with contracts over five years in length.

4. Current assets

4.1 – Receivables

Receivables amounted to € 18,664.2 thousand at December 31, 2004, all of which are collectable within the year and not subject to any pledges. 95.39% of receivables related to US other receivables, with the remainder relating to Italy (trade accounts receivables: 2.98%, tax receivables: 1.51%, holding company receivables: 0.08%, other receivables: 0.04%). Some € 4 million was collected after year-end to be invested. At December 31, 2003, receivables amounted to € 24,985.4 thousand.

Trade accounts receivable

These amounted to € 555.7 thousand, arising from the provision of services.

Subsidiary and tax receivables

Subsidiary receivables amounted to € 15.3 thousand and related to the provision of services to the Group 50% owned BIM Alternative Investments subsidiary, pro-rated for the other owner's share.

Tax receivables amounted to € 282.4 thousand, down from the previous year-end, reflecting the utilization of tax credits during 2004.

Tax credits estimated at approximately € 37 million resulting from previous years' tax losses were not recognized, as there do not exist conditions of certainty that sufficient profits will be generated in successive years for the Group to avail itself of these tax credits.

Other receivables

These comprised:

- € 5,514.4 thousand in deposits paid during the last days of 2004 for subscriptions in the Cantillion Technology and Trellus hedge funds that become due on 1 January 2005;
- € 11,130.4 thousand in receivables relating to hedge funds whose redemption were requested at December 31, 2004;
- € 251.9 thousand in receivables relating to hedge funds redeemed in 2004;
- € 867.6 thousand in receivables relating to venture capital fund distributions due;
- € 39.1 thousand in receivables arising from the disposal of the Teloquent investment;
- € 7.3 thousand relating to the miscellaneous receivables.

These receivables relating to investment transactions are being collected in an orderly manner, with 90% of the hedge fund redemptions receivables having been banked at the date of this report.

4.2 Marketable securities

Treasury shares

Pursuant to powers granted to it by a Meeting of Shareholders with the intent of stabilizing the share price, the Group acquired and sold the following number of Cdb Web Tech SpA shares in 2004:

At Dec. 31 2003	2004 acquired	2004 sold	At Dec. 31 2004	% owned	Average treasury share acquisition price (€)
51,000	839,000	340,000	550,000	0.545	2.522

The value appearing on the Balance Sheet corresponds to the acquisition cost of treasury shares. Please refer to the Parent Company financial statement notes for the disclosure of the treatment of treasury shares disposal gains and losses.

Hedge funds, company bonds and shares

These comprised at December 31, 2004:

- €77,348.1 thousand in 53 hedge funds, whose 2004 investment activity and year-end balances are detailed as follows:

(€ thousands)	Jan. 01, 2004	Year-end reclassification	Acquisitions	Redemptions and disposals	Net writedowns	Forex movements net loss	Dec. 31, 2004
Hedge funds	38,526.3	32,931.5	37,021.1	(22,766.8)	(1,119.8)	(7,244.2)	77,348.1
Total	38,526.3	32,931.5	37,021.1	(22,766.8)	(1,119.8)	(7,244.2)	77,348.1

As previously discussed, hedge funds investments were reclassified at 2004 year-end as current assets – marketable securities, reflecting their use for the placement of temporary excess liquidity until their investment in venture capital funds.

Hedge funds had unrealized holding gains in excess of €7.2 million at December 31, 2004, which may or may not be realized when they become due one to three months after year-end.

- €3,499.5 thousand in blue-chip company bonds, whose 2004 investment activity and year-end balances are detailed as follows:

	Dec. 31, 2004 nominal value	Maturity date	Dec 31, 2003 book value	2004 disposals	2004 net revaluations/ (writedowns)	Dec. 31, 2004 book value	2004 capital gain/(loss)
CENTROLEASING 2006	500.0	April 26, 2006	8,910.0	(8,440.4)	26.9	496.5	53.6
B.AGRILEASING IND.30/09/99-04		Sept. 6, 2004	4,002.8	(4,002.8)			(5.7)
AUTOSTRADA TORINO-MILANO	3,000.0	Feb. 10, 2005	3,008.7		(5.7)	3,003.0	
CCT 01.03.06		March 1, 2005	2,011.2	(2,011.2)			(5.1)
BCA ROMA 05/09 TV		May 7, 2009	2,987.3	(2,987.3)			3.0
BIM EONIA 2 2006			5,000.0	(5,000.0)			
CCT 01.09.97/04 IND.	850.0	Sept. 1, 2004	426.1	(426.1)			(2.2)
Total			26,346.1	(22,867.8)	21.2	3,499.5	43.6

- €200.4 thousand in company shares in BakBone Software, Wireless Facilities and Tumbleweed, which are listed both in Canada and on the Nasdaq, arising from venture capital fund distributions that had not been sold at year-end.

4.3 – Cash and Bank

At December 31, 2004 the Group had current bank account deposits, including accrued interest, amounting to €36,573 thousand (December 31, 2003: €27,565.0 thousand) and cash and securities on hand amounting to €5.1 thousand.

5. Prepaid Expenses and Accrued Income

5.1 Accrued income

Accrued income comprised €39.2 thousand in matured interest income from marketable securities holdings. The decrease from the previous year-end arises from a reduction in the Group's holding of interest generating marketable securities.

5.2 Prepaid expenses

Prepaid expenses comprised €76.4 thousand in prepayments for services, rental and subscriptions whose benefits will be enjoyed in 2005.

Notes to the Consolidated Balance Sheet – Equity and Liabilities

6. Equity

At December 31, 2004, the Group's equity amounted to €260,439.87 thousand. Appendix 1 to the Notes to the Consolidated Financial Statements reconciles the Group's equity with that of the Parent Company.

6.1 - Share capital

At December 31, 2004, share capital, which was fully subscribed and paid-up, amounted to €100,800 thousand, comprising 100,800,000 shares, each with a par value of €1. This figure has remained unchanged on last year.

6.2 – Share premium

At December 31, 2004, the share premium reserve amounted to €98,285.9 thousand, compared to €111,600.5 thousand for the previous year-end. This decrease arises from the decision by the April 30, 2004 Shareholders' Meeting to allocate the €13,314 thousand to increase the treasury share acquisition reserve. Share premium is freely distributable so long as the legal reserve is not less than 20% of the share capital.

6.3 – Legal reserve

At December 31, 2004, the legal reserve amounted to €1,411.9 thousand, up €145.6 thousand pursuant to the transfer of a portion of the parent company's 2004 net profit. This reserve is governed by Italian State Law and Statute.

6.4 – Treasury share holding reserve

At December 31, 2004, the treasury share holding reserve amounted to €1,386.8 thousand, corresponding to the value of treasury shares acquired. This reserve is governed by Shareholders' Meeting resolutions.

6.5 - Treasury share acquisition reserve

At December 31, 2004 the treasury share acquisition reserve amounted to €52,088.4 thousand following the decision by the April 30, 2004 Shareholders' Meetings to authorize the acquisition of treasury shares. This reserve is governed by Shareholders' Meeting resolutions.

6.6 - Cumulative deficit

This item comprises the Group's previous fiscal years' net losses offset by the parent company's 2000 and 2003 fiscal year net profit and the net losses covered by the parent company from its reserves.

6.7 Net profit for the fiscal year

2004 fiscal year net profit amounted €8,629.5 thousand, or €0.0860798 per share, excluding treasury shares held.

6.8 - Consolidation reserve

Amounting to €778.0 thousand, this item arises from the difference between the acquisition cost of subsidiary investments on the Company's books and the net equity value arising from the consolidation process. This figure is unchanged on last year.

6.9 -Translation adjustment

Amounting to negative €26.8 thousand, this item arises from the translation into Euros of the UK subsidiary Cdb Web Tech Management Ltd's financial statements.

The translation adjustment and the consolidation and treasury share acquisition reserves are governed by Italian State Law and consolidation principles.

7. Provisions for liabilities and charges

7.1 - Provision for employee termination benefits

(€ thousands)	Jan.01 2004	Charges	Payments	Transfers	Dec. 31, 2004
Total	27.9	26.3	(6.9)	13.5	60.8

7.2 – Other provisions for liabilities and charges

These concern pension benefit commitments for Bim Alternative Investments Sgr, jointly-owned subsidiary.

8. Liabilities

At December 31, 2004, the Group had total liabilities amounting to €1,552.9 thousand (€1,578.0 at December 31, 2003). Liabilities are all due within the year and are not part of any Group assets or operations guarantee.

Most of the liabilities are payable in Italy (Italian suppliers: 58.78%, Italian Taxation Authority: 27.57%), with the remainder payable to suppliers in the United Kingdom (5.56%) and various creditors in the United States (8.09%).

8.1 - Trade accounts payable

These amounted to €999.2 thousand and relate to Cdb Web Tech ordinary business activities.

8.2 - Tax liabilities

At December 31, 2004, the Group had tax liabilities amounting to €366.8 thousand comprising €318.9 thousand relating to Cdb Web Tech Management Ltd and the parent company and the remaining €47.9 thousand relating to Bim Alternative Investments Sgr, all tax withholdings on remuneration paid to contract employees that are payable to the State.

8.3 – Social security liabilities

These amounted to €42.6 thousand, representing employees' social security deductions that have since been paid to the State.

8.4 – Other liabilities

These amounted to €144.3 thousand, with the reduction from the previous year-end reflecting the business activity of the Group.

9. Accrued Expenses and Deferred Income

9.1 Accrued Expenses

This item comprises uninvoiced professional services rendered during 2004, totaling €36.6 thousand, and €99.8 thousand in provisions for management costs for hedge funds to be liquidated during the following year.

9.2 Deferred income

This item comprises €40.6 thousand in contributions towards improvements in rented premises, which will be deducted from rent during the remainder of the lease and €31.3 thousand in rental costs for offices for the period without charge which was granted to us.

10. Off-Balance Sheet commitments

At December 31, 2004 the Group had outstanding venture capital funds investment commitments amounting to € 129.8 million at year-end exchange rates. Payments arising from these investment commitments will be made in line with each fund's investment plan. On the basis of historical evidence and the current market situation, we estimate that these payments will be made gradually over the next 36 months at least.

The decrease in commitments from the € 149.7 million balance at December 31, 2003 is due to the combined impact of payments made, new commitments entered into, reduced commitments arising from the reduction in the sizes of funds and the strengthening of the Euro relative to the US dollar, the currency in which most commitments are denominated, net of any new commitments entered into.

Venture Capital Fund Investment Commitments at December 31, 2003	149.7
(€ millions)	
Reduction in commitment due to reduction in fund size	0,0
Investments / Capital Calls	(51.0)
Divestments	(2.9)
New commitments	44.3
Commitments acquired on the secondary market	(3.5)
FOREX effect	(6.8)
Venture Capital Fund Investment Commitments at December 31, 2004	129.8

11. Post Balance Sheet events

The Group enters into forward contracts to cover risks arising from foreign exchange movements relating to its investments and these financial instruments are valued during the period of their coverage. Gains and losses arising as a result of the difference in value between the foreign exchange contract rate and the transaction exchange rate are recorded in the period in which they occurred. Financial instruments are valued at the lower of cost and market value.

In order to cover the foreign exchange rate risk relating to foreign currency investment transactions, hedging contracts were secured with Italian banks to cover the entire amount of the investments.

In 2004, the Group realised € 273 thousand in net gains in value adjustments on forward contracts as a result of movements in foreign exchange rates. At December 31, 2004, the Group had forward contracts maturing in March 2005 valued at \$US 266.3 million, \$AUS 1.7 million and £UK 6.6 million.

Notes to the Consolidated Income Statement

12. Operating revenues

(€ thousands)	2004
Management commissions	1,435.4
Leasehold improvement contributions	8.0
Miscellaneous reimbursements and recoveries	1.3
Consulting services to BIM Investments Alternative sgr (50% share for jointly owned company)	27.5
Total	1,472.2

The increase of € 851.8 thousand on 2003 relates primarily to management commissions.

13. Operating expenses

13.1 - Services

(€ thousands)	2004
Consulting, legal and tax	(2,156.8)
Directors' fees	(306.1)
Subscriptions and general expenses	(175.0)
Publications, stationery and books	(64.9)
Maintenance	(46.3)
Temporary personnel	(15.5)
Travel	(188.6)
Total	(2,953.2)

Services increased by € 746.6 thousand from € 2,188.6 thousand, primarily as a result of a rise in consulting, legal and tax costs.

13.2 - Rental expenses and license fees

These amounted to € 309.8 thousand, consisting of € 211.6 thousand in Milan and London office rental charges and the remainder in license and royalty fees.

13.3 - Personnel

The Group incurred € 731.3 thousand in personnel expenses, compared with € 579.2 thousand for 2003 when the size of the workforce was smaller for part of the year.

Workforce size movements during 2004 were as follows:

	Dec. 31, 2003	Hirings	Departures	Dec. 31, 2004	Average
Senior managers	3	0	0	3	3
Managers and employees	3	1	(1)	3	3
Total	6	1	(1)	6	6
Bim Alternative Sgr	2	3	0	5	4

13.4 – Depreciation and amortization

Depreciation and amortization expenses are presented in the Income Statement and are discussed in the Notes to the Balance Sheet.

13.5 – Other operating expenses

These amounted to € 94.2 thousand, including € 70 thousand in contributions to the Milan Polytechnical Foundation for the research, development and application of its technologies.

14. Financial income and expenses

Group net financial income increased to € 14,154.4 thousand from € 9,619.7 thousand for 2003.

14.1 – Financial income

Direct investments investment income

This amounted to € 90 thousand and consisted of a capital gain arising from the sale of the Group's stake in Strategic Asset Structures, which it acquired in 2003.

Venture capital funds investment income

This amounted to € 9,764.8 thousand, comprising €9,304.3 thousand distributions that were realized (shares sold on the market) from the € 14,241.5 thousand in cash and share distributions received from venture capital funds, and € 460.5 thousand in capital gains on venture capital funds stake disposals. In 2003, the Group posted VCF investment income of € 6,081.4 thousand, of which €2,728.3 resulted from distributions received from VCF.

(€ thousands)	2004
Distributions received from VCF	9,304.3
Capital gains on VCF stake disposals	460.5
Total	9,764.8

Marketable securities income

These comprise interest income and capital gains from blue chip company bonds holdings and redemption income from hedge funds. The significant increase to € 4,744.4 thousand from € 1,943.6 thousand from 2003 reflects the incorporation of hedge fund redemption income of euro 3,318.3 , which was previously recorded as investment income.

(€ thousands)	2004
Hedge funds redemption income	4,133.8
Blue chip company bonds interest income	610.6
Total	4,744.4

Other financial income

(€ thousands)	2004
Foreign exchange forward contracts value adjustments	3,769.0
Bank interest income	244.9
Total	4,013.9

Other financial income was marginally down on 2003, with the reduction in bank interest income due to an increasing amount of temporarily available excess liquidity being invested in hedge funds almost fully offset by €232.8 thousand increase in the value of foreign exchange forward contracts (hedges) due to the favorable impact of foreign exchange rates movements in 2004.

14.2 – Financial expenses

(€ thousands)	2004
Losses on disposals and distributions	(397.3)
Foreign exchange forward contracts value adjustments	(3,496.2)
Bank interest expense	(53.0)
Total	(3,946.5)

The increase from 2003's €2,819.4 thousand is due to a reduction in foreign exchange forward contracts (hedges) value reflecting unfavorable foreign exchange rates movements in 2004.

14.3 – Net foreign exchange gain/(loss)

The Group reported a net foreign exchange loss of € 512.3 thousand for 2004, compared to a net foreign exchange gain of € 25.5 thousand for 2003.

15. Investments and marketable securities revaluations and writedowns

Investments net writedowns amounted to €2,249.7 thousand in 2004, compared to €4,662.5 thousand for 2003, reflecting a significant improvement in valuations.

15.1 Investments and marketable securities revaluations

These increased from €2,309.7 thousand for 2003 to €6,981.3 thousand for 2004, comprising the following amounts:

Direct investments revaluations

These amounted to €1,097 thousand and resulted from the reversal of previous fiscal year writedowns to reflect the recovery in value of the shares of direct investments.

Venture capital funds revaluations

These amounted to €5,181.2 thousand for 2004, compared to €2,222.7 thousand for 2003 that also included €115.4 thousand in hedge fund revaluations, now reported as marketable securities revaluations. Venture capital funds revaluations result from the full or partial reversal of previous fiscal years writedowns based on the latest NAVs and assessment of the venture capital fund portfolio to confirm the change in situation. The NAV of any of the venture capital funds the Group invests in does not exceed its cost base by more than €7.8 million.

Marketable securities revaluations

(€ thousands)	2004
Hedge funds revaluations	629.3
Blue chip company bonds and shares revaluations	73.8
Total	703.1

These relate to recovery in market values of marketable securities at December 31, 2004 that had been the subject of writedowns in previous fiscal years.

15.2 - Investments and marketable securities writedowns

Direct investments writedowns

These amounted to €2,169.2 thousand, compared with €3,007.3 thousand for 2003, and reflect the writedown of the carrying value of shareholdings held directly in high technology companies to their lower market values, given that the decline in value is judged not to be temporary in nature.

Venture capital funds writedowns

These amounted to €6,349.4 thousand for 2004, compared to €3,864.5 thousand for 2003, and were based on the best available information on the funds' Net Asset Value (NAV) at that date, with some of the NAVs remaining to be certified. The NAV for 8 funds were derived from earlier valuation dates, and adjusted for movements in value to December 31, 2004.

Marketable securities writedowns

Writedown of carrying values of securities in which temporarily available excess liquidity is placed amounted to €712.3 thousand in 2004, comprising the following items:

(€ thousands)	2004
Hedge funds writedowns	(540.5)
Blue chip company bonds and shares writedowns	(171.8)
Total	(712.3)

16. Exceptional income and expenses

16.1 - Exceptional income

The Group realized income of € 33.9 thousand from activities not typical of its ordinary business.

16.2 – Exceptional expenses

The Group incurred expenses of € 3.0 thousand from activities not typical if its ordinary business.

17. Income tax

The Group incurred Income tax of € 526.7 thousand in 2004, of which € 228.5 thousand related to the Company and the remainder subsidiaries, determined on the basis of rate of taxation and current legislation.

The Group did not recognize any tax credits regarding the offsetting of previous fiscal year tax losses incurred against the potential profitability of future fiscal years.

Appendices

Appendix 1 – Reconciliation of Group and Parent Company equity and net profit

	Equity at Dec. 31, 2004 <i>€ thousands</i>	2004 net profit <i>€ thousands</i>
CDB WEB TECH SpA	263,977.5	10,004.5
Elimination of parent company writedowns	141,921.0	(10,715.9)
Incorporation of subsidiaries' net profit/(loss)	(141,687.1)	10,909.5
<i>Bim Alternative Investments SGR</i>	145.4	204.1
<i>CDB WEB TECH LP (under UK GAAP)</i>	(141,920.9)	10,715.9
<i>CDB WEB TECH Management</i>	14.3	21.9
<i>CDB Private Equity</i>	92.2	(18.0)
<i>ICT Investments srl</i>	(18.1)	(14.4)
Elimination of intra-Group transactions	(865.6)	(42.5)
Differences arising from the application of standard accounting principles	(3,657.1)	(1,526.1)
Consolidation reserve	778.0	0.0
Translation adjustment	(26.8)	0.0
CDB WEB TECH Group	260,439.8	8,629.5

Appendix 2 – Schedule of Group Equity items movements in 2004

(€ thousands)	Share capital	Legal reserve	Share premium	Treasury shares holding reserve	Treasury share acquisition reserve	Consolidation reserve	Translation adjustment	Other reserves	Cumulative deficit	Group net profit	Total Equity
Total at Dec. 31, 2003	100,800.0	1,266.3	111,600.5	149.5	40,011.1	778.0	(81.6)	0.0	(4,598.2)	1,911.5	251,837.1
General Meeting – April 30, 2004											
Allocation of net profit	0.0	145.6	0.0	0.0	0.0	0.0	0.0	0.0	1,765.9	(1,911.5)	0.0
Shares buyback - revocation	0.0	0.0	39,485.4	0.0	(39,485.4)	0.0	0.0	0.0	0.0	0.0	0.0
Shares buyback - authorisation	0.0	0.0	(52,800.0)	0.0	52,800.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury shares - buyback	0.0	0.0	0.0	2,067.7	(2,067.7)	0.0	0.0	0.0	0.0	0.0	0.0
Treasury shares - sales	0.0	0.0	0.0	(830.3)	830.3	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal year net profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,629.5	8,629.5
Translation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	54.8	0.0	(81.6)	0.0	(26.8)
Total at Dec. 31, 2004	100,800.0	1,411.9	98,285.9	1,386.9	52,088.3	778.0	(26.8)	0.0	(2,913.9)	8,629.5	260,439.8

Appendix 3 – Listing of hedge funds holdings at December 31, 2004

Fund N°	Group investing company	Strategy / Fund name	Holding value (€thousands)
Life Science/Health Care			
1	Cdb International LP	AlphaGen Arneb Health Fund LDC	551.4
2	Parent Company	Biomedical Offshore Fund S A01	738.2
3	Parent Company	Galleon Captain Fund B-3	1,100.1
4	Cdb International LP	Itros Offshore Fund	735.2
5	Cdb International LP	KCM Biomedical	367.6
6	Cdb International LP	Miats Bricoleur	367.6
7	Cdb International LP	Miats Founding Class	735.2
8	Cdb International LP	Offsands Point	551.4
9	Parent Company	Perceptive Life Sciences Cl. B	733.4
Total Life Science/Health Care			5,880.0
MultiStrategy			
10	Parent Company	Bayou Offshore Fund A cl A1104	1,100.1
11	Parent Company/Cdb International LP	Forest Multi-Strategy Red Ptg	1,472.3
12	Cdb International LP	Whitebox Hedge Fund	1,470.4
Total MultiStrategy			4,042.7
Event Driven			
13	Parent Company	Avenue Europe Ltd.	1,466.8
14	Parent Company	Avenue Intl Ltd Series H0803	735.2
15	Parent Company	BlueBay High Yield Euro Class	2,005.0
16	Cdb International LP	Centaurus Alpha Fund	1,105.5
17	Cdb International LP	Davidson Kempner International	1,474.0
18	Parent Company	LibertyView Credit Opport. Fun	733.4
19	Parent Company	Strategic Value Restr Fund A	1,466.8
Total Event Driven			8,986.9
Opportunistic			
20	Parent Company	Brevan Howard Fund Ltd. (EUR)	2,005.0
21	Parent Company	Finisterre Sovereign Class B	735.2
22	Parent Company	The Capital Fund Ltd. Cl. A	733.4
Total Opportunistic			3,473.6
Relative Value			
23	Parent Company	Kingate Global Fund	1,466.8
24	Parent Company	Lancelot Investor Fund	1,466.8
25	Parent Company/Cdb International LP	Pentagon Global Opportunity F.	2,332.8
26	Parent Company/Cdb International LP	Ramius Fund Ltd	1,597.6
Total Relative Value			6,864.0
Funds of Funds			
27	Cdb International LP	3A Windrider	2,000.0
Total Funds of Funds			2,000.0
Distressed			
28	Parent Company	Harbert Distressed Investment	1,466.8
Total Distressed			1,466.8
Equity Long / Short			
29	Cdb International LP	Alkeon Growth Offshore Ltd.	1,392.3
30	Cdb International LP	Camelot Offshore Fund Ltd cl B	1,838.0
31	Cdb International LP	Core Technology Fund	3,151.4
32	Cdb International LP	Five Points Offshore	1,470.4
33	Parent Company	High Tech Hedge Fund I	1,000.0
34	Cdb International LP	Intrepid Fund	1,470.4
35	Cdb International LP	Kaintuck Fund	2,940.7
36	Parent Company	Matrix Capital Management	3,520.4
37	Cdb International LP	Minot Capital Fund	882.2
38	Parent Company	New Smith UK Hedge Fund Ltd B	1,419.2
39	Cdb International LP	North Sound Legacy Internation	737.0
40	Cdb International LP	Odey European Inc	1,002.5
41	Cdb International LP	Quasar Technology Fund Ltd B4	1,370.2
42	Cdb International LP	Ruth Offshore Fund Ltd cl B1	1,470.4
43	Cdb International LP	Season Technology	1,470.4
44	Cdb International LP	Sidus Investments B/5	1,933.1
45	Cdb International LP	Spheric Global Technology Fund	2,454.9
46	Cdb International LP	Spinner Global Technology Fund	2,448.6
47	Parent Company	SR Phoenicia Inc.	1,838.1
48	Cdb International LP	The Contra Fund Limited	1,002.5
49	Cdb International LP	The Pegasus Fund	1,002.5
50	Parent Company	The Stealth Offshore Fund 0104	2,933.6
51	Parent Company	Tosca	735.2
50	Cdb International LP	Tracer Capital Offshore Ltd B1	1,470.4
Total Equity Long / Short			40,954.2
Equity Market Neutral			
51	Parent Company/Cdb International LP	O'Connor Global Fundamental	1,472.3
Total Equity Market Neutral			1,472.3
Cta			
52	Cdb International LP	AHL Diversified	737.0
53	Parent Company	All market 250 Ltd (MAN AHL 25	1,470.5
Total Cta			2,207.5
Total			77,348.1

CDB WEB TECH SpA*

2004 FINANCIAL REPORT

*** Cdb Web Tech Group Parent Company**

Cdb Web Tech SpA
Balance Sheet
at December 31, 2004

(€)	Notes	December 31, 2004	December 31, 2003
Assets			
Non-current assets	3		
Intangible assets	3.1	122,116	166,520
Incorporation and start-up costs		7,121	13,750
Franchises, licenses and trademarks		77,374	77,527
Leasehold improvements		37,621	75,243
Property, furniture and equipment	3.2	63,141	77,008
Buildings		2,976	5,952
Furniture, fixtures and computer equipment		60,165	71,056
Investments	3.3	209,178,452	187,602,049
Subsidiaries		192,148,429	174,077,185
Direct investments in technology companies		3,569,316	3,769,306
Venture capital funds		13,460,333	9,755,184
Other		374	374
Total non-current assets		209,363,709	187,845,577
Current assets	4		
Receivables	4.1	7,340,160	8,895,384
Subsidiaries receivables		420,808	383,314
Tax receivables		264,032	701,496
Other receivables		6,655,320	7,810,574
Marketable securities	4.2	39,432,683	48,466,238
Hedge funds, blue chip company bonds		38,045,824	48,316,772
Treasury shares		1,386,859	149,466
Cash and bank	4.3	8,359,602	9,975,941
Bank balances		8,355,256	9,791,549
Cash balances		4,346	4,392
Total current assets		55,132,445	67,157,563
Prepaid expenses and accrued income	5		
Prepaid expenses		39,178	206,626
Accrued income		16,561	84,591
Total prepaid expenses and accrued income		55,739	297,217
Total Assets		264,551,893	255,294,357
Equity and Liabilities			
Equity	6		
Share capital	6.1	100,800,000	100,800,000
Share premium	6.2	98,285,893	111,600,531
Legal reserve	6.3	1,411,872	1,266,260
Treasury share reserve	6.4	1,386,859	149,466
Treasury share holding reserve	6.5	52,088,391	40,011,146
Rounding adjustment		(2)	2
Net profit for the fiscal year	6.6	10,004,469	145,612
Total EQUITY		263,977,482	253,973,017
Provisions for employee termination benefits	7	38,285	23,651
Liabilities	8		
Trade accounts payable	8.1	372,269	453,785
Subsidiaries liabilities	8.2	1,232	0
Tax liabilities	8.3	68,255	101,050
Social security liabilities	8.4	29,904	24,633
Other	8.5	19,097	660,851
Total liabilities		490,757	1,240,319
Accrued expenses and deferred income	9		
Accrued expenses	9.1	36,080	40,119
Deferred income	9.2	9,289	17,251
Total accrued expenses and deferred income		45,369	57,370
Total Equity and Liabilities		264,551,893	255,294,357
Off-Balance Sheet guarantees and commitments			
Guarantees	10	210,000,000	300,000,000
Commitments		11,756,014	18,988,700

Cdb Web Tech SpA
Income Statement
for the fiscal year ending December 31, 2004

(€)	Notes	2004	2003
Operating revenues	12	454,279	420,451
Services provided		445,070	411,190
Other Operating Revenues		9,209	9,261
Operating expenses	13		
Services	13.1	(1,238,167)	(1,143,181)
Rental expenses	13.2	(104,187)	(107,848)
Personnel	13.3	(449,761)	(383,438)
Wages and salaries		(298,756)	(257,857)
Social security charges		(128,533)	(108,466)
Employee termination benefits		(21,510)	(16,309)
Other		(962)	(806)
Depreciation and amortization	13.4	(140,023)	(130,628)
Amortization of intangible assets		(101,852)	(83,891)
Depreciation of property, furniture and equipment		(38,171)	(46,737)
Other operating expenses	13.5	(86,014)	(24,095)
Total operating expenses		(2,018,152)	(1,789,190)
Operating loss		(1,563,873)	(1,368,739)
Financial income and expenses	14		
Financial income	14.1	8,032,182	5,058,258
Venture capital funds investments income		617,353	
Marketable securities income		1,796,332	1,932,152
Other financial income		5,618,447	3,126,106
Financial expense	14.2	(1,523,739)	(2,738,010)
Foreign exchange net gain/(loss)	14.3	(15,061)	0
Net Financial Income		6,493,382	2,320,248
Investments and marketable securities revaluations and writedowns	15		
Revaluations	15.1	11,948,465	1,242,896
Subsidiaries and direct investments		10,840,177	1,212,296
Venture capital funds		409,187	30,600
Marketable securities		698,471	
Writedowns	15.2	(6,672,631)	(1,862,693)
Subsidiaries and direct investments		(1,121,314)	0
Venture capital funds		(1,757,751)	(1,825,334)
Marketable securities		(3,793,566)	(37,359)
Net investments and marketable securities writedowns		5,275,384	(619,797)
Exceptional income and expenses	16		
Exceptional income	16.1	27,876	40,561
Exceptional expenses	16.2	(300)	(964)
Net exceptional income		27,576	39,597
Profit before tax		10,232,919	371,309
Income tax	17	(228,450)	(225,697)
Net profit		10,004,469	145,612

Notes to the Parent Company Financial Statements

1. Basis of preparation of Cdb Web Tech Spa parent company financial statements

Cdb Web Tech SpA parent company (henceforth known as the Company) financial statements were prepared in accordance with Legislative Decree no. 127/91, and consist of a Balance Sheet and an Income Statement pursuant to Articles 2424 and 2425 and these accompanying notes. Accounting standards used regarding the recording of expenses and revenues, income and charges, valuation and note disclosure criteria are based, where applicable, on accounting standards recommended by the Italian regulatory accounting body, the Commission for Accounting Standards of the National Council of Financial Accountants, and the Italian Order of Accountants (IOA).

These notes contain the information necessary to provide a fair and accurate representation of the financial and economic position of the Company in accordance with Article 2427 of the Italian Civil Code.

Company financial statements and tables contained in the Notes are expressed in thousands of Euros unless otherwise indicated.

The Directors' Report contains further information relating to the nature of activities for the period, significant post-balance sheet events and transactions with the Controlling Shareholder, Group companies and related parties.

2. Valuation Principles and Methods

The primary valuation principles and methods used in the preparation of the Company financial statements at December 31, 2004, are as follow:

Intangible assets

These assets are valued at their acquisition or production costs and include related costs. They are amortized in accordance with rates specified in Note 3.1 that follows.

Property, furniture and equipment

These assets are valued at their acquisition or production cost and include related costs. They are depreciated to reflect their remaining useful economic lives, using ordinary depreciation rates, as well as accelerated depreciation rates allowed under income tax law to reflect asset value impairment, both of which are disclosed in Note 3.2 that follows.

Investments

Investments are valued at their acquisition or subscription costs and include related costs, reflecting the nature of the Company's activity. If an asset suffers a non-temporary decline in value, it is written down accordingly. However, it may be restated to its original book value in a subsequent year if the basis for the writedown is no longer applicable.

Receivables

Receivables, valued at their estimated net realizable value, are all due within the year and have not been pledged as a guarantee on Company assets or operations.

Marketable securities

Marketable securities are valued at the lower of cost, using the LIFO method, and market value. Market value is determined based on the average security price for the last month of the fiscal year for listed securities and on the estimated resale value for unlisted securities. Marketable securities are written down to their market values when these are lower than their acquisition cost. However, it may be restated to its original book value in a subsequent year if the basis for the writedown is no longer applicable.

All acquisition, subscription and sales transactions are recorded in the marketable securities asset account on the settlement date.

Prepaid expenses and accrued income

Prepaid expenses and accrued income relating to two or more fiscal years is accounted for in accordance with the matching principle.

Provision for employees' termination benefits

The provision for employee termination benefits reflects the Group's accrued liability to employees in accordance with current legislation and employment contracts.

Liabilities

Liabilities are valued at their nominal value, are all due within the year, and are not part of any Group assets or operations guarantee.

Foreign exchange forward contracts

The exchange risk relating to equity investments denominated in foreign currency is covered by means of hedging contracts. These contracts are valued in a manner consistent with the activities covered. Exchange gains and losses arising from these contracts are recorded in the Income Statement for the fiscal year in which they are realized. Investments for which a hedging loss arises are valued at the lower of cost and market value, losses being written off to the Income Statement and gains being deferred until their date of realization.

Translation of foreign currency denominated assets and liabilities

Assets and liabilities originally denominated in a foreign currency, other than those relating to non-current assets, are revalued in Euros at the year-end closing exchange rates (€ 1 = \$US 1.3564 and € 1 = £UK 0.70657), with any resulting foreign exchange loss recognized immediately and any resulting foreign exchange gain deferred until the realization of the related asset.

Non-current assets, comprising intangible assets, property, furniture and equipment and investments, are recorded at their transaction date exchange rate. The asset's value is reduced at year-end for any non-temporary unfavorable exchange rate movement.

Exchange gains or losses arising from the collection of foreign denominated receivables or the payment of foreign denominated liabilities are recorded in the Income Statement.

Assets and liabilities subject to foreign exchange forward contracts to cover exchange rate risks are considered as debt instruments in regard to exchange rate movements.

Income, revenues, expenses and charges

Income Statement transactions are recorded in accordance with the principle of separate, independent fiscal years, and expenses and income are accrued as appropriate.

Income tax

Income taxes are calculated on the basis of a reasonable estimation of the tax liability for the year, taking into account the various exemptions, tax rates and applicable legislation regarding the many countries in which the Group's companies operate. Deferred taxes, both assets and liabilities, are calculated taking into account the timing differences between assets' and liabilities' accounting book values and their corresponding income tax values.

Deferred tax assets arise from a fiscal year tax loss, asset writedown or establishment of a provision for risk and liability, and are recorded only if there is a reasonable certainty that future fiscal years will generate a net profit against which these items may be offset.

Notes to the Parent Company Balance Sheet – Assets

3. Intangible Assets

(€ thousands)	Jan. 1, 2004	Additions	Disposals	Accumulated amortisation	Dec. 31, 2004
Incorporation costs	13.7	8.9	-	(15.5)	7.1
Licences	77.5	48.5	-	(48.7)	77.3
Leasehold improvements	75.3	-	-	(37.6)	37.7
Total	166.5	57.4	0.0	(101.8)	122.1

The increases in incorporation costs relate to start-up costs. The increase in licenses relate to acquisition of software licenses, which are amortized at a rate of 33%.

Amortization rates for intangible assets

Category	Amortization rate
Licensed software	20% to 33.3%
Leasehold improvements	16.6%
Other licenses	10.0%
Incorporation costs	20.0%

3.2 - Property, furniture and equipment

(€ thousands)	Initial cost	Accumulated depreciation	Dec. 31, 2003	2004 additions	2004 disposals: cost	2004 disposals: acc. depreciation	2004 depreciation	Dec. 31, 2004
Buildings	63.5	(57.6)	5.9	-	-	-	(3.0)	2.9
Fixtures and fittings	160.7	(132.3)	28.4	0.1	-	-	(20.1)	8.4
Computer and office equipment	113.9	(99.4)	14.5	24.2	(0.8)	0.8	(15.1)	23.6
Non-depreciable furnishings	28.3	-	28.3	-	-	-	-	28.3
Immaterial value assets	26.9	(26.9)	-	-	-	-	-	-
Total	393.3	(316.2)	77.1	24.3	(0.8)	0.8	(38.2)	63.2

Depreciation rates for property, furniture and equipment assets

Category	Ordinary depreciation rate	Accelerated depreciation rate
Buildings	20%	20%
Furniture and fittings	12%	12%
Computer and office equipment	20%	20%

For the first fiscal year, depreciation is calculated on a 50% pro-rata basis. Accelerated depreciation rates not greater than those specified by tax legislation are used when the asset is subject to more advanced use.

3.3 - Investments

Investments in subsidiaries

(€ thousands)	% ownership	Dec. 31, 2004
Cdb Web Tech International LP	100.00%	185,929.3
Cdb Web Tech Management Ltd	100.00%	249.1
ICT Investments Srl	100.00%	46.5
Bim Alternative Investment Sgr SpA	50.00%	768.1
Cdb Private Equity LP	100.00%	5,155.4
Total		192,148.4

The following changes in investments book values occurred during 2004:

- Cdb Private Equity LP: € 2,355.4 thousand increase in investment arising from the fulfillment of a share capital subscription;
- Cdb Web Tech International LP: € 5,000.0 thousand and € 10,715.8 thousand investment increases arising respectively from an increase in share capital and revaluation based on December 31, 2004 equity that led to a reversal of prior years' writedowns.

Appendix 1 to the Notes to the Parent Company Financial statements lists information stipulated by Article 2427, sections 2 and 5 of the Italian Civil Code

Direct investments in technology companies

The Company Group holds a minority interest position in five companies operating in the information communications technology and biotech sectors.

(€ thousands)	Total shares held	% owned	Jan. 1, 2004	Acquisitions	Forex impact	Writedowns	Dec. 31, 2004
Xpert Integrated System	138,466	5.14%	2,407.7	-	(142.4)	(615.1)	1,650.2
MobileAccess Networks	871,863	2.17%	475.8	-	(41.0)	-	434.8
Teleknowledge Group	1,554,724	0.83%	83.3	-	(5.4)	(60.3)	17.6
Elixir Pharmaceuticals Inc.	1,000,000	1.25%	802.6	-	(69.2)	-	733.4
Kovio Inc.	1,136,364	3.34%	-	797.0	(63.6)	-	733.4
Total			3,769.4	797.0	(321.6)	(675.4)	3,569.4

In the first half of 2004, the Company invested € 797.0 thousand to acquire a stake in Kovio Inc. The Company also wrote down its investment in Xpert, to reflect the difficulties this company is facing developing its business, and its investment in Teleknowledge at year-end, pursuant to an agreement to sell its stake at Balance Sheet value.

Venture capital and hedge funds

In 2004, the Company acquired a partnership in the DOUGHTY HANSON Technology venture capital fund, to add to its existing portfolio of venture capital funds partnerships: AMADEUS II, NEXIT INFOCOM 2000, GIZA GE III, ISRAEL SEED III and VI, and PITANGO II and III. The investment value increased with payments made pursuant to capital calls and decreased pursuant to cash and share distributions received. In addition, the Company sold its partnership in GIZA III, realizing a capital gain of € 460.5 thousand. Investment book value is calculated at the lower of investment cost and Net Asset Value (NAV) as at December 31, 2004, except for 6 funds, for which a September 30, 2004 NAV was used adjusted for movements in value to year-end. In 2004, the Company realized € 801.6 thousand in writedowns of its venture capital funds investments.

Hedge funds investments were reclassified as current assets – marketable securities, in order to reflect their use to temporarily place excess available liquidity.

(€ thousands)	Jan. 01, 2004	Investments	Distributions & disposals	Year-end reclassification	Forex impact	Writedowns	Dec. 31, 2004
Venture capital funds	8,755.2	7,495.2	(1,442.1)	-	(546.4)	(801.6)	13,460.3
Hedge funds	1,000.0	-	-	(1,000.0)	-	-	-
Total	9,755.2	7,495.2	(1,442.1)	(1,000.0)	(546.4)	(801.6)	13,460.3

Other investments

These comprise deposits and were unchanged for the year.

4. Current Assets

4.1 – Receivables

Receivables amounted to € 8,895.3 thousand at December 31, 2004, all of which are collectable within the year and not subject to any pledges.

90.67% of receivables related to US other receivables, with the remainder concerning Italy (tax receivables: 3.60%, subsidiary receivable: 0.45%) and the United Kingdom (subsidiary receivable: 5.28%).

Some € 1.6 million was collected after year-end to be invested. At December 31, 2003, receivables amounted to €7,340.1 thousand.

Subsidiaries receivables

Comprises a € 387.5 thousand receivable from Cdb Web Tech Management Ltd, a € 30.7 thousand receivable from BIM Alternative Investments Sgr SpA, and a € 2.6 thousand receivable from ICT Investments Srl. for consulting services provided.

The increase in subsidiaries receivables reflects the dynamics of the business.

Tax receivables

These comprised € 218.0 thousand in refundable tax installments from the previous year and € 46.0 thousand in refundable withholding taxes.

Tax credits estimated at approximately € 37 million resulting from previous years' tax losses were not recognized, as there do not exist conditions of certainty that sufficient profits will be generated in successive years for the Company to avail itself of these tax credits.

Other receivables

At December 31, 2004 the Company's other receivables, all of which are collectable within the year, comprised:

- € 4,408.5 thousand in deposits paid during the last days of 2004 for subscriptions in one hedge fund that becomes due on 1 January 2005;
- € 2,246.8 thousand in receivables relating to hedge funds whose redemptions were requested at December 31, 2004;

4.2 – Marketable securities

Treasury shares

Pursuant to powers granted to it by a Meeting of Shareholders with the intent of stabilizing the share price, the Company acquired 839,000 of its own shares at an average share price of € 2.46 and sold 340,000 of its own shares at an average share price of € 2.68.

At December 31, 2004, the Company held 550,000 of its own shares at an average acquisition cost per share of € 2.52, less than the shares' average stock market price for December 2004.

Hedge funds and blue chip company bonds

The Company places its temporarily available excess liquidity in hedge funds diversified by investment strategy, management and geographical region and in blue chip company bonds.

Hedge funds

(€ thousands)	Jan. 01, 2004	Investments	Redemptions	Y/E Reclassi- fication	Forex impact	Revaluations /Writedowns	Dec. 31, 2004
Hedge funds	22,396.8	23,434.6	(9,165.1)	1,000.0	(3,120.0)	-	34,546.3
Total	22,396.8	23,434.6	(9,165.1)	1,000.0	(3,120.0)	-	34,546.3

Hedge funds redemption notices vary up to three months without penalties.

Details of the Company's stakes in its 26 hedge funds are presented in Appendix 3 to the Consolidated Financial Statements.

Blue chip company bonds

(€ thousands)	Dec. 31, 2004 nominal value	Maturity date	Dec. 31, 2003 book value	Disposals	(Writedowns) Revaluations	Dec. 31, 2004	Capital gains/ (losses)
CENTROLEASING 2006	500	26.04.06	8,910.0	(8,440.4)	26.9	496.5	53.6
B.AGRILEASING IND.30/09/99-04	0	6.09.04	4,002.8	(4,002.8)	-	-	(5.7)
AUTOSTRADA TORINO-MILANO	3,000	10.02.05	3,008.7	-	(5.7)	3,003.0	-
CCT 01.03.06	0	1.03.06	2,011.2	(2,011.2)	-	-	(5.1)
BCA ROMA 05/09 TV	0	7.05.09	2,987.3	(2,987.3)	-	-	3.0
BIM EONIA 2 2006	0	-	5,000.0	(5,000.0)	-	-	-
Total			25,920.0	(22,441.7)	21.2	3,499.5	45.8

No blue chip company bonds were acquired in 2004, while a significant amount was liquidated as a result of the bonds maturing, and in selective cases their sale for the purposes of treasury management.

4.3 – Cash and bank

At December 31, 2004 the Company had cash and bank of € 8,359.6 thousand, comprising current bank account deposits and accrued interest of € 8,355.3 thousand and cash and securities on hand amounting to € 4.3 thousand.

The decrease relative to the 2003 year-end amount arises from temporary placement of liquidity in marketable securities.

5. Prepaid expenses and accrued income

5.1 Accrued income

Accrued income comprised € 39.2 thousand in matured interest income from marketable securities holdings.

5.2 Prepaid expenses

Prepaid expenses comprised € 16.6 thousand in prepayments for services, rental and subscriptions whose benefits will be enjoyed in 2005.

Notes to the Balance Sheet – Equity and Liabilities

6. Equity

At December 31, 2004, the Company's equity amounted to € €263,977.5 thousand.

6.1 - Share capital

At December 31, 2004, share capital, which was fully subscribed and paid-up, amounted to €100,800 thousand, comprising 100,800,000 shares, each with a par value of €1. This is unchanged on last year.

6.2 - Share premium

At December 31, 2004, the share premium reserve amounted to €98,285.9 thousand, compared to €111,600.5 thousand for the previous year-end. This decrease arises from the decision by the April 30, 2004 Shareholders' Meeting to cancel the existing treasury share buyback authorization which resulted in an increase in share premium reserve by €39,485.4 thousand, which was offset by a decrease of €52,800.0 thousand following the establishment of a new treasury share buyback reserve pursuant to the approval of a new treasury share buyback authorization. Share premium is freely distributable so long as the legal reserve is not less than 20% of the share capital.

6.3 - Legal reserve

At December 31, 2004, the legal reserve amounted to €1,411.9 thousand, up €145.6 thousand pursuant to the transfer of a portion of the parent company's 2000 and 2003 net profit. This reserve is governed by Italian State Law and Statute.

6.4 - Treasury share holding reserve

At December 31, 2004, the treasury share holding reserve amounted to €1,386.9 thousand, corresponding to the value of treasury shares acquired. This reserve is governed by Shareholders' Meeting resolutions.

6.5 - Treasury share acquisition reserve

At December 31, 2004 the treasury share acquisition reserve amounted to €52,088.4, comprising reserves relating to the purchase of treasury shares of €52,088.4 thousand and €0.001 thousand for rounding adjustments pursuant to Italian Civil Code Article 16, Section 8, Provision 213/98 and Article 2423, Section 5. This reserve is governed by Shareholders' Meeting resolutions.

6.6 - Net profit for the fiscal year

The Company reported a 2004 fiscal year net profit of €10,004.5 thousand, or €0.09980 per share.

Analysis of Parent Company equity actual and potential utilization

(€ thousands)	Balance	Utilization possibilities	Amount available	Utilizations made during the three preceding fiscal years	
				Net loss coverage	Other
Share capital	100,800.0	=	=	=	=
Share capital reserves:					
Treasury share reserves	53,475.2	=	=	=	=
Share premiums	98,285.9	A,B,C,	98,285.9	145,461.8	53,475.2
Net profit reserve					
Legal reserve	1,411.9	B	=	=	=
Retained earnings	0				145.6
Fiscal year net profit	10,004.5	A,B,C,	9,504.3		
Total			107,790.2		
Amount not distributed					
Portion not distributed of the share premium (pursuant to Article 2431)			18,748.1		
Portion not distributed pursuant to Article 2426.5).			7.1		
Distributable equity			89,035.0		
legend: A – share capital increase, B – net loss coverage, C – distribution to shareholders					

Analysis of Parent Company equity movements during the last four fiscal years

	Share capital	Legal reserve	Treasury share reserves	Share premiums	Revaluation reserve	Fiscal year net profit/(loss)	Total
January 1, 2001	100,800.0	0.0	0.0	297,223.1	14,499.3	1,266.3	413,788.7
2001 fiscal year equity movements:							
2000 FY net profit allocation	=	1,266.3	=	=	=	(1,266.3)	0.0
Other 2001 FY equity movements	=	=	=	=	=	=	0.0
2001 fiscal year net loss	=	=	=	=	=	(102,552.1)	(102,552.1)
December 31, 2001	100,800.0	1,266.3	0.0	297,223.1	14,499.3	(102,552.1)	311,236.6
2002 fiscal year equity movements:							
2001 FY net loss allocation	=	=	=	(88,052.8)	(14,499.3)	102,552.1	0.0
Other 2002 FY equity movements	=	=	40,000.0	(40,000.0)	=	=	0.0
2002 fiscal year net loss	=	=	=	=	=	(57,409.1)	(57,409.1)
December 31, 2002	100,800.0	1,266.3	40,000.0	169,170.3	0.0	(57,409.1)	253,827.5
2003 fiscal year equity movements:							
2002 FY net loss allocation	=	=	=	(57,409.1)		57,409.1	0.0
Other 2003 FY equity movements	=	=	160.6	(160.6)	=	=	0.0
2003 fiscal year net profit	=	=	=	=	=	145.6	145.6
December 31, 2003	100,800.0	1,266.3	40,160.6	111,600.6	0.0	145.6	253,973.1
2004 fiscal year equity movements:							
2003 FY net profit allocation	=	145.6	=			(145.6)	0.0
Other 2004 FY equity movements	=	=	13,314.6	(13,314.6)	=	=	0.0
2004 fiscal year net profit	=	=	=	=	=	10,004.5	10,004.5
December 31, 2004	100,800.0	1,411.9	53,475.2	98,286.0	0.0	10,004.5	263,977.6

7. Provisions for Employee Termination Benefits

(€ thousands)	Jan. 1, 2004	Charges	Payments	Dec. 31, 2004
Total	23.7	21.5	(6.9)	38.3

8. Liabilities

At December 31, 2004, the Company had total liabilities amounting to € 490.8 thousand that are all due within the year and are not part of any assets or operations guarantee. Most of the liabilities are payable in Italy (Italian suppliers: 67.87%, Italian Taxation Authority: 23.90%, and Italian subsidiaries: 0.24%), with the remainder payable to suppliers in the United States (7.99%).

These comprise:

8.1 - Trade accounts payable

At December 31, 2004, the Company had trade accounts payable amounting to € 372.3 thousand relating to ordinary business activities.

8.2 – Subsidiaries liabilities

These amounted to € 1.2 thousand and concern the refunding to BIM Alternative Investments Sgr subsidiary of Italian income tax.

8.3 - Tax liabilities

At December 31, 2004, the Company had tax liabilities of € 68.3 thousand, consisting of income taxes of € 25.6 thousand due to the Italian State, with the remainder relating to tax withholdings on remuneration paid to employees and contract employees. The decrease in tax liabilities reflects the decrease in Italian State income tax.

8.4 - Social security liabilities

These amounted to € 29.9 thousand, representing employees' social security deductions that have since been paid to the State.

8.5 - Other liabilities

These comprise € 12.0 thousand in employee holiday pay and € 7.1 thousand in unpaid credit card expenses at year-end.

9. Accrued expenses and deferred income

9.1 - Accrued expenses

These totaled € 36.1 thousand and consisted of provisions for management costs of hedge funds redeemed during the coming year.

9.2 - Deferred income

These totaled € 9.3 thousand and comprised contributions towards improvements in rented premises, which will be deducted from rent during the remainder of the lease.

10. Off-Balance Sheet Commitments and Guarantees

The Company did not give any guarantees. During 2004, the Company had given a commitment to a bank with regards to its Cdb Web Tech International LP subsidiary, whereby the Company would fulfill all of the subsidiary's outstanding foreign exchange coverage contracts in the event of the subsidiary's failure or sale. The Company does not foresee any risk of the subsidiary failing.

The Company had the following venture capital funds investment commitments at December 31, 2004:

(€thousands)	Dec. 31, 2004	Dec. 31, 2003
Venture capital funds investment commitments	11,616.6	18,848.7

Some of these commitments are denominated in pounds sterling, resulting in value fluctuations in line with exchange rate movements.

Payments arising from investment commitments will be made following requests made by the funds' administrators.

11. Post Balance Sheet Events

The Company enters into foreign exchange contracts to cover risks arising from foreign exchange rate movements relating to its investments, and these financial instruments are valued during the period of their coverage. Losses arising as a result of the difference in value between the foreign exchange contract rate and the transaction exchange rate are recorded in the period in which they are incurred. Financial instruments are valued at the lower of cost and market.

In order to cover the exchange rate risk relating to foreign currency investment transactions, hedging contracts were secured with Italian banks to cover the entire amount of the investments.

The Company reported a 2004 fiscal year foreign exchange net gain of € 4,118.8 thousand, relating to its hedging activity. Net assets were reduced by €3,988.0 thousand, net of revaluations, as a result of the hedging. At December 31, 2004, the Company had forward contracts maturing in March 2005 valued at \$US 60.7 million and £UK 6.6 million.

Notes to the Parent Company Income Statement

12. Operating Revenues

Service revenues relate to consulting services provided to subsidiaries, while other operating revenues essentially relate to leasehold improvements.

13. Operating Expenses

13.1 – Services

(€ thousands)	2004
Stock exchange listing fees	(41.1)
Administrative, legal and tax consultancy fees	(569.9)
Ordinary maintenance	(16.4)
Travel expenses	(188.2)
Subscriptions and general expenses	(65.2)
Directors' fees	(302.2)
Other consultancy and temporary employees	(15.5)
Publications, stationery and books	(28.2)
Other	(11.5)
Total	(1,238.2)

The increase on last year's figure (€ 1,143.2 thousand) is related to an increase in consultancy costs.

13.2 – Rental expenses

Rental expenses amounted to € 104.2 thousand, primarily relating to premises rental.

13.3 - Personnel

Personnel costs for the 2004 fiscal year totaled € 449.8 thousand. Workforce size movements during the year were as follow:

	Jan.01, 2004	Hirings	Departures	Dec. 31, 2004	Average
Senior management	2	0	0	2	2
All others	2	0	0	2	2
Total	4	0	0	4	4

13.4 - Depreciation and amortization

Depreciation and amortization expenses are presented in the Income Statement and are discussed in the Notes to the Balance Sheet

13.5 - Other operating expenses

Other operating expenses amounted to € 86.0 thousand, and comprised € 70 thousand in contributions to the Milan Polytechnical Foundation for the research, development and application of its technologies.

14. Financial Income and Expenses

Company net financial income for 2004 amounted to € 6,493.4 thousand, up from € 2,320.2 thousand for 2003, primarily due to hedge funds redemption and forward exchange contracts to cover the foreign exchange risks for all investments undertaken.

Venture capital funds investments income

The Company earned investments income of € 617.4 thousand in 2004, consisting of € 156.9 in share and cash distributions from venture capital funds and € 460.5 thousand in capital gains arising from venture capital funds partnerships disposals.

Marketable securities income

Marketable securities income for 2003 amounted to € 1,796.3 thousand, comprising:

- € 465.5 thousand in interest earned on blue chip company bonds
- € 81.9 thousand in capital gains on treasury shares disposals
- € 56.6 thousand in capital gains on disposal of blue chip company bonds
- € 1,179.5 thousand in hedge funds redemption income
- € 12.8 thousand in other hedge funds income

Other financial income

Other financial income for 2004 amounted to € 5,618.5 thousand, comprising € 47.6 thousand in bank account interest income and € 5,570.9 thousand arising from adjustments to the value of forward contracts entered into to cover the Group's exposure to foreign exchange movements on its investments.

The significant increase from 2003 reflects the higher income earned on forward contracts, which was partially offset by a drop in interest income due to lower excess liquidity balances.

14.2 - Financial expenses

(€ thousands)	2004
Capital losses on blue chip company bonds disposals	(10.8)
Bank charges	(6.8)
Foreign exchange forward contracts value adjustments	(1,452.0)
Losses on hedge fund redemptions	(53.7)
Other financial expenses	(0.4)
Total	(1,523.7)

14.3 – Net foreign exchange gain/(loss)

The Company reported a net foreign exchange loss of € 15.1 thousand, based on foreign exchange gains of € 41.7 thousand and foreign exchange losses of € 56.8 thousand. This new account reflects the provisions of the recently introduced law D.Lgs 6/2004, which prescribes that no reserve has to be established in relation to FOREX revenue if the valuation process at year end exchange rate, in the absence of forward contracts covering FOREX risk, does not generate any revenue.

15. Investments and marketable securities revaluations and writedowns

15.1 Investments and marketable securities revaluations

Subsidiaries and direct investments revaluations

These comprised:

- € 124.3 thousand upwards revaluation of its direct investments in technology companies to reflect favorable foreign exchange rate movements, and
- € 10,715.9 thousand upwards revaluation of its investment in its Cdb Web Tech International LP subsidiary, which had been written down in previous years, based on an assessment of its equity at December 31, 2004.

Venture capital funds revaluations

These concerned € 409.8 thousand in upwards revaluations arising from favorable foreign exchange movements on venture capital funds holdings.

Marketable securities revaluations

These comprised:

- € 644.0 thousand in upwards revaluation of the Company's hedge funds holdings as a result of favorable foreign exchange rate movements,
- € 23.8 thousand in upwards revaluation of the Company's hedge funds portfolio based on a review of their NAVs at December 31, 2004, and
- € 30.6 in company bonds upward revaluation based on current market values.

15.2 - Writedowns

Subsidiaries and direct investments writedowns

These solely concern the Company's direct investments in technology companies, and comprised:

- € 445.9 in writedowns due to unfavorable foreign exchange rate movements, and
- € 675.4 thousand in writedowns due to a non-temporary decline of these companies' value at December 31, 2004.

Venture capital funds writedowns

These comprised:

- € 801.6 thousand (2003: € 1,825.3 thousand) in venture capital funds holdings writedowns, to reflect their non-temporary decline in value based on a review of their NAVs at December 31, 2004
- € 956.2 thousand in venture capital fund holdings writedown due to unfavorable foreign exchange rate movements.

Marketable securities writedowns

These amounted to € 3,787.9 thousand for 2004 and comprised:

- € 3,764.0 in hedge fund writedowns due to unfavorable foreign exchange rate movements, which were offset by gains realized on foreign exchange forward contracts,
- € 23.9 in hedge fund writedowns based on December 31, 2004 NAVs, and
- € 5.7 thousand in blue chip company bonds writedowns.

16. Exceptional Income and Expenses

16.1 - Exceptional income

These amounted to € 27.9 thousand and arose from the reversal of previous year costs relating to the stock listing, which were never incurred.

16.2 – Exceptional expenses

These amounted to € 0.3 thousand and related to taxes.

17. Income Tax

The Company incurred € 228.4 thousand in income tax for 2004, calculated using current tax regulations. The Company did not recognize any tax credits regarding the offsetting of previous fiscal year tax losses incurred against the potential profitability of future fiscal years.

Other Notes to the Parent Company Financial Statements

18. Stock Option Plan

Information on the Company's stock option plan, which is required to be reported pursuant to Article 78 of the CONSOB decree n° 11971 of May 14, 1999, is included in the Directors' Report.

19. Board of Directors and Board of Auditors Remuneration

The following remuneration was paid during 2004 to members of the Board of Directors (BOD) and Board of Auditors (BOA):

Name	Position	Term	Directors' fees		Non-monetary benefits	Bonus	Other
			Cdb SpA	Subsidiaries			
Benedetti Carlo	BOD Chairman	01.01-31.12.2004	0	5.0	0	0	0
Moscatelli Vittorio	CEO	01.01-31.12.2004	195	5.0	0	0	0
D'Agui Pietro	BOD Director	01.01-31.12.2004	0	5.0	0	0	0
Segre Massimo	BOD Director	01.01-31.12.2004	0	5.0	0	0	19.1
Dezzani Flavio	BOA Chairman	01.01-31.12.2004	34.1	2.7	0	0	0
Ferreri Vittorio	Principal Auditor	01.01-31.12.2004	22.8	1.8	0	0	0
Nani Luigi	Principal Auditor	01.01-31.12.2004	22.8	1.8	0	0	0

(all values in € thousands)

Each member of the Board of Directors received a notional amount of remuneration of 1 euro each, as well as options to subscribe to shares at € 2.48 each, pursuant to the stock plan approved by the Shareholders' Meeting held on April 30, 2003.

The Company has set aside € 107.2 thousand as remuneration payable to the members of the Board of Auditors for services rendered during the 2004 fiscal year.

20. Cdb Web SpA controlling shareholder

Carlo De Benedetti through Romed International SA controls Cdb Web Tech SpA pursuant to Article 2497 of Italian Civil Code, controlling the management of its operations and their coordination. The most recently approved financial statements Romed International SA are presented at the end of the Annual Report.

Appendix 1 - Listing of Subsidiaries at December 31, 2004

(€)								
Company name	Head office	Currency	Share capital	Equity	2004 fiscal year net profit/(loss)	% owned	Share of equity	Investment book value
Cdb Web Tech International LP	London, UK	Euro	327,850,310	185,929,338	10,715,857	100.00%	185,929,338	185,929,338
Cdb Web Tech Management Ltd.	London, UK	Gbp	150,000	167,178	14,930	100.00%	236,605	249,120
ICT Investments Srl	Turin, Italy	Euro	46,482	28,358	(14,424)	100.00%	28,358	46,481
Bim Alternative Investments Sgr SpA	Turin, Italy	Euro	1,500,000	1,713,597	408,217	50.00%	856,798	768,103
Cdb Private Equity LP	London, UK	Euro	50,000,000	5,247,551	(18,005)	100.00%	5,247,551	5,155,388
Total							192,298,650	192,148,430

CDB WEB TECH GROUP SUBSIDIARIES 2004 FINANCIAL STATEMENTS

Cdb Web Tech International LP

Balance Sheet as at December 31, 2004

(€ thousands)	Dec. 31, 2004	Dec. 31, 2003
Non-current assets		
Investments	102,865	120,891
Current Assets		
Hedge fund investments	46,477	16,522
Receivables	10,996	16,281
Cash at bank	25,671	16,559
Prepaid expenses and accrued Income	23	39
	<u>83,167</u>	<u>49,401</u>
Liabilities: amount falling due in one year	(103)	(79)
Net Current Assets	<u>83,064</u>	<u>49,322</u>
Total Net Assets	<u><u>185,929</u></u>	<u><u>170,213</u></u>
Partners Accounts		
Capital Contribution Account	327,850	322,850
Loan Account	-	-
Capital Account	9,585	(2,066)
Income Account	(4,869)	(2,865)
Partners Funds	<u>332,566</u>	<u>317,919</u>
Unallocated revaluation reserve	(146,637)	(147,706)
Total Partners Accounts	<u><u>185,929</u></u>	<u><u>170,213</u></u>

Cdb Web Tech International LP

Income Statement for year ended December 31, 2004

	2004	2003
(€ thousands)		
Income	-	-
Expenditure	(2,308)	(1,877)
Interest Income	304	502
Interest Expense	-	-
NET EXPENDITURE	(2,004)	(1,375)
Capital Gains/Losses on Realisations	11,651	1,768
Provisions against Investments	-	-
NET CAPITAL RETURN	<u>11,651</u>	<u>1,768</u>
NET GAIN/LOSS FOR YEAR	<u>9,647</u>	<u>393</u>
Allocation to:		
General Partner	-	-
Limited Partner	9,647	393
	<u>9,647</u>	<u>393</u>

Cdb Web Tech Management Limited

Balance Sheet as at December 31, 2004

<i>(£UK thousands)</i>	Dec. 31, 2004	Dec. 31, 2003
Non-current assets		
Tangible assets	68	77
Current assets		
Receivables	164	161
Cash at bank	557	340
	<u>721</u>	<u>501</u>
Liabilities: amounts falling due in one year	(622)	(426)
Net Current assets	<u>99</u>	<u>75</u>
Net assets	<u>167</u>	<u>152</u>
 Capital & Reserves		
Called up share capital	150	150
Profit & Loss account	17	2
Total Shareholders' Funds	<u>167</u>	<u>152</u>

Cdb Web Tech Management Limited

Income Statement for year ended December 31, 2004

	2004	2003
<i>(£UK thousands)</i>		
Turnover	1,139	1,119
Net Operating Expenses	(933)	(1,090)
Profit on ordinary activities before interest and taxation	<u>206</u>	<u>29</u>
Interest receivable and similar income	3	6
Profit on ordinary activities before taxation	<u>209</u>	<u>35</u>
Tax on profit on ordinary activities	(194)	(10)
Profit for Fiscal year	<u>15</u>	<u>25</u>
Dividends	-	-
Retained profit for fiscal year	<u><u>15</u></u>	<u><u>25</u></u>

Cdb Private Equity LP

Balance Sheet as December 31, 2004

(€ thousands)	Dec. 31, 2004	Dec. 31, 2003
Non-current assets		
Investments	4,071	2,388
Current assets		
Receivables	359	-
Cash at Bank	817	522
Prepaid expenses & accrued income	-	-
Liabilities: amounts falling due within one year -		
Net Current Assets	<u>1,176</u>	<u>522</u>
Total Net Assets	<u>5,247</u>	<u>2,910</u>
Partners Accounts		
Capital Contribution account	5,156	2,800
Loan Account	-	-
Capital Account	373	276
Income Account	(71)	(39)
Partners Funds	<u>5,458</u>	<u>3,037</u>
Unallocated revaluation reserve	(211)	(127)
Total Partners Account	<u>5,247</u>	<u>2,910</u>

Cdb Private Equity LP

Income Statement for year ended December 31, 2004

	2004	2003
(€ thousands)		
Income	-	-
Expenditure	(31)	(27)
Interest Income	-	-
Interest Expense	-	-
NET EXPENDITURE	<u>(31)</u>	<u>(27)</u>
Capital Gains on Realizations	97	276
Provision against Investments	-	-
NET CAPITAL RETURN	<u>97</u>	<u>276</u>
NET PROFIT/LOSS FOR THE YEAR	<u><u>66</u></u>	<u><u>249</u></u>
ALLOCATION TO:		
General Partner	-	-
Limited Partners	<u><u>66</u></u>	<u><u>249</u></u>

BIM Alternative Investments sgr SpA
Balance Sheet
at December 31, 2004

(€)	December 31, 2004	December 31, 2003
ASSETS		
Intangible assets	38,574	43,302
Property, furniture and equipment		
Fixed return debt security investments	0	852,210
Short term financial receivable	1,827,206	341,046
Short term trade receivable	1,115,979	535,992
Other	15,794	14,049
Prepaid expenses and accrued income	10,617	9,063
Prepaid expenses	10,617	6,781
Accrued income	0	2,282
TOTAL ASSETS	3,008,170	1,795,662
EQUITY AND LIABILITIES		
Share capital	1,500,000	1,500,000
Legal reserve	4,207	1,454
Cumulative deficit	(198,828)	(251,135)
Net profit/(loss) for the fiscal year	408,217	55,061
Trade accounts payable	365,725	91,262
Short term loan	527,506	0
Other liabilities	327,859	357,290
Provision for employee termination benefits	0	6,912
Provision for severance pay	45,079	8,503
Provision for deferred taxes	27,405	9,169
Accrued liabilities and deferred revenues	1,000	17,146
TOTAL EQUITY AND LIABILITIES	3,008,170	1,795,662
<i>Commitments (including guarantees)</i>	<i>0</i>	<i>0</i>

BIM Alternative Investments sgr SpA
Income Statement
for the fiscal year ending December 31, 2004

(€)	2004	2003
Revenues		
Investment income	31,443	30,681
Marketable securities income	13,194	22,903
Other investment income	18,249	7,778
Commission income	2,870,875	1,146,953
Other operating income	843	534
Exceptional income	12,137	157
Total revenues	2,915,298	1,178,325
Interest charges	0	0
Commission fees	(1,902,086)	(718,356)
Financial transaction losses	(2,210)	(3,099)
Administrative expenses - personnel	(185,941)	(127,415)
Salaries and wages	(133,433)	(86,629)
Social security	(38,745)	(32,342)
Severance pay	(9,500)	(5,394)
Retirement allowances	(4,263)	(3,050)
Administrative expenses - other	(371,152)	(221,793)
Other management costs	(5,441)	(32,000)
Exceptional expenses	(6)	(3)
Asset writedowns	(12,840)	(11,429)
Income tax	(27,405)	(9,169)
Total expenses	(2,507,081)	(1,123,264)
Net Profit	408,217	55,061

ICT Investments Srl
Balance Sheet
at December 31, 2004

(€)	December 31, 2004	December 31, 2003
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	0	0
Investments	0	0
TOTAL NON-CURRENT ASSETS	0	0
CURRENT ASSETS		
Receivables	10,571	12,584
Cash and bank	24,625	35,476
TOTAL CURRENT ASSETS	35,196	48,060
TOTAL ASSETS	35,196	48,060
EQUITY AND LIABILITIES		
EQUITY		
Share capital	46,482	46,482
Legal reserve	8,146	8,146
Cumulative deficit	(11,847)	0
Net profit/(loss) for the fiscal year	(14,424)	(11,847)
TOTAL EQUITY	28,357	42,781
CURRENT LIABILITIES	6,839	5,279
TOTAL EQUITY AND LIABILITIES	35,196	48,060

ICT Investments srl
Income Statement
for the fiscal year ending December 31, 2004

(€)	2004	2003
Operating Expenses		
Services	(14,254)	(11,936)
Amortization of intangible assets	0	0
Other operating expenses	(683)	(683)
Total Operating Expenses	(14,937)	(12,619)
Financial Income and Expenses		
Financial income	569	828
Financial expenses	(56)	(56)
Net Financial Income	513	772
Exceptional Income and Expenses		
Income	0	0
Expenses	0	0
Net Exceptional Income	0	0
Profit/(Loss) Before Tax	(14,424)	(11,847)
Income Tax	0	0
Net Profit /(Loss)	(14,424)	(11,847)

ROMED INTERNATIONAL SA*

2003 FINANCIAL STATEMENTS

***CDB WEB TECH SPA controlling shareholder**

ROMED INTERNATIONAL SA

(€ thousands)

Balance Sheet at December 31, 2003**Assets**

Incorporation costs	56.8
Investments and property, furniture and equipment	246,096.7
Current assets	1,086.4
Prepaid expenses and accrued income	16,094.2
Total Assets	263,334.1

Equity and Liabilities

Equity	122,558.8
Provisions for liabilities and charges	934.5
Subsidiaries liabilities	118,193.3
Accrued expenses and deferred income	21,647.5
Total Equity and Liabilities	263,334.1

Income Statement for the year ended December 31, 2003**Expenses**

Operating expenses	(989.5)
Financial expenses	(21,798.2)
Management expenses	(328.6)
Total expenses	(23,116.3)

Financial income and net loss

Financial income	1,212.5
2003 fiscal year net loss	21,903.8
Total financial income and net loss	23,116.3