First half report at 30 June 2006

Translation from the Italian original which remains the definitive version

CAD IT
INFORMATION TECHNOLOGY

CAD IT S.p.A.

Registered office in Verona, Via Torricelli No. 44/a
Share capital € 4,669,600 fully paid in.
Tax code and Verona Company Register No. 01992770238
Chamber of Commerce REA No. 210441

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First half report 2006

Drawn up in accordance with CONSOB resolution no. 11971 of 14 May 1999 and subsequent changes and integrations

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Corporate bodies

BOARD OF DIRECTORS [1]

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIAMPIETRO MAGNANI
Vice Chairman and Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI
Director

MICHAEL JOHN MARGETTS
Director

FRANCESCO ROSSI
Independent Director

LAMBERTO LAMBERTINI
Independent Director

STATUTORY AUDITORS [1]

GIANNICOLA CUSUMANO
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

CESARE BRENA
Substitute Statutory Auditor

LUCA SIGNORINI
Substitute Statutory Auditor

AUDITORS

BDO SALA SCELSI FARINA
Società di Revisione per Azioni

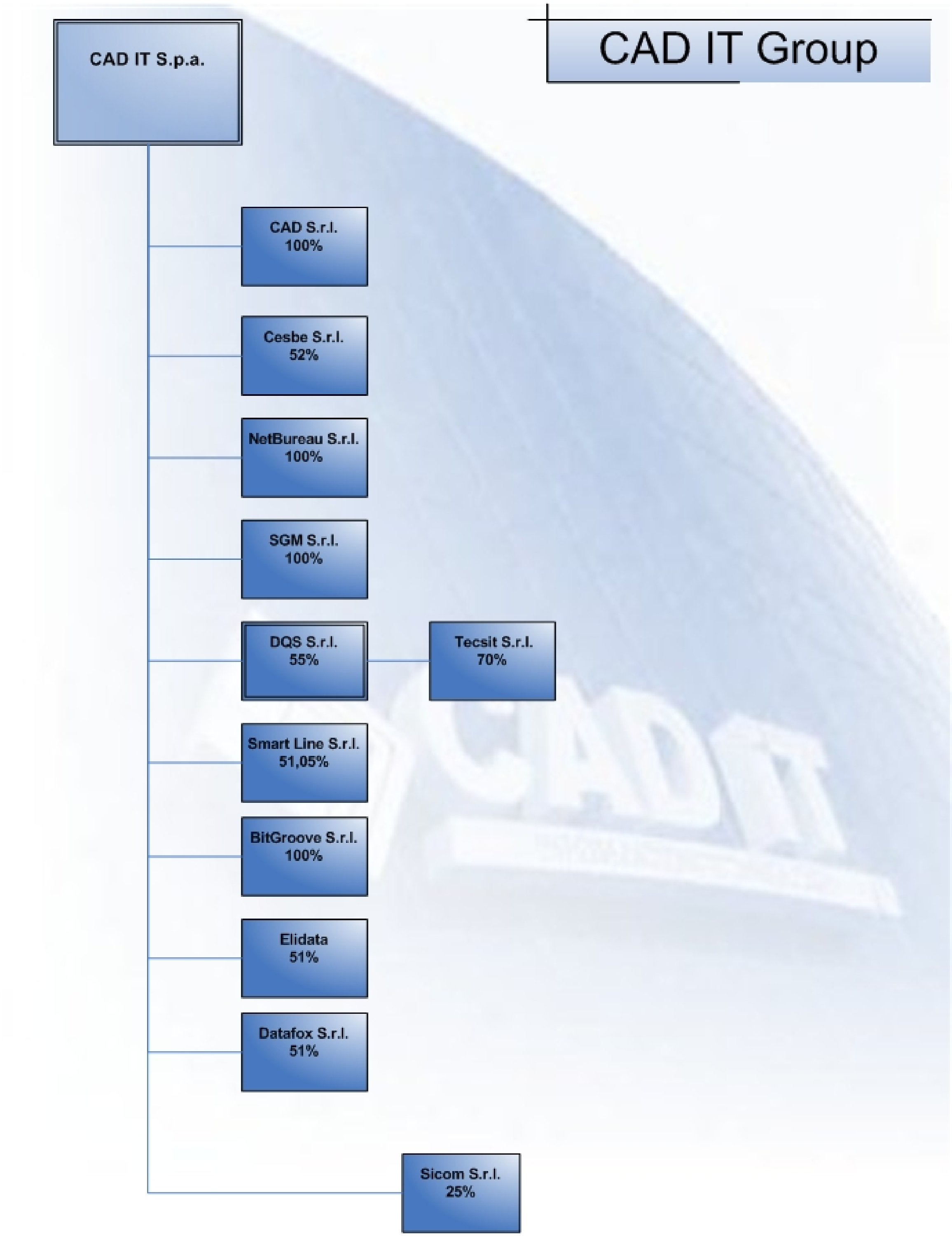
(1) *Appointed on 28 April 2006; office expires with the shareholders' meeting for the approval of the 2008 financial statements.*

The Chairman and Managing Director of the parent company CAD IT S.p.A., Giuseppe Dal Cortivo, is authorised to perform all ordinary and extraordinary administrative duties, excluding only those which can not be delegated by law and those assigned to the Board of Directors by article 14 of the company by-laws. The principal duties assigned to the Board of Directors by the company by-laws are: the examination and approval of the strategic, industrial and financial plans of the company; the appointment of the general managers; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of new subsidiaries and the take-over, acquisition or sale of corporate investments; the acquisition, sale, exchange or transfer of the whole company or of business lines. Furthermore, the Board of Directors is authorised to take on any kind of obligation amounting to more than € 4 million, and to stand surety by way of collateral or personal or other guarantees of any amount, if issued on behalf of third parties other than the parent company or its subsidiaries. The Vice Chairmen, Giampietro Magnani and Luigi Zanella, in accordance with art. 15 of the company statute, will substitute for the Chairman whenever the latter is absent or unable to fulfil his duties.

The managing directors, Giampietro Magnani and Luigi Zanella, will have full ordinary administrative power including the faculty to prepare reports and to order banking transactions, within the limits of account availability and credit worthiness, with the power to act alone with their single signature to the maximum amount of Euro 1,000,000 (one million) for each individual transaction and with the joint signature of another managing director for amounts exceeding Euro 1,000,000 (one million) up to a maximum of Euro 3,000,000 (three million) for each individual transaction. Moreover, each of them will also be authorised to acquire and/or sell registered moveable assets with their single signature.

The Managing Director Paolo Dal Cortivo is authorised to represent the company before the institutional investors and the shareholders, and before Borsa Italiana S.p.A., the Italian Stock Exchange company, and Consob.

The Managing Directors are authorised to represent the company to the extent, and within the limits, of the proxies received.



CAD IT Group at 30/06/2006

1 Directors’ report on management

This Directors’ report on management is attached to CAD IT’s six-monthly consolidated report at 30th June 2006, drafted in accordance with the international accounting standards (IAS/IFRS), and shows and explains the main aspects of the Group’s consolidated profit and loss account and the consolidated patrimonial-financial situation.
Unless otherwise indicated, the monetary amounts in the accounting tables and those referred to in the comments are shown in thousands of Euros.

Activities of the Group

CAD IT is the leader of a group that is one of the most dynamic organisations in the Italian information technology sector.
For almost 30 years, the Group has been dealing with the banking and insurance market and the world of business and public administration by offering software solutions, maintenance, personalisation, integration and other correlated services from application management to outsourcing, consultancy to training.
The CAD IT Group operates in Italy with its own branches and Group companies. Its Head Office is in Verona but there are other units in Milan, Rome, Florence, Bologna, Mantua, Prato and Trento.
CAD IT is leader in the Italian software market for the banking sector with its main product, Financial Area, a programme which completely manages all functions connected to negotiation, settlement and administration of security transactions, debentures, derivates (in any currency) and adopted by 60% of Italian banking outlets.
In addition, the Group boasts long-standing activity in the industrial sector and the capacity to offer solutions for e-business, credit and industrial companies in constant evolution..
Solutions for Local Taxes make up the newest sector but they capitalize the Group’s traditional abilities like its 20-year experience in developing computer systems for public body treasury and tax collection.

Summary of the results

	Period 2006 01/01 - 30/06		*Period 2005 01/01 - 30/06*		*Variations*
Production value	25,955	100.00%	26,053	100.00%	(98)
Added value	20,544	79.15%	21,120	81.06%	(575)
Gross operational result (EBITDA)	4,590	17.69%	4,666	17.91%	(76)
Operational result (EBIT)	3,806	14.66%	3,989	15.31%	(183)
Ordinary result	3,894	15.00%	4,146	15.92%	(252)
Pre-tax and pre-third party share result	3,437	13.24%	3,919	15.04%	(482)
Income taxes	(2,203)	(8.49%)	(2,341)	(8.99%)	139
Third party (profit)loss for the period	(120)	(0.46%)	(81)	(0.31%)	(39)
Profit (loss) for the period	1,115	4.29%	1,496	5.74%	(382)

The CAD IT Group’s consolidated balance at 30.06.2006 showed a profit of Euro 1,115 thousand (previously 1,496), net of profit from third parties to the sum of Euro 120 thousand (previously 81).
The results obtained emphasize the Group’s capacity to achieve positive outcomes by focusing on the production and offer of new products and services, and by acquiring new users and market segments.
The pre-tax profit was Euro 3,437 thousand (previous year 3,919).
Income taxes came to Euro 2,203 thousand for the first six months of 2006 (previously 2,341).

Production revenues in the first six months of 2006 stood at Euro 25,955 thousand, in line with the same period in the previous year (26,053).
Staff costs came to Euro 14,805 thousand (previously 15,293), while service costs were Euro 4,482 thousand (previously 4,087).
Amortizations and devaluations were registered at Euro 785 thousand (previously 678).
The balance from financial returns and charges was in credit by Euro 88 thousand (previously 158); amendments to holdings accountable to the profit and loss account showed a negative balance of Euro 457 thousand (previously 288 thousand in credit).

The market

There were no events or clear indications in the semester to modify the short-term prospects of the sector which, nevertheless, has shown some positive signs.
A period that saw numerous mergers and takeovers by financial institutions in Italy followed due to the need to achieve the necessary critical mass to operate on the European market. All of 2005 and the first half of 2006 were periods of adjustment and rationalisation for banks which caused a period of recession in the Italian IT service market. Thus investment slowed down and a stalemate situation arose.
In this context, the outcome achieved is the result of the Group's capacity to continue to invest over the years in Research and Development, thus maintaining a strategic and leading position in the Italian financial software market.

Significant events of the period

In June CAD IT and Xchanging extended the letter of intent which they signed last November to strengthen the alliance to focus on the European financial service sector.
A further agreement was also signed for the sale of CAD IT's software E.M.M. (Easyset Maching Module) to its partner Xchanging. E.M.M. is a software product that supports operational control functions of financial instruments. For some years CAD IT has been investing in developing multi-lingual and multi-platform versions of its products with potential foreign clients in mind. The software will be used simultaneously in English and German. The EMM product is suitable for Italian or foreign banks or financial institutions, as it may be used stand-alone or integrated with other CAD IT products.
The five-year agreement, which will be renewable on expiry, foresees payment on the part of Xchanging for implementation activities and an annual fee for the supply of the user licence, maintenance and application management services.
Xchanging is a supplier in Germany of back-office processing services to the financial services industry. Xchanging's Financial Services Sector will use "E.M.M." to supply services to its clients including: Deutsche Bank, Citigroup, Sal. Oppenheim and Sparda Banken. Thanks to this important connection, the CAD IT Group will be selling its own product in Germany.
The agreement achieves one of the objectives laid down in the letter of intent signed last November by the two companies, to identify opportunities for CAD IT products where reciprocal advantages exist. Aside from "E.M.M.", the two companies are assessing the possibility of integrating other CAD IT products with the software platforms operated by Xchanging.
CAD IT and Xchanging are convinced that there are multiple joint business areas to be explored and are extending the duration of the letter of intent signed last November to 31st December 2006.
This extension will allow the two companies to pursue their objective of creating a strategic alliance aimed at offering business processing services to financial institutions in the European financial sector.
On 28th April 2006, on the basis of the 2005 financial results, which confirm the Veronese Group's ability to generate positive income margins, the Shareholders' Meeting approved the distribution of an ordinary dividend of Euro 0.18 per share, with coupon detachment and payment on 8th May 2006 and 11th May 2006 respectively.
At the same Shareholders' Meeting on 28th April 2006, it was also decided:

- to appoint the share auditing company BDO Sala Scelsi Farina to carry out the audits for the next 6 financial periods in appliance of the new regulations issued with L. no. 262 on 28/12/2005;

- to nominate a Board of Directors of 8 members who will remain in office until the Shareholders approve the balance at 31/12/2008. The members were confirmed as Giuseppe Dal Cortivo, Giampietro Magnani, Luigi Zanella, Paolo Dal Cortivo, all previously managing directors; Maurizio Rizzoli, non-executive director; Prof. Francesco Rossi and Lamberto Lambertini, independent directors. Michael John Margetts was also appointed as non-executive director;
- to nominate the Auditing Board which comprises: Dr. Giannicola Cusumano, Chairman; Gian Paolo Ranocchi and Renato Tengattini, standing auditors; Cesare Brena and Luca Signorini, substitute auditors.

During the first half of 2006, CAD IT released software for the evasion of Inland Revenue tax assessment requests. In fact, the actuarial measure issued by the Inland Revenue on 28/12/2005 relating to Banking Assessments obliges Financial Institutions to use a communication system in technical format (XML) based on certified electronic mail with strict time restrictions. The solution proposed by CAD IT for the evasion of Inland Revenue tax assessment requests foresees the use of integrated and flexible procedures that guarantee reliability and full respect of the new norm.

During the period CAD IT launched a new integrated solution which allows financial institutions to use the new messages with XML standard for the SWIFTNet platform in the investment fund sector. The solution was developed in close collaboration with the MPS Group and is absolutely new to the Italian financial sector. On a European level, it is one of the first solutions developed for exchanging messages of orders, status and execution by means of the SWIFTNet platform in InterAct modality using the new ISO20022 standard and taking advantage of the XML protocol. The procedure satisfies the need to automate by adopting the mutual standards of information exchange supplied by SWIFT, the present communication channels – fax, telephone, e-mail, file transfer – used for distributing national and international investment funds. As a partner of SWIFT, CAD IT takes part in the international work group set up to analyse and define pilot projects that will guide financial institutions in the use of SWIFTNet, the “IP based” platform that will replace the traditional way of transferring standardised messages (FIN Messages) in the near future. The procedure developed by CAD IT allows for the contemporary management of ISO15022 and ISO20022 standard messaging according to the SWIFTNet Funds project. In accordance with ISO (International Organization for Standardization), the ISO20022 standard will lead to a shift to the standardised use of the XML protocol, guaranteeing inter-operability between financial institutions.

Consolidated income result analyses

Production revenues came to Euro 25,955 thousand, including increases in intangible assets due to internal work, and were substantially in line with the same period in the previous year (Euro 26,053 thousand). Earnings were affected by the continual postponement of investments by some banking groups who are involved in merger and reorganisation processes which have delayed investment decision-making.

In view of this point, the Group has continued with its own investment plans for creating new procedures so as to be prepared to offer innovative solutions and be even more competitive.

The added value of Euro 20,544 thousand (previously Euro 21,120 thousand) remains at 79% of production revenues (previously 81%).

The Euro 4,590 thousand gross operational result (EBITDA) was 17.7% of production revenues and is in line with the revenues of the same period in 2005 (Euro 4,666 thousand). This result was obtained thanks to a Euro 488 thousand reduction in labour costs, in line with the reduction in the number of employees, mainly due to a reorganisation programme concerning the subsidiary SGM.

The operational result (EBIT) stood at Euro 3,806 thousand (previously Euro 3,989 thousand), equal to 14.7% of production revenues, compared to the 15.3% of the corresponding period in 2005. This was mainly because of the effect of higher amortizations in intangible assets (increased by Euro 100 thousand). The total sum of amortizations, credit depreciation and funding was Euro 785 thousand compared to Euro 678 thousand in the same period in the previous year.

Pre-tax profit, due to the effect of income and financial charges and the appraisal and devaluation of holdings, came to Euro 3,437 thousand, equal to 13.2% of production revenues.

The Group’s result, net of tax, came to Euro 1,115 thousand, while profit from third parties came to Euro 120 thousand.

Consolidated net financial position

The consolidated net financial availability was still positive at the end of the first six months of 2006 despite having paid a total of Euro 1,616 thousand in ordinary dividends to shareholders, in accordance with the decision made at the shareholders' meeting on 28th April 2006.
Euro 9,533 thousand are available at short-term notice compared to Euro 8,721 thousand at 31/12/2005. Immediate availability in bank accounts and cash comes to Euro 3,812 thousand. Other liquid asset uses, amounting to Euro 6,348 thousand, are available as per contract within 30 days of request with no significant tax expense.

31/12/2005	*Variation in net financial position/(indebtedness)*	30/06/2006	30/06/2005
3,772	Cash-on-hand and at bank	3,812	10,886
6,017	Capitalisation insurance policies	6,348	5,941
(1,068)	Payables due to banks current portion	(628)	(321)
	Payables due to others financier	(43)	
8,721	**Net short-term financial position/(indebtedness)**	**9,490**	**16,506**
(374)	Long-term loans	(364)	(310)
(374)	**Net long-term financial position/(indebtedness)**	**(364)**	**(310)**
8,347	**Net financial position / (indebtedness)**	**9,126**	**16,196**

As expected at the beginning of 2006, cash flows generated by traditional services were in credit (Euro 4,7 million) while programmed investment activities were still having a consistent effect on the use of financial available assets.
Please refer to CAD IT Group's financial report for cash flow details.

Variations in net assets forming part of working capital

The following table shows the performance and composition of assets forming part of working capital, specifically evidencing assets of a trading nature:

31/12/2005	Variations in net assets forming part of working capital	30/06/2006	30/06/2005
24,452	Trade receivables, net	26,336	24,119
(3,555)	Trade accounts payable to creditors	(3,510)	(2,578)
(70)	Payments on account received	(205)	(63)
(558)	Accrued expenses and deferred income	(2,620)	(2,893)
245	Accrued income and deferred expenses	641	483
20,515	**Total net assets forming part of working capital**	**20,642**	**19,068**
983	Closing inventory and on-going orders	1,093	871
1,252	Receivables from taxation authorities	82	146
283	Tax debts	279	397
(3,354)	Deferred tax assets	(3,432)	(3,239)
167	Other current assets	97	136
(2,559)	Sums payable to taxation authorities	(3,195)	(5,233)
(308)	Sums due to other financial institutions	(43)	(319)
(6,405)	Other current liabilities	(7,445)	(7,427)
10,573	**Total working capital, net**	**8,079**	**4,400**

Research and development

In relation to activities aimed at consolidating traditional business, the production of new modules to increase the functional and technological development of the considerable range of software installed remains constant within the Group.

The creation and use of new computer systems aimed at diversifying the Group's offer towards those sectors bordering on the ones in which it is already present, is still underway.

As regards new projects, development are continuing on the SIBAC platform, which is a fundamental element for the Group's strategic growth.

Activity is also intense, in collaboration with Bit Groove and DataFox, in the production of specialised modules for the business intelligence area.

CeSBE S.r.l. continues to work towards the technological and functional sophistication of solutions for Trading On Line and the offer of a new platform aimed at automating process research.

The CAD IT Group, taking advantage of the collaboration of NetBureau, is working intensely to create a procedure for keeping company shareholder registers at companies with a large body of shareholders.

SGM S.r.l., has developed vertical solutions of the new (ERP) SIGMAWEB management system for companies of all sizes. Of these, vertical solutions are being developed for the fashion world and the food industry (managing production line marking).

Smart Line S.r.l. is now investing to enrich its own offer range of solutions and services for Public Administration and authorities for the management of local taxes.

Elidata S.r.l. continues to invest in furthering the functions of its own platform for linking up to financial markets and for the operational stock market room.

Activity to develop new software modules for thr foreign and insurance markets is also continuing.

Investments

Investments in tangible and intangible fixed assets made by the consolidated companies in the first half 2006 amount to Euro 2,740 thousand (Euro 2,847 thousand in the same previous year period).
The consisting amount of investments is a consequence of strategic decisions taken by the directors' meeting and management that approved investments to develop several new products needed by credit institutions due to legal obligations.

Summary of investments	*1° half 2006*	*1° half 2005*	*year 2005*
Intangible fixed assets	27	17	826
Assets under development and payments on account	2,428	2,740	5,053
Plant, machinery, equipment and other tangible fixed assets	284	89	215
Total investments in tangible and intangible fixed assets	*2,740*	*2,847*	*6,094*
Shareholdings and financial investments	(0)	168	170
Total shareholdings and financial investments	*(0)*	*168*	*170*
Total investments	*2,740*	*3,015*	*6,265*

Investments in intangible fixed assets mainly regard the development and purchasing of software for licensing to the clients or instrumental software to be used by the Group for its own activity.

Relationships with Group companies

During the financial period concerned, the Group's companies carried out operations with the controlled companies and businesses subject to CAD IT control. The patrimonial and economic effects of the operations carried out between companies consolidated with the integral method have been omitted in the consolidated balance with the exception of:

- services concerning the development of software procedures to be sold or instruments for the traditional activities of the Group's companies that are registered among intangible fixed assets;
- other operations, of insignificant amount, regarding the assignment of instrumental assets for the purchaser.

Relationships between the Group's companies are governed by the competitive conditions of the market, bearing in mind the quality of the goods and services supplied.
The table below gives a summary of the income and service performances, as well as the credit and debit position of all the Group's consolidated companies, as of 30/06/2006:

Company	**Costs**	**Capitalized costs**	**Turnover**	**Receivables**	**Payables**
	-		-	-	-
Cad It S.p.a.	2,030	1,084	5,796	12,093	10,307
Cad S.r.l.	7,011		1,190	6,652	13,421
Cesbe S.r.l.	181		1,188	4,303	587
NetBureau S.r.l.	80		445	561	431
DQS S.r.l.	4		750	894	4
SGM S.r.l	0		467	474	112
SmartLine Line S.r.l.	6		71	84	207
BitGroove S.r.l.	122	1	355	167	258
Elidata S.r.l.	43		13	72	38
Datafox S.r.l.	1		289	245	2
Tecsit S.r.l.	1				178
Total	**9,479**	**1,085**	**10,564**	**25,543**	**25,543**

There have been no abnormal or unusual transactions between the CAD IT Group's companies in this financial period.
CAD IT S.p.A.'s relations with its subsidiaries are shown at the bottom of the accounting tables.

Related party

Regarding the positions and transactions with related parties (other than those with subsidiary companies), it is hereby reported, in accordance with Consob decree no. 15519 of 27 July 2006, that sums of money for any security from the issuer or any direct or indirect subsidiary of the issuer, to members of the Board of Directors or Auditing Board, are not significantly different to last year. Furthermore, at present there are no managers with strategic roles or a Managing Director. Neither has a manager yet been nominated for the drawing up of accounting documents. This will be done in accordance with the conditions laid down by Law no. 262 of 28 December 2005 regarding the "Instructions for the protection of savings and financial market discipline."

Corporate Governance

On 28th March 2006, the Board of Directors approved the annual report in order to provide the CAD IT S.p.A. shareholders with adequate information about its own company management system and about how much the company adheres to the auto-disciplinary code for quoted companies laid down by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
Regarding the acknowledgment of European Community and national norms on market abuse, CAD IT S.p.A.'s Board of Directors also approved the following procedures

- on 12 May 2006: procedure for the management and processing of confidential information with the aim of regulating the management and processing of any information that has not yet been disclosed to the public and which could considerably affect the price of released financial instruments;
- on 11 August 2006: procedure for the drawing up and updating of a register of persons with access to confidential information, in accordance with art. 115-bis of Leg. Decree 58/1998 and art. 152-bis. 152-ter, 152-quater, 152-quinques of the Issuer Regulations;
- on 11 August 2006: procedure regarding internal dealing, a modification and replacement of the previous internal dealing behaviour code, with the aim of regulating the obligations and limitations concerning some types of transactions involving company financial instruments that some senior members of the company or persons closely related to them may make, in accordance with art. 114, paragraph 7 of Leg. Decree 58/1998 and art.152-sexies and subsequent points of the Issuer Regulations..

Programmatic document on security

In reference to article 26 of attachment B of the Legislative Degree no. 196 of 30th June 2003, the programmatic document on security and personal data protection and the use of the measures stated within has been drafted and updated.

Financial instruments and risk management

Given the type of financial instruments in its possession, the Group is not subject to exchange risks or significant risks regarding interest rates and liquidity.
As for credit risk, the Group constantly monitors credits so that its clients respect payment terms and in order to contain the risk of any possible losses. The Group mainly operates with banks and companies controlled by banks and in past periods the event of credit losses concerning said clients has been minimal.
No operations were carried out using derivate instruments during the period since it is not the company's policy to carry out these kind of operations, whether for cover purposes or for negotiation.

2 Consolidated financial statements of the Group

Consolidated income statement

(in thousands of euro)	Period 2006 01/01 - 30/06		Period 2005 01/01 - 30/06		Variations	Notes
Income from sales and services	23,321	89.9%	23,351	89.6%	(30)	2
Variations in stock of products being elaborated						
Changes in ongoing orders	118	0.5%			118	
Asset increases due to internal work	2,478	9.5%	2,690	10.3%	(212)	
Other revenue and receipts	38	0.1%	12	0.0%	26	
Production value	*25,955*	*100.0%*	*26,053*	*100.0%*	(98)	2
Costs for raw materials, subsidiaries and consumer goods	(573)	(2.2%)	(402)	(1.5%)	(172)	
Service costs	(4,482)	(17.3%)	(4,087)	(15.7%)	(394)	4
Other operational costs	(356)	(1.4%)	(444)	(1.7%)	88	5
Added value	*20,544*	*79.2%*	*21,120*	*81.1%*	(575)	
Labour costs	(14,805)	(57.0%)	(15,293)	(58.7%)	488	6
Other administrative expenses	(1,149)	(4.4%)	(1,160)	(4.5%)	11	7
Gross operational result (EBITDA)	*4,590*	*17.7%*	*4,666*	*17.9%*	(76)	
Allocation to Credit Depreciation Fund			(3)	(0.0%)	3	
Amortizations:						
- Intangible fixed asset amortization	(381)	(1.5%)	(281)	(1.1%)	(100)	13
- Tangible fixed asset amortization	(403)	(1.6%)	(393)	(1.5%)	(10)	12
Other allocations						
Operational result (EBIT)	*3,806*	*14.7%*	*3,989*	*15.3%*	(183)	
Net financial receipts (charges)	88	0.3%	158	0.6%	(70)	8
Ordinary result	*3,894*	*15.0%*	*4,146*	*15.9%*	(252)	
Revaluations and depreciations	(457)	(1.8%)	(228)	(0.9%)	(229)	9
Pre-tax and pre-third party share result	***3,437***	**13.2%**	***3,919***	**15.0%**	(482)	
Income taxes	(2,203)	(8.5%)	(2,341)	(9.0%)	139	10
Third party (profit)loss for the period	(120)	(0.5%)	(81)	(0.3%)	(39)	
Profit (loss) for the period	*1,115*	*4.3%*	*1,496*	*5.7%*	*(520)*	

(in euro)	Period 2006	Period 2005	Notes
Profit per share	***0.12***	***0.17***	11

Consolidated balance sheet

31/12/2005	Notes	(in thousands of euro)	30/06/2006	30/06/2005
		Assets		
20,943	12	Assets, equipment and machinery	20,810	20,614
1,527		- Land	1,527	1,527
15,447		- Buildings	15,386	15,439
2,770		- Plant and equipment	2,642	2,329
1,199		- Other assets	1,256	1,319
-		- Assets under construction and payments on account	-	-
19,156	13	Intangible assets	21,231	17,151
8,309	14	- Goodwill	8,309	8,309
-		- Development costs	-	-
2,814		- Industrial patents and similar rights	3,159	617
143		- Licences, trademarks and similar rights	118	321
7,891		- Assets under development	9,644	7,266
-		- Intangible assets	-	638
153	16	Holdings	153	194
3,087	17	Other financial assets available for sale	2,691	3,192
59		Other non-current credits	55	68
283	18	Credits due to deferred taxes	279	397
43,682		**TOTAL NON-CURRENT ASSETS**	*45,219*	*41,616*
647	19	Stock	639	436
336	20	Ongoing orders	454	435
24,865	21	Commercial credits and other credits	27,074	24,738
1,252	22	Tax credits	82	146
-		Financial assets available for sale	-	-
9,789	23	Cash on hand and other equivalent assets	10,161	16,827
36,889		**TOTAL CURRENT ASSETS**	*38,410*	*42,582*
	24	Non-current assets for sale	-	45
80,571		**TOTAL ASSETS**	***83,629***	***84,244***

31/12/2005	Note	(in thousands of euro)	30/06/2006	30/06/2005
		Liabilities		
4,670	25	Company capital	4,670	4,670
35,298	26	Reserves	35,337	35,341
13,575	27	Accumulated profits/losses	13,072	13,579
53,543		**TOTAL NET PATRIMONY OF THE GROUP**	53,079	53,589
2,570	25	Third party net patrimony	2,626	2,406
2,374		- third party capital and reserves	2,506	2,325
196		- third party profit/(loss)	120	81
56,113		**TOTAL NET PATRIMONY**	*55,705*	*55,995*
374	29	Financing	364	310
3,354	30	Liabilities due to deferred taxes	3,432	3,239
6,437	31	TFR and quiescence reserves	6,458	6,150
25		Expense and risk reserves	25	25
10,189		**TOTAL non-current liabilities**	*10,279*	*9,724*
4,183	32	Commercial debts	6,335	5,534
2,559	33	Tax debts	3,195	5,233
1,121	34	Short-term financing	670	331
6,405	35	Other debts	7,445	7,427
14,268		**TOTAL current liabilities**	*17,644*	*18,524*
80,571		**TOTAL LIABILITIES AND NET PATRIMONY**	***83,629***	***84,244***

Statement of changes in equity

(in thousands of euro)	***Attribution to the shareholders of the Main Company***					***Minority Interests***	***Total***
Statement of changes in equity	***Company capital***	***Reserves***	***Accumulated profit (loss) net of period result***	***Period result***	***Group's net patrimony***		
31-dec-05	*4,670*	*35,298*	*12,059*	*1,517*	*53,543*	*2,570*	*56,113*
Increase (decrease) in equity reserves		40			40	56	96
Increase in revaluation reserves							
Allocation of the period to reserves			1,517	(1,517)			
Dividend distribution			(1,616)		(1,616)	(120)	(1,736)
Effects on consolidation reserves			(2)		(2)		(2)
Company capital increases							
Period result				1,115	1,115	120	1,235
Period end total	***4,670***	***35,337***	***11,957***	***1,115***	***53,079***	***2,626***	***55,705***
Notes	*25*	*26*	*27-28*		*25*	*25*	

Consolidated Cash Flow Statement

31/12/2005	Notes	(in thousands of euro)	30/06/2006	30/06/2005
		OPERATING ACTIVITIES		
1,517		**Profit (loss) for the period**	*1,115*	*1,496*
		Amortisation and depreciation:		
901	*12*	- Tangible fixed assets	403	393
588	*13*	- Intangible fixed assets	381	281
		Accruals:		
1,687	*31*	- Employees' leaving entitlement	424	1,029
		- Other provisions		
15		Increase/(Decrease) in provisions for contingencies and other charges	12	7
4,708		***Sub-total***	2,335	3,206
(853)	*31*	Utilisation of employees' leaving entitlement	(415)	(473)
4,212		Increase)/Decrease in receivables included under assets forming part of working capital	(1,814)	4,676
(73)	*19-20*	(Increase)/Decrease in inventory	(110)	40
4	*21*	(Increase)/Decrease in accrued income and deferred expenses	(396)	(233)
764	*32*	Increase/(Decrease) in accounts due to creditors	89	(243)
155	*32*	Increase/(Decrease) in accrued expenses and deferred income	2,063	2,490
46		Increase/(Decrease) in sums due to other financial institutions	(53)	2
(3,075)		Increase/(Decrease) in other non-financial payables	2,928	1,420
1,180		***Sub-total***	*2,292*	*7,679*
5,887		***(A) - Cash flows from (for) operating activities***	*4,628*	*10,885*
		INVESTING ACTIVITIES		
115		(Increase)/ Decrease in investments in subsidiary companies valued using the equity method		61
(5,069)	*13*	(Increase)/Decrease in intangible fixed assets	(2,456)	(2,757)
(917)	*12*	(Increase)/Decrease in tangible fixed assets	(270)	(81)
5		(Increase)/Decrease in other fixed assets	4	(3)
16		(Increase)/Decrease in investments in associated companies	(1)	(18)
2,935	*17*	(Increase)/Decrease in other investments and securities	396	2,830
(2,916)		***(B) - Cash flows from (for) investing activities***	*(2,326)*	*32*
		FINANCING ACTIVITIES		
		Increase/(Decrease) in financial payables		
(2,737)		Increase/(Decrease) in IFRS transition reserve		(2,737)
51	*17-26*	Increase/(Decrease) in reserve for fin. assets avail. for sale	40	95
(24)		Effects on consolidation reserve	(2)	(0)
(6)	*25*	Third party net patrimony	56	(171)
(2,963)	*28*	Distribution of dividends	(1,616)	(2,963)
		Capital injections		
(5,679)		***(C) - Cash flows from (for) financing activities***	*(1,522)*	*(5,776)*
(2,708)		***(A+B+C) - Total cash flows***	*779*	*5,141*
11,055		Opening liquid funds	8,347	11,055
8,347		***Closing liquid funds***	*9,126*	*16,196*

Notes to the financial statements

CAD IT S.p.A. is a joint stock company and is governed on the basis of Italian law and exercises its management and coordinated activities on its own controlled companies. CAD IT S.p.a. is not subject to other company control in accordance with art. 2359 of the civil code. The company is listed in the STAR market of the Italian stock exchange. The company is listed in the STAR segment of the Italian stock exchange
The registered office and the administrative and operating offices are in Via Torricelli no. 44/a, Verona, Italy.
The company is registered in the Verona Company Register under no. 01992770238.
Unless otherwise indicated, the monetary sums in the accounting tables and those in the notes are shown in thousands of Euro. Any minor differences deriving from rounding up figures to thousands of Euro are considered irrelevant. Due to this rounding up process, the sum of the individual entries in some of the tables containing exact figures may differ from the total amount.

1 Accounting policies and evaluation criteria more important

This half report has been prepared in accordance with Consob regulation no. 11971 of 14th May 1999, and subsequent modification and integration.
The six-monthly report has been drafted in accordance with the international IAS/IFRS accounting standards issued by the International Accounting Standard Board (IASB) and approved by the European Union and is particularly in accordance with IAS 34 – *Interim financial reporting.* The balance tables are set out in accordance with the IAS 1 – *Presentation of financial statements,* while the notes contain the minimum content if relevant and not shown elsewhere in the interim reporting, in accordance with IAS 34.
The accounting standards adopted are the same as those used for drafting the last annual balance and have been applied in the same manner throughout the periods shown and for all the Group's companies.
This document comprises consolidated financial statements, notes to the said financial statements, administrative staff observations on how management is progressing and the most important factors of the financial period, and the financial statements regarding the parent company.
The consolidated balance has been drafted using the evaluation criterion of past cost, except for financial instruments available for sale, which are assessed at *fair value,* and the holdings in subsidiaries, which are assessed in accordance with the equity method. Moreover, where some land and buildings have been included in *First Time Adoption*, the *fair value* has been used instead of the cost.

Use of estimates

In accordance with the IFRS, when drafting the balance the company management formulates evaluations, estimates and hypotheses to apply the accounting standards which affect the amounts of credit and debit and the costs and revenues found in the balance. Estimates and their relative hypotheses are based on past experience and factors considered reasonable for the case concerned. Since they are estimates, the results obtained are not necessarily the same as the results portrayed.
The estimates and hypotheses are reviewed on a regular basis. Any variations deriving from an accounting estimate review are shown in the period in which the review was made if such review only affects that period. If the review affects the current and future periods, the variation is recorded in the period in which the review is made and in the relative subsequent periods.

Balance sheet layout

The Group presents its economic account by nature, the format that is considered the most representative in terms of function presentation. In fact, the chosen format conforms to the internal reporting modalities and the business management and is in line with the way the economic account was represented in the past.
As for the patrimonial situation, a distinction has been made between current and non-current assets and liabilities.

Subsidiary companies

The consolidation area includes the Parent company and the companies it controls, that is, where it has the power to determine financial and managerial policies of a business in order to reap benefits from said company's activities.
Subsidiary companies are consolidated from the date in which control was effectively transferred to the Group and are no longer consolidated as from the date that control becomes external to the Group.
These companies are consolidated using the integral consolidation method. In order to prepare the consolidated data, the patrimonial, economic and financial situations of the subsidiary and associate companies have been used as prepared by the Group's individual companies at the reference dates, opportunely reclassified and amended to reflect the application of the homogeneous accounting standards.
In drafting the consolidated balance all the balances and significant transactions between the Group's companies have been eliminated, as are all unrealised infra-group profit and loss transactions.
Inactive controlled companies or those that generated an insignificant volume of business are consolidated using the net patrimony method. Their effect on the total activity, on liabilities, on the financial position and result of the Group is insignificant.

Associated companies

The share in associated companies, that is those companies in which the Group has significant influence, is evaluated using the net patrimony method, as defined in IAS 28 – Investments in Associates. The profits or losses relevant to the Group are included in the consolidated balance from the date in which this considerable influence began up to the moment it ceases.

Property, plant and equipment

Tangible fixed assets are shown at purchase cost, including any costs that may be directly ascribable and necessary for activating the asset and putting it to the use for which it was purchased. In reference to land and buildings listed in First Time Adoption, the fair value was used instead of the cost.
Tangible fixed assets are shown at net value of the relative accumulated depreciations and losses due to the reduction in value determined in accordance with the modalities described below.
Tangible fixed assets are amortised in constant rates during the course of their expected useful life cycle, i.e. the estimated period of time in which the asset will be put to company use. Whenever significant parts of tangible fixed assets have different estimated useful life cycles, said components are amortised separately.
The value to be depreciated is given by the registered value of the asset net of any loss in value and reduced by its assumed value at the end of its useful life cycle, if significant and reasonably calculable.
The useful life cycle and the cash value are reassessed annually and any changes, where necessary, are brought in with a perspective application.
The main economic-technical tax rates used are the following:

- industrial buildings: 3%
- electrical equipment: from 5 to 10%
- air conditioning equipment: from 6 to 15%
- telephone systems: 20%
- alarm systems: from 10 to 30%
- furniture and fittings: 12%
- electrical machinery: 15%
- electronic machines and computers: 20%
- vehicles: 25%

Land, both without buildings or next to civil and industrial constructions, is accounted for separately and not amortised as it is considered an element with an unlimited useful life cycle.
In order to calculate any losses due to depreciation, the accounting value of intangible fixed assets is subject to verification.
At the time of elimination or when no future economic benefit can be expected from the use of an asset, it is eliminated from the balance and the eventual loss or profit (calculated as the difference between the

assignment value and the taxation value) is shown in the economic account of the year in which the asset is eliminated.

Financial leasing

Assets owned through financial leasing contracts, through which all the risks and benefits tied to the property are transferred to the Group, are registered among the Group assets at their fair value or, if this value is lower, at the present value of the minimum payments due for the leasing and depreciated by applying coherent criteria to the other assets. The corresponding liability towards the lessor is registered in the balance among the financial debts.

Intangible fixed assets

Intangible fixed assets are shown as such when it is likely that they will bring in future economic benefits for the company and when the asset cost can be feasibly determined.
Intangible fixed assets, having a defined useful life cycle, are subsequently registered net of the relative accumulated amortizations and any losses due to a durable reduction in value, determined in the same way as previously described for tangible fixed assets.
The useful life cycle is reassessed annually and any changes, where necessary, are brought in with a perspective application.
Profits or losses deriving from the transfer of an intangible fixed asset are determined as the difference between the elimination value and taxation value of said asset and are reported on the economic account at the time of elimination.
Project development costs for the production of instrumental software, or those to be terminated, are registered on the credit side when they satisfy the following conditions: the costs can be feasibly determined, the product is technically feasible, the expected use and/or sale of the product indicate that the sustained costs will generate future economic benefits. In respect of the standard that correlates costs and returns, such costs are amortized as from the date shown for the sales of the products in relation to the project concerned and according to the life cycle calculated for the products themselves, estimated over about five years, which is taken as not less than the period of effective use. The costs of internally generated intangible assets include any expenses that can be directly attributable to the development of the product and any reasonable part of general production costs attributable to the preparation stages before putting the product to use. All other development costs that cannot be capitalised, when sustained, are reported on the income statement.

Goodwill

Goodwill resulting from the purchase of controlled and incorporate companies is initially registered at cost and is the overbalance of the purchase cost in respect of the purchaser's share of the fair value of the assets and liabilities and the potential liabilities at the date of purchase.
After the initial registration, goodwill is no longer amortised and is decremented of any losses in accumulated value, calculated according to the IAS 36 Asset value reduction. Starting-up regarding shares in incorporate companies is included in the taxation value of said companies.
Goodwill is subject to an annual analysis of retrievableness or at shorter intervals if something happens or changes in circumstances arise, which could cause losses in value.
Goodwill deriving from purchases made prior to 1st January 2004 is registered at the recorded value ascribed to it in the last balance drafted on the basis of the previous accounting standards (31st December 2003). In fact, during the preparation of the opening balance in accordance with the international accounting standards, none of the purchase transactions made prior to 1st January 2004 have been re-considered.

Impairment loss

The Group annually verifies the accountable value of intangible and tangible assets or more often whenever there is an indication that assets may have suffered a value loss.
If the charged value exceeds the recoverable value, the assets are devalued to reflect their recoverable

value, represented by the greatest figure between the net price and use value. In defining the use value, expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimations in reference to the cost of money at the time and the specific risks of the asset in question. For an asset that does not generate widely independent financial flows, the return value is determined in relation to the unit generating the financial flows of which the asset is a part. The value losses are accounted for in the economic account among depreciation and devaluation costs. When subsequently an asset value loss, different from the beginning, is less or decreases, the accounting value is increased to a new estimate of the recoverable value within the limit of the previous value loss. The recovery of a value loss is registered to the economic account.

Assets available for sale

Share in non-consolidated companies are classified as assets financially available for sale and are valued at fair value. For any shares quoted as fair value, this value has been taken as the market value. The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account.

Other non-current credits

These are registered at their nominal value, representative of their fair value.

Stock

Leftover stock is valued as the lesser value between purchase cost and the net value of the assumed income. The cost is determined in accordance with the average calculated cost method.

On-going orders

On-going construction contracts are valued with reasonable certainty on the basis of the matured contractual fees according to the criterion of percentage completion (so-called cost to cost), so as to attribute the profits and the economic result of the order to each single financial period concerned in proportion to the progress of the work.

Commercial credits and other credits

Commercial credits, whose expiry limits are within normal commercial terms, are not updated and are registered at their nominal value net of any loss of value. Moreover, they are adjusted to their assumed cash value by means of the registration of an appropriate amendment fund.

Liquid asset availability and equivalent means

The availability of liquid assets and equivalent means is registered at nominal value and has the requirements to be immediately available or available at very short notice, without obstacles and with no significant expense for collection.

Non current assets held for sale

The voice includes non-cash assets, the value of which will mostly be recovered by their sale rather than through their continuous use. These assets are valued as the lesser value between the net accounting value and the cash value net of sales costs.

Employee leaving entitlement

The present value of debts related to employees for benefits allocated in connection with or following the termination of working relationships through defined benefit programmes is calculated on the basis of the method of projecting the credit in accordance with the indications in IAS 19.
Therefore, the amount reflects eventual future wage increases and the correlated statistic dynamics.
The liability evaluation is calculated by private actuaries.

The profits and losses deriving form these evaluations are ascribed to the income statement.

Risk and obligation funds

In accordance with the IAS 37, the allocations are shown when there is an ongoing obligation (legal or implicit) that stems from a past event, whenever an outlay may be necessary to satisfy the obligation and a feasible estimation may be made on the obligation amount.
If the effect of updating the assumed cash value is significant, the allocations are calculated by updating the expected future financial flows at a pre-tax discount rate that reflects the current market evaluation of the cash value in relation to time. When updating has been done, the increase in the allocation caused by the passing of time is shown as a financial obligation

Commercial debts and other current liabilities

The commercial debts, whose deadlines are within normal commercial terms, are not updated and are registered at cost (identified by their nominal value).
Financial liabilities are initially shown at cost, which corresponds to the fair value of the liability, net of transition costs, which are directly attributable to the issue of the liability itself.
After the initial determination, the financial liabilities are assessed with the criterion of amortized cost using the original effective tax rate method.

Revenues and costs

The revenues and costs are determined in accordance with the qualifying economic principle to the amount to which the fair value can be feasibly determined.
Depending on the type of operation, the revenues are determined on the basis of the specific criteria reported below:
the revenues for services are determined with reference to the point at which they stand on the basis of the same criteria used for determining the position of ongoing orders. If it is not possible to feasibly determine the revenue values, they are then calculated until they concur with the amount of expenses sustained and which are deemed recoverable.
the profits from the sale of goods are shown when significant risks and benefits of the ownership of the goods are transferred to the purchaser, the sale price is agreed or can be determined and payment is collected.
As for sales concerning assistance and/or maintenance services carried out with the annual subscription formula, the accrual is calculated in proportion with time.
The costs are ascribed in the balance according to the same criteria as those for revenue acknowledgment.

Income taxes

Current income taxes for the financial period are calculated on the basis of estimates of taxable income in accordance with the laws in vigour: Moreover, the effects deriving from the activation within the Group of the national tax consolidation are also taken into account. The debt for current taxes is accounted for in the patrimonial status, net of any taxes paid in advance.
Deferred and pre-paid income taxes are calculated on the temporary differences between the patrimonial values registered in accordance with the IFRS international accounting standards and the corresponding values realised for tax purposes.
In particular, assets due to pre-paid taxes are registered when their recovery is probable, that is, when it is expected that sufficient tax profits will be available in the future so that these assets may be used. The degree of recovery of pre-paid tax assets is re-examined at the end of every period. Deferred taxes are always calculated in compliance with the IAS 12.

2 Revenues

The revenues gained in the period by the Group are subdivided as follows:

Revenues	*Period 2006 01/01 - 30/06*		*Period 2005 01/01 - 30/06*		*Variations*
Income from sales and services	23,321	89.9%	23,351	89.6%	(30)
Variations in stock of products being elaborated					
Changes in ongoing orders	118	0.5%			118
Asset increases due to internal work	2,478	9.5%	2,690	10.3%	(212)
Other revenue and receipts	38	0.1%	12	0.0%	26
Production value	*25,955*	*100.0%*	*26,053*	*100.0%*	*(98)*

The Group's activities are not, on the whole, affected by significant cyclical or seasonal variations in total sales during the financial period.

3 Segment reporting by sectors and geographical areas

The internal organisational and managerial structure and the internal reporting for the Board of Directors is presently grouped into two operative divisions: Finance and Manufacturing. These divisions are the basis on which the Group reports sector information according to the primary layout.

The main activities of each sector are as follows:

- Finance: includes the computer applications aimed specifically at banks and other financial institutions. The main applications provide:
    - management of intermediary activities on securities, funds and derivate instruments;
    - management of the typical services in the credit sector, such as the collection, treasury and monitoring of credit procedures;
    - service allocation for trading on line;
    - management of integrated banking computer systems;
    - consultancy and training.
- Manufacturing: includes the development and marketing of instruments and software applications and offers a series of services aimed at allowing the companies to effectively manage numerous company processes, including Outsourcing.

The data not allocated to the sectors mainly refer to income and costs for logistics and administration services given to the group's companies by the controlling party.

Disclosures for business segments	**30/06/2006**				
	Finance	*Manufacturing*	*Not allocated/General*	*Elisions*	*Consolidated*
External revenues	24,050	1,905	-	-	25,955
Intersegment revenues	1,547	785	-	(2,332)	-
Total revenues	25,597	2,690	-	(2,332)	25,955
Costs	(21,351)	(2,446)	(684)	2,332	(22,149)
Gross Operating Result (EBITDA)	4,894	381	(684)	-	4,590
Operating Result (EBIT)	4,247	244	(684)	-	3,806
Net financial income (expenses)	-	-	88	-	88
Revaluations and devaluations	(457)	-	-	-	(457)
Result	3,790	244	(596)	-	3,437
Income taxes	-	-	(2,203)	-	(2,203)
Third party share (profit)/loss				-	(120)
Financial period profit (loss)				-	1,115

Assets	79,913	3,374	342	-	83,629
Liabilities	18,857	2,440	6,627	-	27,924

Disclosures for business segments	**30/06/2005**				
	Finance	*Manufacturing*	*Not allocated/General*	*Elisions*	*Consolidated*
External revenues	24,587	1,466	-	-	26,053
Intersegment revenues	1,255	969	-	(2,224)	-
Total revenues	25,842	2,435	-	(2,224)	26,053
Costs	(21,360)	(2,458)	(470)	2,224	(22,064)
Gross Operating Result (EBITDA)	5,103	33	(470)	-	4,666
Operating Result (EBIT)	4,482	(23)	(470)	-	3,989
Net financial income (expenses)	-	-	158	-	158
Revaluations and devaluations	(209)	(19)	-	-	(228)
Result	4,273	(42)	(312)	-	3,919
Income taxes	-	-	(2,341)	-	(2,341)
Third party share (profit)/loss				-	(81)
Financial period profit (loss)				-	1,496
Assets	81,696	2,005	543	-	84,244
Liabilities	18,178	1,598	8,472	-	28,248

Information on the sector according to the secondary layout by geographical area is not provided as the Group presently produces and carries out its activities nationally and homogeneously.

4 *Service costs*

Service costs in the first six months of 2006 amounted to Euro 4,482 thousand compared to Euro 4,087 thousand in the same period of the previous year. The Euro 394-thousand increase is mainly due to an increase in external collaboration (+ Euro 203 thousand) and other service costs (+Euro 156 thousand).

31/12/2005	**Services costs**	**30/06/2006**	**30/06/2005**
(5,145)	External collaboration	(2,577)	(2,374)
(1,335)	Travelling expenses and fee reimbursement	(716)	(681)
(2,327)	Other service costs	(1,189)	(1,032)
(8,807)	**Total**	**(4,482)**	**(4,087)**

5 *Other operational costs*

The table below shows the details of other operational costs.

31/12/2005	**Other operational costs**	**30/06/2006**	**30/06/2005**
(691)	Third party benefit expenses	(313)	(362)
(365)	Various management charges	(43)	(82)
(1,055)	**Total**	**(356)**	**(444)**

6 Labour costs

Labour costs amounted to Euro 14,805 thousand and are as follows:

31/12/2005	Labour costs	30/06/2006	30/06/2005
(21,507)	Salaries and wages	(10,976)	(10,842)
(6,736)	Payroll taxes	(3,341)	(3,389)
(1,687)	Severance pay	(424)	(1,029)
-	Retirements and the like	0	0
(68)	Other costs	(64)	(33)
(29,998)	**Total**	**(14,805)**	**(15,293)**

Labour costs diminished over the six months due to a reduction in the average number of employees.

7 Other administrative costs

The table below shows the other administrative costs in detail.

31/12/2005	Other administrative costs	30/06/2006	30/06/2005
(1,353)	Director and legal representative fees	(653)	(676)
(90)	Director retirement	(12)	(45)
(91)	Director and legal representative fee contributions	(61)	(62)
(461)	Telephones	(304)	(190)
(3)	Commissions	0	(4)
(282)	Advertising fees	(120)	(184)
(2,280)	**Total**	**(1,149)**	**(1,160)**

8 Financial performance

The net financial income is Euro 88 thousand as the following table clearly shows.

31/12/2005	Financial performance and net financial position	30/06/2006	30/06/2005
27	Financial income from assets available for sale	17	17
315	Interest on bank deposits and equivalent	130	172
343	**Total other financial income**	**147**	**189**
(95)	Interest on bank overdrafts and loans	(51)	(31)
(17)	Interest on debts for financial leasing	(8)	-
(4)	Profits and losses on exchanges	(0)	(1)
227	**Financial income and charges, net**	**88**	**158**

Income is made up of dividends and interest earned with particular reference to capitalization insurance policies classifiable as available liquid assets.
Financial expenses mainly refer to temporary overdrafts on bank accounts.

9 Revaluations and depreciations

31/12/2005	Revaluations and depreciations	30/06/2006	30/06/2005
65	Holding revaluation evaluated with the net patrimony method	36	38
(40)	Holding devaluation evaluated with the net patrimony method	-	(77)
(249)	Devaluation of assets available for sale	(435)	(188)
	Others revaluations and depreciations	(58)	
(224)	**Total revaluations and depreciations**	**(457)**	**(228)**

Reassessment of the holdings evaluated by the equity method concern the associated company Sicom S.r.l..
The devaluation of the holdings evaluated by the equity method of previous financial periods concerns the alienation of the associate companies Bookingvision S.r.l. to the sum of Euro 20 thousand, Archit to the sum of Euro 14 thousand and Nestegg for Euro 3 thousand.
The devaluation of assets available for sale derives from the assessment of the evaluation values for holdings in Class Editori S.p.A. at 30 June 2006.

10 Income taxes

31/12/2005	*Incombe taxes*	*30/06/2006*	*30/06/2005*
32	Tax pre-payments	(17)	13
73	Deferred taxes	76	30
3,690	Current taxes	2,144	2,298
3,796	***Total income taxes***	***2,203***	***2,341***

The taxes ascribable to this portion of the period were estimated taking the results of the period and the norms in force into account and they represent the best possible estimate of the tax expenses ascribable to the period in question.
Income taxes are calculated on the basis of an estimate of the weighed average tax rate forecast for the period.
The controlling company, CAD IT S.p.A., and some of the Group's companies, have exercised the option of Group taxation as stated in art. 117 of TUIR 917/1986, which concerns the determination of a global income that corresponds to the algebraic sum of all net incomes of the companies in the group. The liquidation of this one tax allows the Group the contextual use of any tax losses in the period and also allows for dividends to be totally excluded.
Tax incidence on the gross result was 64.1%, and at 31/12/2005 was 68.9%. Such high incidence was mainly due to the effect of IRAP, the burden of which on the results is particularly high because of the taxability of staff and collaborator costs.

11 Earnings per share

The basic earnings per share is calculated by dividing the year's net profit ascribable to the ordinary shareholders of the Head Company by the weighed average number of ordinary shares in circulation during the year. The number of ordinary shares in circulation does not change during the year of the period and no other types of share are admitted.
There are no options, contracts or convertible financial instruments or equivalent that give their owners the right to acquire ordinary shares. Therefore, the basic profit per share and the dissolved profit per share agree.

Earnings per share	*Period 2006*	*Period 2005*
	01/01 - 30/06	*01/01 - 30/06*

Net profit ascribable to ordinary shareholders in thousands of euro	1,115	1,496
Weighed average number of ordinary shares in circulation	8,980,000	8,980,000
Net profit ascribable to ordinary shareholders for basic profit per share in Euro	0.124	0.167

12 Property, plant and equipment

The caption "property, plant and equipment" is composed as follows:

31/12/2005	Property, plant and equipment	30/06/2006	30/06/2005
1,527	Land	1,527	1,527
15,447	buildings	15,386	15,439
2,770	Plant and equipment	2,642	2,329
1,199	Other assets	1,256	1,319
-	Assets under construction and payments on account	-	-
20,943	**Total property, plant and equipment**	**20,810**	**20,614**

In the period, the item "property, plant and equipment" varied as follows:

Tangible fixed assets	*Land and buildings*	*Plant and machinery*	*Industrial and commercial equipment*	*Other tangible fixed assets*	*Assets under construction*	*Total*
Purchase or production cost	9,140	4,022	22	4,993		18,176
FTA revaluations	8,439					8,439
Previous years depreciation and write-downs	(605)	(1,252)	(8)	(3,805)		(5,670)
Adjustments to previous years write-downs				(2)		(2)
Opening value	*16,974*	*2,770*	*13*	*1,186*		*20,943*
Variations in consolidation area						
Purchases		9	0	275		284
Transfers						
Reduction in accumulated depreciation due to disposals				41		41
Disposals				(55)		(55)
Revaluations for the period						
Depreciation and write-downs for the period	(61)	(137)	(1)	(204)		(403)
Adjustments to write-downs for the period						
Total tangible fixed assets	*16,913*	*2,642*	*12*	*1,243*		*20,810*

Land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert. For further information regarding this point, please refer to the attached document on transition to the international accounting standards.
The accounting value of the Group's buildings includes the sum of € 332 thousand relating to owned assets based on financial leasing contracts.
The purchasing of new tangible assets during the period came to a total of Euro 284 thousand of which Euro 275 thousand were for "other tangible assets" that mainly included the purchasing of electronic machinery and computers, managerial instruments characteristic of the Group's activities.
There are no restrictions on the legal ownership and possession of assets, systems and machinery to guarantee liabilities.
There are no contractual restrictions for buying assets, systems or machinery.

During the six month period, situations indicating that assets may be impaired and may need a formal estimation of their recoverable value have not been found.

13 Intangible fixed assets

The caption "intangible fixed assets" is composed as follows:

31/12/2005	Intangible fixed assets	30/06/2006	30/06/2005
8,309	Goodwill	8,309	8,309
-	Development costs	-	-
2,814	Industrial patents and similar rights	3,159	617
143	Licences, trademarks and similar rights	118	321
7,891	Assets under development	9,644	7,266
-	Others	-	638
19,156	**Total Intangible fixed assets**	**21,231**	**17,151**

In the period, "Intangible fixed assets" varied as follows:

Intangible fixed assets	*Industrial patents and similar rights,*	*Licences, trademarks and similar rights*	*Assets under development and payments on account*	*Goodwill*	*Other*	*Total*
Purchase or production cost	3,052	3,004	7,891	12,441	23	26,411
Previous years revaluations						
Previous years amortisation and write-downs	(238)	(2,861)		(4,132)	(23)	(7,255)
Adjustments to previous years write-downs						
Opening value	*2,814*	*143*	*7,891*	*8,309*	*0*	*19,156*
Variations in consolidation area						
Purchases		27	2,428			2,456
Transfers	675		(675)			
Reduction in accumulated amortisation due to disposals						
Disposals						
Revaluations for the period						
Amortisation and write-downs for the period	(330)	(52)				(381)
Adjustments to write-downs for the period						
Total intangible fixed assets	*3,159*	*118*	*9,644*	*8,309*	*0*	*21,231*

The voice industrial patent rights and works of ingenuity is almost entirely made up of software procedures developed by the CAD IT Group and which were previously listed under the voice ongoing assets and have been reclassified as they are now ready for use.

The caption Licences, trademarks and similar rights principally includes the Dynasty software used by the Group for object-oriented programming activities.

The voice assets under development refers to investments in the development of software procedures under construction both for sale and for in-company use. Most of these investments are aimed at new, advanced products, the use of which will be needed very shortly, even by law, in credit and financial institutions as well as in the field of public and industrial administration. These assets are listed as receivable on the basis of the directly sustained cost.

The most important projects included in the assets are the following:

- SIBAC GS – an integrated banking system for large systems designed for the whole banking and financial sector;
- SID – a managerial information technology system developed for the business intelligence area of the

banking system;
- Libro Soci – a procedure for the management of quoted company books designed for the whole banking system;
- Fiscalità locale (Local taxation)– a procedure for the management of local taxes designed for the public administration and public body sector;
- GPM4 – this is a procedure aimed mainly at banks and financial companies who deal with savings as it manages property patrimony by simulating investment portfolios.

The fundamental condition for their registration in patrimonial credit is that said costs concern clearly defined, distinguishable and measurable products or processes and that they relate to projects that are both technically feasible and economically recoverable through revenues that will develop in the future by application of the project itself.

The values are registered at credit to the directly sustained cost including the cost concerning the use of internal company resources as well as any extra expenses that may be added to the original cost. In respect of the principle that correlates cost and gain, these costs are depreciated as from the date of the sale of products correlated to these projects and in terms of the life-cycle of the products themselves, which is estimated at five years.

During the six month period, situations indicating that assets may be impaired and may need a formal estimation of their recoverable value have not been found.

14 Goodwill

The Group verifies the recovery of goodwill at least once a year or more often if there are indications of a value loss. During the six month period, situations indicating that assets may be impaired and may need a formal estimation of their recoverable value have not been found.

The goodwill acquired in an aggregation of companies is allocated, at the time of purchase, to the Cash Generating Unit (CGU) from which benefits connected to the aggregation are expected.

In particular, with regard to the CGU of the Group, these concern the controlled companies that represent the smallest identifiable group of activities that generate in-coming financial flows and which are largely independent of the in-coming financial flows from other activities or groups of activities.

The accounting value of goodwill has been allocated to the CGU as follows at the date of First Time Adoption:

Company	***Goodwill accounting value***
CAD S.r.l.	3,295
Cesbe S.r.l.	28
Netbureau S.r.l.	5
S.G.M. S.r.l.	1,224
D.Q.S. S.r.l.	2,279
Bit Groove S.r.l.	202
Elidata S.r.l.	617
Smart Line S.r.l.	443
Datafox	217
Totale	**8,309**

The recoverable value of the CGU is verified by determining the value in use.

The evaluation of the CAD IT Group companies was made through a *Discounted Cash Flow* (DCF), the most common calculation method in financial markets. The results obtained by applying this method were compared to those obtained with the Market Multiple method and in all cases the results proved coherent. Operational cash flow forecasts are based on the most recent budget plans approved by the Board of Directors and relate to the period 2005 - 2009.

15 Consolidation area

In order to prepare the consolidated balance, the companies included in the CAD IT Group consolidation using the integral method are as follows:

	Company name	Registered office	Share / Quota capital	Percentage of investment	Percentage of investment of the Group
	consolidated using the integral method				
	CAD IT S.p.A.	Verona	4,670	Parent company	
	Cad S.r.l.	Verona	130	100.00%	100.00%
	Cesbe S.r.l.	Verona	10	52.00%	52.00%
(1)	Tecsit S.r.l.	Roma	75	70.00%	38.50%
	Netbureau S.r.l.	Milan	50	100.00%	100.00%
	S.G.M. S.r.l.	Padova	100	100.00%	100.00%
	D.Q.S. S.r.l.	Roma	11	55.00%	55.00%
	Bit Groove S.r.l.	Verona	16	100.00%	100.00%
	Elidata S.r.l.	Castiglione D'Adda (LO)	20	51,00%	51.00%
	Smart Line S.r.l.	Avellino	103	51.05%	51.05%
	Datafox	Florence	100	51.00%	51.00%

(1) Held through DQS S.r.l.

The consolidation area, compared to the situation at 30th June 2005, differs as follows:

- the indirectly controlled company, Tecsit S.r.l.. In the past, in view of the insignificant volume of business that this company generated, this share was consolidated using the equity method;
- on 19 April 2006 the participating share in the company S.G.M. S.r.l. increased from 71.2% to 100%; said purchase involved a cash outlay for CAD IT of Euro 297 thousand.
- on 15 May 2006 the participating share in the company Netbureau S.r.l. increased from 86% to 100%; said purchase involved a cash outlay for CAD IT of Euro 3 thousand.

Furthermore, compared to 30/06/2005, the indirectly controlled company Archit S.r.l., due to its liquidation, is no longer consolidated.

The differences in these consolidation areas have very little effect on both the income statement and the patrimonial situation.

16 Investments in associates

The holding in Sicom S.r.l. was evaluated with the equity method. The reference values used for evaluating this holding with the equity method and the relative reference data on the patrimonial situation are shown in the following table:

Company name	Date of reference	Quotaholders' equity including profit for the period	Profit for the period	Percentage of investment	Investment value of the Group	Carrying value in the consolidated year report
Sicom S.r.l.	30/06/2006	614	145	25.00%	153	153

17 Other financial assets available for sale

This point involves Class Editori S.p.A. and CIA S.p.A. shares respectively quoted in the Standards and Expands segment, managed by Borsa Italiana S.pA. The two holdings are stable investments due to their strategic function in existing collaboration agreements with the Group and are registered in the balance at market value at the balance date.
The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account.
The table below illustrates the value variations of these holdings:

Holding	No, of shares held	% holding	*fair value* 30/06/05	*fair value* 31/12/05	*fair value* 30/06/06	Differences during the period
Class Editori S.p.a. (CLE)	1,694,171	1.84%	2861	2800	2,365	(435)
Cia S.p.a. (CIA)	1,694,171	1.84%	330	287	326	40
TOTAL			**3,192**	**3,087**	**2,691**	**(396)**

18 Credits due to prepaid taxes

Credits due to prepaid taxes are made up of assets in this period or previous periods and will probably create a taxable income. Said credits will be used for this purpose. Credits for pre-paid IRES and IRAP taxes are mainly in reference to time differences (deductible over the next few financial periods) and past losses that the Group's companies made.

19 Inventories

Leftover stock, which is modestly significant, includes products being elaborated or semi-elaborated and finished products and goods. The entire point for the period in question is made up as follows:

31/12/2005	Closing inventory	30/06/2006	30/06/2005
-		-	-
91	Products being elaborated or semi-elaborated	91	-
556	Finished goods	548	436
647	**Total final inventory**	**639**	**436**

20 Ongoing work to order

Ongoing work to order was registered at a total € 454 thousand and includes jobs that were in their final stages, evaluated on the basis of the principle of the completion percentage (cost-to-cost).

31/12/2005	Ongoing work to order	30/06/2006	30/06/2005
336	Ongoing work to order	454	435
336	**Total Ongoing work to order**	**454**	**435**

21 Other financial assets

Commercial credits and other credits are made up as follows:

31/12/2005	Trade receivables and other credits	30/06/2006	30/06/2005
24,452	Trade receivables	26,336	24,119
245	Accrued income and deferred expenses	641	483
167	Other credits	97	136
24,865	**Total trade receivables and other credits**	**27,074**	**24,738**

Credits to clients are entirely due within 12 months. The accounting value of commercial credits and other credits is approximate to their fair value.
Commercial credits are mainly in favour of the Group's Banking Institute clients.
The high sum of credits towards clients is conditioned by the size of the value of the contracts, which is often considerable, as well as the contractual terms of payment which usually state that the balance of the amounts due are to be paid after the procedures supplied have been approved.
The Group evaluated the credits to the probable break-up value. This evaluation is made analytically for expired credits and on expiry of a greater length of time than the average receipt time and on a lump-sum basis for the other credits, depending on the past incidence of losses that the Group finds for sales during the invoicing year.
Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 342 thousand (€ 486 thousand in previous period) which ensures a cover of 1.28% of the total amount of credits towards clients. This fund was determined on the basis of past data regarding losses on credits and is considered proportionate.

31/12/2005	Trade receivables, net	30/06/2006	30/06/2005
2	Associated companies	2	
24,793	Trade receivables	26,676	24,605
(342)	Bad debt provision	(342)	(486)
24,452	**Total trade receivables**	**26,336**	**24,119**

1.38%	% Coverage of bad debt provision	1.28%	1.97%

The point Accrued accruals and payables refers to accrued income to the sum of Euro 5 thousand and the remaining amount to accrued income made up as follows:

31/12/2005	Accrued costs	30/06/2006	30/06/2005
58	Software assistance	344	180
58	Advertising expenses	39	2
12	Third party benefit expenses	35	39
37	Telephone charges	63	77
20	Administrative services	19	21
34	Various insurances	50	51
8	Various	32	56
4	Hardware assistance	5	8
3	System maintenance	16	16
2	Associative fees	10	8

1	Office management costs	22	25
237	**Total Accrued costs**	**636**	**482**

The total sum of the point on other credits showed the following results:

31/12/2005	Credits towards other	30/06/2006	30/06/2005
16	Receivables from social security institutions	9	11
14	Receivables for advances on travel expenses	8	3
31	Payments on account to suppliers	16	15
97	Other	59	98
9	Guarantee deposits	5	8
167	**Total credits towards others**	**97**	**136**

22 Tax credits

This field currently comprises credits in withholding tax on current account interest and other running tax credits; at 31/12/2005, however, it was mainly composed of advance payments made for direct taxes (IRES and IRAP) in 2005.

23 Cash and other equivalent assets

31/12/2005	Cash and other equivalent assets	30/06/2006	30/06/2005
3,759	Bank and postal accounts	3,797	10,870
0	Cheques on hand		2
13	Cash-on-hand and cash equivalents	15	14
6,017	Insurance policies capitalised	6,348	5,941
9,789	**Total**	**10,161**	**16,827**

It is possible to redeem the capitalisation insurance policy at any time and reimbursement is made within 20 days with no particular significant expense. The returns are variable in relation to the annually calculated revaluation rate. The guaranteed minimum annual rate is 2.50%.

24 Non current assets held for sale

At 30/06/2006 there were no non-current assets of the Group to be classified as held for sale.

25 Company capital

The company capital, entirely registered, deposited and unchanged over the period, amounted to €4,669,600. It was subdivided into 8,980,000 ordinary shares with a nominal value of €0.52 each and all with equal rights.
The ordinary shares are registered and indivisible and each one gives the right to a vote at the ordinary and extraordinary shareholders' meetings, as well as to the faculty of carrying out other company and patrimonial rights in accordance with the law and the statute.
Neither CAD IT S.p.A. nor its controlled companies own CAD IT or their own shares, not even through trustee companies or third parties.

Group net patrimony

The Group net patrimony at 31/12/2005 came to Euro 53,079 thousand compared to Euro 53,543 thousand at 31/12/2005.

Third party net patrimony

This point refers to the patrimony quota of the controlled companies that, on the basis of the 'Equity ratios', belongs to third parties. It was made up of:

31/12/2005	Minority interests	30/06/2006	30/06/2005
1,679	Minority quotaholders of Cesbe S.r.l.	1,636	1,610
148	Minority quotaholders of Datafox S.r.l.	171	143
2	Minority quotaholders of Netbureau S.r.l.		7
(58)	Minority quotaholders of SGM S.r.l.		(24)
53	Minority quotaholders of Tecsit S.r.l.	42	
259	Minority quotaholders of DQS S.r.l.	265	262
408	Minority quotaholders of Elidata srl	437	311
79	Minority quotaholders of Smart Line S.r.l.	76	96
2,570	**Total minority interests**	**2,626**	**2,406**

26 Reserves

31/12/2005	Reserves		30/06/2006	30/06/2005
	(1)	Own shares		
35,246	(2)	Share surcharge riserve	35,246	35,246
-	(3)	Re-evaluation reserve	-	-
51	(4)	Re-eval. res for fin. assets available for sale	91	95
35,298	**Total**		**35,337**	**35,341**

The variation of the evaluation reserve for assets available for sale comes from the variation in fair value at 30/06/06 of the holding in the quoted company CIA S.p.A., directly registered in the net patrimony reserve.

27 Accumulated profit

Previous period profit refers to the difference between the profits for the 2004 period calculated with the IAS/IFRS accounting standards compared to calculation with the national accounting standards.

The IFRS transition fund changed during the course of the period by €2,737 thousand due to the application of the IAS 32 and 39 for the evaluation of financial assets available for sale being deferred to 01/01/05. The IFRS transition fund covers any differences that may have occurred when the international accounting standards were first adopted on 1st January 2004 and was changed for the actual application of the IAS 32 and 39 standards on 01/01/05 when assessing financial assets available for sale, in accordance with the IFRS 1 accounting standard.

The available reserve of undivided profits increased by Euro 10 thousand due to the effect of undistributed profits in the previous period.

31/12/2005	Accumulated profits/losses	30/06/2006	30/06/2005
585	Previous profits/losses	585	585
934	Legal reserve	934	934
-	Statutory reserve	-	-
2,119	IFRS transition reserve	2,119	2,119
(1,966)	Consolidation reserve	(2,077)	(1,942)
10,386	Available joint profit reserve	10,396	10,386
1,517	Period profits/losses	1,115	1,496
13,575	Total	**13,072**	**13,579**

28 Dividends paid

On the basis of the results of the 2005 period, which confirm the Veronese Group's ability to generate positive income margins, the distribution of an ordinary dividend of Euro 0.18 per share, with coupon detachment on 8 May 2006 and payment on 11 May 2006, was approved at the Shareholders' Meeting on 28 April 2006.

29 Financing

€ 245 thousand of this point refers to the registration of the amount of debt funding determined by property leasing in accordance with the financial method.
A further medium-term debt towards a banking institute of €119 thousand was also registered.

30 Liabilities due to deferred taxes

Deferred taxes amounted to Euro 3,432 thousand and took into account the taxable time differences resulting from time differences of the accounting value of an asset or liability compared to its recognised value for tax purposes. In particular they mainly referred to the fiscal effect of adjustments made at the FTA, the taxation of which was deferred to future periods.

31 Employees' leaving entitlement and quiescence reserves

31/12/2005	Employees' leaving entitlement and quiescence reserves	30/06/2006	30/06/2005
6,262	Employees' leaving entitlement	6,271	5,984
173	Fund due to director end of term of office treatment	185	154
2	Other quiescence reserves	2	12
6,437	**Total**	**6,458**	**6,150**

The point concerning the TFR Fund shows the movements resulting from annual allocations made on the basis of the evaluations of external actuaries based on the IAS 19 and the uses carried out concerning end of working contract resolutions or advance payments.

31/12/2005	Employees' leaving entitlement	30/06/2006	30/06/2005
5,428	Balance at 1 January	6,262	5,428
22	Variations in consolidation area		
1,687	Accruals	424	1,029
(875)	Utilisation	(415)	(473)
6,262	**Closing balance**	**6,271**	**5,984**

In order to carry out the mathematical evaluation, the database of each employee (salary, matured TFR net of any advance payments, age, sex, qualification, etc.) was given to the external actuaries by the companies' qualified offices. The hypothetical specifications on the employees in service regarding both their demographic evolution and their future economic characteristics, were calculated on the basis of some past company series, on similar experience and on market figures as well as on the basis of some indications supplied by the companies themselves in terms of their experience and sensitivity to company events.
In particular, in determining the present value of future services that are expected to be necessary in order to settle obligations deriving from working activities carried out in the current period and previous periods, the following were calculated:

- the present value regarding future forecasted services relating to working activities carried out in previous periods;
- the welfare cost regarding present work services, i.e. the increase in the present value of obligations resulting from work being carried out in the current period;
- the interest allowed given by the increase that the present value of the obligations is subject to during a period because of the fact that the date of payment of a benefit becomes one period closer.

The results of the mathematical evaluations on the basis of the IAS for TFR at 31st December 2005 are shown below:

TFR on the basis of IAS at 30/06/2006	*Previous years' costs*	*Current year's costs*	*Current year's interest allowed*	*Actuarial gain*
6,271	5,697	445	129	150

The following table shows the effects on the fund during the period due to director end of term of office treatment.

31/12/2005	Fund due to director end of term of office treatment	30/06/2006	30/06/2005
135	Balance at 1 January	173	135
38	Accruals	12	19
	Utilisation		
173	**Closing balance**	**185**	**154**

32 Commercial debts

The entire point shows the following trend:

31/12/2005	Trade accounts payable to creditors and other payable	30/06/2006	30/06/2005
3,555	Accounts payable to creditors	3,510	2,578
70	Payments on account received	205	63
558	Accrued expenses and deferred income	2,620	2,893
4,183	**Total**	**6,335**	**5,534**

Debts towards suppliers are referred to as current debts for supplies of goods and services received, including those regarding investments in intangible assets.
The accrued liabilities amount to Euro 3 thousand.
The deferred income refers almost entirely to income that was already invoiced regarding annual ordinary maintenance contracts on user licences and pertaining to the second half period.

31/12/2005	Accrued expenses and deferred earnings	30/06/2006	30/06/2005
7	Accrued liabilities	3	5
551	Deferred earnings	2,617	2,888
558	**Total**	**2,620**	**2,893**

33 Tax debts

The taxation debt point regards debts that the various companies of the Group included in the consolidation area have incurred with the inland revenue. They are debts due to income taxes, value added tax and to activities of tax substitution made by the various companies regarding their respective employees and collaborators and also includes estimated taxes chargeable in the period net of provisional paid tax.
At the time of drafting this balance there were no legal cases pending with the Financial Authorities.

34 Short-term financing

This point is made up of Euro 627 thousand from short-term funding to banking institutions outstanding at account and of Euro 43 thousand from debts within 12 months for financial leasing.

35 Other debts

Details of other debts are as shown:

31/12/2005	Other debts	30/06/2006	30/06/2005
2,412	Social security charges payable	2,294	2,360
31	Towards directors	106	92
152	Dividends to be distributed to shareholders (third parties)	152	152
3,757	Towards staff for deferred salaries and pay	4,849	4,760
53	Other	45	63
6,405	**Total**	**7,445**	**7,427**

Debts towards welfare institutions included matured contributory debts on current monthly salaries as well as the quota for deferred maturing salaries.

36 Facts occurring after 30/06/2006

Since 30/06/2006 no particularly significant events have arisen that could significantly influence the patrimony or the economic results of the Group.

37 Transactions with related party

Any commercial relations between the Group's companies are governed by normal market conditions. Transactions between CAD IT S.p.A. and its subsidiaries, which are related party of the company itself, have been removed from the consolidated balance and are not shown in these notes. Except for past and previously mentioned relations, no other economical-patrimonial relations of any significance with other related parties have been considered. Please refer to the Directors' report on management for details.
Regarding relations with directors, auditors and managers with strategic responsibility, please refer to the Directors' report on management.

38 Employees

Compared to 31st December 2005, the staff of the CAD IT Group at the end of the period decreased by 16 persons.

Category of employees	*labour force at 30/06/2006*	*labour force at 31/12/2005*	*labour force at 30/06/2005*
Management	19	18	17
White-collars and cadres	605	621	622
Blue-collars	1	1	1
Apprentices	3	4	2
Total	***628***	***644***	***642***

The following table shows data regarding the CAD IT Group employees:

Category of employees	*Average number at 30/06/2006*	*Average number at 31/12/2005*	*Average number at 30/06/2005*
Management	19	17	17
White-collars and cadres	611	628	633
Blue-collars	1	1	1
Apprentices	3	4	5
Total	***634***	***650***	***655***

The average number of employees in the first half 2006 was 634 people, while, in the 2005 period, the average number was 650.
The Group continues to dedicate particular attention to the training and professional updating of its staff during certain periods.

39 Warranties

The credit lines granted by banks but currently not utilised are guaranteed by mortgages of € 12,395 thousand on buildings.

40 Financial statement approval

The present first half report was approved by the CAD IT S.p.A. Board of Directors on 22/09/2006.

On behalf of the Board of Directors
The Chairman
(Giuseppe Dal Cortivo)

3 Financial statements of CAD IT S.p.A.

Income statement

(in thousands of Euro)	*Period 2006 01/01 - 30/06*		*Period 2005 01/01 - 30/06*		*Variations*
Income from sales and services	13,787	91.4%	10,444	90.5%	3,343
Variations in stock of products being elaborated					
Changes in ongoing orders					
Asset increases due to internal work	1,291	8.6%	1,100	9.5%	191
Other revenue and receipts	5	0.0%	3	0.0%	2
Production value	15,082	100.0%	11,548	100.0%	3,534
Costs for raw materials, subsidiaries and consumer goods	(153)	(15.7%)	(55)	(0.5%)	(98)
Service costs	(3,837)	(25.4%)	(1,832)	(15.9%)	(2,005)
Other operational costs	(58)	(0.4%)	(149)	(1.3%)	91
Added value	11,032	73.2%	9,511	82.4%	1,521
Labour costs	(7,682)	(50.9%)	(7,761)	(67.2%)	79
Other administrative expenses	(438)	(2.9%)	(448)	(3.9%)	10
Allocation to Credit Depreciation Fund					
Amortizations:					
- Intangible fixed asset amortization	(259)	(1.7%)	(122)	(1.1%)	(137)
- Tangible fixed asset amortization	(306)	(2.0%)	(241)	(2.1%)	(65)
Other allocations					
Operational result (EBIT)	2,347	15.6%	939	8.1%	1,408
Net financial receipts (charges)	279	1.9%	446	3.9%	(167)
Ordinary result	2,626	17.4%	1,385	12.0%	1,241
Revaluations and depreciations	(493)	(3.3%)	(188)	(1.6%)	(305)
Pre-tax result	2,133	14.1%	1,197	10.4%	936
Pre-tax result	**2,133**	**14.1%**	**1,197**	**10.4%**	**936**
Income taxes	(1,259)	(8.4%)	(776)	(6.7%)	(483)
Profit (loss) for the period	**874**	**5.8%**	**421**	**3.6%**	**453**

(in Euro)		
Profit per share	*0.10*	*0.05*

Balance sheet

31/12/2005	*(in thousands of euro)*	30/06/2006	30/06/2005
	Assets		
20,112	Assets, equipment and machinery	20,065	19,715
1,527	- Land	1,527	1,527
15,115	- Buildings	15,055	15,107
2,714	- Plant and equipment	2,593	2,273
755	- Other assets	890	809
-	- Assets under construction and payments on account	-	-
9,682	Intangible assets	11,755	8,383
-	- Goodwill	-	-
-	- Development costs	-	-
1,930	- Industrial patents and similar rights	2,372	615
72	- Licences, trademarks and similar rights	53	119
7,681	- Assets under development	9,330	7,026
-	- Intangible assets	-	624
14,442	Holdings	14,684	14,442
3,087	Other financial assets available for sale	2,691	3,192
17	Other non-current credits	17	20
27	Credits due to deferred taxes	24	27
47,366	**TOTAL NON-CURRENT ASSETS**	**49,237**	**45,779**
8	Stock	8	-
-	Ongoing orders	-	-
21,726	Commercial credits and other credits	21,623	19,027
21,501	- Trade receivables	21,257	18,750
135	- Accrued income and deferred expenses	316	187
90	- Other credits	50	90
1,033	Tax credits	4	-
0	Financial assets available for sale	0	0
6,270	Cash on hand and other equivalent assets	7,717	7,482
29,037	**TOTAL CURRENT ASSETS**	**29,352**	**26,509**
-	Non-current assets for sale	-	-
76,403	**TOTAL ASSETS**	**78,589**	**72,288**

31/12/2005	*(thousands of euro)*	30/06/2006	30/06/2005
	Liabilities		
4,670	Company capital	4,670	4,670
35,298	Reserves	35,337	35,341
15,651	Accumulated profits/losses	14,909	14,445
		0	
55,618	**TOTAL NET PATRIMONY**	**54,915**	**54,456**
-	Financing	-	-
3,274	Liabilities due to deferred taxes	3,274	-
3,100	TFR and quiescence reserves	3,152	2,975
-	Expense and risk reserves	-	-
6,373	**TOTAL non-current liabilities**	**6,426**	**2,975**
10,005	Commercial debts	12,142	5,635
1,191	Tax debts	1,279	5,511
-	Short-term financing	-	-
3,216	Other debts	3,827	3,711
14,412	**TOTAL current liabilities**	**17,248**	**14,857**
-		-	-
76,403	**TOTAL LIABILITIES AND NET PATRIMONY**	**78,589**	**72,288**

Statement of changes in equity

(in migliaia di euro)	**Company capital**	**Reserves**	**Accumulated profit (loss) net of period result**	**Period result**	**Equity**
31-dec-05	*4,670*	*35,298*	*14,024*	*1,627*	*55,618*
Increase (decrease) in equity reserves		*40*	*0*		*40*
Increase in revaluation reserves					
Allocation of the period to reserves			*1,627*	*-1,627*	
Dividend distribution			*-1,616*		*-1,616*
Effects on consolidation reserves					
Company capital increases					
Period result				*874*	*874*
Period end total	***4,670***	***35,337***	***14,035***	***874***	***54,915***

Cash Flow Statement

31/12/2005	*(thousands of euro)*	***30/06/2006***	***30/06/2005***
	OPERATING ACTIVITIES		
1,627	**Profit (loss) for the period**	***874***	***421***
	Amortisation and depreciation:		
574	- Tangible fixed assets	306	241
278	- Intangible fixed assets	259	122
	Accruals:		
803	- Employees' leaving entitlement	250	512
	- Other provisions		
(12)	Increase/(Decrease) in provisions for contingencies and other charges		(12)
3,269	***Sub-total***	1,688	1,284
(268)	Utilisation of employees' leaving entitlement	(198)	(102)
710	Increase)/Decrease in receivables included under assets forming part of working capital	1,315	4,493
(8)	(Increase)/Decrease in inventory	(0)	
(10)	(Increase)/Decrease in accrued income and deferred expenses	(181)	(62)
367	Increase/(Decrease) in accounts due to creditors	213	(125)
105	Increase/(Decrease) in accrued expenses and deferred income	63	(95)
3,381	Increase/(Decrease) in other non-financial payables	2,562	1,246
4,279	***Sub-total***	*3,773*	*5,356*
7,548	***(A) - Cash flows from (for) operating activities***	*5,462*	*6,640*
	INVESTING ACTIVITIES		
	(Increase)/ Decrease in investments in subsidiary companies valued using the equity method		
(4,845)	(Increase)/Decrease in intangible fixed assets	(2,332)	(3,390)
(113)	(Increase)/Decrease in tangible fixed assets	(259)	616
108	(Increase)/Decrease in other fixed assets	(0)	105
(168)	(Increase)/Decrease in investments in subsidiary companies	(242)	(168)
	(Increase)/Decrease in investments in associated companies		(0)
2,935	(Increase)/Decrease in other investments and securities	396	2,830
(2,083)	***(B) - Cash flows from (for) investing activities***	*(2,438)*	*(7)*
	FINANCING ACTIVITIES		
	Increase/(Decrease) in financial payables		
(2,737)	Increase/(Decrease) in IFRS transition reserve	0	(2,737)
51	Increase/(Decrease) in reserve for fin. assets avail. for sale	40	95
	Effects on consolidation reserve		
	Third party net patrimony		
(2,963)	Distribution of dividends	(1,616)	(2,963)
	Capital injections		
(5,649)	***(C) - Cash flows from (for) financing activities***	*(1,577)*	*(5,606)*
(185)	***(A+B+C) - Total cash flows***	*1,447*	*1,027*
6,455	Opening liquid funds	6,270	6,455
6,270	***Closing liquid funds***	*7,717*	*7,482*

Relations with subsidiaries

As parent company of other companies, CAD IT S.p.A. maintains commercial and financial relations, under normal market conditions, with its subsidiaries.
There now follows a brief summary of the transactions made with these companies in the financial period in question:

Company	Costs	Capitalized costs	Turnover	Receivables	Payables
Cad It S.p.a.	2,030	1,084	5,796	12,093	10,307
Cad S.r.l.	5,501		1,181	6,614	10,623
Cesbe S.r.l.	158		521	2,277	580
NetBureau S.r.l.	80		383	499	405
DQS S.r.l.	1		403	382	2
SGM S.r.l	0		77	104	111
SmartLine Line S.r.l.	3		5	20	207
BitGroove S.r.l.	10		351	164	123
Elidata S.r.l.	43		13	72	38
Datafox S.r.l.	0		180	176	1
Tecsit S.r.l.	1			-	3
Totali	**7,826**	**1,084**	**8,911**	**22,400**	**22,400**

Via Torricelli , 44/a
37136 Verona - Italy
Tel. +39 045 8211111
Fax. +39 045 8211110
www.cadit.it
cadit@cadit.it

CAD IT
INFORMATION TECHNOLOGY