

**CAD IT S.P.A.**  
**Financial statements**  
**as at 31.12.2006**



Translation from the Italian original which remains the definitive version

# 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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## Financial statements as at end for the year ended 31 december 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 <sup>1</sup>

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 <sup>1</sup>

GIANNICOLA CUSUMANO  
*Chairman*

GIAN PAOLO RANOCCHI  
*Statutory Auditor*

RENATO TENGATTINI  
*Statutory Auditor*

CESARE BRENA  
*Substitute Statutory Auditor*

LUCA SIGNORINI  
*Substitute Statutory Auditor*

### AUDITORS



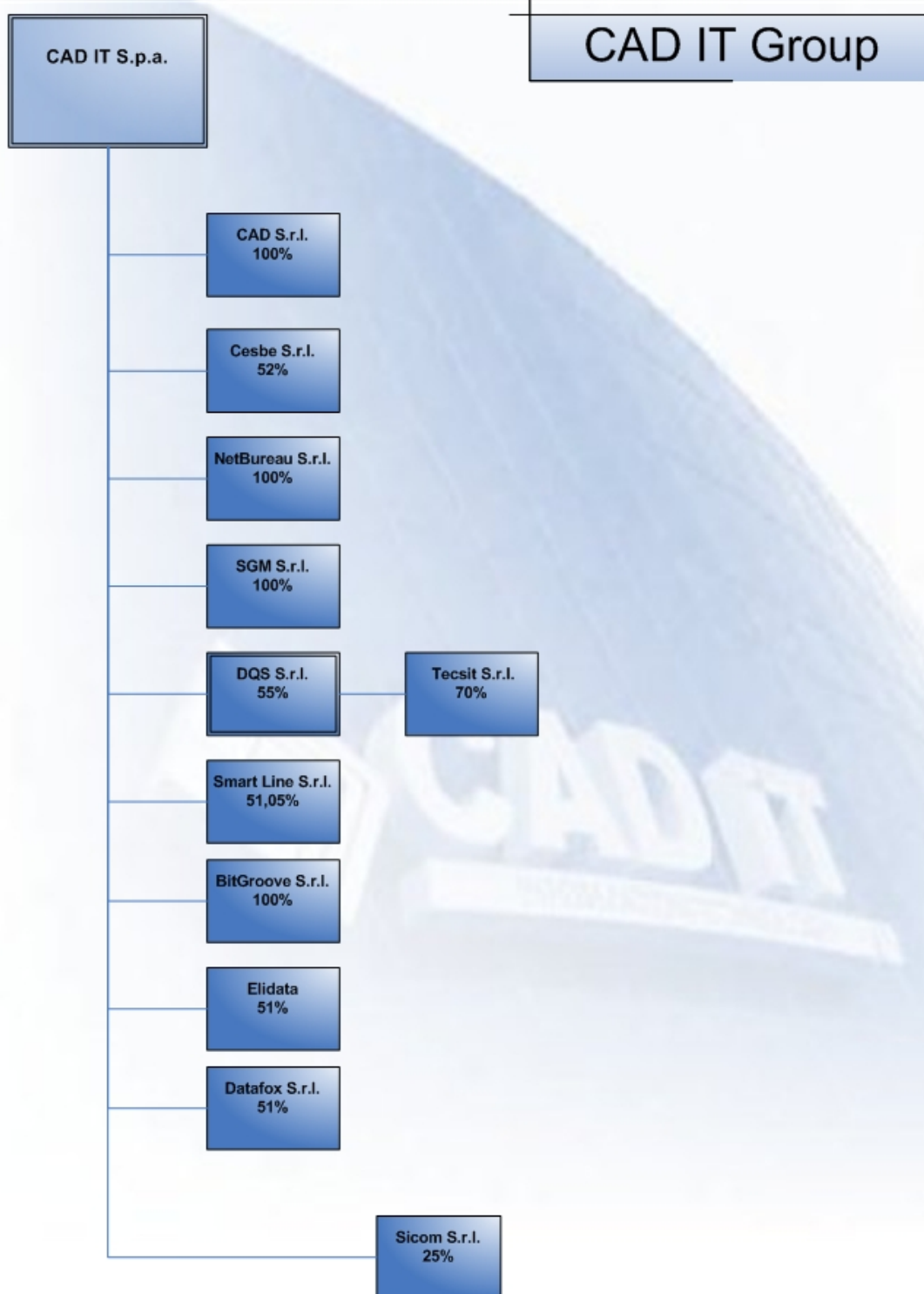
<sup>(1)</sup> Appointed on 28 April 2006; office expires with the shareholders' meeting for the approval of the 2008 financial statements.

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 31/12/2006

## 1 Directors' report on management

This Directors' report on management is attached to CAD IT's report and shows and explains the main aspects of the Group's consolidated profit and loss account and the consolidated patrimonial-financial situation.

The CAD IT S.p.A. balance at 31/12/2006 has been drafted in accordance with the international accounting standards (IAS/IFRS), as required by regulation no. 1606 and adopted by the European Union in 2002.

CAD IT S.p.A. is obliged to draft a consolidated balance to which reference may be made for further information on the Group's results.

Unless otherwise indicated, the monetary amounts in the accounting tables and those referred to in the comments are shown in thousands of Euros.

### ***Information on CAD IT S.p.A.***

CAD IT was set up as a joint stock company under Italian law.

The registered office and the administrative and operating offices are in Via Torricelli 44/a, Verona.

The company is registered in the Verona Company Register under no. 01992770238.

At 31 December 2005, share capital amounts to € 4,669,600, fully subscribed and paid-in, and comprises 8,980,000 ordinary shares of a nominal value of € 0.52 each, each with equal rights.

These shares are nominal and cannot be divided. Each of them entitles to one vote in the ordinary and extraordinary meetings of the company and to the execution of all other corporate and property rights in accordance with the law and the company's by-laws.

CAD IT S.p.A. is not subject to the control of any other company, as provided by article 2359 of the Italian Civil Code.

### ***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, derivatives (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 Group results

Consolidated income statement	Period 2006		Period 2005		Variations	
	01/01 – 31/12		01/01 - 31/12		absolute	%
Production value	52,243	100.00%	50,142	100.00%	2,101	4.19%
Added value	41,062	78.60%	39,295	78.37%	1,767	4.50%
Gross operational result (EBITDA)	9,042	17.31%	7,017	13.99%	2,025	28.86%
Operational result (EBIT)	7,380	14.13%	5,506	10.98%	1,874	34.03%
Ordinary result	7,536	14.43%	5,733	11.43%	1,803	31.46%
<b>Pre-tax and pre-third party share result</b>	<b>7,563</b>	<b>14.48%</b>	<b>5,509</b>	<b>10.99%</b>	<b>2,055</b>	<b>37.30%</b>
Income taxes	(4,303)	(8.24%)	(3,796)	(7.57%)	(507)	13.37%
Third party (profit)loss for the period	(300)	(0.57%)	(196)	(0.39%)	(103)	52.61%
<b>Profit (loss) for the period</b>	<b>2,961</b>	<b>5.67%</b>	<b>1,517</b>	<b>3.02%</b>	<b>1,444</b>	<b>95.22%</b>

The CAD IT Group closed its 2006 financial period with an improvement in production revenues and income margins compared to 2005. The results achieved highlight the Group's ability to obtain positive results by focusing on production and offering new products and services and by acquiring new users and new market segments.

Production revenues stood at Euro 52,243 thousand showing an increase of more than 4% compared to the previous financial period (Euro 50,142 thousand).

Income margins, EBITDA (+29%) and EBIT (+34%), were decidedly greater, standing at Euro 9,042 thousand and Euro 7,380 thousand respectively compared with Euro 7,017 thousand and Euro 5,506 thousand in the previous year.

This net increase in margins was achieved thanks to an increase in revenues and more attention being paid to containing costs, which were only slightly higher than the year before. In fact, of the main entries in costs, staff costs of Euro 29,670 thousand were 1% less than in 2005 (Euro 29,998 thousand) and service costs of Euro 8,923 thousand were practically stable (+1% compared to the Euro 8,807 thousand in the previous period).

Amortization and depreciation registered a sum of Euro 1,663 thousand (previously 1,512 thousand).

The balance between income and expenses was in credit by Euro 157 thousand (previously Euro 227 thousand); amendments in the value of shares accounted for in the profit and loss account showed a positive balance of Euro 27 thousand (previously a negative Euro 224 thousand).

The pre-tax result and third party share came to Euro 7,563 thousand (+37% compared to the Euro 5,509 thousand of the previous period).

Income taxes came to Euro 4,303 thousand (previously Euro 3,796 thousand).

The Euro 2,961 thousand profit is a clear improvement (+95%) compared to the previous year (Euro 1,517 thousand), net of a third party profit of Euro 300 thousand (previously Euro 196 thousand).

The Group's Net Financial Position at 31<sup>st</sup> December 2006 was in credit by Euro 8.1 million.

## Synthesis of CAD IT's results

The 2006 financial period closed positively for the mother company CAD IT S.p.A. showing an increase compared to the balance of the previous year.

The most significant results of the profit and loss account are shown in the table below:

<i>Income statement</i>	<i>Period 2006</i>		<i>Period 2005</i>		<i>Variations</i>	
	<i>01/01 - 31/12</i>		<i>01/01 - 31/12</i>		<i>absolute</i>	<i>%</i>
<i>Production value</i>	30,495	100.0%	26,348	100.0%	4,146	15.7%
<i>Added value</i>	22,505	73.8%	20,421	77.5%	2,083	10.2%
<i>Gross operational result (EBITDA)</i>	6,028	19.8%	4,277	16.2%	1,751	40.9%
<i>Operational result (EBIT)</i>	4,797	15.7%	3,425	13.0%	1,371	40.0%
<i>Ordinary result</i>	5,329	17.5%	3,998	15.2%	1,331	33.3%
<b><i>Pre-tax result</i></b>	<b>5,271</b>	<b>17.3%</b>	<b>3,746</b>	<b>14.2%</b>	<b>1,525</b>	<b>40.7%</b>
<i>Income taxes</i>	(2,582)	(8.5%)	(2,120)	(8.0%)	(462)	21.8%
<b><i>Profit (loss) for the period</i></b>	<b>2,690</b>	<b>8.8%</b>	<b>1,627</b>	<b>6.2%</b>	<b>1,063</b>	<b>65.3%</b>

Production revenues reached Euro 30,495 thousand with an increase of more than 15% compared to the previous period (Euro 26,348 thousand).

The income margins EBITDA (+41%), and EBIT (+40%) were decisively higher standing at Euro 6,028 thousand and Euro 4,797 thousand respectively compared to Euro 4,277 thousand and Euro 3,425 thousand of the previous year.

This considerable growth was achieved thanks to an increase in takings and to better cost control. In fact, the main entries in the cost account are for staff at Euro 15,555 thousand, 2% more than in 2005 (Euro 15,291 thousand) and service costs for Euro 7,428 thousand, a 35% increase compared to the previous period (Euro 5,502 thousand) and in relation to the increase in production revenues.

The Ordinary Result, due to a positive balance between returns and financial fees of Euro 533 thousand, showed a positive balance of Euro 5,329 thousand (previously Euro 3,998 thousand), equal to 17.5% of production revenues.

The pre-tax and third-party share result came to Euro 5,271 thousand (+40.7% compared to the previous period which was Euro 3,746 thousand).

The result at 31.12.2006 shows a profit of Euro 2,690 thousand which is a vast improvement (+65%) on the previous year (Euro 1,627 thousand), net of Euro 2,582 thousand in taxes (previously Euro 2,120 thousand).

To better understand the 2006 result, the following report and balance notes highlight some relevant events that occurred during the period in question.

## The market

The market continues to undergo a period of numerous mergers and takeovers in the Italian financial institute sector brought about by the need to reach the necessary critical mass in order to operate on the European market. The year 2006, like the year before it, was a period of adjustment and rationalization for banks, which caused a slowdown in investments.

In this context, the outcome reached is the result of the Group's ability over the years to continue to invest in Research and Development, thus maintaining a strategic position and the leadership of the Italian financial software market.

### **Significant events of the period**

During the 4th quarter of 2006 CAD IT sold its "Market Abuse Findings" procedure to five large Italian banking institutions. Thanks to these important references, the CAD IT Group intends to continue to offer the product to other Italian Financial Institutions. The "Market Abuse" software created by CAD IT allows Banks, SIM and SGR to identify any suspect operations of market manipulation and any eventual abusive operations regarding inside information (Insider Trading) in accordance with the instructions in the Consob and CESR (Committee of European Securities Regulators) norm. "Market Abuse" software is interfaced with Area Finanza, also by CAD IT, market leader in the Italian banking sector for the management of financial instrument operations, but it can also be installed in banks, SIM and SGR that do not use CAD IT software. Those banking groups that have chosen "Market Abuse" will not only be using the procedure for their retail banks but also for their brokers and the group's SGR, which just goes to show the product's flexibility both in technological terms and in its adaptation to the various types of transaction on national and foreign markets.

In November CAD IT has announced the signing of an agreement with an important Italian Insurance Group with the aim of selling a software package for integrated financial management. This intervention is forecast to come into effect 15 months from the start-up date of 26<sup>th</sup> June 2006. The project involves the integration of CAD IT financial and algorithmic modules used by major Italian financial institutions through tailor-made modules for the insurance sector. The solution, which takes advantage of the most up to date development logic systems, is developed in services oriented architecture and is multi-platform, multi-currency and multi-company. The platform covers insurance front, middle and back offices, giving support to financial (Spot and Forward Pricing), insurance (ALM), balance (IAS compliant) and tax assessments. The project foresees the gradual implementation of the software into the client's information technology system. CAD IT will assist the client in training and provide a 24h\*24h help desk maintenance service.

In June CAD IT and Xchanging extended the letter of intent which they signed last November 2005 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 interoperability between financial institutions.

### ***Income result analyses***

CAD IT production revenues increased during 2006 by almost 16%, standing at Euro 30,495 thousand compared to the Euro 26,348 thousand of 2005.

The company continues with its investment plans for creating new procedures so as to be able to offer innovative solutions and to be ever more competitive. The production revenues include increases in intangible assets due to internal work to the value of Euro 2,307 thousand (previously Euro 2,076 thousand). The added value of Euro 22,505 thousand (previously Euro 20,421 thousand), represents almost 74% of production revenues and had increased by 10%.

The gross operational result (EBITDA) of Euro 6,028 thousand, an improvement on 2005, increased by 40% and was almost 20% of production revenues (Euro 4,277 thousand and 16% of production revenues). The growth in this margin was achieved thanks to an increase in production revenues and cost containment.

Labour costs were slightly higher in 2006 (+1.7%), reflecting the very slight increase in the average number of employees.

The operational result (EBIT) stood at Euro 4,797 thousand (previously Euro 3,425 thousand) and equal to 15.7% of production revenues compared to 13% in the previous financial period. In this case too the 2006 margin shows a clear improvement on 2005 (+40%) despite an increase in amortizations in intangible assets, which were higher because amortization plans for software procedures capitalised in past financial periods began. The total amount of amortizations came to Euro 1,232 thousand compared to Euro 852 thousand in the previous year.

The pre-tax result, due to the effect of returns and financial fees and the devaluation of shareholdings, came to Euro 5,271 thousand, equal to 17.3% of production revenues, another improvement compared to 2005 (Euro 3,746 thousand, or 14.2% of production revenues).

The net result came to Euro 2,690 thousand, more than double compared to 2005 (Euro 1,627 thousand,

+65%), despite higher tax rates, especially IRAP, whose effect was particularly high due to taxes on staff and collaborator costs.

### **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.

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 the foreign and insurance markets is also continuing.

### **Investments**

Investments in tangible and intangible fixed assets made by the company in the year 2006 amount to Euro 5,075 thousand (Euro 4,959 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.

<i>Summary of investments</i>	<i>year</i> <i>2006</i>	<i>year</i> <i>2005</i>
Intangible fixed assets	452	32
Assets under development and payments on account	4,215	4,813
Plant, machinery, equipment and other tangible fixed assets	408	114
<i>Total investments in tangible and intangible fixed assets</i>	<i>5,075</i>	<i>4,959</i>
Shareholdings and financial investments	244	170
<i>Total shareholdings and financial investments</i>	<i>244</i>	<i>170</i>
<i>Total investments</i>	<i>5,319</i>	<i>5,129</i>

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 subsidiaries, associates and parent companies**

CAD IT S.p.A. is not subject to the control of any other company, as provided by article 2359 of the Italian Civil Code.

Being the parent company, CAD IT carries out commercial and financial transactions with its subsidiary and associated companies. 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 31/12/2006:

Company	Costs	Capitalized costs			Turnover	Receivables	Payables
		Increases in internal work	Software licences and rights	Other assets			
Cad It S.p.a.	3,919	1,908	660	10	11,713	10,562	10,678
Cad S.r.l.	11,062	-	-	-	2,325	6,947	9,081
Cesbe S.r.l.	344	-	-	-	1,070	1,757	145
NetBureau S.r.l.	107	-	-	-	645	468	509
DQS S.r.l.	2	-	-	-	807	299	-
SGM S.r.l.	9	-	-	-	804	792	155
SmartLine Line S.r.l.	24	-	-	-	5	35	307
BitGroove S.r.l.	67	-	-	-	554	138	131
Elidata S.r.l.	87	-	-	-	19	149	220
Datafox S.r.l.	10	-	-	-	268	93	11
Tecsit S.r.l.	1	-	-	-	-	-	3
<b>Total</b>	<b>15,631</b>	<b>1,908</b>	<b>660</b>	<b>10</b>	<b>18,209</b>	<b>21,240</b>	<b>21,240</b>

For further information on relations between the Group's companies, please refer to the management's report in the Consolidated Balance at 31/12/2006.

There have been no abnormal or unusual transactions between the CAD IT Group's companies in this financial period.

### **Shares held by managerial and controlling organs**

Shares held by directors and statutory auditors in the main company and its subsidiaries:

Name and surname	Company	Number of shares held at 31.12.2005	Number of shares bought	Number of shares sold	Number of shares held at 31.12.2006
Dal Cortivo Giuseppe	Cad It S.p.A.	1,329,234 (1)	0	0	1,329,234 (1)
Magnani Giampietro	Cad It S.p.A.	1,325,721 (1)	0	0	1,325,721 (1)
Rizzoli Maurizio	Cad It S.p.A.	1,395,936 (2)	0	0	1,395,936 (2)
Zanella Luigi	Cad It S.p.A.	1,328,180 (3)	0	0	1,328,180 (3)
Dal Cortivo Paolo	Cad It S.p.A.	5,481	0	0	5,481
Margetts Michael John	(4) Cad It S.p.A.	0	0	0	0
Lamberto lambertini	Cad It S.p.A.	0	0	0	0
Francesco Rossi	Cad It S.p.A.	0	0	0	0
Cusumano Giannicola	Cad It S.p.A.	0	0	0	0

Ranocchi Gian Paolo	(4)	Cad It S.p.A.	0	0	0	0
Tengattini Renato	(4)	Cad It S.p.A.	60	0	0	60
Alberto Miazzi	(5)	Cad It S.p.A.	980 (6)	0	0	980 (6)
Mazzi Sonia	(5)	Cad It S.p.A.	2,165	0	0	2,165
Cereghini Giuseppe	(5)	Cad It S.p.A.	838	0	0	838

(1) of which in spouse's name: 370,885

(2) of which in spouse's name: 351,264

(3) of which in spouse's name: 380,985

(4) value refers to position held (from 30/04/2006 to 31/12/2006)

(5) ) value refers to position held (from 01/01/2006 to 30/04/2006)

(6) of which in spouse's name: 120

Payments for any security of the main company or its direct or indirect subsidiaries to Board members or auditors are shown in the balance notes.

### Corporate Governance

On 28<sup>th</sup> March 2006, the Board of Directors approved the 2005 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..

Moreover, on 10<sup>th</sup> November 2006, the Board of Directors approved the organisational and managerial model currently in act following instructions in the Legislative Decree no. 231 of 2001 (including specific procedures for managing financial resources), aimed at preventing any illicit act and, more generally, being part of a wider company risk control and management system. Furthermore, on the same date, the Ethic Code was also improved which recapitulates the standards and values that the CAD IT Group maintains are fundamental for correct and fair behaviour in terms of both conducting business and of company affairs.

In March 2006, the Corporate Governance Committee, set up at Borsa Italiana, published the new Governance Code for market quoted companies (the "New Code") to replace the one drafted in 1999 and reviewed in 202.

The Board of Directors made adherence to the New Code official on 27/03/2007 when it approved the budget and the 2006 annual report on Corporate Governance.

For further information on the process of applying the New Code and on how the Group's own *corporate governance* is adjusting, please refer to the 2006 annual report which describes actions already taken and those programmed in terms of the recommendations in the New Code.

### ***Programmatic document on security***

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

### ***Own shares or quotas or shares of parent companies, held, acquired or sold***

Neither CAD IT S.p.A. nor its controlled companies own CAD IT or their own shares, not even through trust companies or third parties.

### ***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.

### ***Information added in accordance with Consob communication no. DEM/6064293***

During this financial period, and the previous one, no atypical or unusual operations have been carried out as defined in the Consob communication no. DEM/6064293.

In the balance report, no alternative performance indicators have been adopted with the exception of the net financial position, shown in the balance notes, for which no reclassifications have been made in terms of balance figures and relative explanations are supplied and linked to the patrimonial status entries concerned, as defined in the CESR Recommendations.

### ***Foreseeable development and important events since 31<sup>st</sup> December 2006***

The Board of Directors has placed maximum attention on the needs of the market, on management and development strategy orientation, coordinating the use of the Group's resources to maintain the high level of efficiency and achievement of favourable economic results.

During this financial period, the Group's strategy of enriching the client portfolio, thanks to new products and new versions of the products traditionally on offer (multi-platform, multi-lingual, multi-currency, etc.), of enlarging the geographic market of reference, of widening the size range of clients that can be serviced (e.g. now even small banks) and of taking its offers to new sectors (e.g. insurance companies, trust companies, etc.) will continue.

The development of alliances with national and international partners (like the one drawn up with Xchanging in 2005) will facilitate the allocation of integrated solutions by taking mutual advantage of the commercial network and existing relations.

Moreover, the CAD IT S.p.A. Board of Directors is continually on the look-out for any possible development opportunities, whether direct or external, through the further employment or purchase of shares with the aim of creating activities to compliment or unite with the existing ones.

Significant events since 31/12/2006 are described in the relative balance note.

### ***Proposals of the Board of Directors***

Dear shareholders,

the 2006 financial statements of your company closed in a net profit for the year of € 2,689,728.

If you agree with the criteria and accounting policies adopted in the preparation of these financial statements,

we suggest that you resolve as follows:

"Having heard the Board of Directors' communications and taken note of the Board of Statutory Auditors' report to the shareholders, as per article 153 of Legislative Decree No. 58/1998, and of the auditors' report regarding the balance for the year ending 31st December 2006, the shareholders

resolve:

1. to approve the directors' report;
2. to approve the financial statements as at and for the year ended 31 December 2006 as a whole and in all their parts;
3. to allocate the net profit for the year of € 2,689,728 as follows:

= to dividends, in the proportion of € 0.29 (zero point twenty-nine cents), gross of withholding tax, for each of the 8,980,000 ordinary shares	Euro	2,604,200.00
= to the available reserve of undistributed earnings	Euro	85,528.00
equal to a total net profit for the year of	Euro	2,689,728.00

The dividends will be paid starting 17 May 2007 (the dividend coupon will be detached on 14 May 2007)."

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

## 2 Financial statements of CAD IT S.p.A.

### Income statement

	Notes	Period 2006		Period 2005		Variations	
		01/01 - 31/12		01/01 - 31/12		Absolute	%
Income from sales and services		28,163	92.4%	24,267	92.1%	3,896	16.1%
<i>of which related parties</i>	35	11,890	39.0%	13,636	51.8%	(1,746)	(12.8%)
Variations in stock of products being elaborated							
Changes in ongoing orders							
Asset increases due to internal work	14	2,307	7.6%	2,076	7.9%	230	11.1%
Other revenue and receipts		25	0.1%	5	0.0%	20	397.7%
<b>Production value</b>	2	<b>30,495</b>	<b>100.0%</b>	<b>26,348</b>	<b>100.0%</b>	<b>4,146</b>	<b>15.7%</b>
Costs for raw	4	(266)	(0.9%)	(123)	(0.5%)	(143)	117.0%
Service costs	5	(7,428)	(24.4%)	(5,502)	(20.9%)	(1,926)	35.0%
<i>of which related parties</i>	35	3,919	12.9%	2,753	10.4%	1,166	42.4%
Other operational costs	6	(296)	(1.0%)	(302)	(1.1%)	6	(2.1%)
<b>Added value</b>		<b>22,505</b>	<b>73.8%</b>	<b>20,421</b>	<b>77.5%</b>	<b>2,083</b>	<b>10.2%</b>
Labour costs	7	(15,555)	(51.0%)	(15,291)	(58.0%)	(264)	1.7%
Other administrative expenses	8	(921)	(3.0%)	(853)	(3.2%)	(68)	8.0%
<i>of which related parties</i>	35	(585)	(1.9%)	(497)	(1.9%)	(88)	17.7%
<b>Gross operational result (EBITDA)</b>		<b>6,028</b>	<b>19.8%</b>	<b>4,277</b>	<b>16.2%</b>	<b>1,751</b>	<b>40.9%</b>
Allocation to Credit Depreciation Fund							
Amortizations:							
- Intangible fixed asset amortization	14	(606)	(2.0%)	(278)	(1.1%)	(328)	118.3%
- Tangible fixed asset amortization	13	(626)	(2.1%)	(574)	(2.2%)	(51)	9.0%
Other allocations							
<b>Operational result (EBIT)</b>		<b>4,797</b>	<b>15.7%</b>	<b>3,425</b>	<b>13.0%</b>	<b>1,371</b>	<b>40.0%</b>
Financial receipts	9	538	2.0%	599	2.3%	(61)	(10.2%)
Financial charges	9	(5)	(0.1%)	(27)	(0.1%)	21	(80.6%)
<b>Ordinary result</b>		<b>5,329</b>	<b>17.5%</b>	<b>3,998</b>	<b>15.2%</b>	<b>1,331</b>	<b>33.3%</b>
Revaluations and depreciations	10	(58)	(0.2%)	(251)	(1.0%)	194	(77.1%)
<b>Pre-tax and pre-third party share result</b>		<b>5,271</b>	<b>17.3%</b>	<b>3,746</b>	<b>14.2%</b>	<b>1,525</b>	<b>40.7%</b>
Income taxes	11	(2,582)	(8.5%)	(2,120)	(8.0%)	(462)	21.8%
<i>Third party (profit)loss for the period</i>							
<b>Profit (loss) for the period</b>		<b>2,690</b>	<b>8.8%</b>	<b>1,627</b>	<b>6.2%</b>	<b>1,063</b>	<b>65.3%</b>

## Balance sheet

	Notes	31/12/2006	31/12/2005	Variations	Var. %
<b>Assets</b>					
A) Non-current assets					
Assets, equipment and machinery	13	19,893	20,112	(219)	(1.1%)
Intangible assets	14	13,953	9,682	4,271	44.1%
Holdings	15	14,684	14,442	242	1.7%
Other financial assets available for sale	16	2,787	3,087	(300)	(9.7%)
Other non-current credits		18	17	1	8.2%
Credits due to deferred taxes	11-17	48	27	21	80.7%
<b>TOTAL NON-CURRENT ASSETS</b>		<b>51,383</b>	<b>47,366</b>	<b>4,017</b>	<b>8.5%</b>
B) Current Assets					
Stock	18	41	8	33	430.3%
Commercial credits and other credits	19	22,626	21,726	900	4.1%
<i>of which related parties</i>		<i>10,597</i>	<i>13,930</i>	<i>(3,334)</i>	<i>(23.9%)</i>
Tax credits	20	0	1,033	(1,033)	(100%)
Cash on hand and other equivalent assets	21-33	7,153	6,270	882	14.1%
<b>TOTAL CURRENT ASSETS</b>		<b>29,819</b>	<b>29,037</b>	<b>782</b>	<b>2.7%</b>
C) Non-current assets for sale		-	-	-	-
<b>TOTAL ASSETS</b>		<b>81,202</b>	<b>76,403</b>	<b>4,799</b>	<b>6.3%</b>
<b>LIABILITIES</b>					
A) Equity					
Company capital	22	4,670	4,670	-	
Reserves	23	34,997	35,298	300	(0.9%)
Accumulated profits/losses	24	16,724	15,651	1,073	6.9%
<b>TOTAL EQUITY</b>		<b>56,391</b>	<b>55,618</b>	<b>773</b>	<b>1.4%</b>
B) Non-current liabilities					
Financing	26-33	24	-	24	-
Liabilities due to deferred taxes	11-27	3,433	3,274	160	4.9%
TFR and quiescence reserves	28	3,493	3,100	394	12.7%
Expense and risk reserves		-	-	-	-
Other liabilities		-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6,950</b>	<b>6,373</b>	<b>577</b>	<b>9.1%</b>
C) Current liabilities					
Commercial debts	29	12,480	10,005	2,476	24.7%
<i>of which related parties</i>	<i>35</i>	<i>10,746</i>	<i>8,522</i>	<i>2,224</i>	<i>26.1%</i>
Tax debts	30	1,866	1,191	675	56.7%
Short-term financing	31-33	48	-	48	-
Other debts	32	3,466	3,216	251	7.8%
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,861</b>	<b>14,412</b>	<b>3,449</b>	<b>23.9%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>81,202</b>	<b>76,403</b>	<b>4,799</b>	<b>6.3%</b>



### Statement of changes in equity

Statement of changes in equity	Notes	Company capital	Reserves	Accumulated profit (loss) net of period result	Period result	Equity
31-dic-05	22-23-24	4,670	35,298	14,024	1,627	55,618
Fair value adjustments on available for sale financial assets recognised directly in equity 16			(300)			(300)
Increase in revaluation reserves						
Allocation of the period to reserves				1,627	(1,627)	
Dividend distribution	25			(1,616)		(1,616)
Effects on consolidation reserves						
Company capital increases						
Period result					2,690	2,690
<b>Period end total 2006</b>	<b>22-23-24</b>	<b>4,670</b>	<b>34,997</b>	<b>14,035</b>	<b>2,690</b>	<b>56,391</b>

Statement of changes in equity	Company capital	Reserves	Accumulated profit (loss) net of period result	Period result	Equity
31-dic-04	4,670	35,246	15,199	4,526	59,641
Effect of IAS 39 application			(2,737)		(2,737)
Fair value adjustments on available for sale financial assets recognised directly in equity		51			(51)
Increase in revaluation reserves					
Allocation of the period to reserves			4,526	(4,526)	
Dividend distribution			(2,963)		(2,963)
Effects on consolidation reserves					
Company capital increases					
Period result				1,627	1,627
<b>Period end total 2005</b>	<b>4,670</b>	<b>35,298</b>	<b>14,024</b>	<b>1,627</b>	<b>55,618</b>

## Cash Flow Statement

	Note	31/12/2006	31/12/2005
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period		2,690	1,627
Amortisation and depreciation:			
- Tangible fixed assets	13	626	574
- Intangible fixed assets	14	606	278
Financial income and charges, net	9	(536)	(573)
Accruals			
Accruals - Employees' leaving entitlement	28	751	803
Accruals - Other provisions		0	0
Increase/(Decrease) in provisions for contingencies and other charges		0	(12)
<b>Sub-total</b>		4,136	2,697
Utilisation of employees' leaving entitlement	28	(357)	(268)
Increase/(Decrease) in receivables included under assets forming part of working capital	19	(858)	1,765
<i>of which related parties</i>	35	3,334	4,658
(Increase)/Decrease in inventory	18	(33)	(8)
(Increase)/Decrease in accrued income and deferred expenses	19	(42)	(10)
Increase/(Decrease) in accounts due to creditors	29	505	367
<i>of which related parties</i>	35	2,224	4,774
Increase/(Decrease) in accrued expenses and deferred income	29	(263)	105
Increase/(Decrease) in sums due to other financial institutions		0	0
Increase/(Decrease) in other non-financial payables		2,484	4,994
Increase/(Decrease) in in sums payable to taxation		3,385	2,288
Taxes paid in the financial period		(1,539)	(4,956)
Interest payment		(2)	(26)
<b>Sub-total</b>		3,280	4,252
<b>(A) - Cash flows from (for) operating activities</b>		<b>7,417</b>	<b>6,949</b>
<b>INVESTING ACTIVITIES</b>			
(Increase)/ Decrease in investments in subsidiary companies valued using the equity method		0	0
(Increase)/Decrease in intangible fixed assets	14	(4,877)	(4,845)
<i>of which related parties</i>	35	(1,908)	2,687
(Increase)/Decrease in tangible fixed assets	13	(407)	(113)
(Increase)/Decrease in other fixed assets		(1)	108
Increase)/Decrease in subsidiary companies	15	(242)	(168)
Income from financial assets available for sale		17	17
Cashed Interest		203	193
(Increase)/Decrease in investments in associated companies		0	0
(Increase)/Decrease financial assets available for sale		300	2,935
<b>(B) - Cash flows from (for) investing activities</b>		<b>(5,007)</b>	<b>(1,873)</b>
<b>FINANCING ACTIVITIES</b>			
Increase/(Decrease) in IFRS transition reserve		0	(2,737)
Increase/(Decrease) in reserve for fin. assets avail. for sale		(300)	51
Effects on consolidation reserve		318	389
Distribution of dividends	25	(1,616)	(2,963)
Capital injections			
<b>(C) - Cash flows from (for) financing activities</b>		<b>(1,599)</b>	<b>(5,261)</b>
<b>(A+B+C) - Total cash flows</b>		<b>811</b>	<b>(185)</b>
Opening liquid funds		6,270	6,455
<b>Closing liquid funds</b>		<b>7,081</b>	<b>6,270</b>

## **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.

### **1 Accounting policies and evaluation criteria more important**

This 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.

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; there have been no modifications in the comparative information.

This document comprises financial statements, notes to the said financial statements, management observations.

The financial statement 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.

This financial statement has been prepared in accordance with Consob regulation no. 11971 of 14th May 1999, and subsequent modification and integration.

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.

#### **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.

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 balance layouts have been drafted according to IAS 1 specifications and opportunely integrated with the information required by the Consob deliberation no. 15519 of 2006.

The company 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.

The profit and loss account is drafted in scalar format highlighting the following intermediate results:

- Production revenues: this is the value of services and goods produced and sold by the Group, including internal assets and other income and earnings from the traditional offer.
- Added value: obtained by subtracting the operative costs for service and asset purchases from production revenues, this measures how much of the internal production and distribution of goods and

services is due to company productive factors.

- Gross Operational Result (EBITDA): this figure is obtained by subtracting from the added value all of the costs that can be put down to staff and other administrative expenses. It highlights the result based on the traditional offer including depreciations, financial management, revaluations or devaluations and taxes.
- Operational Result (EBIT): this figure is obtained by subtracting the depreciation and funding amounts from the gross operational result.
- Ordinary Result: this includes the financial management result.
- Pre-tax result: obtained by including revaluations and devaluations in the ordinary Result .

As for the patrimonial situation, a distinction has been made between current and non-current assets and liabilities.

The cash flow statement has been presented according to the indirect method so that the profit (or loss) for the period has been adjusted of any non-monetary operations and by deferments and the setting aside of future incomes or payments.

Each column in the statement of net patrimony variations reconciles the opening and closing balances for each net patrimony voice.

### **Subsidiaries and Associated companies**

Shares in subsidiaries and associated companies, not classified as owned for sale in accordance with IFRS 5 or available for sale, have been accounted for at cost.

### **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.

### **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.

### **Impairment loss**

The company 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, until the financial activity has been eliminated, which is the moment when the total profit or loss found in the net patrimony is registered to the profit and loss 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 from 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.

## Dividends

Dividends are accounted for in the financial period in which the distributing company decides to distribute them.

## 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:

	Period 2006		Period 2005		Variations	
	01/01 - 30/06		01/01 - 30/06		absolute	%
Income from sales and services	28,163	92.4%	24,267	92.1%	3,896	16.1%
of which correlated parties	11,890	39.0%	13,636	51.8%	(1,746)	(12.8%)
Variations in stock of products being elaborated						
Changes in ongoing orders						
Asset increases due to internal work	2,307	7.6%	2,076	7.9%	230	11.1%
Other revenue and receipts	25	0.1%	5	0.0%	20	397.7%
<i>Production value</i>	30,495	100.0%	26,348	100.0%	4,146	15.7%

Service and sales include any income from the sale of licensed out software, maintenance services for software updating, the use of personalised applicative packages, the sale of hardware, consultancy services and information technology system design.

Increases in intangible assets due to internal work include the activities carried out by the staff of CAD IT concerning the development of new procedures aimed at the sale of licensed products or instrumental goods for the company's traditional business.

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, insurances 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	31/12/2006				
	Finance	Manufacturing	Not allocated/General	Elisions	Consolidated
External revenues	30,464	211	1,414		30,495
Intersegment revenues				(1,595)	
Total revenues	30,464	211	1,414	(1,595)	30,495
Costs	(25,698)	(181)	(1,414)	1,595	(25,698)
Gross Operating Result (EBITDA)	5,998	5,998	30		
Operating Result (EBIT)	4,766	30			4,797
Net financial income (expenses)	86		447		533
Revaluations and devaluations	(58)				(58)
Result	4,794	30	447		5,271
Income taxes			(2,582)		(2,582)
Third party share (profit)/loss					
Financial period profit (loss)					2,690
Assets	81,124	30	48		81,202
Liabilities	19,512		5,300		24,811



**Disclosures for business segments 31/12/2005**

	<i>Finance</i>	<i>Manufacturing</i>	<i>Not allocated/General</i>	<i>Elisions</i>	<i>Consolidated</i>
External revenues	25,256	116	976	0	26,348
Intersegment revenues	1,065	0	0	(1,065)	0
Total revenues	26,322	116	976	(1,065)	26,348
Costs	(22,923)	(89)	(976)	1,065	(22,923)
<i>Gross Operating Result (EBITDA)</i>	4,250	27	0	0	4,277
<i>Operating Result (EBIT)</i>	3,399	27	0	0	3,425
Net financial income (expenses)	59	0	513	0	572
Revaluations and devaluations	0	0	(251)	0	(251)
Result	3,206	27	513	0	3,746
Income taxes	0	0	(2,120)	0	(2,120)
Third party share (profit)/loss		0	0	0	0
<i>Financial period profit (loss)</i>	0	0	0	0	1,627
Assets	75,302	42	1,059	0	76,403
Liabilities	19,594	0	1,191	0	20,785

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 almost totally nationally and homogeneously.

#### 4 Purchase Costs

<b>Cost components</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Hardware purchases	130		130
Software purchases	35	13	22
Other purchases	134	118	16
Variations in raw material stock	(33)	(8)	(25)
<b>Totale purchase cost</b>	<b>266</b>	<b>123</b>	<b>143</b>

#### 5 Service costs

Service costs in the 2006 amounted to Euro 7,428 thousand compared to Euro 5,502 thousand in the previous year. The increase is mainly due to an increase in external collaboration (+ Euro 1,712 thousand) caused by higher production revenues.

<b>Services costs</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
External collaboration	5,070	3,358	1,712
Travelling expenses and fee reimbursement	718	781	(62)
Other service costs	1,640	1,364	276
	<b>7,428</b>	<b>5,502</b>	<b>1,926</b>

#### 6 Other operational costs

The table below shows the details of other operational costs, practically the same as the previous period.

<b>Other operational costs</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Third party benefit expenses	226	232	(6)
Various management charges	70	70	(0)
<b>Total</b>	<b>296</b>	<b>302</b>	<b>(6)</b>

## 7 **Labour costs and Employees**

Labour costs amounted to Euro 15,555 thousand and are as follows:

<b>Labour costs</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Salaries and wages	11,282	10,990	292
Payroll taxes	3,477	3,481	(4)
Severance pay	751	803	(52)
Retirements and the like			
Other costs	45	17	28
<b>Total</b>	<b>15,555</b>	<b>15,291</b>	<b>264</b>

Labour costs were slightly higher due to the average number of employees being higher by 3 units.

The table below shows the figures relating to the actual number of CAD IT employees:

<b>Category employees</b>	<b>labour force at 31/12/2006</b>	<b>labour force at 30/06/2006</b>	<b>labour force at 31/12/2005</b>
Management	13	14	14
White-collars and cadres	260	258	258
Blue-collars			1
Apprentices			
<b>Total</b>	<b>273</b>	<b>272</b>	<b>273</b>

At the end of 2006, the number of CAD IT staff was in line with the previous financial period and stood at 273 employees.

Personnel training is of particular importance to the Group, which specifically schedules refresher and training periods.

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

<b>Category of employees</b>	<b>Average number 2006</b>	<b>Average number 2005</b>	<b>Variations</b>
Management	14	14	-
White-collars and cadres	259	255	4
Blue-collars		1	-1
<b>Total</b>	<b>273</b>	<b>270</b>	<b>3</b>

## 8 Other administrative costs

The table below shows the other administrative costs in detail.

Other administrative costs	31/12/2006	31/12/2005	Variations
Director and legal representative fees	542	423	119
Director retirement	17	52	(35)
Director and legal representative fee contributions	26	22	5
Telephones	210	194	16
Commissions	-	1	(1)
Advertising fees	126	161	(35)
<b>Total</b>	<b>921</b>	<b>853</b>	<b>68</b>

Management fees increased during the period after decisions made at the shareholders' meeting on 30/04/2006. Directors' remunerations to a total of Euro 585 are also shown in note 35 on relations with related parties.

## 9 Financial performance

The net financial income is Euro 533 thousand as the following table clearly shows.

Financial performance and net financial position	31/12/2006	31/12/2005	Variations
Financial income from assets available for sale	334	406	(71)
Interest on bank deposits and equivalent	203	193	10
Profits on exchanges			
<b>Financial income</b>	<b>538</b>	<b>599</b>	<b>(61)</b>
Interest on bank overdrafts and loans	(2)	(26)	24
Interest on debts for financial leasing	-	-	-
Losses on exchanges	(3)	(0)	(3)
<b>Financial charges,</b>	<b>(5)</b>	<b>(27)</b>	<b>21</b>
<b>Financial income and charges, net</b>	<b>533</b>	<b>572</b>	<b>(40)</b>

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.

## 10 Revaluations and depreciations

Revaluations and depreciations	31/12/2006	31/12/2005	Variations
Devaluation of assets available for sale		(251)	251
Devaluation of shareholdings (minority partner loss cover)	(58)		(58)
<b>Total revaluations and devaluations</b>	<b>(58)</b>	<b>(251)</b>	<b>194</b>

The devaluation of shareholdings in subsidiaries at 31/12/2006 was mainly in relation to the purchase of a minority share in SGM.

The devaluation of assets available for sale in 2005 derives from the assessment of the evaluation values for

holdings in Class Editori S.p.A. at 31/12/2005.

## 11 *Income taxes*

<i>Incombe taxes</i>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Tax pre-payments	(21)	1	(22)
Deferred taxes	160	43	116
Current taxes	2,443	2,076	368
<b><i>Total income taxes</i></b>	<b>2,582</b>	<b>2,120</b>	<b>462</b>

The taxes ascribable to this 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.

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 intergroup dividends to be totally excluded.

Tax incidence on the gross result was 48.02%, and at 31/12/2005 was 55.41%. 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.

**RECONCILIATION BETWEEN TAX EXPENSES IN THE BALANCE AND THEORETICAL TAX EXPENSES**

Theoretical rates	IRES		IRAP	
	Taxable	Tax	Taxable	Tax
Pre-tax result	5,271		5,271	
<b>Theoretical tax</b>		1,740		224
<b>Temporary differences deductible in later periods</b>				
Director remuneration	66			
Representation expenses	25		25	
<b>Total temporary tax variations on the increase</b>	<b>92</b>	<b>30</b>	<b>25</b>	<b>1</b>
<b>Temporary taxable differences in later periods</b>				
TFR putting into effect	66			
Further amortisations	370		370	
<b>Total temporary tax variation on the decrease</b>	<b>436</b>	<b>144</b>	<b>370</b>	<b>16</b>
<b>Turnaround of the temporary differences from previous periods</b>				
Representation expenses	20		20	
Holding share devaluation	7			
<b>Total temporary variations from previous periods</b>	<b>27</b>	<b>9</b>	<b>20</b>	<b>1</b>
<b>Permanent differences</b>				
To IRES / IRAP income increases	637		17,183	
To IRES / IRAP income decreases	344		2,844	
<b>Total permanent differences</b>	<b>293</b>	<b>97</b>	<b>14,340</b>	<b>609</b>
<b>Taxable fiscal income</b>	5,192		19,246	
Continual loss				
<b>Taxable income / current tax on the period's income</b>	<b>5,192</b>	<b>1,713</b>	<b>19,246</b>	<b>818</b>
<b>Effective rate on the pre-tax result</b>	<b>IRES</b>	<b>32.50%</b>	<b>IRAP</b>	<b>15.52%</b>

**SUMMARY OF THEORETICAL TAX EXPENSES AND TOTAL EFFECT**

	year 2006		year 2005	
Current IRES tax	1,713	32.50%	1,248	33.33%
Current IRAP tax	818	15.52%	827	22.08%
<b>Total current taxes and effective rates</b>	<b>2,531</b>	<b>48.02%</b>	<b>2,076</b>	<b>55.41%</b>
<b>Minor taxes in previous period</b>	<b>(88)</b>			
<b>Total current taxes</b>	<b>2,443</b>			

**SUMMARY OF THE TEMPORARY DIFFERENCES AND EFFECTS ON THE ECONOMIC ACCOUNT**

Description of the temporary differences	Pre-paid tax at 31.12.2005			Pre-paid tax at 31.12.2006			Economic account (a - b)
	Taxable	Rate	Tax (a)	Taxable	Rate	Tax (b)	
<b>Deductible differences</b>							
Representation expenses	53	37.25%	20	57	37.25%	21	-2
Holding devaluation quota	21	33.00%	7	14	33.00%	5	2
Directors' remunerations			0	66	33.00%	22	-22
<b>Total</b>			<b>27</b>			<b>48</b>	<b>-21</b>

Description of the temporary differences	Deferred taxes at 31.12.2005			Deferred taxes at 31.12.2006			Economic account
	Taxable	Rate	Tax (a)	Taxable	Rate	Tax (b)	( a - b )
TFR discounting back	140	33.00%	46	207	33.00%	68	22
Land revaluation	388	37.25%	144	388	37.25%	144	0
Land depreciation	72	37.25%	27	72	37.25%	27	0
Building revaluation	8,051	37.25%	2,999	8,051	37.25%	2,999	0
Building depreciation	219	37.25%	82	328	37.25%	122	41
Electronic machinery depreciation	0	37.25%		24	37.25%	9	9
Software depreciation	0	37.25%		229	37.25%	85	85
Licensing depreciation	0	37.25%		8	37.25%	3	3
System depreciation	-66	37.25%	-24	-66	37.25%	-24	0
<b>Total</b>			<b>3,274</b>			<b>3,433</b>	<b>160</b>

## 12 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 – 31/12	01/01 – 31/12
Net profit ascribable to ordinary shares in thousands of euro	2,690	1,627
Weighed average number of ordinary shares in circulation	8,980,000	8,980,000
Net profit ascribable to ordinary shares for basic profit per share in Euro	0.30	0.18

## 13 Property, plant and equipment

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

Property, plant and equipment	31/12/2006	31/12/2005
Land	1,527	1,527
buildings	14,995	15,115
Plant and equipment	2,464	2,714
Other assets	907	755
<b>Total property, plant and equipment</b>	<b>19,893</b>	<b>20,112</b>

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

<b>Tangible fixed assets</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Industrial and commercial equipment</b>	<b>Other tangible fixed assets</b>	<b>Total</b>
Purchase or production cost	8,787	3,643		1,682	14,112
FTA revaluations	8,439				8,439
Previous years depreciation and write-downs	(584)	(929)		(926)	(2,439)
Adjustments to previous years write-downs					
<b>Opening value</b>	<b>16,642</b>	<b>2,714</b>		<b>755</b>	<b>20,112</b>
Variations in consolidation area					
Purchases		7		401	408
Transfers					
Reduction in accumulated depreciation due to disposals				11	11
Disposals				(13)	(13)
Revaluations for the period					
Depreciation and write-downs for the period	(120)	(258)		(248)	(626)
Adjustments to write-downs for the period					
<b>Total tangible fixed assets</b>	<b>16,522</b>	<b>2,464</b>		<b>907</b>	<b>19,893</b>

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 to financial statement at 31 December 2005 on transition to the international accounting standards.

The purchasing of new tangible assets during the year came to a total of Euro 408 thousand of which Euro 401 thousand were for "other tangible assets" that mainly included the purchasing of electronic machinery and computers, managerial instruments characteristic of the company'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.

These assets have undergone no reduction in value during the year.

## 14 Intangible fixed assets

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

<b>Intangible fixed assets</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
Development costs	-	-
Industrial patents and similar rights	3,202	1,930
Licences, trademarks and similar rights	469	72
Assets under development	10,282	7,681
Others		
<b>Total Intangible fixed assets</b>	<b>13,953</b>	<b>9,682</b>

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

<b>Intangible fixed assets</b>	<b>Industrial patents and similar rights,</b>	<b>Licences, trademarks and similar rights</b>	<b>Assets under development and payments on account</b>	<b>Other</b>	<b>Total</b>
Purchase or production cost	2,076	830	7,681		10,587
Previous years revaluations					

Previous years amortisation and write-downs	(146)	(758)		(904)
Adjustments to previous years write-downs				
<b>Opening value</b>	<b>1,930</b>	<b>72</b>	<b>7,681</b>	<b>9,682</b>
Variations in consolidation area				
Purchases		452	4,215	4,667
Transfers	1,823		(1,563)	260
Reduction in accumulated amortisation due to disposals				
Disposals			(50)	(50)
Revaluations for the period				
Amortisation and write-downs for the period	(551)	(55)		(606)
Adjustments to write-downs for the period				
<b>Total intangible fixed assets</b>	<b>3,202</b>	<b>469</b>	<b>10,282</b>	<b>13,953</b>

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 licensed out software bought by third parties used for 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.

These assets have undergone no reduction in value during the year.

The following table is an analytical summary of CAD IT's intangible purchases from other companies in the Group.

Intangible asset purchases from CAD Srl	10
<b>Total intangible asset purchases</b>	<b>10</b>
User licence purchases from SGM	660
<b>Total user licence purchases</b>	<b>660</b>



Intangible asset development from CAD Srl	1,008
Intangible asset development from Cesbe	104
Intangible asset development from Netbureau	200
Intangible asset development from Bit Groove	500
Intangible asset development from Datafox	96
<b>Total intangible asset purchases</b>	<b>1,908</b>
<b>TOTAL INTANGIBLE ASSET PURCHASES FROM SUBSIDIARY COMPANIES</b>	<b>2,578</b>

## 15 Investments

Investments	31/12/2006	31/12/2005	Variations
In subsidiary companies	14,681	14,439	242
in associated companies	3	3	-
<b>Total Investments</b>	<b>14,684</b>	<b>14,442</b>	<b>242</b>

The figure of €14,684 thousand (14,442 in the previous period) has undergone an increase of Euro 242 thousand due to:

- € 240 thousand for loss coverage and reconstruction of SGM S.r.l. company capital;
- € 2 thousand for loss coverage and reconstruction of Netbureau S.r.l. company capital.

The balance values and equity fractions pertaining to the holdings in controlled and connected companies are shown below. The figures were taken from civil law balances drafted in accordance with the national accounting standards and approved by the Board of Directors of the respective companies.

in Euro

COMPANY NAME	QUOTA CAPITAL €	QUOTAHOLDERS' EQUITY AT 31/12/2006 including NET PROFIT OR LOSS	NET PROFIT or LOSS AT 31.12.2006	PERCENTAGE OF INVESTMENT AT 31/12/2006	CARRYING VALUE AT 31/12/2006	QUOTAHOLDERS' EQUITY HELD
CAD S.R.L. - registered office: Verona	130,000	1,421,424	175,054	100.00%	5,823,653	1,421,424
CESBE S.R.L. - registered office: Verona	10,400	3,432,701	215,984	52.00%	56,818	1,785,005
NETBUREAU S.R.L. - registered office: Milan	50,000	20,058	3,845	100.00%	133,210	20,058
SGM Srl - registered office: Padua	100,000	547,467	447,468	100.00%	3,219,687	547,467
S.M.A.R.T. LINE S.R.L. - registered office: Avellino	102,700	217,569	72,446	51.05%	664,065	111,069
DQS S.R.L. - registered office: Roma	11,000	536,186	-28,751	55.00%	3,263,475	294,902
BITGROOVE S.R.L. - registered office: Agliana (PT)	15,500	-55,188	-76,999	100.00%	285,162	-55,188
ELIDATA S.R.L. - registered office: Castiglione d'Adda (LO)	20,000	919,511	321,508	51.00%	780,904	468,951
DATAFOX S.R.L. - registered office: Florence	99,999	290,285	17,268	51.00%	454,438	148,045
<b>TOTAL</b>					<b>14,681,412</b>	<b>4,741,733</b>

## Investments in associated companies

in Euro

COMPANY NAME	QUOTA CAPITAL €	QUOTAHOLDERS' EQUITY AT 31/12/2006 including NET PROFIT OR LOSS	NET PROFIT or LOSS AT 31.12.2006	PERCENTAGE OF INVESTMENT AT 31/12/2006	CARRYING VALUE AT 31/12/2006	QUOTAHOLDERS' EQUITY HELD
SICOM INFORMATICA S.R.L. – registered office: Viadana (MN)	10,400	607,305	338,804	25.00%	2,600	151,826

## Investments in indirect subsidiary companies

in Euro

COMPANY NAME	QUOTA CAPITAL €	QUOTAHOLDERS' EQUITY AT 31/12/2006 including NET PROFIT OR LOSS	NET PROFIT or LOSS AT 31.12.2006	PERCENTAGE OF INVESTMENT AT 31/12/2006	PERCENTAGE OF INVESTMENT AT 31/12/2006
TECSIT S.R.L. – registered office: Roma	75,000	75,796	-9,522	70.00%	Tramite: DQS S.r.l. 18,949

The following participating shares have increased compared to 31/12/2005:

- on 19 April 2006 the participating share in the company S.G.M. S.r.l. increased from 71.2% to 100%.
- on 15 May 2006 the participating share in the company Netbureau S.r.l. increased from 86% to 100%.

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

The company annually verifies the holding values at least once a year or more often if there are indications of value losses.

The recoverable value of investments 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 2006 – 2010 which take into account the concrete company growth possibilities based on past data and on management forecasts. The financial flows that go over this period have been calculated with great care using a growth rate of nil. The putting into effect rate used is the weighed average of capital estimated at 8.16%.

The main assumptions used by the Directors for discounting back prospective financial flows in order to make an analysis of the holding value are reported below:

the equation used for estimating the weighed average cost of capital is the following:

$$k = k_b (1-TC) (B/V) + k_p (P/V) + k_s (S/V)$$

where:

$k_b$  = interest rate in case of debt

TC = marginal tax rate of the economic bodies being evaluated

B = market value of the debt of a company

V = total market value of a company.

$k_p$  = advisability cost of risk capital

P = market value of the privileged shares

$k_s$  = advisability cost of own capital determined by the market

S = market value of the net capital.

The cost of capital was identified as  $k_s = 8.16\%$ .

The permanent growth rate of the company being evaluated was chosen by taking it as 0% a year despite the CAGR of the income and profits of each being greater.

The value of the companies was determined as a summation of discounted back cash flows (Free Cash Flow), of the remaining value and the net financial position. In brief we can say:

COMPANY VALUE =  $\pm$  NET FINANCIAL POSITION + DISCOUNTED BACK CASH FLOWS + REMAINING VALUE

If we want to translate this equation into mathematical terms, we could show it in the following way:

N.P.V.= company value (Net Present Value)

P.F.N. = Net Financial Position

FCF = cash flow

k = cost of capital

N = explicit period

g = growth rate of the implicit period

$$N.P.V.= \pm P.F.N. + \sum_i^N FCF (1+k)^{-N} + (FCF_{N+1} / k-g) \{ [1/[1+(k-g)]^N] \}$$

## 16 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.p.A. 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 registered after a *fair value* evaluation at each balance date for this asset, by verifying the conditions laid down in the accounting standards, are registered to net patrimony with the exception of those value losses that must be registered in the profit and loss account.

The table below illustrates the value variations of these holdings:

Holding	No, of shares held	% holding	fair value 31/12/05	fair value 30/06/05	fair value 31/12/06	Differences during the year
Class Editori S.p.a. (CLE)	1,694,171	1.84%	2,800	2,365	2,426	(374)
Cia S.p.a. (CIA)	1,694,171	1.84%	287	326	361	74
<b>TOTAL</b>			<b>3,087</b>	<b>2,691</b>	<b>2,787</b>	<b>(300)</b>

The Board of Directors, given the extremely positive trend in the Class Editori share quota during the first three months of 2007, has decided that the negative variation in fair value of these shares at 31/12/2006 is not a value reduction to be recorded in the profit and loss account and it has therefore been registered directly in the appropriate net patrimony reserve.

## 17 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. Credits for pre-paid IRES and IRAP taxes are mainly in reference to time differences (deductible over the next few financial periods). For the particulars of this entry, please refer to the table "Situation of temporary differences and effects on the profit and loss account" in note 11.

## 18 Inventories

Leftover stock includes finished products and goods. The entire point for the period in question is made up as

follows:

inventory	31/12/2006	31/12/2005	Variations
Row materials, subsidiary materials, consumable stores			
Products being elaborated or semi-elaborated			
Finished goods	41	8	33
<b>Total final inventory</b>	<b>41</b>	<b>8</b>	<b>33</b>

## 19 Other financial assets

Commercial credits and other credits are made up as follows:

Trade receivables and other credits	31/12/2006	31/12/2005	Variations
Trade receivables	22,384	21,499	884
Accrued income and deferred expenses	177	137	40
Other credits	65	90	(25)
<b>Total trade receivables and other credits</b>	<b>22,626</b>	<b>21,726</b>	<b>900</b>

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 company'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 company 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 company finds for sales during the invoicing year.

Among the sales credits and other credits, Euro 10.597 are towards correlated parties as shown in note 35.

Trade receivables, net	31/12/2006	31/12/2005	Variations
Subsidiary companies		2	-2
Associated companies	10,562	13,930	-3,369
Trade receivables	11,822	7,569	4,253
<b>Total trade receivables</b>	<b>22,384</b>	<b>21,499</b>	<b>884</b>

The point Accrued accruals and payables refers to accrued income made up as follows:

Accrued costs	31/12/2006
Software assistance	98
Office management costs	0
Advertising expenses	16
Telephone charges	17
Administrative services	13
Third party benefit expenses	2
Various insurances	26

Hardware assistance	1
System maintenance	1
Associative fees	1
Various	2
<b>Total Accrued costs</b>	<b>177</b>

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

<b>Credits towards other</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Receivables for advances on travel expenses	3	5	(2)
Payments on account to suppliers	15	8	6
Other	47	76	(29)
<b>Total Credits towards other</b>	<b>65</b>	<b>90</b>	<b>(25)</b>

## 20 Tax credits

The previous year entry is mainly made up of the sums paid for direct taxes (IRES and IRAP) during the financial period.

## 21 Cash and other equivalent assets

<b>Cash and other equivalent assets</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Bank and postal accounts	950	251	698
Cash-on-hand and cash equivalents	6	2	5
Insurance policies capitalised	6,197	6,017	179
<b>Total Cash and other equivalent assets</b>	<b>7,153</b>	<b>6,270</b>	<b>882</b>

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%.

## 22 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.

CAD IT's net patrimony at 31.12.2006 came to Euro 56,391 thousand compared to Euro 55,618 thousand at 31.12.2005, even after paying dividends to the value of Euro 1,616 thousand.

## 23 Reserves

Reserves	31/12/2006	31/12/2005	Variations
Own shares	-	-	-
Share surcharge reserve	35,246	35,246	-
Re-eval. res for fin. assets available for sale	(249)	51	(300)
<b>Total Reserves</b>	<b>34,997</b>	<b>35,298</b>	<b>(300)</b>

The variation of the evaluation reserve for assets available for sale comes from the variation in fair value at 31/12/06 of the holding in the quoted company Class Editori Spa and CIA S.p.A., directly registered in the net patrimony reserve.

Valuation reserve Businesses available for sale	At 31/12/05	Variations during the financial period	At 31/12/06
Effects of Class Editori S.p.a. (CLE) valuations	-	(374)	(374)
Effects of Cia S.p.a. (CIA) valuations	51	74	125
<b>TOTALS</b>	<b>51</b>	<b>(300)</b>	<b>249</b>

### ANALYSIS OF THE AVAILABILITY AND DISTRIBUTION POSSIBILITY OF STOCKHOLDERS' EQUITY (art. 2427 no. 6bis civil code)

There are no restrictions to the possibility of using derivatives in the statutory arrangements	
In the three previous financial periods Stockholders' equity was used to a total of	€ 26,940
– The legal reserve has already reached a fifth of the company capital (art. 2430 c.c.).	
The Stockholders' equity quotas that cannot be distributed are:	
–cover for long-term costs that have not yet been amortized (art. 2426, no. 5 c.c.):	€ 13,484
Total Stockholders' equity quota that cannot be distributed:	€ 13,484

Nature/description	Amount at 31.12.2006	Use possibility ( * )	Available quota	Quota that can be distributed	Summary of the uses made in the three previous financial periods:	
					for loss coverage	for other reasons
<b>Capital</b>	4,670					
<b>Capital reserves:</b>						
Reserve from share overpayment	35,246	a - b - c	35,246	21,762	-	26,940
<b>Profit reserves:</b>						
Legal reserve	934	b	934	-	-	-
Available undivided profits reserve	10,396	a - b - c	10,022	10,022	-	-
Valuation reserve Businesses available for sale	(249)	-	-	-	-	-
IAS transition reserve	2,119	-	-	-	-	-
<b>Profits brought forward</b>	585	-	-	-	-	-
<b>Total</b>	<b>53,702</b>		<b>46,202</b>	<b>31,784</b>	<b>0</b>	<b>26,940</b>

( \* ) legend: a = company capital increase    b = loss coverage    c = shareholder distribution

## 24 *Accumulated profit*

Accumulated profits/losses	31/12/2006	31/12/2005	Variations
Previous profits/losses	585	585	0
Legal reserve	934	934	
Statutory reserve			
IFRS transition reserve	2,119	2,119	
Available joint profit reserve	10,396	10,386	10
Period profits/losses	2,690	1,627	1,063
<b>Total</b>	<b>16,724</b>	<b>15,651</b>	<b>1,073</b>

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 reserve 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.

## 25 *Dividends paid and decided*

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, to the value of Euro 1,616 thousand.

Please refer to the relative note in the management report on dividend distribution proposals.

## 26 *Financing*

The entry of Euro 24 thousand is made up of long term debts towards other financial institutions than the bank.

## 27 *Liabilities due to deferred taxes*

Deferred taxes amounted to Euro 3,433 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. For the particulars of this entry, please refer to the table "Situation of temporary differences and effects on the profit and loss account" in note 11.

## 28 Employees' leaving entitlement and quiescence reserves

Employees' leaving entitlement and quiescence reserves	31/12/2006	31/12/2005	Variations
Employees' leaving entitlement (TFR)	3,493	3,100	394
Fund due to director end of term of office treatment			
Other quiescence reserves			
<b>Total Employees' leaving entitlement and quiescence reserves</b>	<b>3,493</b>	<b>3,100</b>	<b>394</b>

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.

Employees' leaving entitlement	31/12/2006	31/12/2005
Balance at 1 January	3,100	2,565
Accruals	751	701
Utilisation	(357)	(166)
<b>Closing balance</b>	<b>3,493</b>	<b>3,100</b>

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 31/12/2006 are shown below:

TFR on the basis of IAS at 31/12/2006	Previous years' costs	Current year's costs	Current year's interest allowed	Actuarial gain(loss)
3,493	2,909	461	124	(166)

## 29 Commercial debts

The entire point shows the following trend:



<b>Commercial debts</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Accounts payable to creditors	1,612	1,106	505
Debts towards subsidiaries	10,678	8,445	2,233
Debts towards associated companies			
Payments on account received			
Accrued expenses and deferred income	190	454	(263)
<b>Total</b>	<b>12,480</b>	<b>10,005</b>	<b>2,475</b>

Debts towards suppliers are referred to as current debts for supplies of goods and services received, including those regarding investments in intangible assets.

Among the sales debts, Euro 10,746 thousand are towards correlated parties as shown in note 35.

The deferred income refers entirely to income that was already invoiced regarding annual ordinary maintenance contracts on user licences and pertaining to the second half period.

<b>Accrued expenses and deferred earnings</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Accrued liabilities			
Deferred earnings	190	454	(263)
<b>Total</b>	<b>190</b>	<b>454</b>	<b>(263)</b>

	<b>31/12/2006</b>	<b>31/12/2005</b>
Deferred earnings		
Software sales	105	245
Software assistance	72	204
Collab and services to Group companies	13	5
<b>Total</b>	<b>190</b>	<b>454</b>

### **30 Tax debts**

This entry includes the company's inland revenue tax debts. 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.

### **31 Short-term financing**

The entry of Euro 48 thousand is made up of short term financing from other credit institutions than the bank.

### **32 Other debts**

Details of other debts are as shown:

<b>Other debts</b>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Social security charges payable	1,212	1,175	37
Towards directors	66		66
Dividends to be distributed to shareholders (third parties)			
Towards staff for deferred salaries and pay	2,187	2,041	146
Other	1	0	1
<b>Total</b>	<b>3,466</b>	<b>3,216</b>	<b>251</b>

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

### 33 Consolidated net financial position

The consolidated net financial availability was still positive at the end of the year 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.

Cash-on-hand amounts to Euro 7,105 thousand compared to Euro 6,270 thousand at 31/12/2005, decreased by Euro 835 thousand and a long-term financial availability of Euro 7,081 thousand compared to the Euro 6,270 thousand at 31/12/2005.

<i>Variation in net financial position/(indebtedness)</i>	<b>31/12/2006</b>	<b>31/12/2005</b>	<b>Variations</b>
Cash-on-hand and at bank	956	253	703
Capitalisation insurance policies	6,197	6,017	179
Payables due to banks current portion	(48)	-	(48)
<b>Net short-term financial position/(indebtedness)</b>	<b>7,105</b>	<b>6,270</b>	<b>835</b>
Long-term loans	(24)		(24)
<b>Net long-term financial position/(indebtedness)</b>	<b>(24)</b>		<b>(24)</b>
<b>Net financial position / (indebtedness)</b>	<b>7,081</b>	<b>6,270</b>	<b>811</b>

In particular, cash-on-hand and in bank accounts came to Euro 956 thousand. Capitalisation insurance policies of Euro 6,197 thousand were contractually available on 30-day prior request without any significant tax expenses.

As a link between the data of the net financial position statement and the balance statement, it is hereby reported that: cash in bank accounts and capitalisation insurance policies are registered in the patrimonial status as "Cash and other equivalent assets" (Euro 7,153 thousand at 31/12/2006 and Euro 6,270 thousand at 31/12/2005); short-term financial debts are registered as "Payables due to banks current portion" (Euro 48 thousand at 31/12/2006); long-term financing is registered in the patrimonial status as "Long-term loans".

As expected at the beginning of 2006, cash flows generated by traditional services were in credit (Euro 7,417 thousands) while programmed investment activities were still having a consistent effect on the use of financial available assets (5,007 thousands of euro).

Please refer to CAD IT's cash flows statement for financial details.

### 34 Significant events since 31/12/2006

During the current year, development and sales activities of new products for both consolidated clients and new types of customer has been continuing.

On February 5th 2007, CAD IT and Xchanging, the business processing services company announced the signing of an exclusive 3 year partnering agreement.

The partnering agreement reinforces the objectives of the original letter of intent, signed in November 2005, which comprised the following:

- CAD IT will be the preferred supplier of application solutions for the Xchanging Financial Services division. Xchanging will involve CAD IT in all international projects aimed at delivering software solutions for the financial services sector.
- Xchanging and CAD IT will continue their analysis of the business potential of the Italian market for business

process services. Xchanging will be CAD IT's preferred partner for business services in Italy.

This agreement further strengthens CAD IT and Xchanging's strategic alliance as they maximise synergies to exploit the Italian and international market.

We would also like to point out the extremely positive progress during the first few months of 2007 of the shares in the strategic holding companies Class Editori S.p.A. and CIA S.p.A.

### 35 *Transactions with related party*

Any commercial relations between the Group's companies are governed by normal market conditions.

The summary of income and costs, despite the credit and debit position at 31<sup>st</sup> December 2006 between the Group's subsidiaries, is shown in the specific note on management relations.

The following table shows the incidence of transactions with correlated parties on the respective balance entry:

<b>Transaction incidence with correlated parties</b>	<b>Total</b>	<b>Related Parties</b>	
		<b>Absolute value</b>	<b>% on Tot.</b>
<b>A) Transaction or position incidence with correlated parties on entries in the Profit and Loss account</b>			
Income from sales and services to third parties	28,163	11,890	42.22%
Increases in intangible assets due to internal work	2,307	0	0.00%
Third party service costs	(7,428)	3,919	(52.75%)
Labour costs	(15,555)	254	(1.63%)
Other administrative expenses	(921)	(585)	63.47%
<b>B Transaction or position incidence with correlated parties on entries in the Patrimonial situation</b>			
Commercial credits and other credits	22,626	10,597	46.83%
TFR and pension funds	3,493	54	1.53%
Commercial debts	12,480	10,746	86.11%
Other debts	3,466	104	3.01%
<b>C) Transaction or position incidence with correlated parties on financial flows</b>			
(Increase)/Decrease in circulating credits	(858)	3,334	(388.65%)
Increase/(Decrease) in debts towards suppliers	505	2,224	440.09%
Increase/(Decrease) in other non-financial debts	2,484	137	5.51%

Except for previously mentioned existing relations, no other relations with other correlated parties of an economic-patrimonial nature of any significant worth have been taken into account.

### 36 *Salaries given to administrative and managerial organs*

The salaries for any main company or direct or in direct subsidiary company title given to the members of the Board of Directors and auditing board are shown in the following table.

At the moment neither directors with strategic duties nor any managing director are present. Moreover, a director, responsible for drafting accounting documents has still not been nominated but this nomination is expected within the terms laid down by law no. 262 of 28<sup>th</sup> December 2005, which concerns "Provisions for safeguarding savings and financial market governance."

Name and surname	Position		Period during which the position was held	Expiry date	Emoluments	Bonus and other incentives	Indemnity at end of office	Other expenses	Non monetary benefits
Dal Cortivo	Chairman and Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
Giuseppe	Legal representative	CAD Srl	01/01/06 - 31/12/06	indefinite	-	-	-	87	-
	Director	CESBE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	SICOM Srl	01/01/06 - 31/12/06	indefinite	-	-	-	3	-
Magnani	Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
Giampietro	Chairman and Managing Director	CAD Srl	01/01/06 - 31/12/06	31/12/06	-	-	-	87	-
	Director	BITGROOVE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	SMART LINE SRL	01/01/06 - 31/12/06	31/12/07	-	-	-	6	-
Rizzoli Maurizio	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	14	-	-	-	-
Zanella Luigi	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
	Managing Director	CAD Srl	01/01/06 - 31/12/06	indefinite	-	-	-	87	-
	Legal representative	CESBE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	DQS Srl	01/01/06 - 31/12/06	31/12/08	-	-	3	12	-
	Director	SICOM Srl	01/01/06 - 31/12/06	indefinite	-	-	-	3	-
Dal Cortivo Paolo	Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	17	-	-	103	-
Margetts Michael	Director	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	10	-	-	-	-
Lambertini Lamberto	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	13	-	-	-	-
Rossi Francesco	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	14	-	-	-	-
Cusumano	Statutory Auditor	CAD IT Spa	01/01/06 - 28/04/06		9	-	-	-	-
Giannicola	Chairman Statutory Auditor	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	16	-	-	-	-
	Statutory Auditor	CAD Srl	01/01/06 - 31/12/06	31/12/06	-	-	-	5	-
	Chairman Stat Auditor	CESBE Srl	10/01/06 - 31/12/06	31/12/06	-	-	-	2	-
Ranocchi	Statutory Auditor	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	10	-	-	-	-
Gianpaolo	Chairman Stat Auditor	CAD Srl	13/05/06 - 31/12/06	31/12/06	-	-	-	4	-
Tengattini	Statutory Auditor	CAD IT Spa	28/04/06 - 30/06/06	31/12/08	10	-	-	-	-
Renato	Statutory Auditor	CESBE Srl	10/05/06 - 31/12/06	31/12/06	-	-	-	1	-
Miazz Albert	Director	CAD IT Spa	01/01/06 - 28/04/06		4	-	-	-	-
	Consultant	CAD IT Spa	01/01/06 - 31/12/06		-	-	-	83	-
	Consultant	CAD Srl	01/01/06 - 31/12/06		-	-	-	21	-
	Consultant	CESBE Srl	01/01/06 - 31/12/06		-	-	-	19	-
	Consultant	BITGROOVE Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consultant	DATAFOX Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consultant	NETBUREAU Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consultant	SGM Srl	01/01/06 - 31/12/06		-	-	-	6	-
Mazzi Sonia	Chairman Stat Auditor	CAD IT Spa	01/01/06 - 28/04/06		13	-	-	-	-
	Chairman Stat Auditor	CAD Srl	01/01/06 - 14/05/06		-	-	-	3	-
	Chairman Stat Auditor	CESBE Srl	01/01/06 - 10/05/06		-	-	-	4	-
Cereghini	Statutory Auditor	CAD IT Spa	01/01/06 - 28/04/06		9	-	-	-	-
Giuseppe	Statutory Auditor	CAD Srl	01/01/06 - 14/05/06		-	-	-	2	-
	Statutory Auditor	CESBE Srl	01/01/06 - 10/05/06		-	-	-	3	-
					548	60	20	568	-

The remunerations for this position include specific emoluments decided by the meeting even if they have not been paid, tokens for participating at company meetings and any lump-sum expense reimbursements.

Bonuses and other incentives include the variable part of emoluments in relation to reaching the objectives set by the remuneration committee, as established during the meeting.

Other remunerations include emoluments for positions in subsidiary companies, employee salaries (gross of welfare and tax costs to be paid by the employee, excluding those obligatory collective welfare costs to be paid by the company and put aside in the TFR fund) and all other remunerations deriving from other services supplied.

Severance pay includes redundancy pay.

Non-monetary benefits include fringe benefits (according to a tax criterion) including any insurance policies.

At the moment there are no ongoing stock option plans.

Shares held by administrative and managerial organs are shown in the specific point regarding management relations.

### **37 Warranties**

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

### **38 Other information**

There have been no transactions or any non recurrent significant events, as defined in the Consob DEM/6064293 communication, in the present financial period or the previous one.

CAD IT and the Group's companies have not drawn up any contracts containing clauses that depend on continual financial funding (covenant) nor any agreements where a subject – to whom a loan has been granted – must behave accordingly (*negative pledge*).

### **39 Financial statement approval**

The present first half report was approved by the CAD IT S.p.A. Board of Directors on 27/03/2007 and will be an item for approval at the shareholders' meeting to be held on 30/04/2007.

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

### 3 Summary financial statements of CAD IT Group companies

#### SUMMARY FINANCIAL STATEMENTS OF THE CONSOLIDATED SUBSIDIARY COMPANIES INCLUDED IN THE CONSOLIDATION AREA (article 2429 of the Italian Civil Code)

##### CAD SRL

**REGISTERED OFFICE:** Via Torricelli, 37 - 37100 VERONA

**QUOTA CAPITAL:** € 130,000.00

**% OF INVESTMENT OF CAD IT S.p.A.:** 100%

	In Euro	
	31/12/2006	31/12/2005
TURNOVER	24,820,637	27,664,444
GROSS OPERATING RESULT	835,988	1,096,048
NET OPERATING PROFIT	772,233	710,939
FINANCIAL INCOME AND CHARGES, NET	36,562	103,874
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	808,795	814,813
NET PROFIT / (LOSS) FOR THE YEAR	175,054	208,082
TANGIBLE FIXED ASSETS, NET	64,513	128,323
WORKING CAPITAL, NET	1,499,436	68,419
INVESTED CAPITAL, NET	(456,762)	(1,666,463)
EMPLOYEES' LEAVING ENTITLEMENT	2,020,711	1,863,205
QUOTAHOLDERS' EQUITY	1,421,424	1,246,367
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	1,878,186	2,912,830

##### CESBE SRL

**REGISTERED OFFICE:** Via Torricelli, 37 - 37100 VERONA

**QUOTA CAPITAL:** € 10,400.00

**% OF INVESTMENT OF CAD IT S.p.A.:** 52%

	in euro	
	31/12/2006	31/12/2005
TURNOVER	3,610,973	3,835,748
GROSS OPERATING RESULT	531,660	697,384
NET OPERATING PROFIT	523,912	681,368
FINANCIAL INCOME AND CHARGES, NET	4,338	7,627
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	528,250	688,995
NET PROFIT / (LOSS) FOR THE YEAR	215,984	321,657
TANGIBLE FIXED ASSETS, NET	13,160	20,370
WORKING CAPITAL, NET	3,779,155	3,728,408
INVESTED CAPITAL, NET	3,373,636	3,365,964
EMPLOYEES' LEAVING ENTITLEMENT	418,679	382,814
QUOTAHOLDERS' EQUITY	3,432,701	3,466,717
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	59,065	100,753

**NETBUREAU SRL****REGISTERED OFFICE:** Via Morigi, 13 - MILAN**QUOTA CAPITAL:** € 50,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 100%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	866,714	720,884
GROSS OPERATING RESULT	56,504	5,547
NET OPERATING PROFIT	43,432	(21,332)
FINANCIAL INCOME AND CHARGES, NET	(2,035)	(3,799)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	41,397	(25,131)
NET PROFIT / (LOSS) FOR THE YEAR	3,845	(33,786)
TANGIBLE FIXED ASSETS, NET	24,731	37,802
WORKING CAPITAL, NET	59,287	46,909
INVESTED CAPITAL, NET	17,430	35,573
EMPLOYEES' LEAVING ENTITLEMENT	66,588	49,138
QUOTAHOLDERS' EQUITY	20,058	16,213
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	2,628	(19,360)

**DQS SRL****REGISTERED OFFICE:** Via Silvio d'Amico, 10 - 00145 ROMA**QUOTA CAPITAL:** € 11,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 55%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	4,263,765	4,844,534
GROSS OPERATING RESULT	248,469	322,014
NET OPERATING PROFIT	215,253	281,550
FINANCIAL INCOME AND CHARGES, NET	(23,798)	9,003
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	191,455	290,553
NET PROFIT / (LOSS) FOR THE YEAR	(28,751)	61,880
TANGIBLE FIXED ASSETS, NET	110,752	124,559
WORKING CAPITAL, NET	1,232,048	1,403,055
INVESTED CAPITAL, NET	828,891	1,046,809
EMPLOYEES' LEAVING ENTITLEMENT	513,909	480,805
QUOTAHOLDERS' EQUITY	536,186	564,937
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(248,949)	(283,867)

**SGM SRL****REGISTERED OFFICE:** Galleria Spagna, 28 - 35100 PADOVA**QUOTA CAPITAL:** € 100,000**% OF INVESTMENT OF CAD IT S.p.A.:** 100%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	2,407,199	1,432,842
GROSS OPERATING RESULT	1,004,743	(68,795)
NET OPERATING PROFIT	812,022	(142,191)
FINANCIAL INCOME AND CHARGES, NET	(53,138)	(49,702)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	758,884	(191,893)
NET PROFIT / (LOSS) FOR THE YEAR	447,468	(334,449)
TANGIBLE FIXED ASSETS, NET	656,473	863,212
WORKING CAPITAL, NET	632,539	(203,055)
INVESTED CAPITAL, NET	1,136,336	530,608
EMPLOYEES' LEAVING ENTITLEMENT	152,676	129,549
QUOTAHOLDERS' EQUITY	547,467	(196,779)
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(535,031)	(725,720)

**SMART LINE SRL****REGISTERED OFFICE:** Via Tagliamento, 165 - 83100 AVELLINO**QUOTA CAPITAL:** € 102,700.00**% OF INVESTMENT OF CAD IT S.p.A.:** 51.05%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	1,360,533	1,458,974
GROSS OPERATING RESULT	161,443	142,127
NET OPERATING PROFIT	140,387	96,977
FINANCIAL INCOME AND CHARGES, NET	1,106	1,959
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	141,493	98,936
NET PROFIT / (LOSS) FOR THE YEAR	72,446	7,116
TANGIBLE FIXED ASSETS, NET	428,822	254,697
WORKING CAPITAL, NET	(69,972)	(40,731)
INVESTED CAPITAL, NET	99,641	(13,619)
EMPLOYEES' LEAVING ENTITLEMENT	259,209	227,585
QUOTAHOLDERS' EQUITY	217,569	145,120
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	117,928	158,739



**BIT GROOVE SRL****REGISTERED OFFICE:** Piazza IV Novembre, 8 - 51031 AGLIANA (PT)**QUOTA CAPITAL:** € 15,500.00**% OF INVESTMENT OF CAD IT S.p.A.:** 100 %

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	1,213,625	892,539
GROSS OPERATING RESULT	(26,024)	80,347
NET OPERATING PROFIT	(58,766)	50,833
FINANCIAL INCOME AND CHARGES, NET	7,606	1,895
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(51,160)	52,728
NET PROFIT / (LOSS) FOR THE YEAR	(76,999)	6,311
TANGIBLE FIXED ASSETS, NET	76,195	63,224
WORKING CAPITAL, NET	(127,953)	(44,261)
INVESTED CAPITAL, NET	(98,547)	(12,473)
EMPLOYEES' LEAVING ENTITLEMENT	46,789	31,436
QUOTAHOLDERS' EQUITY	(55,187)	21,809
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	43,360	34,282

**ELIDATA SRL****REGISTERED OFFICE:** Via Sanadolo, 19 - Caglione d'Adda - LO**QUOTA CAPITAL:** € 20,000.00**% OF INVESTMENT OF CAD IT S.p.A.:** 51%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	1,211,470	1,246,418
GROSS OPERATING RESULT	578,559	433,644
NET OPERATING PROFIT	550,258	407,349
FINANCIAL INCOME AND CHARGES, NET	5,444	1,942
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	555,702	409,291
NET PROFIT / (LOSS) FOR THE YEAR	321,509	233,538
TANGIBLE FIXED ASSETS, NET	96,984	97,531
WORKING CAPITAL, NET	720,885	427,341
INVESTED CAPITAL, NET	796,075	503,627
EMPLOYEES' LEAVING ENTITLEMENT	21,794	21,245
QUOTAHOLDERS' EQUITY	919,511	798,002
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	123,435	249,375

**DATAFOX SRL****REGISTERED OFFICE:** Via Circondaria, 56/3 – FLORENCE**QUOTA CAPITAL:** € 99,999**% OF INVESTMENT OF CAD IT S.p.A.:** 51%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	764,453	637,247
GROSS OPERATING RESULT	109,368	105,202
NET OPERATING PROFIT	53,955	37,419
FINANCIAL INCOME AND CHARGES, NET	372	(20,191)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	54,327	17,228
NET PROFIT / (LOSS) FOR THE YEAR	17,268	(19,460)
TANGIBLE FIXED ASSETS, NET	57,432	109,295
WORKING CAPITAL, NET	192,872	188,640
INVESTED CAPITAL, NET	215,310	265,904
EMPLOYEES' LEAVING ENTITLEMENT	34,994	32,031
QUOTAHOLDERS' EQUITY	290,285	273,022
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	74,975	7,118

**SUMMARY FINANCIAL STATEMENTS OF THE INDIRECT  
SUBSIDIARY COMPANIES NOT INCLUDED IN THE CONSOLIDATION AREA**  
*(article 2429 of the Italian Civil Code)*

**TECSIT SRL****REGISTERED OFFICE:** Via Silvio D'Amico, 40 - 00145 ROMA**QUOTA CAPITAL:** € 75,000.00**% GROUP INTEREST:** 38.5%

	<i>in euro</i>	
	<b>31/12/2006</b>	<b>31/12/2005</b>
TURNOVER	428,172	598,665
GROSS OPERATING RESULT	21,897	27,800
NET OPERATING PROFIT	17,203	19,249
FINANCIAL INCOME AND CHARGES, NET	(19,165)	(13,287)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(1,962)	5,962
NET PROFIT / (LOSS) FOR THE YEAR	(9,522)	466
TANGIBLE FIXED ASSETS, NET	18,391	23,445
WORKING CAPITAL, NET	267,301	224,417
INVESTED CAPITAL, NET	263,209	232,615
EMPLOYEES' LEAVING ENTITLEMENT	22,483	15,247
QUOTAHOLDERS' EQUITY	75,796	85,319
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(194,202)	(147,296)

**SUMMARY FINANCIAL STATEMENTS OF THE ASSOCIATED COMPANIES**  
*(article 2429 of the Italian Civil Code)*

**SICOM SRL****REGISTERED OFFICE:** Via Verdi, 15/a - 46019 Viadana (MN)**QUOTA CAPITAL:** € 10,400.00**% OF INVESTMENT OF CAD IT S.p.A.:** 25.00%

	<b>31/12/2006</b>	<i>in euro</i> <b>31/12/2005</b>
TURNOVER	1,852,268	1,626,878
GROSS OPERATING RESULT	594,488	455,802
NET OPERATING PROFIT	576,317	434,635
FINANCIAL INCOME AND CHARGES, NET	1,078	952
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	577,395	435,587
NET PROFIT / (LOSS) FOR THE YEAR	338,804	253,737
TANGIBLE FIXED ASSETS, NET	305,778	324,601
WORKING CAPITAL, NET	126,532	175,696
INVESTED CAPITAL, NET	376,778	448,089
EMPLOYEES' LEAVING ENTITLEMENT	55,532	52,208
QUOTAHOLDERS' EQUITY	607,305	610,502
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	230,527	162,413

**Report of the auditors in accordance with  
article 156 of legislative decree n. 58 of 24 February 1998**  
(This report has been translated from the original Italian text  
which was issued in accordance with the Italian legislation)

To the shareholders of  
CAD IT S.p.A.

1. We have audited the financial statements, including balance sheet, profit and loss, movement of equity, cash flow statements and Directors' Report, of CAD IT S.p.A. as at and for the year ended December 31<sup>st</sup>, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.  
  
Comparative figures relative to the annual financial statements of the previous year were audited and reviewed by other auditors and reference should be made to their report dated April, 13<sup>th</sup>, 2006.
3. In our opinion, the financial statements of CAD IT S.p.A. as at and for the year ended December 31<sup>st</sup>, 2006 comply with the International Financial Reporting Standards adopted by European Community governing their preparation, as well as the measures issued for the implementation of the art. 9 of the Legislative Decree n. 38/2005; therefore they are clearly stated and give a true and fair view of the financial position, the results, the movements of equity and the cash flows of CAD IT S.p.A. for the year then ended.

Verona, April 12<sup>th</sup>, 2007

BDO Sala Scelsi Farina  
Società di Revisione per Azioni

Signed by: Alessandro Gigliarano



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