CAD IT S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2007

(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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Consolidated financial statements as at end for the year ended 31 december 2007

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

Corporate bodies

BOARD OF DIRECTORS [1]

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIAMPIETRO MAGNANI
Vice Chairman and Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI
Director

MICHAEL JOHN MARGETTS
Director

FRANCESCO ROSSI
Independent Director

LAMBERTO LAMBERTINI
Independent Director

STATUTORY AUDITORS [2]

GIANNICOLA CUSUMANO
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

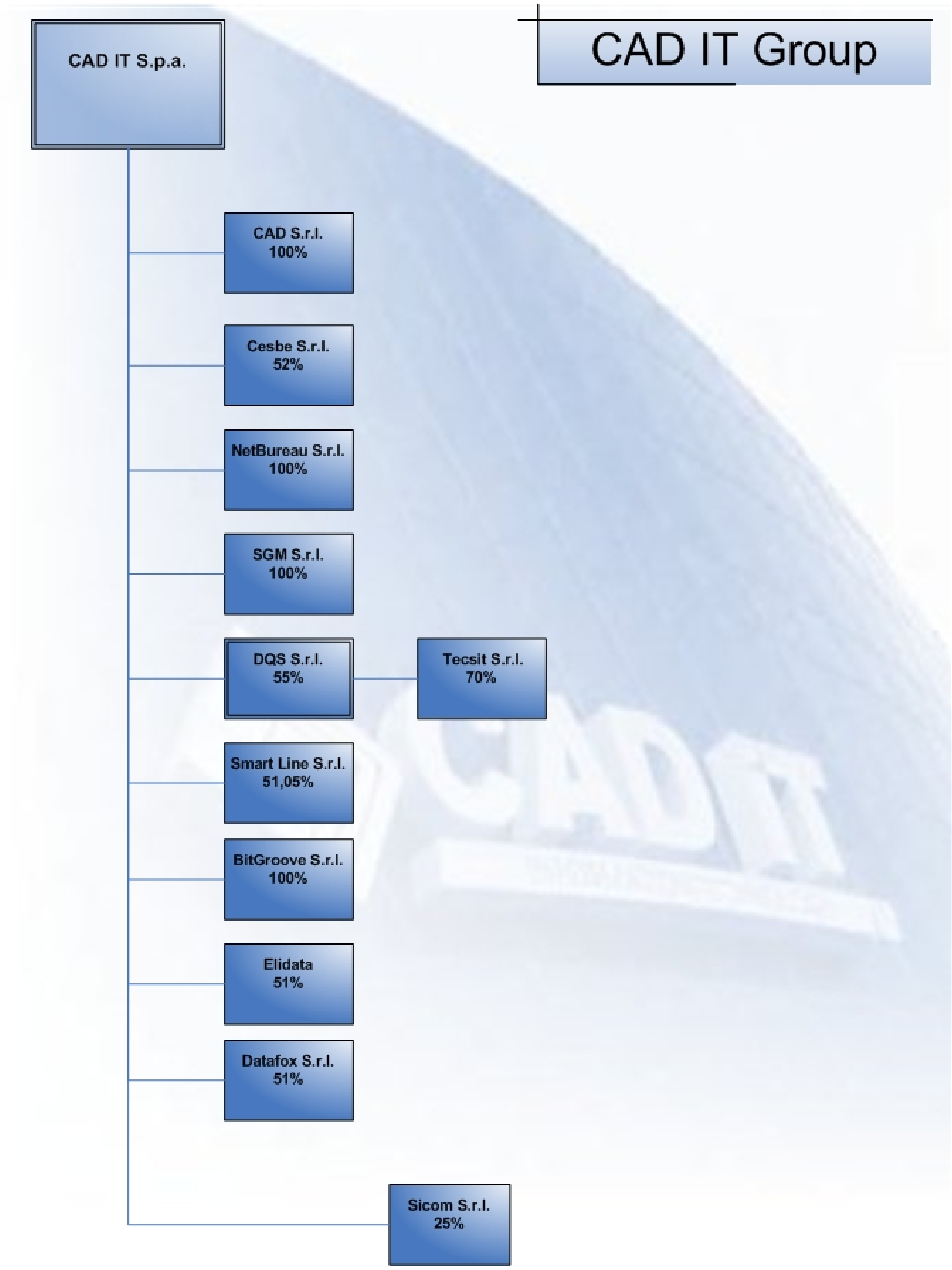
LUCA SIGNORINI
Substitute Statutory Auditor

AUDITORS

BDO SALA SCELSI FARINA
Società di Revisione per Azioni

(1) *Appointed on 28 April 2006; office expires with the shareholders' meeting for the approval of the 2008 financial statements.*
(2) *Appointed on 28 April 2006; office expires with the shareholders' meeting for the approval of the 2008 financial statements; on 6.12.2007 the Substitute Auditor, Cesare Brena, resigned from his position.*

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 19 of the company by-laws.
The main powers reserved in the statute to the Board of Directors are:the examination and approval of the strategic, industrial and financial plans of the company; 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; the underwriting of obligations, commitments and responsibilities which, either singularly or jointly with other connected negotiations, come to more than €4,000,000; the nomination of managing directors; the release of warranties and real or personal guarantees of any kind to the sum of more than €2,000,000 for each individual transaction and, if in the interest of subjects other than the Company and its subsidiaries, to any sum whatsoever; the examination and preventive approval of significant transactions including those with company related parties and company subsidiaries; verification of the appropriateness of the administrative and organisational structure and the general accounting, the internal control system and any conflicts of interest.
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 Director, Paolo Dal Cortivo, on behalf and in the interests of the Company, is responsible for the drawing up and signing of contracts with clients for the supply of goods and/or services up to the amount of € 500,000 per contract.
The Managing Directors are authorised to represent the company to the extent, and within the limits, of the proxies received.



CAD IT Group at 31/12/2007

DIRECTORS' REPORT ON MANAGEMENT

This Directors' report on management is attached to CAD IT's consolidated report at 31/12/2007 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. consolidated balance 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.

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

Activities of the Group

CAD IT is the leader of a group that is one of the most dynamic organisations in the Italian information technology sector.

For almost 30 years, the Group has been dealing with the banking and insurance market and the world of business and public administration by offering software solutions, maintenance, personalisation, integration and other correlated services from application management to outsourcing, consultancy to training.

The CAD IT Group operates in Italy with its own branches and Group companies. Its Head Office is in Verona but there are other units in Milan, Rome, Florence, Bologna, Mantua, Prato and Trento.

CAD IT is leader in the Italian software market for the banking sector with its main product, Financial Area, a programme which completely manages all functions connected to negotiation, settlement and administration of security transactions, debentures, derivates (in any currency) and adopted by 60% of Italian banking outlets.

In addition, the Group boasts long-standing activity in the industrial sector and the capacity to offer solutions for e-business, credit and industrial companies in constant evolution.

Solutions for public administration 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.

Summary of the Group results

	Period 2007 01/01 - 31/12		Period 2006 01/01 - 31/12		Variazions	
						%
Production value	60,696	100.0%	52,243	100.0%	8,453	16.2%
Added value	48,652	80.2%	41,062	78.6%	7,590	18.5%
Gross operational result (EBITDA)	15,155	25.0%	9,042	17.3%	6,112	67.6%
Operational result (EBIT)	12,649	20.8%	7,380	14.1%	5,269	71.4%
Ordinary result	12,868	21.2%	7,536	14.4%	5,332	70.8%
Pre-tax and pre-third party share result	13,861	22.8%	7,563	14.5%	6,297	83.3%
Income taxes	(5,316)	(8.8%)	(4,303)	(8.2%)	(1,013)	23.5%
Third party (profit)loss for the period	(576)	(0.9%)	(300)	(0.6%)	(277)	92.3%
Profit (loss) for the period	***7,968***	***13.1%***	***2,961***	***5.7%***	***5,008***	***169.2%***

Analysis of the consolidated income results

The CAD IT Group closed its 2007 financial period with an improvement in production revenues and income margins compared to 2006. 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.

Profits for the period stand at Euro 7,968 thousand compared to Euro 2,961 thousand in 2006, showing an increase of 169.2%.

This improvement in profits is mainly due to an increase in production revenues during the financial period (+16.2%), which in turn is due to higher income from sales and services (+22.2%) which reached Euro 58,256 thousand (Euro 47,669 thousand in the previous year) correlated with lower resource allocation to new product development activities, which were contained, in accordance with the Company programme, at Euro 2,335 thousand compared to Euro 4,406 thousand in 2006 financial period (-47.0%).

Added value rose to Euro 48,652 thousand compared to Euro 41,062 thousand in the previous period, increasing the high marginality to 80.2% (78.6% in the year 2006).

Income margins, EBITDA (+67.6%) and EBIT (+71.4%), were decidedly greater, standing at Euro 15,155 thousand and Euro 12,649 thousand respectively compared with Euro 9,042 thousand and Euro 7,380 thousand in the previous year, proof of the constant care taken in monitoring and cost containment.

Labour costs in the year 2007 came to Euro 30,999 thousand, Euro 1,329 thousand higher (+4.5%) than the year before. Labour costs include the difference resulting from discounting back TFR amounts, as a consequence of the recent reform, in respect of the previous value recorded at 31st December 2006, accounted for as a reduction of a definite benefit plan, in accordance with paragraph 109 of IAS 19.

Amortization and funding of the year 2007 came to Euro 2,506 thousand compared to Euro 1,663 thousand in 2006 financial period. The increase is mainly due to a growth in intangible asset amortizations arising from the start up of an amortization plan for internally developed and completed software procedures, in execution of programmed investment plans.

The balance between income and expenses was, as always, in credit by Euro 220 thousand (previously Euro 157 thousand).

Other positive aspects of the year in question are the trend of the appreciation and depreciation entry for profits from assets available for sale (including the amount previously registered in the specific appreciation fund), which generated appreciation to the value of Euro 894 thousand, and the positive outcome of investments connected to Sicom S.r.l. which generated a Euro 98 thousand appreciation.

The pre-tax result and third party share came to Euro 13,861 thousand (+83.3%) compared to the Euro 7,563 thousand of the previous period.

Income taxes amount to Euro 5,316 thousand compared to Euro 4,303 thousand in the previous financial period and show a lessor incidence, above all due to the effect of adjusting deferred taxes after the reduction of tax rates as of 2008.

The Group's Net Financial Position at 31st December 2007 was in credit by Euro 11,796 thousand, increasing (+45.92%) compared to Euro 3,712 thousand in the period 2006.

The market

In Italy 2007 was another year that witnessed financial institution mergers caused by the need to reach the critical mass required to operate on an international level. As a consequence some of the operators involved in mergers delayed their investment decisions.

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.

In its 2007 annual report, Assinform[1], an important Italian IT company, estimated a 2% increase in Information Technology expenditure in the ICT sector compared to 1.6% in the previous year, continuing a positive cycle which began in 2005 after three years of negative growth. The increase in IT expenditure has exceeded the PIL which stood at about 1.7% in 2007. Regarding IT demand, a determining role was played by medium-sized companies on the one hand that have increasingly needed to supply themselves with IT in order to be more efficient and competitive on their various markets, and on the other, the consumer segment (families and citizens) who continue to demonstrate greater interest in using new technologies, both in terms of PC and digital devices.
The company forecasts a 1.8% increase in the IT sector for 2008 as well, decidedly greater than the growth in PIL which is estimated at 0.5% and 0.8% according to the major institutes. To be more precise, the Software and Services sector has recorded a 1% increase, going from Euro 1,886 million to Euro 1,918 million. The positive trend was mostly registered thanks to a 3% increase in software. In the software segment, the best figures were registered in middleware and, to a lesser degree, in system software. The middleware segment is growing by +6% and benefits from the ever-increasing importance that concepts such as governance, performance management, risk management and compliance are taking on within companies. These concepts generate applicative integration projects (SOA, Web Services–security and consolidation/virtualisation) within the wide process of company information technology system rationalisation.
Applicative software– penalised by a less positive market situation from the start – is also continuing to receive some very positive signs. The system software segment continues to keep in tow of the good dynamics of PCs, even if it is a little slower than last year in expectancy of the relative release of new operational systems. The growth in applicative software differs according to the type of solution concerned. Nevertheless, positive signs continue because of growing demand in some specific areas: Business Intelligence, since data and information management is being given increasingly more strategic importance, ERP as an integration instrument between the various applicative areas and SCM as a management support and demand forecasting tool (demand planning) etc.

Significant events of the period

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 the 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.
On 30th April 2007 the Ordinary Shareholders' Meeting decided the distribution of an ordinary dividend of 0.29 Euro per share, in increase of 61% regarding the 0.18 Euro per share of dividend 2005. The dates for coupon detachment and dividend payments was the 14th and 17th of May 2007 respectively.
Furthermore, the Ordinary Shareholders' Meeting extended the appointment of the auditing firm BDO Sala Scelsi Farina for the auditing of CAD IT SpA and subsidiary accounts for a further three years, an appointment that will therefore end when the Shareholder Meeting approves the balance for year ending 31.12.2014.
In relation to the CAD IT S.p.A. Statute, the Extraordinary Shareholders' Meeting approved proposals to

[1] Source:
Assinform, Rapporto Assinform - Il primo semestre 2007.
Assinform, Il mercato IT in Italia nel 2007 e le prospettive per il 2008.

modify the following articles: 2 (Head Office and address); 4 (Purpose: possibility to apply to the capital risk market); 6 (Shareholder Meetings: effect of decisions in terms of absent or dissenting shareholders, approval and modification of “shareholder meeting regulations”); 8 and 9 (Shareholder Meetings: right to intervene and to be represented by delegation); 10 (Shareholder Meetings: meeting chairmanship and nomination of the secretary); 11 (Shareholder Meetings: constitution and deliberation of ordinary and extraordinary shareholder meetings); 12 (Shareholder Meetings: the summoning of the annual ordinary shareholder meeting); 14 (Directorship: the number and requirements of directors, modality of director nomination, candidature and lists, chairman nomination, duration of office, powers of the Board of Directors and non delegable matters, statute adjustment powers in accordance with the law).

Moreover, the CAD IT S.p.A. Extraordinary Shareholders’ Meeting introduced some new articles: article 7 concerning the modalities for summoning a meeting on the request of a large number of shareholders representing at least one tenth of the company capital or on request of the Board of Auditors or of two of its members; article 8 regarding the integration of a list of matters to be discussed at the meeting on the request of a large number of shareholders representing at least one fortieth of the company capital and article 25 relating to the manager appointed for the drafting of company accountancy documents.

The report showing the modifications made to the Statute is available to shareholders on the CAD IT S.p.A. company web site at www.cadit.it, as well as at Borsa Italiana S.p.A.

On April CAD IT has announced that the Banca Popolare dell’Emilia Romagna group will be using its new software procedure to manage local taxes. The solution developed by CAD IT will enable nominated bodies to carry out all operations regarding management of tributary and non tributary tax collection. The Banca Popolare dell’Emilia Romagna group, through its own treasury services for public bodies and thanks to the CAD IT software procedure, will offer the market a new solution which will see a global management of income and services for Public bodies. CAD IT will supply the software procedure, maintenance service and aid in training the end user. The solution that takes into account the most innovative development procedures (Service Oriented Architecture and Web Based) is made up of a series of “Operating Modules” completely compatible with each other that allow the management of all operations laid down by governing rules and which perfectly complies to various e-government projects. The application allows one to excel the management of returns and the activity of Voluntary and Compulsory Taxes in specific and independent modules which are formed according to the needs of the individual customer.

During the third and fourth quarters, project activities, which began in May 2007 to allow the Group’s financial institution clients to comply with the MiFID directive, continued.

The MiFID directive (Market in Financial Instruments Directive), which came into force on 1st November 2007, required many changes in the operational modalities with which the banks and investment companies conduct their business with their clients. In fact, the financial institutions have revised their existing processes in order to adjust them to the new obligations concerning investor warranty. MiFID creates a new setting for national intermediaries, imposing considerable efforts of adaptation and, at the same time, opening up new business prospectives.

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

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 GS platform, which is a fundamental element for the Group’s strategic growth.

Activity in the production of specialised modules for the business intelligence area is also continuing.

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

The CAD IT Group, in its intent to develop its own products, is also creating solutions linked to the new norms and further procedures aimed at diversification for new business sectors like Insurance and new software modules for international market.

Investments

Summary of investments	*Period 2007 01/01-31/12*	*Period 2006 01/01-31/12*
Intangible fixed assets	219	83
Assets under development and payments on account	2,335	4,406
Plant, machinery, equipment and other tangible fixed assets	408	489
Total investments in tangible and intangible fixed assets	**2,962**	**4,979**
Shareholdings and financial investments		
Total shareholdings and financial investments		
Total investments	***2,962***	***4,979***

Investments in tangible and intangible fixed assets made by the consolidated companies in the year 2007 amount to Euro 2,962 thousand (Euro 4,979 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 its own customers.
As planned, investments were reduced during the year and a further gradual reduction in respect of last year's figures is forecast for future financial periods.
Investments in intangible fixed assets mainly regard the development and purchasing of software for licensing to the clients or instrumental software to be used by the Group for its own activity.

Relationships with Group companies

During the financial period concerned, the Group's companies carried out operations with the controlled companies and businesses subject to CAD IT control. The patrimonial and economic effects of the operations carried out between companies consolidated with the integral method have been omitted in the consolidated balance with the exception of:
services concerning the development of software procedures to be sold or instruments for the traditional activities of the Group's companies that are registered among intangible fixed assets;
other operations, of insignificant amount, regarding the assignment of instrumental assets for the purchaser.
Relationships between the Group's companies are governed on the basis of contractual relations drawn up by the respective administration organs bearing in mind the quality of the assets and services involved and the competitive conditions of the market and adapting the interests of the Group.

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 31/12/2007:

Company	Costs	Capitalized costs			Turnover	Receivables	Payables
		Increases in internal work	Software licences and rights	Other assets			
Cad It S.p.a.	6,726	832		4	16,729	12,587	9,866
Cad S.r.l.	18,047			0	2,641	5,686	13,318
Cesbe S.r.l.	631				2,242	3,346	326
NetBureau S.r.l.	14				687	421	258
DQS S.r.l.	63				2,209	1,213	101
SGM S.r.l	29				1,098	725	123
SmartLine Line S.r.l.	45				161	146	269
BitGroove S.r.l.	419			14	626	157	323
Elidata S.r.l.	87				29	26	165
Datafox S.r.l.	78				513	370	28
Tecsit S.r.l.	1			225	280	100	1
Total	***26,140***	***832***		***243***	***27,215***	***24,777***	***24,777***

There have been no abnormal or unusual transactions between the CAD IT Group's companies in this financial period.
CAD IT S.p.A.'s relations with its subsidiaries are shown at in the directors' separate CAD IT S.p.A. Balance report.

Shares held by managerial and controlling organs and by the managers with strategic responsibilities

Information on shares held by the components of the administrative and control organs, and by the managers with strategic responsibilities within the issuing company and in the companies controlled by it, is given in the following table[2]:

Name and surname	Company	Number of shares held at 31.12.2006		Number of shares bought	Number of shares sold	Number of shares held at 31.12.2007	
Dal Cortivo Giuseppe	Cad It S.p.A.	1,329,234	(1)	-	-	1,329,234	(1)
Magnani Giampietro	Cad It S.p.A.	1,325,721	(1)	-	-	1,325,721	(1)
Rizzoli Maurizio	Cad It S.p.A.	1,395,936	(2)	180,000	140,000	1,435,936	(3)
Zanella Luigi	Cad It S.p.A.	1,328,180	(4)	-	-	1,328,180	(4)
Dal Cortivo Paolo	Cad It S.p.A.	5,481		-	-	5,481	
Margetts Michael John	Cad It S.p.A.	-		-	-	-	
Lamberto lambertini	Cad It S.p.A.	-		-	-	-	
Francesco Rossi	Cad It S.p.A.	-		-	-	-	
Cusumano Giannicola	Cad It S.p.A.	-		-	-	-	
Ranocchi Gian paolo	Cad It S.p.A.	-		-	-	-	
Tengattini Renato	Cad It S.p.A.	60		-	-	60	
Managers with strategic responsibilites	Cad It S.p.A.	1,300		-	-	1,300	
(1) of which in spouse's name n.:	370,885						
(2) of which in spouse's name n.:	351,264						
(3) of which in spouse's name n.:	531,264						
(4) of which in spouse's name n.:	380,985						

[2] (in accordance with sheet 3, attachment 3c, of Consob Regulation no. 11971)

Information relative to payments for any security of the main company or its direct or indirect subsidiaries to Board members or auditors and to managers with strategic responsibilities are shown in the balance notes.

Reconciliation report with the Head Company balance

The following table shows the reconciliation figures of the net patrimony and the consolidated financial result with those of CAD IT S.p.A.[3]

	Net patrimony	Result of period
Net patrimony and result of the controlling company for the period concerned	60,785	6,567
- difference between the entry value of the consolidated holdings and the pro quota value of the net patrimony	(10,072)	
- effects on reserves	(406)	
- pro quota results of the subsidiary/associate holdings	1,637	1,637
- consolidation difference	8,309	
- subsidiary/associate dividend elimination		(320)
- infra-group margin elimination	(56)	(56)
Assessment of associate holdings		
with net patrimony method	184	34
- other economical effects		107
Total net patrimony and consolidated result of period	***60,380***	***7,968***

Corporate Governance

On 26th March 2008, the Board of Directors approved the 2007 annual report in accordance with art. 124-bis of Leg. Decree 58/1998 and art. 89 bis of the Issuer Regulations, 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 new auto-disciplinary code for quoted companies laid down by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
The report is available to the public in the Investor Relations sector of the company website: www.cadit.it.

Financial instruments and risk management

The Group is exposed to limited risks in terms of its activities.
Credit risks concerning commercial relations with its clients: the Group mainly operates with banks and their associated companies and other clients of approved soundness and solvency. This is why, in previous financial periods, credit losses have been relatively insignificant. If objective conditions on the partial or total irrecoverableness of a credit of an individual client should arise, the relative credit will be subject to depreciation on the basis of an estimation of recoverable flows and of collection times. For credits that are not subject to individual depreciation, credit depreciation funds are allocated on a collective basis in correlation with the past incidence of occurred losses.
Interest rate risk: CAD IT and the Group’s companies use available liquidity in bank accounts and capitalisation insurance policies and other financial resources, principally in the form of advances on commercial credits and the use of current account overdrafts. Changes in market interest rates can influence investment performance and the cost of financing affect revenues and financial outlay.
Exchange rate risk: at the moment the Group only operates marginally on an international level and is

[3] In accordance with Consob communication no. 6064293 of 28 July 2006.

therefore not subject to significant exchange rate risks.
Liquidity risk: keeping up an adequate amount of liquid assets and the ability, as demonstrated in the past, to generate positive cash flows, make the risk of not having enough financial resources to fulfil the needs of the Group's activity very slight.
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.

Other Information

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

Important events since 31st December 2007 and foreseeable development

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.
In the ongoing financial period, the development and sale of new products to existing clients and new types of client are continuing. The activity which began in May 2007 regarding the laws on the adjustment of information technology systems to the MiFID directive will continue throughout the first six months of 2008. In this context, 200 financial institutions will use software developed by CAD IT to adjust their information technology systems to the aforementioned law.
Moreover, the intense planning activity with Xchanging, through which the CAD IT Group aims to increase its income in Italy and to geographically diversify its own business, continues.
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.

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

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Consolidated income statement

	NOTES	Period 2007 01/01 - 31/12		Period 2006 01/01 - 31/12		Variazions	
							%
Income from sales and services		58,256	96.0%	47,669	91.2%	10,587	22.2%
of which related parties	37	*805*	*1.3%*	*179*	*0.3%*	*626*	*349.6%*
Variations in stock of products being elaborated		(91)	(0.1%)			(91)	
Changes in ongoing orders		(106)	(0.2%)	56	0.1%	(162)	(287.1%)
Asset increases due to internal work		2,335	3.8%	4,406	8.4%	(2,071)	(47.0%)
of which related parties	37	*832*	*1.4%*	*1,908*	*3.7%*	*(1,076)*	*(56.4%)*
Other revenue and receipts		301	0.5%	111	0.2%	190	171.3%
Production value	2	**60,696**	**100.0%**	**52,243**	**100.0%**	**8,453**	**16.2%**
Costs for raw	4	(1,227)	(2.0%)	(1,223)	(2.3%)	(4)	0.4%
Service costs	5	(10,002)	(16.5%)	(8,923)	(17.1%)	(1,079)	12.1%
of which related parties	37	*(138)*	*(0.2%)*	*(336)*	*(0.6%)*	*198*	*(59.0%)*
Other operational costs	6	(814)	(1.3%)	(1,035)	(2.0%)	221	(21.4%)
Added value		**48,652**	**80.2%**	**41,062**	**78.6%**	**7,590**	**18.5%**
Labour costs	7	(30,999)	(51.1%)	(29,670)	(56.8%)	(1,329)	4.5%
of which related parties	37	*(501)*	*(0.8%)*	*(368)*	*(0.7%)*	*(133)*	*36.1%*
Other administrative expenses	8	(2,499)	(4.1%)	(2,350)	(4.5%)	(149)	6.3%
of which related parties	37	*1,082*	*1.8%*	*1,050*	*2.0%*	*32*	*3.1%*
Gross operational result (EBITDA)		**15,155**	**25.0%**	**9,042**	**17.3%**	**6,112**	**67.6%**
Allocation to Credit Depreciation Fund		(279)	(0.5%)	(3)	(0.0%)	(277)	9,903.8%
Amortizations:							
- Intangible fixed asset amortization	13	(1,434)	(2.4%)	(835)	(1.6%)	(599)	71.8%
- Tangible fixed asset amortization	14	(793)	(1.3%)	(825)	(1.6%)	33	(3.9%)
Other allocations							
Operational result (EBIT)		**12,649**	**20.8%**	**7,380**	**14.1%**	**5,269**	**71.4%**
Financial receipts	9	393	0.6%	281	0.5%	112	39.9%
Financial charges	9	(173)	(0.3%)	(124)	(0.2%)	(49)	39.4%
Ordinary result		**12,868**	**21.2%**	**7,536**	**14.4%**	**5,332**	**70.8%**
Revaluations and depreciations	10	992	1.6%	27	0.1%	965	3,571.9%
Pre-tax and pre-third party share result		**13,861**	**22.8%**	**7,563**	**14.5%**	**6,297**	**83.3%**
Income taxes	11	(5,316)	(8.8%)	(4,303)	(8.2%)	(1,013)	23.5%
Third party (profit)loss for the period		(576)	(0.9%)	(300)	(0.6%)	(277)	92.3%
Profit (loss) for the period		***7,968***	***13.1%***	***2,961***	***5.7%***	***5,008***	***169.2%***

Consolidated balance sheet

	NOTES	31/12/2007	31/12/2006	Variations	Var. %
ASSETS					
A) Non-Current Assets					
Assets, equipment and machinery	13	20,147	20,592	(446)	(2.16%)
Intangible assets	14	15,572	14,452	1,120	7.75%
Goodwill	15	8,309	8,309	0	-
Holdings	17	186	152	34	22.68%
Other financial assets available for sale	18	1,193	2,787	(1,594)	(57.20%)
Other non-current credits		56	46	10	20.78%
Credits due to deferred taxes	19	254	322	(68)	(21.14%)
TOTAL NON-CURRENT ASSETS		**45,716**	**46,660**	**(944)**	**(2.02%)**
B) Current Assets					
Stock	20	508	660	(151)	(22.94%)
Ongoing orders	21	286	392	(106)	(26.94%)
Commercial credits and other credits	22	29,695	26,276	3,419	13.01%
Tax credits	23	156	54	102	187.58%
Cash on hand and other equivalent assets	24	13,097	9,529	3,568	37.44%
TOTAL CURRENT ASSETS		**43,744**	**36,912**	**6,832**	**18.51%**
C) Non-Current Assets For Sale					
TOTAL ASSETS		***89,460***	***83,572***	***5,888***	***7.04%***

	NOTES	31/12/2007	31/12/2006	Variations	Var. %
LIABILITIES					
A) Equity					
Company capital	25	4,670	4,670	0	-
Reserves	26	35,428	34,997	431	1.23%
Accumulated profits/losses	27	20,282	14,918	5,364	35.96%
TOTAL EQUITY OF THE GROUP		60,380	54,585	5,795	10.62%
Third party Equity	25	3,041	2,708	333	12.31%
TOTAL EQUITY		**63,421**	**57,293**	**6,128**	**10.70%**
B) Non-current liabilities					
Financing	29	284	308	(23)	(7.56%)
Liabilities due to deferred taxes	30	3,507	3,546	(39)	(1.10%)
TFR and quiescence reserves	31	6,339	6,915	(577)	(8.34%)
Expense and risk reserves		25	25	0	-
TOTAL NON-CURRENT LIABILITIES		**10,155**	**10,794**	**(639)**	**(5.92%)**
C) Current liabilities					
Commercial debts	32	4,346	4,623	(277)	(5.99%)
Tax debts	33	3,563	3,227	337	10.44%
Short-term financing	34	1,017	1,138	(121)	(10.61%)
Other debts	35	6,957	6,497	459	7.07%
TOTAL CURRENT LIABILITIES		**15,884**	**15,485**	**398**	**2.57%**
TOTAL LIABILITIES AND EQUITY		***89,460***	***83,572***	***5,888***	***7.04%***

Statement of changes in equity

Statement of changes in equity	*NOTES*	*Attribution to the shareholders of the Main Company*					*Minority Interests*	*Total*
		Company capital	*Reserves*	*Accumulated profit (loss) net of period result*	*Period result*	*Group's net patrimony*		
31-dic-06		4,670	34,997	11,957	2,961	54,585	2,708	57,293
Profit/(loss) for evaluation of available for sale financial assets recognised directly in equity	18		203			203		203
Allocation of evaluation reserve for financial assets available for sale to economic account	18		228			228		228
Increase in revaluation reserves								
Allocation of the period result to reserves				2,961	(2,961)			
Dividend distribution	28			(2,604)		(2,604)	(243)	(2,847)
Effects on consolidation reserves								
Company capital increases								
Period result					7,968	7,968	576	8,545
Period end total 2007		***4,670***	***35,428***	***12,314***	***7,968***	***60,380***	***3,041***	***63,421***

Statement of changes in equity	*Attribution to the shareholders of the Main Company*					*Minority Interests*	*Total*
	Company capital	*Reserves*	*Accumulated profit (loss) net of period result*	*Period result*	*Group's net patrimony*		
31-dic-05	*4,670*	*35,298*	*12,059*	*1,517*	*53,543*	*2,570*	*56,113*
Increase/(Decrease) in equity reserves		(300)			(300)	56	(244)
Increase in revaluation reserves							
Allocation of the period result to reserves			1,517	(1,517)			
Dividend distribution			(1,616)		(1,616)	(218)	(1,834)
Effects on consolidation reserves			(2)		(2)		(2)
Company capital increases							
Period result				2,961	2,961	300	3,260
Period end total 2006	***4,670***	***34,997***	***11,957***	***2,961***	***54,585***	***2,708***	***57,293***

Statement of changes in equity	Attribution to the shareholders of the Main Company					Minority Interests	Total
	Company capital	Reserves	Accumulated profit (loss) net of period result	Period result	Group's net patrimony		
31-dic-04	*4,670*	*35,246*	*13,591*	*4,192*	*57,699*	*2,576*	*60,275*
Profit/(loss) for evaluation of available for sale financial assets recognised directly in equity		51	(2,737)		(2,686)	106	(2,580)
Increase in revaluation reserves							
Allocation of the period result to reserves			4,192	(4,192)			
Dividend distribution			(2,963)		(2,963)	(309)	(3,272)
Effects on consolidation reserves			(24)		(24)		(24)
Company capital increases							
Period result				1,517	1,517	196	1,713
Period end total 2005	***4,670***	***35,298***	***12,059***	***1,517***	***53,543***	***2,570***	***56,113***

Consolidated Cash Flow Statement

	NOTES	31/12/2007	31/12/2006
A) OPERATING ACTIVITIES			
Profit (loss) for the period		7,968	2,961
Amortisation, revaluation and depreciation:			
- Assets, equipment and machinery amortisation	13	793	825
- Intangible fixed asset amortization	14	1,434	835
- revaluation of holding and financial assets available for sale	10	(992)	(85)
- devaluation of holding and financial assets available for sale		-	-
Allocations (utilisation) of funds:		(577)	479
Financial performance:			
- Net financial receipts (charges)	9	(220)	(157)
- Profit / (losses) on exchanges	9	(36)	(3)
Working capital variations		2,065	3,407
Income taxes paid in the financial period		(4,780)	(2,337)
Interest payment	9	(137)	(120)
(A) - Cash flows from (for) operating activities		**5,518**	**5,805**
B) INVESTING ACTIVITIES			
Investing activities			
- Assets, equipment and machinery purchases	13	(408)	(489)
- Intangible assets purchases	14	(2,554)	(4,489)
- increase in other fixed assets		(11)	(512)
Disinvestment activities			
- Assets, equipment and machinery transfers	13	61	15
- Intangible assets transfers		-	50
- Other assets available for sale transfers	18	2,919	-
- decrease in other fixed assets		2	526
Cashed Interest	9	376	263
Cashed dividends	9	80	102
(B) - Cash flows from (for) investing activities		**465**	**(4,535)**
C) FINANCING ACTIVITIES			
Medium/long term debts repairement	29	(23)	(66)
Opening of medium/long term debts		-	-
Effects on consolidation reserve		-	(2)
Third party net patrimony		333	138
Distribution of dividends	28	(2,604)	(1,616)
(C) - Cash flows from (for) financing activities		**(2,294)**	**(1,547)**
(A+B+C) - Total cash and other equivalent assets flows		**3,689**	**(277)**
Opening liquid funds and other equivalent assets	36	**8,391**	**8,668**
Closing liquid funds and other equivalent assets	36	**12,080**	**8,391**

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 and for all the Group's companies; there have been no modifications in the comparative information.
This document comprises consolidated financial statements, notes to the said financial statements, administrative staff observations on how management is progressing and the most important factors of the financial period, and the financial statements regarding the parent company.
The consolidated balance has been drafted using the evaluation criterion of past cost, except for financial instruments available for sale, which are assessed at *fair value,* and the holdings in subsidiaries, which are assessed in accordance with the equity method. Moreover, where some land and buildings have been included in *First Time Adoption*, the *fair value* has been used instead of the cost.
The report 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. Since they are estimates, the results obtained are not necessarily the same as the results portrayed.
The estimates and hypotheses are reviewed on a regular basis. Any variations deriving from an accounting estimate review are shown in the period in which the review was made if such review only affects that period. If the review affects the current and future periods, the variation is recorded in the period in which the review is made and in the relative subsequent periods.

Balance sheet layout

The 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 Group presents its economic account by nature, the format that is considered the most representative in terms of function presentation. In fact, the chosen format conforms to the internal reporting modalities and the business management and is in line with the way the economic account was represented in the past.
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 financial 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.

Subsidiary companies

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

Associated companies

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

Property, plant and equipment

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

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

Land, both without buildings or next to civil and industrial constructions, is accounted for separately and not amortised as it is considered an element with an indefinite useful life cycle.

In order to calculate any losses due to depreciation, the accounting value of intangible fixed assets is subject to verification.

At the time of elimination or when no future economic benefit can be expected from the use of an asset, it is eliminated from the balance and the eventual loss or profit (calculated as the difference between the assignment value and the taxation value) is shown in the economic account of the year in which the asset is eliminated.

Financial leasing

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

Intangible fixed assets

Intangible fixed assets are shown as such when it is likely that they will bring in future economic benefits for the company and when the asset cost can be feasibly determined.

Intangible fixed assets, having a defined useful life cycle, are subsequently registered net of the relative accumulated amortizations and any losses due to a reduction in value.

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, these costs are amortized as from the moment in which the activity becomes available for use, in permanent amortisation amounts for the entire duration of the product's lifecycle, estimated at five years.

The costs of internally generated intangible assets include any expenses that can be directly attributable to the development of the product and any reasonable part of general production costs attributable to the preparation stages before putting the product to use. All other development costs that cannot be capitalised, when sustained, are reported on the income statement.

Goodwill

Goodwill resulting from the purchase of controlled and incorporate companies is initially registered at cost and is the overbalance of the purchase cost in respect of the purchaser's share of the fair value of the assets and liabilities and the potential liabilities at the date of purchase.

After the initial registration, goodwill is no longer amortised and is decremented of any losses in accumulated

value, calculated according to the IAS 36 Asset value reduction.
Goodwill is subject to an annual analysis of retrievableness or at shorter intervals if something happens or changes in circumstances arise, which could cause losses in value.
Goodwill deriving from purchases made prior to 1st January 2004 is registered at the recorded value ascribed to it in the last balance drafted on the basis of the previous accounting standards (31st December 2003). In fact, during the preparation of the opening balance in accordance with the international accounting standards, none of the purchase transactions made prior to 1st January 2004 have been re-considered.
The start-up relating to holdings in associated companies is included in the value of these companies.

Impairment loss

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

Assets available for sale

Share in non-consolidated companies are classified as assets financially available for sale and are valued at fair value. For any shares quoted the fair value is the market value as of the reference date. The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account, 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. Financial investments are classified as liquid assets only when they have a short expiry (i.e. at three months or less from the purchase date).

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. The liabilities calculation is carried out by independent actuaries.
Profits and losses deriving from carrying out actuarial calculations are registered to the Profit and Loss account.
Due to modifications to the laws concerning the termination of working relations (TFR) enforced by Law no. 296 of 27th December 2006 (Financial Act 2007) and subsequent Decrees and Regulations issued in the early months of 2007, the TFR amounts matured since 1st January 2007 in the Group's companies with more than 50 employees have been accounted for as a Definite Contribution Plan, both in terms of the option of complementary welfare and in terms of allocation to the Treasury Fund at INPS (social security office). The TFR Fund matured at 31st December 2006, however, remains as a Definite Benefit Plan: the actuarial calculations have therefore excluded the component relating to future increases in salary. The difference resulting from the new calculation compared to the previous value registered at 31st December 2006, has been accounted for as a reduction of a definite benefit plan, in accordance with paragraph 109 of IAS 19, the difference thus appearing in the Profit and Loss account.

Risk and obligation funds

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

Commercial debts and other current liabilities

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

Revenues and costs

The revenues and costs are determined in accordance with the qualifying economic principle to the amount to which the fair value can be feasibly determined.
Depending on the type of operation, the revenues are determined on the basis of the specific criteria reported

below:
- the revenues for services are determined with reference to the point at which they stand on the basis of the same criteria used for determining the position of ongoing orders. If it is not possible to feasibly determine the revenue values, they are then calculated until they concur with the amount of expenses sustained and which are deemed recoverable.
- the profits from the sale of goods are shown when significant risks and benefits of the ownership of the goods are transferred to the purchaser, the sale price is agreed or can be determined and payment is collected.

As for sales concerning assistance and/or maintenance services carried out with the annual subscription formula, the accrual is calculated in proportion with time.
The costs are ascribed in the balance according to the same criteria as those for revenue acknowledgment.

Income taxes

Current income taxes for the financial period are calculated on the basis of estimates of taxable income in accordance with the laws in vigour: Moreover, the effects deriving from the activation within the Group of the national tax consolidation are also taken into account. The debt for current taxes is accounted for in the patrimonial status, net of any taxes paid in advance.
Deferred and pre-paid income taxes are calculated on the temporary differences between the patrimonial values registered in accordance with the IFRS international accounting standards and the corresponding values realised for tax purposes. Deferred income tax are calculated applying the tax rate which will be in force at the year after the account reference dates.
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 2007		Period 2006		Variazions	
	01/01 - 31/12		01/01 - 31/12			%
Income from sales and services	58,256	96.0%	47,669	91.2%	10,587	22.2%
Variations in stock of products being elaborated	(91)	(0.1%)			(91)	
Changes in ongoing orders	(106)	(0.2%)	56	0.1%	(162)	(287.1%)
Asset increases due to internal work	2,335	3.8%	4,406	8.4%	(2,071)	(47.0%)
Other revenue and receipts	301	0.5%	111	0.2%	190	171.3%
Production value	***60,696***	***100.0%***	***52,243***	***100.0%***	***8,453***	***16.2%***

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.
During the financial period, revenues grew by 22.2% compared to the 2006 and reached Euro 58,256 thousand. The increase in revenues was favoured by the Group’s intense activity in the adjustment of information technology systems to the new MiFID regulations in the banking field.
Increases in intangible assets due to internal work include the activities carried out by the staff of CAD IT and the Group’s companies 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	*31/12/2007*				
	Finance	*Manufacturing*	*Not allocated/General*	*Elisions*	*Consolidated*
External revenues	56,450	4,245			60,696
Intersegment revenues	2,995	950		(3,945)	
Total revenues	59,445	5,195		(3,945)	60,696
Costs	(45,962)	(4,447)	(1,583)	3,945	(48,047)
Gross Operating Result (EBITDA)	15,763	975	(1,583)		15,155
Operating Result (EBIT)	13,483	749	(1,583)		12,649
Net financial income (expenses)			220		220
Revaluations and devaluations	992				992
Result	14,475	749	(1,363)		13,861
Income taxes			(5,316)		(5,316)
Third party share (profit)/loss	(1,117)	(30)	571		(576)
Financial period profit (loss)	13,358	718	(6,108)		7,968
Assets	86,134	2,915	410		89,460
Liabilities	17,230	1,738	7,071		26,039

Disclosures for business segments	*31/12/2006*				
	Finance	*Manufacturing*	*Not allocated/General*	*Elisions*	*Consolidated*
External revenues	47,715	4,528			52,243
Intersegment revenues	3,567	1,280		(4,847)	
Total revenues	51,282	5,808		(4,847)	52,243
Costs	(42,712)	(5,584)	(1,414)	4,847	(44,863)
Gross Operating Result (EBITDA)	9,956	500	(1,414)		9,042
Operating Result (EBIT)	8,570	224	(1,414)		7,380
Net financial income (expenses)			157		157
Revaluations and devaluations	27				27
Result	8,597	224	(1,257)		7,563
Income taxes			(4,303)		(4,303)
Third party share (profit)/loss	(757)	(24)	481		(300)
Financial period profit (loss)	7,840	200	(5,079)		2,961

Assets	79,542	3,654	377		83,572
Liabilities	17,425	2,081	6,773		26,279

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

Purchase costs	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Hardware-Software purchases for sale	826	1,010	(183)	(18.16%)
Maintenance and consumable hardware purchases	109	17	92	533.29%
Other purchases	231	209	22	10.78%
Variations in raw material stock	61	(12)	73	(584.75%)
Total	***1,227***	***1,223***	***4***	***0.36%***

Costs for purchasing hardware and software for sale refer to purchases made for orders that clients had already confirmed and are substantially stable over the two periods in question.

5 Service costs

Services costs	*31/12/2007*	*31/12/2006*	*Variations*	*%*
External collaboration	6,178	5,289	888	16.80%
Travelling expenses and fee reimbursement	1,417	1,277	139	10.89%
Other service costs	2,408	2,356	52	2.20%
Total	***10,002***	***8,923***	***1,079***	***12.10%***

Service costs in 2007 came to Euro 10,002 thousand, an increase compared to the previous year (Euro 8,923 thousand). In more precise terms, external collaboration costs increased by Euro 888 thousand (+16.80%), expenses reimbursement and travel costs increased by Euro 139 thousand (+10.89%) and other service expenses came to Euro 52 thousand (+2.20%). The cost for expenses reimbursement and travel increased during the year in relation to the increase in productive activity; this intense activity made it necessary to employ further external collaboration, often highly qualified and specialised professionals.
Other service costs mainly include assistance fees and hardware and software maintenance, energy costs, administrative, legal and fiscal consultancy, maintenance costs for office management and installed systems.

6 Other operational costs

The following chart shows the details of other operational costs which have decreased compared to the previous year due to a reduction in the various management costs (Euro -245 thousand compared to 2006).

Other operational costs	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Third party benefit expenses	689	665	24	3.64%
Various management charges	125	370	(245)	(66.31%)
Total	***814***	***1,035***	***(221)***	***(21.38%)***

Third party benefit expenses mainly refer to equipment and software rental and to office lease.

7 Labour costs and Employees

Labour costs amounted to Euro 30,999 thousand and are as follows:

Labour costs	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Salaries and wages	22,882	21,542	1,339	6.22%
Payroll taxes	6,977	6,575	402	6.12%
Severance pay	1,034	1,429	(395)	(27.66%)
Retirements and the like				
Other costs	106	124	(18)	(14.45%)
Total	***30,999***	***29,670***	***1,329***	***4.48%***

Labour costs in 2007 financial period increased by Euro 1,329 thousand (+4.48%) compared to previous year, even though the average number of employees was lower, mainly due to the effect of staff overtime pay, necessary to be able to cope with the intense production achieved during the period.
The cost regarding severance pay in 2007 was less compared to the previous year mainly due to the effect of the change in law, as previously describes.
The figures relating to the precise number of employees currently working in the CAD IT Group are shown below:

Category of employees	*labour force at 31/12/2007*	*labour force at 30/06/07*	*labour force at 31/12/06*
Management	19	18	18
White-collars and cadres	595	592	601
Blue-collars	1	1	1
Apprentices	3	3	3
Total	***618***	***614***	***623***

The number of CAD IT Group staff, at the end of the 2007 financial period was 5 persons less than at 31st December 2006; the average number of employees in 2007 was 617 persons while this figure was 631 in 2006.
The following table shows data regarding the CAD IT Group employees:

Category of employees	*Average number 2007*	*Average number 2006*	*Variations*
Management	18	19	-1
White-collars and cadres	595	608	-13
Blue-collars	1	1	0
Apprentices	3	3	0
Total	***617***	***631***	***-14***

The Group continues to dedicate particular attention to professional staff training at certain periods by means of internal training programmes and updating courses.
During 2007 CAD IT received an “Educational Business” award by Confindustria Verona for having integrated training into its mission by including it among its strategic objectives, in the awareness that human capital should be exploited by favouring the broadening and divulgence of knowledge.

8 Other administrative costs

The table below shows the other administrative costs in detail:

Other administrative costs	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Director and legal representative fees	1,428	1,386	42	3.02%
Director retirement	27	43	(16)	(36.95%)
Director and legal representative fee contributions	120	89	31	35.04%
Telephones	643	598	44	7.42%
Commissions	99	29	71	247.02%
Advertising fees	182	205	(23)	(11.29%)
Total	***2,499***	***2,350***	***149***	***6.35%***

Other administrative costs include Euro 1,082 thousand to remunerations paid to correlated parties as shown in note 37.

9 Financial performance

The financial management result is in credit by Euro 220 thousand, an improvement on 2006, as the following detailed statement shows.

Financial performance	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Financial income from assets available for sale	17	17		
Interest on bank deposits and equivalent	376	264	113	42.77%
Total financial income	**393**	**280**	**113**	**40.18%**
Interest on bank overdrafts and loans	(122)	(105)	(18)	16.82%
Interest on debts for financial leasing	(14)	(16)	1	(8.86%)
Losses on exchanges	(36)	(3)	(33)	1,170.89%
Total financial charges	**(173)**	**(124)**	**(49)**	**40.02%**
Net financial income and (charges)	***220***	***157***	***63***	***40.31%***

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

10 Revaluations and depreciations

Revaluations and depreciations	*31/12/2007*	*31/12/2006*	*Variations*
Holding revaluation evaluated with the net patrimony method	98	85	13
Alienated assets available for sale revaluation	894		894
Devaluation of shareholdings (loss cover)		(58)	58
Total revaluations and depreciations	***992***	***27***	***965***

The reassessment of available assets for sale derives from the alienation in 2007 of holdings in Class Editori S.p.A. and Cia S.p.A. and includes the transfer of that part of the evaluation reserve previously directly relative to patrimony.

Reassessment of the holdings evaluated by the equity method concern the associated company Sicom S.r.l., both in 2007 and in 2006.

11 Income taxes

Income taxes	31/12/2007	31/12/2006	Variations	%
Tax pre-payments	67	(50)	117	(233.38%)
Deferred taxes	(41)	201	(242)	(120.65%)
Current taxes	5,291	4,152	1,139	27.43%
Total income taxes	***5,316***	***4,303***	***1,013***	***23.54%***

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, for the three years 2007-2009, 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 37.78%, while at 31/12/2006 was 56.25%. The decrease in tax incidence is mainly attributable to greater fiscal amortizations compared to civil law amortizations, to the use of tax losses in previous years and to the effect of IRAP, whose incidence tends to decrease as pre-tax results improve.

SUMMARY OF THEORETICAL TAX EXPENSES AND TOTAL EFFECT				
	current period 2007		*previous period 2006*	
Current IRES tax	3,643	26.28%	2,580	34.11%
Current IRAP tax	1,648	11.89%	1,674	22.14%
Total current taxes and effective rates	**5,291**	**38.17%**	**4,254**	**56.25%**
Minor taxes from previous financial periods			-102	
Total current taxes	***5,291***		***4,152***	

RECONCILIATION BETWEEN TAX EXPENSES IN THE BALANCE AND THEORETICAL TAX EXPENSES				
Theoretical rates	**IRES**	33%	**IRAP**	4.25% e 5.25%
	Taxable	**Tax**	**Taxable**	**Tax**
Pre-tax result	**13,861**		**13,861**	
Theoretical tax		**4,574**		**589**
Temporary differences deductible in later periods				
Director remuneration				
Representation expenses	37		37	
Total temporary tax variations on the increase	**37**	**12**	**37**	**2**
Temporary taxable differences in later periods				
TFR putting into effect	(277)			
Further amortisations	(1,045)		(1,045)	
Total temporary tax variation on the decrease	**(1,321)**	**(436)**	**(1,045)**	**(44)**
Turnaround of the temporary differences from previous periods				
Representation expenses	(29)		(29)	
Director remuneration	(72)			
Holding share devaluation	(7)			
Total temporary variations from previous periods	**(108)**	**(36)**	**(29)**	**(1)**
Permanent differences				
To IRES / IRAP income increases	493		34,361	
To IRES / IRAP income decreases	(1,210)		(8,942)	
Total permanent differences	**(718)**	**(237)**	**25,419**	**1,103**
Taxable fiscal income	**11,751**		**38,243**	
Continual loss	(713)			
Taxable income / current tax on the period's income	**11,038**	**3,643**	**38,243**	**1,648**
Effective rate on the pre-tax result	***IRES***	***26.28%***	***IRAP***	***11.89%***

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 2007 01/01 - 31/12*	*Period 2006 01/01 - 31/12*
Net profit ascribable to ordinary shares in thousands of euro	7,968	2,961
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	***0.887***	***0.330***

13 Property, plant and equipment

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

Property, plant and equipment	31/12/2007	31/12/2006	Variations	%
Land	1,527	1,527		
buildings	15,202	15,325	(123)	(0.80%)
Plant and equipment	2,289	2,512	(223)	(8.88%)
Other assets	1,129	1,229	(100)	(8.14%)
Total property, plant and equipment	***20,147***	***20,592***	***(446)***	***(2.16%)***

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

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Fixed assets under development	Total
Purchase or production cost	9,140	4,039	22	5,351		18,552
Previous years revaluations	8,439					8,439
Previous years depreciation and write-downs	(727)	(1,527)	(11)	(4,131)		(6,397)
Adjustments to previous years write-downs				(2)		(2)
Opening value	***16,851***	***2,512***	***11***	***1,218***		***20,592***
Variations in consolidation area						
Purchases		51	5	351		408
Transfers						
Reduction in accumulated depreciation due to disposals		22		172		194
Disposals		(36)		(218)		(254)
Revaluations for the period						
Depreciation and write-downs for the period	(123)	(260)	(3)	(407)		(793)
Adjustments to write-downs for the period						
Total tangible fixed assets	***16,729***	***2,289***	***13***	***1,116***		***20,147***

Land and buildings include property and land, accounted for separately, belonging to the Group or conducted in leasing. The accounting value of the buildings calculated on the basis of leasing contracts is equal to Euro 326 thousand.

There are no restrictions on the legal ownership and possession of assets, systems and machinery to guarantee liabilities with the exception of property held in leasing. There are no contractual restrictions for buying assets, systems or machinery.

Some land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert. For further information regarding this point, please refer to the attached document on transition to the international accounting standards to the financial statement at 31 December 2005.

The purchasing of new tangible assets during the year came to a total of Euro 408 thousand of which Euro 351 thousand were for “other tangible assets” that mainly included the purchasing of electronic machinery, managerial instruments characteristic of the Group’s activities.

In 2007 tangible assets of a past cost of Euro 254 thousand were alienated and the relative amortization fund came to Euro 194 thousand. During the year property, installations and machinery were not subject to any value reductions that required registration in the balance.

14 *Intangible fixed assets*

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

Intangible fixed assets	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Development costs				
Industrial patents and similar rights	8,871	3,646	5,226	143.33%
Licences, trademarks and similar rights	177	122	55	44.63%
Assets under development	6,524	10,684	(4,160)	(38.94%)
Others				
Total Intangible fixed assets	***15,572***	***14,452***	***1,120***	***7.75%***

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

	Industrial patents and similar rights	Licences, trademarks and similar rights	Assets under development and payments on account	Other	*Total*
Purchase or production cost	4,615	3,087	10,684	23	18,410
Previous years revaluations					
Previous years depreciation and write-downs	(970)	(2,964)		(23)	(3,957)
Adjustments to previous years write-downs		(1)			(1)
Opening value	*3,646*	*122*	*10,684*	*0*	*14,452*
Variations in consolidation area					
Purchases	91	128	2,335		2,554
Transfers	6,495		(6,495)		
Reduction in accumulated depreciation due to disposals					
Disposals					
Revaluations for the period					
Depreciation and write-downs for the period	(1,361)	(74)			(1,434)
Adjustments to write-downs for the period					
Total intangible fixed assets	***8,871***	***177***	***6,524***	***0***	***15,572***

The voice “industrial patent rights and works of ingenuity” is almost entirely made up of software procedures developed by the CAD IT Group; during the financial period, this registration increased by Euro 6,495 thousand due to the reclassification of procedures completed and available for sale or use which were previously registered to ongoing intangible assets.
The values are registered in credit to the directly sustained cost, including costs relating to the use of internal resources as well as any possible additional accessory fees that may occur. In respect of the principle that correlates costs and revenues, such costs are amortized as of the moment in which they are available for use and in terms of the product’s lifecycle, estimated at five years. The amortizations of this voice in the 2007 financial period came to Euro 1,361 thousand.
The caption “Licences, trademarks and similar rights” principally includes the licensed out software bought by third parties used by the Group 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 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.

During 2007, ongoing intangible assets increased due to costs capitalised by CAD IT (Euro 1,307 thousand), by Datafox S.r.l. (Euro 60 thousand), by Smart Line S.r.l (Euro 136 thousand) and due to costs of activites that CAD S.r.l. itself commissioned (Euro 762 thousand) and to Netbureau S.r.l. (Euro 70 thousand), to a total of Euro 2,335 thousand.

These assets have undergone no reduction in value during the year that need to be registered in the balance.

15 Goodwill

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

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

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

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

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

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

The evaluation of the CAD IT Group companies was made through a *Discounted Cash Flow* (DCF), the most common calculation method in financial markets. The results obtained by applying this method were compared to those obtained with the Market Multiple method and in all cases the results proved coherent. Operational cash flow forecasts are based on the most recent budget plans approved by the Board of Directors and relate to the period 2007-2011 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 8.33%.

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:

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

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 kS = 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 = ± 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
$N.P.V. = \pm P.F.N. + \sum^{N}_{i} FCF\ (1+k)^{-N} + (FCF_{N+1} / k\text{-}g)\ \{[1/[1+(k\text{-}g)]^{N}\}$

16 Subsidiary companies and Consolidation area

The consolidation area, compared to the situation at 31/12/2006, has not changed.
In order to prepare the consolidated balance, the companies included in the CAD IT Group consolidation using the integral method are as follows:

Company name	Registered office	Share/ Quota capital Euro	Percentage of investment	Percentage of investment of the Group
consolidated using the integral method				
CAD IT S.p.A.	Verona	4,669,600	Parent company	
CAD S.r.l.	Verona	130,000	100.00%	100.00%
Cesbe S.r.l.	Verona	10,400	52.00%	52.00%
Netbureau S.r.l.	Milan	50,000	100.00%	100.00%
S.G.M. S.r.l.	Padova	100,000	100.00%	100.00%
D.Q.S. S.r.l.	Roma	11,000	55.00%	55.00%
Bit Groove S.r.l.	Verona	15,500	100.00%	100.00%
Elidata S.r.l.	Castiglione D'Adda (LO)	20,000	51.00%	51.00%
Smart Line S.r.l.	Avellino	102,700	51.05%	51.05%
Datafox	Florence	99,999	51.00%	51.00%
Tecsit S.r.l. (1)	Roma	75,000	70.00%	38.50%
(1) Held through DQS S.r.l.				

17 Investments in associates

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

Company name	Date of reference	Quotaholders' equity including profit for the period	Profit for the period	Percentage of investment	Investment value of the Group	Carrying value in the consolidated year report
Sicom S.r.l.	31/12/2007	745	391	25.00%	186	186

18 Other financial assets available for sale

This point involves Class Editori S.p.A. and CIA S.p.A. shares respectively quoted in the Standards and Expands segment, managed by Borsa Italiana S.pA. The two holdings are 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 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 during the year 2007:

Holding	No, of shares held 31/12/2007:	fair value 31/12/2007 euro/000	No, of shares held 30/06/2007:	fair value 30/06/2007 euro/000	No, of shares held 31/12/2006:	fair value 31/12/2006 euro/000
Class Editori S.p.a. (CLE)	559,112	388	1 ,209,403	2,334	1,694,171	2,426
Cia S.p.a. (CIA)	1,230,509	805	1,230,509	591	1,694,171	361
Total		***1,193***		***2,925***		***2,787***

19 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) and past losses that the Group’s companies made. Subsequent to variations in the IRES and IRAP tax rates, advance tax activities have been adjusted resulting in the registration of a variation in reduction of Euro 10 thousand.

20 Inventories

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

Inventories	31/12/2007	31/12/2006	Variations	%
Raw materials, consumables and supplies				
Products being elaborated or semi-elaborated		91	(91)	(100.00%)
Finished goods	508	569	(61)	(10.64%)
Total final inventories	***508***	***660***	***(151)***	***(22.94%)***

21 Ongoing work to order

Ongoing work to order was registered at a total € 286 thousand and includes jobs that were in their final stages, evaluated on the basis of the principle of the completion percentage (cost-to-cost).

Ongoing work to order	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Ongoing work to order	286	392	(106)	(26.94%)
Total Ongoing work to order	***286***	***392***	***(106)***	***(26.94%)***

22 Other financial assets

Commercial credits and other credits are made up as follows:

Trade receivables and other credits	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Trade receivables	29,180	25,750	3,430	13.32%
Accrued income and deferred expenses	316	339	(23)	(6.82%)
Other credits	199	187	12	6.31%
Total trade receivables and other credits	***29,695***	***26,276***	***3,419***	***13.01%***

Credits to clients are entirely due within 12 months; the accounting value of commercial credits and other credits is approximate to their fair value.
Commercial credits are mainly in favour of the Group’s Banking Institute clients.
The high sum of credits towards clients is conditioned by the size of the value of the contracts, which is often considerable, as well as the contractual terms of payment which usually state that the balance of the amounts due are to be paid after the procedures supplied have been approved.
The Group evaluated the credits to the probable break-up value. This evaluation is made analytically for expired credits and on expiry of a greater length of time than the average receipt time and on a lump-sum basis for the other credits, depending on the past incidence of losses that the Group finds for sales during the invoicing year.
Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 158 thousand (€ 82 thousand in previous period) which ensures a cover of 0.54% of the total amount of credits towards clients. This fund was determined on the basis of past data regarding losses on credits and is considered proportionate.

Trade receivables, net	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Associated companies				
Trade receivables	29,338	25,833	3,506	13.57%
Bad debt provision	(158)	(82)	(75)	91.43%
Total trade receivables	***29,180***	***25,750***	***3,430***	***13.32%***
% Coverage of bad debt provision	0.54%	0.31%		

The point Accrued accruals and payables refers to accrued income to the sum of Euro 7 thousand and the remaining amount to accrued income made up as follows:

Accrued costs	31/12/2007	31/12/2006
Software assistance	138	106
Advertising expenses	27	54
Third party benefit expenses	42	65
Telephone charges	40	43
Administrative services	4	16
Various insurances	28	29
Various	29	21
Total Accrued costs	***309***	***332***

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

Credits towards other	31/12/2007	31/12/2006	Variations	%
Receivables from social security institutions	2	2	(0)	-
Receivables for advances on travel expenses	12	12	0	-
Payments on account to suppliers	79	112	(33)	(29.81%)
Other	58	56	2	3.05%
Insurances	40		40	
Guarantee deposits	9	5	4	79.58%
Total credits towards other	***199***	***187***	***12***	***6.31%***

23 Tax credits

The registration of Euro 156 thousand is made up of surpluses in accounts deposited to pay direct taxes (IRES and IRAP) in the financial period as well as tax credits for requests for VAT reimbursements on motor vehicles in accordance with legislative decree no. 258 of 15th September 2006.

24 Cash and other equivalent assets

The bank and postal account deposits are made up of cash-on-hand in current bank accounts.
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%.

Cash and other equivalent assets	31/12/2007	31/12/2006	Variations	%
Bank and postal accounts	10,617	3,311	7,305	220.60%
Cheques on hand	13		13	
Cash-on-hand and cash equivalents	16	21	(6)	(27.18%)
Insurance policies capitalised	2,452	6,197	(3,744)	(60.42%)
Total Cash and other equivalent assets	***13,097***	***9,529***	***3,568***	***37.44%***

25 Company capital

The company capital, entirely registered, deposited and unchanged over the period, amounted to € 4,669,600. It was subdivided into 8,980,000 ordinary shares with a nominal value of € 0.52 each and all with equal rights.
The ordinary shares are registered and indivisible and each one gives the right to a vote at the ordinary and

extraordinary shareholders' meetings, as well as to the faculty of carrying out other company and patrimonial rights in accordance with the law and the statute.
Neither CAD IT S.p.A. nor its controlled companies own CAD IT or their own shares, not even through trustee companies or third parties.

Group net patrimony

The Group net patrimony at 31/12/2007 came to Euro 60,380 thousand compared to Euro 54,585 thousand at 31/12/2006.

Third party net patrimony

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

Minority interests	*31/12/2007*	*31/12/2006*	*Variations*
Minority quotaholders of Cesbe S.r.l.	1,810	1,663	147
Minority quotaholders of Datafox S.r.l.	176	157	19
Minority quotaholders of Tecsit S.r.l.	48	48	0
Minority quotaholders of DQS S.r.l.	283	252	32
Minority quotaholders of Elidata srl	554	472	82
Minority quotaholders of Smart Line S.r.l.	171	117	54
Total	***3,041***	***2,708***	***333***

26 Reserves

Reserves	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Own shares				
Share surcharge reserve	35,246	35,246		
Re-evaluation reserve				
Re-evaluation reserve for fin. assets available for sale	181	(249)	431	(172.88%)
Total Reserves	***35,428***	***34,997***	***431***	***1.23%***

The variation of the evaluation reserve for assets available for sale comes from the variation in fair value at 31/12/2007 of the holding in the quoted company Class Editori Spa and CIA S.p.A., directly registered in the net patrimony reserve, net of amounts relating to the transfers carried out in the period.

Variazion in re-evaluation reserve for financial assets available for sale	*At 31/12/06*	*Allocation of transfer reserves to economic account*	*Allocation of fair value adjustments to equity*	*At 31/12/07*
Effects from valuation Class Editori S.p.a. (CLE)	(374)	262	77	(35)
Effects from valuation Cia S.p.a. (CIA)	125	(34)	125	216
Total	***(249)***	***228***	***203***	***181***

27 Accumulated profit/losses

Accumulated profits/losses	31/12/2007	31/12/2006	Variations	%
Previous profits/losses	179	585	(406)	(69.34%)
Legal reserve	934	934		
Statutory reserve				
IFTA transition reserve	2,119	2,119		
Consolidation reserve	(1,400)	(2,077)	677	(32.58%)
Available joint profit reserve	10,482	10,396	86	0.82%
Period profits/losses	7,968	2,961	5,008	169.15%
Total accumulated profits/losses	***20,282***	***14,918***	***5,364***	***35.96%***

The FTA transition fund covers any differences that may have occurred when the international accounting standards were first adopted on 1st January 2004 and was changed for the actual application of the IAS 32 and 39 standards on 01/01/05 when assessing financial assets available for sale, in accordance with the IFRS 1 accounting standard.
The available reserve of undivided profits increased by Euro 86 thousand due to the effect of undistributed profits in the previous period.

28 Dividends paid

On the basis of the results of the 2006 period, which confirm the Veronese Group's ability to generate positive income margins, the distribution of an ordinary dividend of Euro 0.29 per share, for total amount to Euro 2,604 thousand, with coupon detachment on 14 May 2007 and payment on 17 May 2007, was approved at the Shareholders' Meeting on 30 April 2007.

29 Financing

The total amount to € 284 thousan. € 232 thousand of this point refers to the registration of the amount of debt funding determined by property leasing in accordance with the financial method.
A further medium-term debt towards a banking institute of € 52 thousand was also registered.

Financing	31/12/2007	31/12/2006	Variations	%
Due to banks after 12 months	52	52	0	0.06%
Sums due to other financing institutions after 12 months	232	255	(23)	(9.11%)
Total	***284***	***308***	***(23)***	***(7.56%)***

30 Liabilities due to deferred taxes

Deferred taxes amounted to Euro 3,507 thousand (Euro 3,546 thousand in the previous year) 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.
Subsequent to the reduction in IRES and IRAP tax rates, liabilities due to deferred taxes have been adjusted and have brought about an amendment in debit reduction of Euro 540 thousand.

31 Employees' leaving entitlement and quiescence reserves

Employees' leaving entitlement and quiescence reserves	31/12/2007	31/12/2006	Variations	%
Employees' leaving entitlement (TFR)	6,293	6,895	(602)	(8.73%)
Fund due to director end of term of office treatment	46	19	27	145.21%
Other quiescence reserves		2	(2)	(100.00%)
Total	***6,339***	***6,915***	***(577)***	***(8.34%)***

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

Employees' leaving entitlement	31/12/2007	31/12/2006	Variations	%
Balance at 1 January	6,895	6,262	633	10.11%
Actuarial (gain)/loss	(633)	(143)	(490)	343.20%
Allocation of period	395	1,159	(763)	(65.87%)
Utilisation	(365)	(383)	18	(4.74%)
Closing balance	***6,293***	***6,895***	***(602)***	***(8.73%)***

In 2007 modifications in the Italian Severance Pay laws came into force. The effects on the profit and loss account are shown in the previous note relating to labour costs.
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 31/12/2007 are shown below:

TFR on the basis of IAS at 31/12/2007	Previous years' cost	Current year's cost	Current year's interests allowed	Actuarial gain (loss)
6,293	5,897	112	283	633

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

Fund due to director end of term of office treatment	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Balance at 1 January	19	173	(154)	(89.16%)
Accruals	27	26	1	3.89%
Utilisation	0	(180)	180	(100.13%)
Closing balance	***46***	***19***	***27***	***145.21%***

32 Commercial debts

The entire point amount to Euro 4,346 thousand and shows the following trend:

Commercial debts	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Debts towards suppliers	3,852	4,210	(358)	(8.51%)
Payments on account received	170	112	58	52.43%
Accrued expenses and deferred income	324	302	23	7.47%
Total Commercial debts	***4,346***	***4,623***	***(277)***	***(5.99%)***

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

Accrued expenses and deferred earnings	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Accrued liabilities	4	6	(2)	(27.49%)
Deferred earnings	320	296	24	8.18%
Total	***324***	***302***	***23***	***7.47%***

The deferred income refers almost entirely to income that was already invoiced regarding annual ordinary maintenance contracts on user licences and mainly pertaining to next financial period.

33 Tax debts

The taxation debt point regards debts that the various companies of the Group included in the consolidation area have incurred with the inland revenue. This registration is made up of income tax debts net of advances paid, value added tax and to activities of tax substitution made by the various companies regarding their respective employees and collaborators.
At the time of drafting this balance there were no legal cases pending with the Financial Authorities.

34 Short-term financing

This point is made up of Euro 983 thousand from short-term funding to banking institutions outstanding at account and of Euro 34 thousand from debts within 12 months for financial leasing.

35 Other debts

Details of other debts are as shown:

Other debts	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Social security charges payable	2,580	2,314	266	11.48%
Towards directors	106	131	(26)	(19.48%)
Dividends to be distributed to shareholders (third parties)	127	152	(24)	(16.13%)
Towards staff for deferred salaries and pay	4,114	3,849	265	6.88%
Other	31	52	(21)	(40.58%)
Total	***6,957***	***6,497***	***459***	***7.07%***

Debts towards welfare institutions included matured contributory debts on current monthly salaries as well as the quota for deferred maturing salaries.
Staff debts refer to the current salaries for December 2007 and to accruals for deferred salaries that matured at the same date.

Debt towards staff for wages and deferred pay	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Wages and expense accounts	1,193	1,044	149	14.28%
Production incentives	69	157	(88)	(56.21%)
holidays	2,117	1,954	163	8.34%
year-end bonus				
summer bonus	736	694	41	5.93%
Total	***4,114***	***3,849***	***265***	***6.88%***

36 Consolidated net financial position

The consolidated net financial availability was still positive at the end of the year 2007 despite having paid a total of Euro 2,604 thousand in ordinary dividends to shareholders, in accordance with the decision made at the shareholders' meeting on 30th April 2007.
The amount of cash-on-hand at 31/12/2007 was Euro 12,080 thousand, compared to euro 8,391 thousand at 31/12/2006, growing of Euro 3,689 thousand and net financial availability was Euro 11,796 thousand compared to Euro 8,084 thousand at 31/12/2006.
In particular, cash-on-hand and in bank accounts came to Euro 10,645 thousand. Capitalisation insurance policies of Euro 2,452 thousand were contractually available on 20-day prior request without any significant tax expenses.
Short-term debts towards banks regard overdrawn accounts advances subject to final payment.

Variation in net financial position/(indebtedness)	*31/12/2007*	*31/12/2006*	*Variations*	*%*
Cash-on-hand and at bank	10,645	3,333	7,312	219.41%
Capitalisation insurance policies	2,452	6,197	(3,744)	(60.42%)
Payables due to banks current portion	(1,017)	(1,138)	121	(10.61%)
Net short-term financial position/(indebtedness)	12,080	8,391	3,689	43.96%
Long-term loans	(284)	(308)	23	(7.56%)
Net long-term financial position/(indebtedness)	(284)	(308)	23	(7.56%)
Net financial position/(indebtedness)	***11,796***	***8,084***	***3,712***	***45.92%***

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"; short-term financial debts are registered as "Payables due to banks current portion"; long-term financing is registered in the patrimonial status as "Long-term loans".
The increase in financial availability is mainly generated by positive cash flows from operational management (Euro +5,518 thousand) and by investment activities (Euro +465 thousand) partially absorbed by financing activities (Euro –2,294 thousand).
Please refer to CAD IT Group's financial report for cash flow details.

37 Transactions with related party

Relations between the Group's companies are administered on the basis of contractual relations drawn up by the respective administrative organs bearing in mind the quality of the assets and services involved and the competitive conditions of the market adapting the interests of the Group.
The summary of income and costs, despite the credit and debit position at 31st December 2007 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:

Transaction incidence with correlated parties	*Total*	*Correlated Parties*	
		Absolute value	*% on Tot.*
A) Transaction or position incidence with correlated parties on entries in the Profit and Loss account			
Income from sales and services to third parties	58,256	805	1.38%
Increases in intangible assets due to internal work	2,335	832	35.64%
Third party service costs	10,002	138	1.38%
Labour costs	30,999	501	1.62%
Other administrative expenses	2,499	1,082	43.30%
B) Transaction or position incidence with correlated parties on entries in the Patrimonial situation			
Commercial credits and other credits	29,695	283	0.95%
TFR and pension funds	6,339	67	1.05%
Commercial debts	4,346	101	2.32%
Other debts	6,957	68	0.98%
C) Transaction or position incidence with correlated parties on financial flows			
(Increase)/Decrease in circulating credits	(3,442)	(248)	7.22%
Increase/(Decrease) in debts towards suppliers	(300)	(22)	7.38%
Increase/(Decrease) in other non-financial debts	459	(49)	(10.73%)

Except for the above-described relations, no further significant relations of an economical-patrimonial nature are kept with other correlated parties.
Third party revenues regard services carried out on behalf of Xchanging which holds a 10% share in CAD IT and the associate company Sicom S.r.l.
Increases in internal work concern, as already shown in note 14 above, activities commissioned by CAD IT to subsidiaries for the development of software procedures capitalised by the Head Comapny.
Service costs from third parties towards correlated parties include remunerations to CAD IT auditing board

members that the latter and the Group's companies have sustained, those relating to translation and language training services supplied by a company in which one CAD IT director holds a share as well as rents for properties belonging to the partner of one of the CAD IT directors.
Labour costs to correlated parties regard remunerations to employees of the Group's companies who have a family relationship or affinity with the CAD IT directors and those managers with strategic responsibilities.
The other administrative expenses relating to correlated parties concern remunerations for the position of director given to CAD IT directors as well as to directors of the other Group companies having a family relationship or affinity with them.

38 Relations with 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 and to the managers with strategic responsibilites are shown in the following table[4], in accordance with art. no. 78 of Consob regulation no. 11971 of 14th May 1999, and subsequent modification and integration.
During 2007 financial period, the manager responsible for drafting the accounting documentation was nominated, with duties assigned beginning as of 1st July 2007, in accordance with law no. 262 of 28th December 2005 regarding "Instructions for the safeguarding of savings and financial market discipline."

[4] in accordance with sheet 1, attachment 3c, of Consob Regulation no. 11971)

Name and Surname	Role		Term of office	End of Office term	Remunerations for role	Bonuses and other incentives	Indemnity at termination of office	Other remunerations	Non-monetary benefits
Dal Cortivo Giuseppe	Chairman and Managing Director	CAD IT Spa	01/01 - 31/12	31/12/2008	144	20	-	-	-
	Legal representative	CAD Srl	01/01 - 31/12	indefinite	-	-	-	87	-
	Director	CESBE Srl	01/01 - 31/12	indefinite	-	-	-	6	-
	Director	SICOM Srl	01/01 - 31/12	indefinite	-	-	-	6	-
Magnani Giampietro	Managing Director	CAD IT Spa	01/01 - 31/12	31/12/2008	144	20	-	-	-
	Chairman and Managing Director	CAD Srl	01/01 - 31/12	31/12/2009	-	-	-	87	-
	Director	BITGROOVE Srl	01/01 - 31/12	indefinite	-	-	-	6	-
	Director	SMART LINE SRL	01/01 - 31/12	31/12/2007	-	-	-	6	-
Rizzoli Maurizio	Director	CAD IT Spa	01/01 - 31/12	31/12/2008	16	-	-	-	-
Zanella Luigi	Managing Director	CAD IT Spa	01/01 - 31/12	31/12/2008	144	20	-	-	-
	Legal representative	CAD Srl	01/01 - 31/12	indefinite	-	-	-	87	-
	Director	CESBE Srl	01/01 - 31/12	indefinite	-	-	-	6	-
	Director	DQS Srl	01/01 - 31/12	31/12/2008	-	-	3	12	-
	Director	SICOM Srl	01/01 - 31/12	indefinite	-	-	-	6	-
Dal Cortivo Paolo	Managing Director	CAD IT Spa	01/01 - 31/12	31/12/2008	19	20	-	76	-
Margetts Michael	Director	CAD IT Spa	01/01 - 31/12	31/12/2008	13	-	-	-	-
Lambertini Lamberto	Director	CAD IT Spa	01/01 - 31/12	31/12/2008	15	-	-	-	-
Rossi Francesco	Director	CAD IT Spa	01/01 - 31/12	31/12/2008	16	-	-	-	-
Cusumano Giannicola	Chairman Statutory Auditor	CAD IT Spa	01/01 - 31/12	31/12/2008	23	-	-	-	-
	Statutory Auditors	CAD Srl	01/01 - 31/12	31/12/2009	-	-	-	5	-
	Chairman Statutory Auditor	CESBE Srl	01/01 - 31/12	31/12/2009	-	-	-	6	-
Ranocchi Gianpaolo	Statutory Auditors	CAD IT Spa	01/01 - 31/12	31/12/2008	16	-	-	-	-
	Chairman Statutory Auditor	CAD Srl	01/01 - 31/12	31/12/2009	-	-	-	7	-
Tengattini Renato	Statutory Auditors	CAD IT Spa	01/01 - 31/12	31/12/2008	16	-	-	-	-
	Statutory Auditors	CESBE Srl	01/01 - 31/12	31/12/2009	-	-	-	4	-
Managers with strategic responsibilites		CAD IT Spa						60	
				Total	***567***	***80***	***3***	***466***	***-***

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.

39 Important events since 31st December 2007

Subsequent to 31st December 2007, there have been no events of particular importance to significantly influence the shareholders' equities or economic results of the Group.
For further information on the foreseeable development of management, refer to the management report in the specific paragraph.

40 Warranties

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

41 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*).
The present annual report was approved by the CAD IT S.p.A. Board of Directors on 26/03/2008.

CONSOLIDATED BALANCE DECLARATION IN ACCORDANCE WITH ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14TH MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned, Giuseppe Dal Cortivo, Chairman of the CAD IT S.p.A. Board of Directors, and Maria Rosa Mazzi, the manager responsible for drafting the CAD IT S.p.A. company accounting documents, hereby declare, bearing in mind the content of art. 154-bis, paragraphs 3 and 4 of legislative decreee no. 58 of 24th February 1998 in terms of:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for drafting the consolidated balance during the 2007 financial period.

2. Furthermore, it is hereby declared that the CAD IT S.p.A. consolidated balance for the financial period ending on 31st December 2007, which reports a consolidated total credit of Euro 89,460 thousand, a net consolidated profit of Euro 8,544 thousand and a net consolidated patrimony of Euro 63,421 thousand:
   a. corresponds to the results in the company books and accounting documents;
   b. has been drafted in accordance with the international accounting standards (IFRS) – adopted by the European Union – and, as far as is known, is a suitable document to supply a true and correct representation of the patrimonial, economical and financial situation of the company and the companies included in the consolidation.

Verona, 26 March 2008

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

Maria Rosa Mazzi
Manager in charge of drafting
the CAD IT S.p.A. accounting documents

BDO SALA SCELSI FARINA
Società di Revisione per Azioni
Via Pacinotti 4/B 37135 Verona

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 consolidated financial statements, including balance sheet, profit and loss, movements of equity, cash flow statement and Directors' Report, of CAD IT S.p.A. and its subsidiaries (CAD IT Group) as at and for the year ended December 31st, 2007. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the consolidated financial statements of prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 12th, 2007.

3. In our opinion, the consolidated financial statements of CAD IT S.p.A. as at and for the year ended December 31st, 2007 comply with the International Financial Reporting Standards adopted by European Community, as well as to 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 the CAD IT Group for the year then ended.

Verona, April 11th , 2008

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed by: Alessandro Gigliarano

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