CAD IT S.P.A.
Consolidated Financial Statements as at 31.12.2006

Translation from the Italian original which remains the definitive version

CAD IT S.p.A.

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

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Consolidated financial statements as at end for the year ended 31 december 2006

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

Corporate bodies

BOARD OF DIRECTORS [1]

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIAMPIETRO MAGNANI
Vice Chairman and Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI
Director

MICHAEL JOHN MARGETTS
Director

FRANCESCO ROSSI
Independent Director

LAMBERTO LAMBERTINI
Independent Director

STATUTORY AUDITORS [1]

GIANNICOLA CUSUMANO
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

CESARE BRENA
Substitute Statutory Auditor

LUCA SIGNORINI
Substitute Statutory Auditor

AUDITORS

BDO SALA SCELSI FARINA
Società di Revisione per Azioni

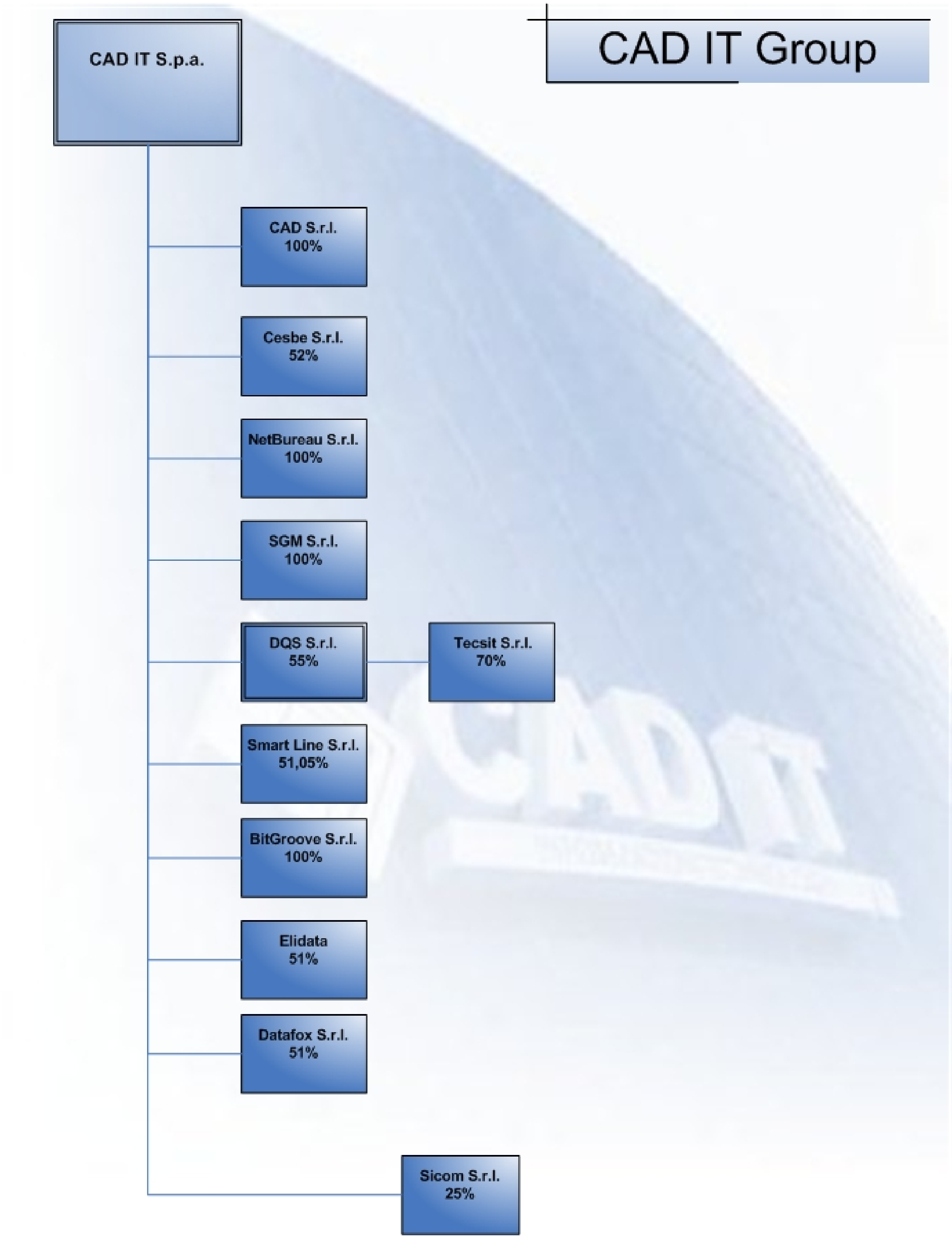
(1) *Appointed on 28 April 2006; office expires with the shareholders' meeting for the approval of the 2008 financial statements.*

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

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

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

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



CAD IT Group at 31/12/2006

1 Directors' report on management

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

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

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

Activities of the Group

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

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

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

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

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

Solutions for Local Taxes make up the newest sector but they capitalize the Group's traditional abilities like its 20-year experience in developing computer systems for public body treasury and tax collection.

Summary of the Group results

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

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

Production revenues stood at Euro 52,243 thousand showing an increase of more than 4% compared to the

previous financial period (Euro 50,142 thousand).
Income margins, EBITDA (+29%) and EBIT (+34%), were decidedly greater, standing at Euro 9,042 thousand and Euro 7,380 thousand respectively compared with Euro 7,017 thousand and Euro 5,506 thousand in the previous year.
This net increase in margins was achieved thanks to an increase in revenues and more attention being paid to containing costs, which were only slightly higher than the year before. In fact, of the main entries in costs, staff costs of Euro 29,670 thousand were 1% less than in 2005 (Euro 29,998 thousand) and service costs of Euro 8,923 thousand were practically stable (+1% compared to the Euro 8,807 thousand in the previous period).
Amortization and depreciation registered a sum of Euro 1,663 thousand (previously 1,512 thousand).
The balance between income and expenses was in credit by Euro 157 thousand (previously Euro 227 thousand); amendments in the value of shares accounted for in the profit and loss account showed a positive balance of Euro 27 thousand (previously a negative Euro 224 thousand).
The pre-tax result and third party share came to Euro 7,563 thousand (+37% compared to the Euro 5,509 thousand of the previous period).
Income taxes came to Euro 4,314 thousand (previously Euro 3,796 thousand).
The Euro 2,961 thousand profit is a clear improvement (+95%) compared to the previous year (Euro 1,517 thousand), net of a third party profit of Euro 300 thousand (previously Euro 196 thousand).
The Group's Net Financial Position at 31st December 2006 was in credit by Euro 8.1 million.

The market

The market continues to undergo a period of numerous mergers and takeovers in the Italian financial institute sector brought about by the need to reach the necessary critical mass in order to operate on the European market. The year 2006, like the year before it, was a period of adjustment and rationalization for banks, which caused a slowdown in investments.
In this context, the outcome reached is the result of the Group's ability over the years to continue to invest in Research and Development, thus maintaining a strategic position and the leadership of the Italian financial software market.

Significant events of the period

During the 4th quarter of 2006 CAD IT sold its "Market Abuse Findings" procedure to five large Italian banking institutions. Thanks to these important references, the CAD IT Group intends to continue to offer the product to other Italian Financial Institutions.
The "Market Abuse" software created by CAD IT allows Banks, SIM and SGR to identify any suspect operations of market manipulation and any eventual abusive operations regarding inside information (Insider Trading) in accordance with the instructions in the Consob and CESR (Committee of European Securities Regulators) norm.
"Market Abuse" software is interfaced with Area Finanza, also by CAD IT, market leader in the Italian banking sector for the management of financial instrument operations, but it can also be installed in banks, SIM and SGR that do not use CAD IT software.
Those banking groups that have chosen "Market Abuse" will not only be using the procedure for their retail banks but also for their brokers and the group's SGR, which just goes to show the product's flexibility both in technological terms and in its adaptation to the various types of transaction on national and foreign markets.
In November CAD IT has announced the signing of an agreement with an important Italian Insurance Group with the aim of selling a software package for integrated financial management.
The project involves the integration of CAD IT financial and algorithmic modules used by major Italian financial institutions through tailor-made modules for the insurance sector. The solution, which takes advantage of the most up to date development logic systems, is developed in services oriented architecture and is multi-platform, multi-currency and multi-company. The platform covers insurance front, middle and back offices, giving support to financial (Spot and Forward Pricing), insurance (ALM), balance (IAS compliant) and tax assessments. The project foresees the gradual implementation of the software into the client's

information technology system. CAD IT will assist the client in training and provide a 24h*24h help desk maintenance service.

In June CAD IT and Xchanging extended the letter of intent which they signed last November to strengthen the alliance to focus on the European financial service sector.

A further agreement was also signed for the sale of CAD IT's software E.M.M. (Easyset Maching Module) to its partner Xchanging. E.M.M. is a software product that supports operational control functions of financial instruments. For some years CAD IT has been investing in developing multi-lingual and multi-platform versions of its products with potential foreign clients in mind. The software will be used simultaneously in English and German. The EMM product is suitable for Italian or foreign banks or financial institutions, as it may be used stand-alone or integrated with other CAD IT products.

The five-year agreement, which will be renewable on expiry, foresees payment on the part of Xchanging for implementation activities and an annual fee for the supply of the user licence, maintenance and application management services.

Xchanging is a supplier in Germany of back-office processing services to the financial services industry. Xchanging's Financial Services Sector will use "E.M.M." to supply services to its clients including: Deutsche Bank, Citigroup, Sal. Oppenheim and Sparda Banken. Thanks to this important connection, the CAD IT Group will be selling its own product in Germany.

The agreement achieves one of the objectives laid down in the letter of intent signed last November by the two companies, to identify opportunities for CAD IT products where reciprocal advantages exist. Aside from "E.M.M.", the two companies are assessing the possibility of integrating other CAD IT products with the software platforms operated by Xchanging.

CAD IT and Xchanging are convinced that there are multiple joint business areas to be explored and are extending the duration of the letter of intent signed last November to 31st December 2006.

This extension will allow the two companies to pursue their objective of creating a strategic alliance aimed at offering business processing services to financial institutions in the European financial sector.

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

At the same Shareholders' Meeting on 28th April 2006, it was also decided:

- to appoint the share auditing company BDO Sala Scelsi Farina to carry out the audits for the next 6 financial periods in appliance of the new regulations issued with L. no. 262 on 28/12/2005;
- to nominate a Board of Directors of 8 members who will remain in office until the Shareholders approve the balance at 31/12/2008. The members were confirmed as Giuseppe Dal Cortivo, Giampietro Magnani, Luigi Zanella, Paolo Dal Cortivo, all previously managing directors; Maurizio Rizzoli, non-executive director; Prof. Francesco Rossi and Lamberto Lambertini, independent directors. Michael John Margetts was also appointed as non-executive director;
- to nominate the Auditing Board which comprises: Dr. Giannicola Cusumano, Chairman; Gian Paolo Ranocchi and Renato Tengattini, standing auditors; Cesare Brena and Luca Signorini, substitute auditors.

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

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

Consolidated income result analyses

The Group's production revenues increased in 2006 by more than 4% standing at Euro 52,243 thousand compared to Euro 50,142 thousand in 2005.

The Group continued its investment plans in relation to new procedures in order to be prepared to offer innovative solutions and acquire greater competitivity. Production revenues included increases in intangible assets due to internal work to the value of Euro 4,406 thousand, which was less than the previous year (Euro 5,645 thousand).

The added value of Euro 41,062 thousand (previously Euro 39,295 thousand), reached 79% of production values (previously 78%).

The gross operational result (EBITDA) of Euro 9,042 thousand, 17.3% of production revenues, showed an improvement compared to 2005 (Euro 7,017 thousand, 14% of production revenues). This result was obtained thanks to an increase in income from sales and services, which, despite the decrease in investments in intangible assets, caused production revenues to rise.

The operational result (EBIT) of Euro 7,380 thousand (previously Euro 5,506 thousand) was equal to 14.1% of production revenues compared to the 11% of the previous period. In this case too the 2006 margin was an improvement on that of 2005 despite the increase in intangible asset amortization due to the start of amortization plans for software procedures capitalised in previous periods. The total sum of amortization, credit depreciation and funding was Euro 1,663 thousand compared to Euro 1,512 thousand in the previous year.

The pre-tax and third party share result, due to income and expenses and share revaluation and devaluation, came to Euro 7,563 thousand, equal to 14.5% of production revenues, another improvement on 2005 (Euro 5,509 thousand and 11% of production revenues).

The Group's result net of taxes came to Euro 2,961 thousand, almost double compared to 2005 (Euro 1,517 thousand), despite high tax incidence, especially IRAP, whose effect on the results was particularly high due to the high tax rates placed on staff and collaborator costs.

Research and development

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

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

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

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

CeSBE S.r.l. continues to work towards the technological and functional sophistication of solutions for Trading On Line.

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

SGM S.r.l., has developed vertical solutions of the new (ERP) SIGMAWEB management system for

companies of all sizes. Of these, vertical solutions are being developed for the fashion world and the food industry (managing production line marking).
Smart Line S.r.l. is now investing to enrich its own offer range of solutions and services for Public Administration and authorities for the management of local taxes.
Elidata S.r.l. continues to invest in furthering the functions of its own platform for linking up to financial markets and for the operational stock market room.
Activity to develop new software modules for thr foreign and insurance markets is also continuing.

Investments

Investments in tangible and intangible fixed assets made by the consolidated companies in the year 2006 amount to Euro 4,979 thousand (Euro 6,265 thousand in the same previous year period).
The consisting amount of investments is a consequence of strategic decisions taken by the directors' meeting and management that approved investments to develop several new products needed by credit institutions.

Summary of investments	*year 2006*	*year 2005*
Intangible fixed assets	83	826
Assets under development and payments on account	4,406	5,053
Plant, machinery, equipment and other tangible fixed assets	489	215
Total investments in tangible and intangible fixed assets	*4,979*	*6,094*
Shareholdings and financial investments	(0)	170
Total shareholdings and financial investments	*(0)*	*170*
Total investments	*4,979*	*6,265*

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

Relationships with Group companies

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

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

Relationships between the Group's companies are governed by the competitive conditions of the market, bearing in mind the quality of the goods and services supplied.
The table below gives a summary of the income and service performances, as well as the credit and debit position of all the Group's consolidated companies, as of 31/12/2006:

Company	Costs	Capitalized costs			Turnover	Receivables	Payables
		Increases in internal work	*Software licences and rights*	*Other assets*			
Cad It S.p.a.	3,919	1,908	660	10	11,713	10,562	10,678
Cad S.r.l.	13,876	-	-	-	2,414	7,070	11,690
Cesbe S.r.l.	494	-	-	-	2,294	3,556	270
NetBureau S.r.l.	107	-	-	-	813	669	534
DQS S.r.l.	8	-	-	-	1,430	645	1
SGM S.r.l	17	-	-	-	1,483	1,262	162
SmartLine Line S.r.l.	33	-	-	-	149	82	307
BitGroove S.r.l.	328	-	-	1	562	138	377
Elidata S.r.l.	88	-	-	-	19	149	220
Datafox S.r.l.	23	-	-	-	597	307	22
Tecsit S.r.l.	1	-	-	-	-	-	178
Totali	**18,894**	**1,908**	**660**	**12**	**21,474**	**24,440**	**24,440**

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

Shares held by managerial and controlling organs

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

Name and surname		Company	Number of shares held at 31. 12.2005		Number of shares bought	Number of shares sold	Number of shares held at 31.12.2006	
Dal Cortivo Giuseppe		Cad It S.p.A.	1,329,234	(1)	0	0	1,329,234	(1)
Magnani Giampietro		Cad It S.p.A.	1,325,721	(1)	0	0	1,325,721	(1)
Rizzoli Maurizio		Cad It S.p.A.	1,395,936	(2)	0	0	1,395,936	(2)
Zanella Luigi		Cad It S.p.A.	1,328,180	(3)	0	0	1,328,180	(3)
Dal Cortivo Paolo		Cad It S.p.A.	5,481		0	0	5,481	
Margetts Michael John	(4)	Cad It S.p.A.	0		0	0	0	
Lamberto Lambertini		Cad It S.p.A.	0		0	0	0	
Francesco Rossi		Cad It S.p.A.	0		0	0	0	
Cusumano Giannicola		Cad It S.p.A.	0		0	0	0	
Ranocchi Gian Paolo	(4)	Cad It S.p.A.	0		0	0	0	
Tengattini Renato	(4)	Cad It S.p.A.	60		0	0	60	
Alberto Miazzi	(5)	Cad It S.p.A.	980	(6)	0	0	980	(6)
Mazzi Sonia	(5)	Cad It S.p.A.	2,165		0	0	2,165	
Cereghini Giuseppe	(5)	Cad It S.p.A.	838		0	0	838	

(1) of which in spouse's name: 370,885
(2) of which in spouse's name: 351,264
(3) of which in spouse's name: 380,985
(4) value refers to position held (from 30/04/2006 to 31/12/2006)
(5)) value refers to position held (from 01/01/2006 to 30/04/2006)
(6) of which in spouse's name: 120

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

Corporate Governance

On 28th March 2006, the Board of Directors approved the 2005 annual report in order to provide the CAD IT S.p.A. shareholders with adequate information about its own company management system and about how much the company adheres to the auto-disciplinary code for quoted companies laid down by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
Regarding the acknowledgment of European Community and national norms on market abuse, CAD IT S.p.A.'s Board of Directors also approved the following procedures

- on 12 May 2006: procedure for the management and processing of confidential information with the aim of regulating the management and processing of any information that has not yet been disclosed to the public and which could considerably affect the price of released financial instruments;
- on 11 August 2006: procedure for the drawing up and updating of a register of persons with access to confidential information, in accordance with art. 115-bis of Leg. Decree 58/1998 and art. 152-bis. 152-ter, 152-quater, 152-quinques of the Issuer Regulations;

On 11 August 2006: procedure regarding internal dealing, a modification and replacement of the previous internal dealing behaviour code, with the aim of regulating the obligations and limitations concerning some types of transactions involving company financial instruments that some senior members of the company or persons closely related to them may make, in accordance with art. 114, paragraph 7 of Leg. Decree 58/1998 and art.152-sexies and subsequent points of the Issuer Regulations..
Moreover, on 10th November 2006, the Board of Directors approved the organisational and managerial model currently in act following instructions in the Legislative Decree no. 231 of 2001 (including specific procedures for managing financial resources), aimed at preventing any illicit act and, more generally, being part of a wider company risk control and management system. Furthermore, on the same date, the Ethic Code was also improved which recapitulates the standards and values that the CAD IT Group maintains are fundamental for correct and fair behaviour in terms of both conducting business and of company affairs.
In March 2006, the Corporate Governance Committee, set up at Borsa Italiana, published the new Governance Code for market quoted companies (the "New Code") to replace the one drafted in 1999 and reviewed in 202.
The Board of Directors made adherence to the New Code official on 27/03/2007 when it approved the budget and the 2006 annual report on Corporate Governance.
For further information on the process of applying the New Code and on how the Group's own *corporate governance* is adjusting, please refer to the 2006 annual report which describes actions already taken and those programmed in terms of the recommendations in the New Code.

Programmatic document on security

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

Financial instruments and risk management

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

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

During this financial period, and the previous one, no atypical or unusual operations have been carried out as defined in the Consob communication no. DEM/6064293.
In the balance report, no alternative performance indicators have been adopted with the exception of the net financial position, shown in the balance notes, for which no reclassifications have been made in terms of balance figures and relative explanations are supplied and linked to the patrimonial status entries concerned, as defined in the CESR Recommendations.

Important events since 31st December 2006 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.
During this financial period, the Group's strategy of enriching the client portfolio, thanks to new products and new versions of the products traditionally on offer (multi-platform, multi-lingual, multi-currency, etc.), of enlarging the geographic market of reference, of widening the size range of clients that can be serviced (e.g. now even small banks) and of taking its offers to new sectors (e.g. insurance companies, trust companies, etc.) will continue.
The development of alliances with national and international partners (like the one drawn up with Xchanging in 2005) will facilitate the allocation of integrated solutions by taking mutual advantage of the commercial network and existing relations.
Moreover, the CAD IT S.p.A. Board of Directors is continually on the look-out for any possible development opportunities, whether direct or external, through the further employment or purchase of shares with the aim of creating activities to compliment or unite with the existing ones.
Significant events since 31/12/2006 are described in the relative balance note.

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

2 Consolidated financial statements of the Group

Consolidated income statement

	Notes	Period 2006 01/01 - 31/12		Period 2005 01/01 - 31/12		Variations	
Income from sales and services		47,669	91.2%	44,889	89.5%	2,780	6.2%
Variations in stock of products being elaborated				32	0.1%	(32)	(100.0%)
Changes in ongoing orders		56	0.1%	(469)	(0.9%)	525	(112.0%)
Asset increases due to internal work	2-14	4,406	8.4%	5,645	11.3%	(1,239)	(21.9%)
of which related parties		*1,908*	*3.7%*	*2,717*	*5.4%*	*(809)*	*(29.8%)*
Other revenue and receipts		111	0.2%	43	0.1%	68	156.8%
Production value	2	52,243	100.0%	50,142	100.0%	2,101	4.2%
Costs for raw	4	(1,223)	(2.3%)	(984)	(2.0%)	(239)	24.3%
Service costs	5	(8,923)	(17.1%)	(8,807)	(17.6%)	(116)	1.3%
Other operational costs	6	(1,035)	(2.0%)	(1,055)	(2.1%)	20	(1.9%)
Added value		41,062	78.6%	39,295	78.4%	1,767	4.5%
Labour costs	7	(29,670)	(56.8%)	(29,998)	(59.8%)	328	(1.1%)
Other administrative expenses	8	(2,350)	(4.5%)	(2,280)	(4.5%)	(70)	3.1%
of which related parties		*(1,050)*	*(2.0%)*	*(1,033)*	*(2.1%)*	*(17)*	*1.6%*
Gross operational result (EBITDA)		9,042	17.3%	7,017	14.0%	2,025	28.9%
Allocation to Credit Depreciation Fund		(3)	(0.0%)	(23)	(0.0%)	20	(87.7%)
Amortizations:							
- Intangible fixed asset amortization	14	(835)	(1.6%)	(588)	(1.2%)	(247)	42.0%
- Tangible fixed asset amortization	13	(825)	(1.6%)	(901)	(1.8%)	75	(8.4%)
Other allocations							
Operational result (EBIT)		7,380	14.1%	5,506	11.0%	1,874	34.0%
Financial receipts	9	281	0.5%	343	0.7%	(62)	(18.1%)
Financial charges	9	(124)	(0.2%)	(116)	(0.2%)	(8)	7.0%
Ordinary result		7,536	14.4%	5,733	11.4%	1,803	31.5%
Revaluations and depreciations	10	27	0.1%	(224)	(0.4%)	251	(112.0%)
Pre-tax and pre-third party share result		7,563	14.5%	5,509	11.0%	2,055	37.3%
Income taxes	11	(4,303)	(8.2%)	(3,796)	(7.6%)	(507)	13.4%
Third party (profit)loss for the period		(300)	(0.6%)	(196)	(0.4%)	(103)	52.6%
Profit (loss) for the period		2,961	5.7%	1,517	3.0%	1,444	95.2%

Consolidated balance sheet

	Notes	31/12/2006	31/12/2005	Variations	Var. %
Assets					
A) NON-CURRENT ASSETS					
Assets, equipment and machinery	13	20,592	20,943	(351)	(1.68%)
Intangible assets	14	14,452	10,847	3,604	33.23%
Goodwill	15	8,309	8,309	(0)	(0.00%)
Holdings	16-17	152	153	(1)	(0.52%)
Other financial assets available for sale	18	2,787	3,087	(300)	(9.72%)
Other non-current credits		46	59	(13)	(21.98%)
Credits due to deferred taxes	19	322	283	40	13.98%
TOTAL NON-CURRENT ASSETS		**46,660**	**43,682**	**2,979**	**6.82%**
B) **CURRENT ASSETS**					
Stock	20	660	647	12	1.93%
Ongoing orders	21	392	336	56	16.82%
Commercial credits and other credits	22	26,276	24,865	1,412	5.68%
Tax credits	23	54	1,252	(1,198)	(95.66%)
Cash on hand and other equivalent assets	24-37	9,529	9,789	(260)	(2.65%)
		-	-	-	
TOTAL CURRENT ASSETS		**36,912**	**36,889**	**23**	**0.06%**
C) Non-current assets for sale	25	-	-	-	-
TOTAL ASSETS		**83,572**	**80,571**	**3,002**	**3.73%**
Liabilities					
A) Equity					
Company capital	26	4,670	4,670	-	
Reserves	27	34,997	35,298	300	(0.85%)
Accumulated profits/losses	28	14,918	13,575	1,343	9.89%
TOTAL EQUITY OF THE GROUP		**54,585**	**53,543**	**1,042**	**1.95%**
Third party Equity	26	2,708	2,570	138	5.36%
TOTAL EQUITY		**57,293**	**56,113**	**1,180**	**2.10%**
B) non-current liabilities					
Financing	30	308	374	(66)	(17.78%)
Liabilities due to deferred taxes	31	3,546	3,354	193	5.74%
TFR and quiescence reserves	32	6,915	6,437	479	7.44%
Expense and risk reserves		25	25	-	
TOTAL non-current liabilities		**10,794**	**10,189**	**605**	
C) current liabilities					
Commercial debts	33	4,623	4,183	440	10.52%
Tax debts	34	3,227	2,559	667	26.08%
Short-term financing	35	1,138	1,121	17	1.52%
Other debts	36	6,497	6,405	92	1.44%
TOTAL current liabilities		**15,485**	**14,268**	**1,217**	**8.53%**
		-	-	-	
TOTAL LIABILITIES AND EQUITY		**83,572**	**80,571**	**3,002**	**3.73%**

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-05	26-27-28	*4,670*	*35,298*	*12,059*	*1,517*	*53,543*	*2,570*	*56,113*
Fair value adjustments on available for sale financial assets recognised directly in equity	18		(300)	(0)		(300)	56	(244)
Increase in revaluation reserves								
Allocation of the period to reserves				1,517	(1,517)			
Dividend distribution	29			(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	26-27-28	***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-dec-04	*4,670*	*35,246*	*13,591*	*4,192*	*57,699*	*2,576*	*60,275*
Fair value adjustments on 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 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 2005				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

	Note	31/12/2006	31/12/2005
OPERATING ACTIVITIES			
Profit (loss) for the period		***2,961***	***1,517***
Amortisation and depreciation:			
- Tangible fixed assets	13	825	901
- Intangible fixed assets	14	835	588
Financial income and charges, net		(160)	(231)
Accruals - Employees' leaving entitlement	32	1,429	1,687
Accruals - Other provisions		0	0
Increase/(Decrease) in provisions for contingencies and other charges		(154)	15
Sub-total		*5,736*	*4,477*
Utilisation of employees' leaving entitlement	32	(796)	(853)
Increase)/Decrease in receivables included under assets forming part of working capital		(1,283)	5,268
(Increase)/Decrease in inventory	20-21	(69)	(73)
(Increase)/Decrease in accrued income and deferred expenses	22	(93)	4
Increase/(Decrease) in accounts due to creditors	33	679	764
Increase/(Decrease) in accrued expenses and deferred income	33	(256)	155
Increase/(Decrease) in sums due to other financial institutions		(53)	46
Increase/(Decrease) in other non-financial payables		14	(52)
Increase/(Decrease) in in sums payable to taxation		4,356	1,949
Taxes paid in the financial period		(2,337)	(6,028)
Interest payment		(120)	(112)
Sub-total		*101*	*1,068*
(A) - Cash flows from (for) operating activities		*5,836*	*5,544*
INVESTING ACTIVITIES			
(Increase)/ Decrease in investments in subsidiary companies valued using the equity method		0	115
(Increase)/Decrease in intangible fixed assets	14	(4,439)	(5,069)
of which related parties		*(1,908)*	*(2,717)*
(Increase)/Decrease in tangible fixed assets	13	(474)	(917)
(Increase)/Decrease in other fixed assets		13	5
Income from financial assets available for sale		17	27
Cashed Interest	9	263	315
(Increase)/Decrease in investments in associated companies		1	16
(Increase)/Decrease financial assets available for sale	18	300	2,935
(B) - Cash flows from (for) investing activities		*(4,319)*	*(2,573)*
FINANCING ACTIVITIES			
Increase/(Decrease) in IFRS transition reserve		(0)	(2,737)
Increase/(Decrease) in reserve for fin. assets avail. for sale	18	(300)	51
Effects on consolidation reserve		(2)	(24)
Third party net patrimony	26	138	(6)
Distribution of dividends	29	(1,616)	(2,963)
Capital injections		0	0
(C) - Cash flows from (for) financing activities		*(1,780)*	*(5,679)*
(A+B+C) - Total cash flows		*(263)*	*(2,708)*
Opening liquid funds		8,347	11,055
Closing liquid funds		*8,084*	*8,347*

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.
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.
This 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 unlimited useful life cycle.

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

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

Financial leasing

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

Intangible fixed assets

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

Intangible fixed assets, having a defined useful life cycle, are subsequently registered net of the relative accumulated amortizations and any losses due to a 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, such costs are amortized as from the date shown for the sales of the products in relation to the project concerned and according to the life cycle calculated for the products themselves, estimated over about five years, which is taken as not less than the period of effective use. The costs of internally generated intangible assets include any expenses that can be directly attributable to the development of the product and any reasonable part of general production costs attributable to the preparation stages before putting the product to use. All other development costs that cannot be capitalised, when sustained, are reported on the income statement.

Goodwill

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

After the initial registration, goodwill is no longer amortised and is decremented of any losses in accumulated value, calculated according to the IAS 36 Asset value reduction.
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 as fair value, this value has been taken as the market value. The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account, until the financial activity has been eliminated, which is the moment when the total profit or loss found in the net patrimony is registered to the profit and loss account.

Other non-current credits

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

Stock

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

On-going orders

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

Commercial credits and other credits

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

Liquid asset availability and equivalent means

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

Non current assets held for sale

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

Employee leaving entitlement

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

Risk and obligation funds

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

Commercial debts and other current liabilities

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

Revenues and costs

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

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

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

Income taxes

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

2 Revenues

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

	Period 2006		*Period 2005*		*Variations*	
	01/01 - 31/12		*01/01 - 31/12*		*assoluta*	*%*
Income from sales and services	47,669	91.2%	44,889	89.5%	2,780	6.2%
of which related parties	179	0.3%			179	
Variations in stock of products being elaborated			32	0.1%	(32)	(100.0%)
Changes in ongoing orders	56	0.1%	(469)	(0.9%)	525	(112.0%)
Asset increases due to internal work	4,406	8.4%	5,645	11.3%	(1,239)	(21.9%)
of which related parties	1,908	3.7%	2,717	5.4%	(809)	(29.8%)
Other revenue and receipts	111	0.2%	43	0.1%	68	156.8%
Production value	52,243	100.0%	50,142	100.0%	2,101	4.2%

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.
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	**30/06/2006**				
	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)	8,542	9,956	500	(1,414)	-
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					
Financial period profit (loss)					2,961
Assets	79,542	3,654	377		83,572
Liabilities	17,425	2,081	6,773		26,280

Disclosures for business segments	**31/12/2005**				
	Finance	*Manufacturing*	*Not allocated/General*	*Elisions*	*Consolidated*
External revenues	45,906	4,235	-	-	50,142
Intersegment revenues	2,690	1,369	-	(4,059)	-
Total revenues	48,597	5,604	-	(4,059)	50,142
Costs	(42,210)	(5,462)	(1,023)	4,059	(44,636)
Gross Operating Result (EBITDA)	7,776	265	(1,023)	-	7,017
Operating Result (EBIT)	6,387	142	(1,023)	-	5,506
Net financial income (expenses)	-	-	227	-	227
Revaluations and devaluations	(206)	(19)	-	-	(224)
Result	6,181	123	(796)	-	5,509
Income taxes	-	-	(3,796)	-	(3,796)
Third party share (profit)/loss				-	(196)
Financial period profit (loss)				-	1,517
Assets	75,694	3,342	1,535	-	80,571
Liabilities	16,077	2,468	5,913	-	24,458

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*

Cost components	**31/12/2006**	**31/12/2005**	**Variations**

Hardware purchases	1,010	420	589
Software purchases	17	381	(364)
Other purchases	209	168	41
Variations in raw material stock	(12)	15	(28)
Totale costi materie prime	**1,223**	**984**	**239**

Hardware purchase costs count for about 80% of the whole entry and refer to purchases made to fulfil confirmed client orders.

5 Service costs

Service costs in the 2006 amounted to Euro 8,923 thousand compared to Euro 8,807 thousand in the previous year. The Euro 116-thousand increase is mainly due to an increase in external collaboration (+ Euro 144 thousand) partly compensated by containing transfer costs (-Euro 58 thousand).

Services costs	31/12/2006	31/12/2005	Variations
External collaboration	5,289	5,145	144
Travelling expenses and fee reimbursement	1,277	1,335	(58)
Other service costs	2,356	2,327	29
	8,923	**8,807**	**116**

6 Other operational costs

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

Other operational costs	31/12/2006	31/12/2005	Variations
Third party benefit expenses	665	691	(26)
Various management charges	370	365	5
Total	**1,035**	**1,055**	**(20)**

7 Labour costs and Employees

Labour costs amounted to Euro 29,670 thousand and are as follows:

Labour costs	31/12/2006	31/12/2005	Variations
Salaries and wages	21,542	21,507	35
Payroll taxes	6,575	6,736	(161)
Severance pay	1,429	1,687	(258)
Retirements and the like	-	-	
Other costs	124	68	56
Total	**29,670**	**29,998**	**(328)**

Labour costs were less in 2006 due to a reduction in the average number of employees and was influenced

by the putting into effect of the TFR debt, the effect of which is included in the financial period costs.
The table below shows the figures relating to the actual number of CAD IT Group employees at the end of each quarter:

Category employees	*labour force at 31/12/2006*	*labour force at 30/09/2006*	*labour force at 30/06/2006*	*labour force at 31/03/2006*	*labour force at 31/12/2005*
Management	18	18	19	19	18
White-collars and cadres	601	605	605	611	621
Blue-collars	1	1	1	1	1
Apprentices	3	2	3	3	4
Total	*623*	*626*	*628*	*634*	*644*

The number of CAD IT Group staff, at the end of the 2006 financial period was 21 persons less than at 31st December 2005. The average number of employees in 2006 was 630 persons while this figure was 650 in 2005.
Personnel training is of particular importance to the Group, which specifically schedules refresher and training periods.
The following table shows data regarding the CAD IT Group employees:

Category of employees	*Average number 2006*	*Average number 2005*	Variations
Management	19	17	2
White-collars and cadres	608	628	(20)
Blue-collars	1	1	-
Apprentices	3	4	(1)
Total	***630***	***650***	***(20)***

8 Other administrative costs

The table below shows the other administrative costs in detail.

Other administrative costs	31/12/2006	31/12/2005	Variations
Director and legal representative fees	1,386	1,353	33
Director retirement	43	90	(47)
Director and legal representative fee contributions	89	91	(2)
Telephones	598	461	137
Commissions	29	3	26
Advertising fees	205	282	(77)
Total	**2,350**	**2,280**	**70**

Other administrative costs include Euro 1,050 thousand to correlated parties as shown in note 38.

9 Financial performance

The net financial income is Euro 157 thousand as the following table clearly shows.

Financial performance and net financial position	31/12/2006	31/12/2005	Variations
Financial income from assets available for sale	17	27	(10)
Interest on bank deposits and equivalent	263	315	(52)

Financial income	**281**	**343**	**(63)**
Interest on bank overdrafts and loans	(105)	(95)	(10)
Interest on debts for financial leasing	(16)	(17)	1
Profits and losses on exchanges	(3)	(4)	1
Financial charges,	**(124)**	**(116)**	**(8)**
Financial income and charges, net	**157**	**227**	**(70)**

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

10 Revaluations and depreciations

Revaluations and depreciations	31/12/2006	31/12/2005	Variazione
Holding revaluation evaluated with the net patrimony method	85	65	20
Holding devaluation evaluated with the net patrimony method		(38)	38
Devaluation of assets available for sale		(251)	251
Devaluation of shareholdings (minority partner loss cover)	(58)		(58)
Total revaluations and depreciations	**27**	**(224)**	**251**

Reassessment of the holdings evaluated by the equity method concern the associated company Sicom S.r.l., both in 2006 and in 2005.
The devaluation of the holdings evaluated by the equity method of previous financial periods concerns the alienation of the associate companies Bookingvision S.r.l. to the sum of Euro 20 thousand, Archit to the sum of Euro 14 thousand and Nestegg for Euro 3 thousand.
The devaluation of assets available for sale in 2005 derives from the assessment of the evaluation values for holdings in Class Editori S.p.A. at 31/12/2005 (for accounting policies please refer to note 18).

11 Income taxes

Incombe taxes	**31/12/2006**	**31/12/2005**	**Variazione**
Tax pre-payments	(50)	32	(82)
Deferred taxes	201	73	128
Current taxes	4,152	3,690	462
Total income taxes	***4,303***	***3,796***	***507***

The taxes ascribable to this period were estimated taking the results of the period and the norms in force into account and they represent the best possible estimate of the tax expenses ascribable to the period in question.
The controlling company, CAD IT S.p.A., and some of the Group's companies, have exercised the option of Group taxation as stated in art. 117 of TUIR 917/1986, which concerns the determination of a global income that corresponds to the algebraic sum of all net incomes of the companies in the group. The liquidation of this one tax allows the Group the contextual use of any tax losses in the period and also allows for intergroup dividends to be totally excluded.

Tax incidence on the gross result was 56.25%, and at 31/12/2005 was 67%. Such high incidence was mainly due to the effect of IRAP, the burden of which on the results is particularly high because of the taxability of staff and collaborator costs. This incidence tends to become less as pre-tax results improve.

RECONCILIATION BETWEEN TAX EXPENSES IN THE BALANCE AND THEORETICAL TAX EXPENSES

	IRES		IRAP	4,25% - 5,25%
Theoretical rates		33%		
	Taxable	**Tax**	**Taxable**	**Tax**
Pre-tax result	**7,563**		**7,563**	
Theoretical tax		**2,496**		**324**
Temporary differences deductible in later periods				
Director remuneration	72		0	
Representation expenses	36		36	
Goodwill ammortisation	2		2	
TFR updating	4		3	
Minor amortizations	2		2	
Total temporary tax variations on the increase	**116**	**38**	**43**	**29**
Temporary taxable differences in later periods				
TFR putting into effect	146		0	
Further amortisations	377		377	
Other major costs due to leasing	23		23	
Total temporary tax variation on the decrease	**546**	**180**	**400**	**17**
Turnaround of the temporary differences from previous periods				
Representation expenses	32		34	
Holding share devaluation	7		0	
Maintenance expenses	1		1	
Tax losses	658		0	
Total temporary variations from previous periods	**697**	**230**	**34**	**1**
Permanent differences				
To IRES / IRAP income increases	2,050		34,934	
To IRES / IRAP income decreases	685		3,279	
Total permanent differences	**1,364**	**450**	**31,655**	**1,340**
Taxable fiscal income	**7,800**		**38,828**	
Continual loss	2			
Taxable income / current tax on the period's income	**7,798**	**2,580**	**38,828**	**1,674**
Effective rate on the pre-tax result	**IRES**	**34.11%**	**IRAP**	**22.14%**

SUMMARY OF THEORETICAL TAX EXPENSES AND TOTAL EFFECT

	year 2006		year 2005	
Current IRES tax	2,580	34.11%	2,080	37.76%
Current IRAP tax	1,674	22.14%	1,611	29.24%
Total current taxes and effective rates	**4,254**	**56.25%**	**3,690**	**67.00%**
Minor taxes from previous financial periods	(102)			
Total current taxes	**4,152**			

12 Earnings per share

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

Earnings per share	*Period 2006 01/01 – 31/12*	*Period 2005 01/01 – 31/12*
Net profit ascribable to ordinary shares in thousands of euro	2,961	1,517
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	0.330	0.169

13 Property, plant and equipment

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

Property, plant and equipment	**31/12/2006**	**31/12/2005**
Land	1,527	1,527
buildings	15,325	15,447
Plant and equipment	2,512	2,770
Other assets	1,229	1,199
Total property, plant and equipment	**20,592**	**20,943**

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

Tangible fixed assets	*Land and buildings*	*Plant and machinery*	*Industrial and commercial equipment*	*Other tangible fixed assets*	*Total*
Purchase or production cost	9,140	4,022	22	4,993	18,176
FTA revaluations	8,439				8,439
Previous years depreciation and write-downs	(605)	(1,252)	(8)	(3,805)	(5,670)
Adjustments to previous years write-downs				(2)	(2)
Opening value	*16,974*	*2,770*	*13*	*1,186*	*20,943*
Variations in consolidation area					
Purchases		17	0	472	489

Transfers					
Reduction in accumulated depreciation due to disposals				98	98
Disposals				(114)	(114)
Revaluations for the period					
Depreciation and write-downs for the period	(123)	(275)	(3)	(425)	(825)
Adjustments to write-downs for the period					
Total tangible fixed assets	*16,851*	*2,512*	*11*	*1,218*	*20,592*

Land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert. For further information regarding this point, please refer to the attached document on transition to the international accounting standards.
The accounting value of the Group’s buildings includes the sum of € 332 thousand relating to owned assets based on financial leasing contracts.
The purchasing of new tangible assets during the year came to a total of Euro 489 thousand of which Euro 472 thousand were for “other tangible assets” that mainly included the purchasing of electronic machinery and computers, managerial instruments characteristic of the Group’s activities.
There are no restrictions on the legal ownership and possession of assets, systems and machinery to guarantee liabilities. There are no contractual restrictions for buying assets, systems or machinery.
These assets have undergone no reduction in value during the year.

14 Intangible fixed assets

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

Intangible fixed assets	**31/12/2006**	**31/12/2005**
Development costs	-	-
Industrial patents and similar rights	3,646	2,814
Licences, trademarks and similar rights	122	143
Assets under development	10,684	7,891
Others	-	-
Total Intangible fixed assets	**14,452**	**10,847**

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

Intangible fixed assets	*Industrial patents and similar rights,*	*Licences, trademarks and similar rights*	*Assets under development and payments on account*	*Other*	*Total*
Purchase or production cost	3,052	3,004	7,891	23	13,971
Previous years revaluations					
Previous years amortisation and write-downs	(238)	(2,861)		(23)	(3,123)
Adjustments to previous years write-downs					
Opening value	*2,814*	*143*	*7,891*		*10,847*
Variations in consolidation area					
Purchases		83	4,406		4,489
Transfers	1,563		(1,563)		
Reduction in accumulated amortisation due to disposals					
Disposals			(50)		(50)
Revaluations for the period					
Amortisation and write-downs for the period	(731)	(103)			(834)

Adjustments to write-downs for the period		(1)		(1)
Total intangible fixed assets	*3,646*	*122*	*10,684*	*14,452*

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

The caption “Licences, trademarks and similar rights” principally includes the licensed out software bought by third parties used 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 most important projects included in the assets are the following:

- SIBAC GS – an integrated banking system for large systems designed for the whole banking and financial sector;
- SID – a managerial information technology system developed for the business intelligence area of the banking system;
- Libro Soci – a procedure for the management of quoted company books designed for the whole banking system;
- Fiscalità locale (Local taxation)– a procedure for the management of local taxes designed for the public administration and public body sector;
- GPM4 – this is a procedure aimed mainly at banks and financial companies who deal with savings as it manages property patrimony by simulating investment portfolios.

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

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

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

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

Intangible asset purchases from CAD Srl	10
Total intangible asset purchases	**10**
User licence purchases from SGM	660
Total user licence purchases	**660**
Intangible asset development from CAD Srl	1,008
Intangible asset development from Cesbe	104
Intangible asset development from Netbureau	200
Intangible asset development from Bit Groove	500
Intangible asset development from Datafox	96
Total intangible asset purchases	**1,908**
TOTAL INTANGIBLE ASSET PURCHASES FROM SUBSIDIARY COMPANIES	**2,578**

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
Totale	**8,309**

The recoverable value of the CGU is verified by determining the value in use.
The evaluation of the CAD IT Group companies was made through a *Discounted Cash Flow* (DCF), the most common calculation method in financial markets. The results obtained by applying this method were compared to those obtained with the Market Multiple method and in all cases the results proved coherent. Operational cash flow forecasts are based on the most recent budget plans approved by the Board of Directors and relate to the period 2006 – 2010 which take into account the concrete company growth possibilities based on past data and on management forecasts. The financial flows that go over this period have been calculated with great care using a growth rate of nil. The putting into effect rate used is the weighed average of capital estimated at 8.16%.
The main assumptions used by the Directors for discounting back prospective financial flows in order to make an analysis of the holding value are reported below:
the equation used for estimating the weighed average cost of capital is the following:

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

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 31/12/2005, differs as follows:

- on 19 April 2006 the participating share in the company S.G.M. S.r.l. increased from 71.2% to 100%; said purchase involved a cash outlay for CAD IT of Euro 297 thousand.
- on 15 May 2006 the participating share in the company Netbureau S.r.l. increased from 86% to 100%; said purchase involved a cash outlay for CAD IT of Euro 3 thousand.

The differences in these consolidation areas have very little effect on both the income statement and the patrimonial situation.
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	20,000	51.00%
	Smart Line S.r.l.	Avellino	102,700	51.05%	51.05%
	Datafox	Florence	99,999	51.00%	51.00%
(1)	Tecsit S.r.l.	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.	31/12/2006	607	339	25.00%	152	152

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 stable investments due to their strategic function in existing collaboration agreements with the Group and are registered in the balance at market value at the balance date.
The profits and losses registered after a *fair value* evaluation at each balance date for this asset, by verifying the conditions laid down in the accounting standards, are registered to net patrimony with the exception of those value losses that must be registered in the profit and loss account.
The table below illustrates the value variations of these holdings:

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

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

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.

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:

inventory	**31/12/2006**	**31/12/2005**	**Variations**
M	-	-	

Products being elaborated or semi-elaborated	91	91	
Finished goods	569	556	13
Total final inventory	**660**	**647**	**13**

21 Ongoing work to order

Ongoing work to order was registered at a total € 392 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	31/12/2006	31/12/2005	Variazione
Ongoing work to order	392	336	56
Total Ongoing work to order	**392**	**336**	**56**

22 Other financial assets

Commercial credits and other credits are made up as follows:

Trade receivables and other credits	31/12/2006	31/12/2005	Variazione
Trade receivables	25,750	24,452	1,298
Accrued income and deferred expenses	339	245	94
Other credits	187	167	20
Total trade receivables and other credits	**26,276**	**24,865**	**1,411**

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 82 thousand (€ 342 thousand in previous period) which ensures a cover of 0.32% 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	31/12/2006	31/12/2005	Variations
Associated companies		2	(2)
Trade receivables	25,833	24,793	1,040
Bad debt provision	(82)	(342)	260
Total trade receivables	**25,750**	**24,452**	**1,298**
% Coverage of bad debt provision		0.32%	1.38%

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

Accrued costs	31/12/2006	31/12/2005
Software assistance	106	58
Advertising expenses	54	58
Third party benefit expenses	65	12
Telephone charges	43	37
Administrative services	16	20
Various insurances	29	34
Various	15	8
Hardware assistance	1	4
System maintenance	2	3
Associative fees	2	2
Office management costs	1	1
Total Accrued costs	**332**	**237**

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

Credits towards other	31/12/2006	31/12/2005	Variations
Receivables from social security institutions	2	16	(14)
Receivables for advances on travel expenses	12	14	(2)
Payments on account to suppliers	112	31	81
Other	56	97	(41)
Guarantee deposits	5	9	(4)
Totale crediti verso altri	**187**	**167**	**20**

23 Tax credits

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

24 Cash and other equivalent assets

Cash and other equivalent assets	31/12/2006	31/12/2005	Variations
Bank and postal accounts	3,311	3,759	(448)
Cheques on hand		0	
Cash-on-hand and cash equivalents	21	13	8
Insurance policies capitalised	6,197	6,017	180
Total Cash and other equivalent assets	**9,529**	**9,789**	**-260**

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%.

25 Non current assets held for sale

At 31/12/2006 there were no non-current assets of the Group to be classified as held for sale.

26 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 31/12/2006 came to Euro 54,585 thousand compared to Euro 53,543 thousand at 31/12/2005.

Third party net patrimony

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

Minority interests	31/12/2006	31/12/2005
Minority quotaholders of Cesbe S.r.l.	1,663	1,679
Minority quotaholders of Datafox S.r.l.	157	148
Minority quotaholders of Netbureau S.r.l.		2
Minority quotaholders of SGM S.r.l.		(58)
Minority quotaholders of Tecsit S.r.l.	48	53
Minority quotaholders of DQS S.r.l.	252	259
Minority quotaholders of Elidata srl	472	408
Minority quotaholders of Smart Line S.r.l.	117	79
Total minority interests	**2,708**	**2,570**

27 Reserves

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

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

28 Accumulated profit

Accumulated profits/losses	31/12/2006	31/12/2005	Variazione
Previous profits/losses	585	585	
Legal reserve	934	934	
Statutory reserve	-		
IFRS transition reserve	2,119	2,119	
Consolidation reserve	(2,077)	(1,966)	(111)
Available joint profit reserve	10,396	10,386	10
Period profits/losses	2,961	1,517	1,444
Total	**14,918**	**13,575**	**1,343**

Previous period profit refers to the difference between the profits for the 2004 period calculated with the IAS/IFRS accounting standards compared to calculation with the national accounting standards.
The IFRS transition fund changed during the course of the period by €2,737 thousand due to the application of the IAS 32 and 39 for the evaluation of financial assets available for sale being deferred to 01/01/05. The IFRS transition fund covers any differences that may have occurred when the international accounting standards were first adopted on 1st January 2004 and was changed for the actual application of the IAS 32 and 39 standards on 01/01/05 when assessing financial assets available for sale, in accordance with the IFRS 1 accounting standard.
The available reserve of undivided profits increased by Euro 10 thousand due to the effect of undistributed profits in the previous period.

29 Dividends paid

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

30 Financing

€ 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.

31 Liabilities due to deferred taxes

Deferred taxes amounted to Euro 3,546 thousand and took into account the taxable time differences resulting from time differences of the accounting value of an asset or liability compared to its recognised value for tax purposes. In particular they mainly referred to the fiscal effect of adjustments made at the FTA, the taxation of which was deferred to future periods.

32 Employees' leaving entitlement and quiescence reserves

Employees' leaving entitlement and quiescence reserves	31/12/2006	31/12/2005	Variations
Employees' leaving entitlement (TFR)	6,895	6,262	633
Fund due to director end of term of office treatment	19	173	(154)
Other quiescence reserves	2	2	

Total	**6,915**	**6,437**	**478**

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

Employees' leaving entitlement	**31/12/2006**	**31/12/2005**
Balance at 1 January	**6,262**	**5,428**
Variations in consolidation area		
Accruals	1,429	1,687
Utilisation	(796)	(853)
Closing balance	**6,895**	**6,262**

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

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

The results of the mathematical evaluations on the basis of the IAS for TFR at 31/12/2006 are shown below:

TFR on the basis of IAS at 31/12/2006	***Previous years' costs***	***Current year's costs***	***Current year's interest allowed***	***Actuarial gain(loss)***
6,895	5,736	915	243	(271)

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	**31/12/2006**	**31/12/2005**
Balance at 1 January	173	135
Accruals	26	38
Utilisation	(180)	
Closing balance	**19**	**173**

The Euro 180 thousand decrease compared to 31/12/2005 is due to the payment of End of Term of Office transactions in favour of the Board of Directors of the DQS associated company in force up to 20/04/2006.

33 Commercial debts

The entire point shows the following trend:

Trade accounts payable to creditors and other payable	31/12/2006	31/12/2005	Variations
Accounts payable to creditors	4,210	3,555	655
Payments on account received	112	70	42
Accrued expenses and deferred income	302	558	(256)
Total	**4,623**	**4,183**	**440**

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

Accrued expenses and deferred earnings	31/12/2006	31/12/2005	Variations
Accrued liabilities	6	7	(1)
Deferred earnings	296	551	(255)
Total	**302**	**558**	**(256)**

34 Tax debts

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

35 Short-term financing

This point is made up of Euro 1,055 thousand from short-term funding to banking institutions outstanding at account and of Euro 83 thousand from debts within 12 months for financial leasing.

36 Other debts

Details of other debts are as shown:

Other debts	31/12/2006	31/12/2005	Variazione
Social security charges payable	2,314	2,412	(98)
Towards directors	131	31	100
Dividends to be distributed to shareholders (third parties)	152	152	
Towards staff for deferred salaries and pay	3,849	3,757	92
Other	52	53	(1)
Total	**6,497**	**6,405**	**92**

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 2006 and to accruals for deferred salaries that matured at the financial period closure date.

37 Consolidated net financial position

The consolidated net financial availability was still positive at the end of the year 2006 despite having paid a total of Euro 1,616 thousand in ordinary dividends to shareholders, in accordance with the decision made at the shareholders' meeting on 28th April 2006.
The amount of cash-on-hand at 31/12/2006 was Euro 8,391 thousand, a reduction of Euro 330 thousand and long-term financial availability was Euro 8,084 thousand compared to Euro 8,347 thousand at 31/12/2005.
In particular, cash-on-hand and in bank accounts came to Euro 3,333 thousand. Capitalisation insurance policies of Euro 6,197 thousand were contractually available on 30-day prior request without any significant tax expenses.

Variation in net financial position/(indebtedness)	31/12/2006	31/12/2005	Variations
Cash-on-hand and at bank	3,333	3,772	(439)
Capitalisation insurance policies	6,197	6,017	179
Payables due to banks current portion	(1,138)	(1,068)	(70)
Net short-term financial position/(indebtedness	**8,391**	**8,721**	**(330)**
Long-term loans	(308)	(374)	66
Net long-term financial position/(indebtedness)	**(308)**	**(374)**	**66**
Net financial position / (indebtedness)	**8,084**	**8,347**	**(263)**

As a link between the data of the net financial position statement and the balance statement, it is hereby reported that: cash in bank accounts and capitalisation insurance policies are registered in the patrimonial status as "Cash and other equivalent assets" (Euro 9,529 thousand at 31/12/2006 and Euro 9,789 thousand at 31/12/2005); short-term financial debts are registered as "Payables due to banks current portion" (Euro 1,138 thousand at 31/12/2006 and Euro 1,068 at 31/12/2005) net of 53 thousands of Euro not considered in 2005; long-term financing is registered in the patrimonial status as "Long-term loans" (Euro 308 thousand at 31/12/2006 and Euro 374 at 31/12/2005).
As expected at the beginning of 2006, cash flows generated by traditional services were in credit (Euro 5.8 million) while programmed investment activities were still having a consistent effect on the use of financial available assets (4.4 million).
Please refer to CAD IT Group's financial report for cash flow details.

38 Transactions with related party

Any commercial relations between the Group's companies are governed by normal market conditions.
The summary of income and costs, despite the credit and debit position at 31st December 2006 between the Group's subsidiaries, is shown in the specific note on management relations.
The following table shows the incidence of transactions with correlated parties on the respective balance entry:

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	47,669	179	0.37%
Increases in intangible assets due to internal work	4,406	1,908	43.30%

Third party service costs	(8,923)	(336)	3.77%
Labour costs	(29,670)	(368)	1.24%
Other administrative expenses	(2,350)	(1,050)	44.68%
B Transaction or position incidence with correlated parties on entries in the Patrimonial situation			
Commercial credits and other credits	26,276	35	0.13%
TFR and pension funds	6,915	63	0.90%
Commercial debts	4,623	123	2.66%
Other debts	6,497	118	1.81%
C) Transaction or position incidence with correlated parties on financial flows			
(Increase)/Decrease in circulating credits	(1,318)	(35)	2.65%
Increase/(Decrease) in debts towards suppliers	696	16	2.35%
Increase/(Decrease) in other non-financial debts	92	78	85.00%

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

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

Name	Description of 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	Chairman and Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
Giuseppe	Legal representative	CAD Srl	01/01/06 - 31/12/06	indefinite	-	-	-	87	-
	Director	CESBE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	SICOM Srl	01/01/06 - 31/12/06	indefinite	-	-	-	3	-
Magnani	Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
Giampietro	Chairman and Managing Director	CAD Srl	01/01/06 - 31/12/06	31/12/06	-	-	-	87	-
	Director	BITGROOVE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	SMART LINE SRL	01/01/06 - 31/12/06	31/12/07	-	-	-	6	-
Rizzoli Maurizio	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	14	-	-	-	-
Zanella Luigi	Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	137	20	6	-	-
	Legal representative	CAD Srl	01/01/06 - 31/12/06	indefinite	-	-	-	87	-
	Director	CESBE Srl	01/01/06 - 31/12/06	indefinite	-	-	-	6	-
	Director	DQS Srl	01/01/06 - 31/12/06	31/12/08	-	-	3	12	-
	Director	SICOM Srl	01/01/06 - 31/12/06	indefinite	-	-	-	3	-
Dal Cortivo Paolo	Managing Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	17	-	-	103	-
Margetts Michael	Director	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	10	-	-	-	-
Lambertini Lamberto	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	13	-	-	-	-
Rossi Francesco	Director	CAD IT Spa	01/01/06 - 31/12/06	31/12/08	14	-	-	-	-
Cusumano	Statutory Auditors	CAD IT Spa	01/01/06 - 28/04/06		9	-	-	-	-
Giannicola	Chairman Statutory Auditor	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	16	-	-	-	-
	Statutory Auditors	CAD Srl	01/01/06 - 31/12/06	31/12/06	-	-	-	5	-
	Chairman Statutory Auditor	CESBE Srl	10/01/06 - 31/12/06	31/12/06	-	-	-	2	-
Ranocchi	Statutory Auditors	CAD IT Spa	28/04/06 - 31/12/06	31/12/08	10	-	-	-	-
Gianpaolo	Chairman Statutory Auditor	CAD Srl	13/05/06 - 31/12/06	31/12/06	-	-	-	4	-
Tengattini	Statutory Auditors	CAD IT Spa	28/04/06 - 30/06/06	31/12/08	10	-	-	-	-
Renato	Statutory Auditors	CESBE Srl	10/05/06 - 31/12/06	31/12/06	-	-	-	1	-
Miazzi Alberto	Director	CAD IT Spa	01/01/06 - 28/04/06		4	-	-	-	-
	Consulente	CAD IT Spa	01/01/06 - 31/12/06		-	-	-	83	-
	Consulente	CAD Srl	01/01/06 - 31/12/06		-	-	-	21	-
	Consulente	CESBE Srl	01/01/06 - 31/12/06		-	-	-	19	-
	Consulente	BITGROOVE Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consulente	DATAFOX Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consulente	NETBUREAU Srl	01/01/06 - 31/12/06		-	-	-	3	-
	Consulente	SGM Srl	01/01/06 - 31/12/06		-	-	-	6	-
Mazzi Sonia	Chairman Statutory Auditor	CAD IT Spa	01/01/06 - 28/04/06		13	-	-	-	-
	Chairman Statutory Auditor	CAD Srl	01/01/06 - 14/05/06		-	-	-	3	-
	Chairman Statutory Auditor	CESBE Srl	01/01/06 - 10/05/06		-	-	-	4	-
Cereghini	Statutory Auditors	CAD IT Spa	01/01/06 - 28/04/06		9	-	-	-	-
Giuseppe	Statutory Auditors	CAD Srl	01/01/06 - 14/05/06		-	-	-	2	-
	Statutory Auditors	CESBE Srl	01/01/06 - 10/05/06		-	-	-	3	-
					548	60	20	568	-

The remunerations for this position include specific emoluments decided by the meeting even if they have not been paid, tokens for participating at company meetings and any lump-sum expense reimbursements.
Bonuses and other incentives include the variable part of emoluments in relation to reaching the objectives set by the remuneration committee, as established during the meeting.
Other remunerations include emoluments for positions in subsidiary companies, employee salaries (gross of welfare and tax costs to be paid by the employee, excluding those obligatory collective welfare costs to be paid by the company and put aside in the TFR fund) and all other remunerations deriving from other services supplied.
Severance pay includes redundancy pay.
Non-monetary benefits include fringe benefits (according to a tax criterion) including any insurance policies.
At the moment there are no ongoing stock option plans.
Shares held by administrative and managerial organs are shown in the specific point regarding management relations.

40 Important events since 31st December 2006

During the current year, development and sales activities of new products for both consolidated clients and new types of customer has been continuing.
On February 5th 2007, CAD IT and Xchanging, the business processing services company announced the signing of an exclusive 3 year partnering agreement.
The partnering agreement reinforces the objectives of the original letter of intent, signed in November 2005, which comprised the following:
• CAD IT will be the preferred supplier of application solutions for the Xchanging Financial Services division. Xchanging will involve CAD IT in all international projects aimed at delivering software solutions for the financial services sector.
• Xchanging and CAD IT will continue their analysis of the business potential of the Italian market for business process services. Xchanging will be CAD IT’s preferred partner for business services in Italy.
This agreement further strengthens CAD IT and Xchanging’s strategic alliance as they maximise synergies to exploit the Italian and international market.
We would also like to point out the extremely positive progress during the first few months of 2007of the shares in the strategic holding companies Class Editori S.p.A. and CIA S.p.A.

41 Warranties

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

42 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*).

43 Financial statement approval

The present first half report was approved by the CAD IT S.p.A. Board of Directors on 27/03/2007.

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

3 Summary financial statements of CAD IT Group companies

SUMMARY FINANCIAL STATEMENTS OF THE CONSOLIDATED SUBSIDIARY COMPANIES INCLUDED IN THE CONSOLIDATION AREA

(article 2429 of the Italian Civil Code)

CAD SRL

REGISTERED OFFICE: Via Torricelli, 37 - 37100 VERONA

QUOTA CAPITAL: € 130,000.00

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

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

CESBE SRL

REGISTERED OFFICE: Via Torricelli, 37 - 37100 VERONA

QUOTA CAPITAL: € 10,400.00

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

in euro

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

NETBUREAU SRL

REGISTERED OFFICE: Via Morigi, 13 - MILAN

QUOTA CAPITAL: € 50,000.00

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

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

DQS SRL

REGISTERED OFFICE: Via Silvio d'Amico, 10 - 00145 ROMA

QUOTA CAPITAL: € 11,000.00

% OF INVESTMENT OF CAD IT S.p.A.: 55%

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

SGM SRL

REGISTERED OFFICE: Galleria Spagna, 28 - 35100 PADOVA

QUOTA CAPITAL: € 100,000

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

		in euro
	31/12/2006	***31/12/2005***
TURNOVER	2.407.199	1.432.842
GROSS OPERATING RESULT	1.004.743	(68.795)
NET OPERATING PROFIT	812.022	(142.191)
FINANCIAL INCOME AND CHARGES, NET	(53.138)	(49.702)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	758.884	(191.893)
NET PROFIT / (LOSS) FOR THE YEAR	447.468	(334.449)
TANGIBLE FIXED ASSETS, NET	656.473	863.212
WORKING CAPITAL, NET	632.539	(203.055)
INVESTED CAPITAL, NET	1.136.336	530.608
EMPLOYEES' LEAVING ENTITLEMENT	152.676	129.549
QUOTAHOLDERS' EQUITY	547.467	(196.779)
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(535.031)	(725.720)

SMART LINE SRL

REGISTERED OFFICE: Via Tagliamento, 165 - 83100 AVELLINO

QUOTA CAPITAL: € 102,700.00

% OF INVESTMENT OF CAD IT S.p.A.: 51.05%

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

BIT GROOVE SRL

REGISTERED OFFICE: Piazza IV Novembre, 8 - 51031 AGLIANA (PT)

QUOTA CAPITAL: € 15,500.00

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

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

ELIDATA SRL

REGISTERED OFFICE: Via Sanadolo, 19 - Caglione d'Adda - LO

QUOTA CAPITAL: € 20,000.00

% OF INVESTMENT OF CAD IT S.p.A.:51%

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

DATAFOX SRL

REGISTERED OFFICE: Via Circondaria, 56/3 – FLORENCE

QUOTA CAPITAL: € 99,999

% OF INVESTMENT OF CAD IT S.p.A.:51%

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

SUMMARY FINANCIAL STATEMENTS OF THE INDIRECT SUBSIDIARY COMPANIES NOT INCLUDED IN THE CONSOLIDATION AREA

(article 2429 of the Italian Civil Code)

TECSIT SRL

REGISTERED OFFICE: Via Silvio D'Amico, 40 - 00145 ROMA

QUOTA CAPITAL: € 75,000.00

% GROUP INTEREST: 38.5%

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

SUMMARY FINANCIAL STATEMENTS OF THE ASSOCIATED COMPANIES

(article 2429 of the Italian Civil Code)

SICOM SRL

REGISTERED OFFICE: Via Verdi, 15/a - 46019 Viadana (MN)

QUOTA CAPITAL: € 10,400.00

% OF INVESTMENT OF CAD IT S.p.A.: 25.00%

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

BDO

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, 2006. 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.

   Comparative figures relative to the annual consolidated financial statements of the previous year were audited and reviewed by other auditors and reference should be made to their report dated April, 13th, 2006.

3. In our opinion, the consolidated financial statements of CAD IT S.p.A. as at and for the year ended December 31st, 2006 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 12th , 2007

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed by: Alessandro Gigliarano

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