(Translation from the Italian original which remains the definitive version)

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2005

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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 2005

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
Managing Director

GIAMPIETRO MAGNANI
Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI
Director

FRANCESCO ROSSI
Director

LAMBERTO LAMBERTINI
Director

ALBERTO MIAZZI
Director

STATUTORY AUDITORS [2]

SONIA MAZZI
Chairwoman

GIUSEPPE CEREGHINI
Statutory Auditor

GIANNICOLA CUSUMANO
Statutory Auditor

GIAN PAOLO RANOCCHI
Substitute Statutory Auditor

CESARE BRENA
Substitute Statutory Auditor

AUDITORS
KPMG S.p.A.

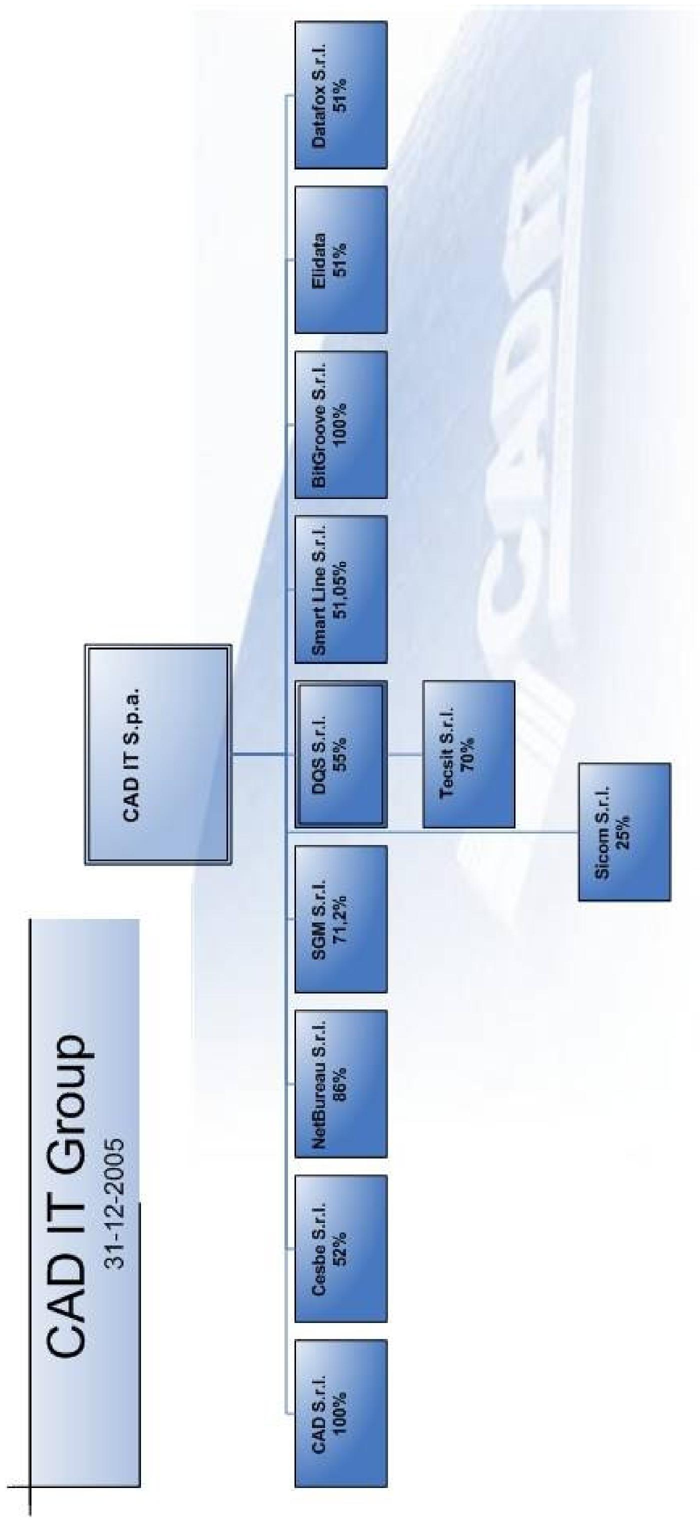
(1) *Appointed on 30 April 2003; office expires with the shareholders' meeting for the approval of the 2005 financial statements.*

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 obligations 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.

Each of the Managing Directors Giampietro Magnani and Luigi Zanella is authorised to perform all ordinary administrative duties including ordering banking transactions, within the limit of the credit lines granted, not exceeding € 1,000,000 (1 million) each or € 3,000,000 (3 million) each with the joint signature of another Managing Director; each of them is also authorised to acquire or sell registered moveable assets.

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
31-12-2005
CAD IT S.p.a.
CAD S.r.l. 100%
Cesbe S.r.l. 52%
NetBureau S.r.l. 86%
SGM S.r.l. 71,2%
DQS S.r.l. 55%
Smart Line S.r.l. 51,05%
BitGroove S.r.l. 100%
Elidata 51%
Datafox S.r.l. 51%
Tecsit S.r.l. 70%
Sicom S.r.l. 25%

1. Directors' report on the 2005 consolidated financial statements

This Directors' report accompanies the CAD IT Group's consolidated balance which has been drafted in accordance with the international accounting standards (IAS/IFRS) and which shows and explains the main aspects of the Group's economic result and patrimonial-financial situation.
The CAD IT S.p.A consolidated balance for 2005 has been drafted in accordance with the international accounting standards (IAS/IFRS) as stated by regulation no. 1606 and adopted by the European Union in 2002. The comparative data for the same period in 2004 have been reprinted and re-calculated according to the new accounting standards applied.
Monetary items in the accounting schedules are stated in Euro, whereas those in the comments thereto are in thousands of Euro, unless otherwise stated.

1.1 Activities of the Group

CAD IT today is the leader of a group that is one of the most dynamic organisations in the Italian information technology sector.
Over the last 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 and Trento.
CAD IT is leader in the Italian software market for the banking sector with its main product, Financial Area, a programme which completely manages all functions connected to negotiation, settlement and administration of security transactions, debentures, derivates (in any currency) and adopted by 60% of Italian banking outlets.
In addition, the Group boasts long-standing activity in the industrial sector and the capacity to offer solutions for e-business, credit and industrial companies in constant evolution..
Solutions for Public Administration make up the newest sector but they capitalize the Group's traditional abilities like its 20-year experience in developing computer systems for public body computerisation.

1.2 Synthesis of the results

	Period 2005		*Period 2004*		*Variations*	
	01/01 - 31/12		*01/01 - 31/12*			*%*
Production value	*50,141,679*	*100.0%*	*54,653,018*	*100.0%*	(4,511,339)	(8.3%)
Added value	*39,294,950*	*78.4%*	*43,097,049*	*78.9%*	(3,802,099)	(8.8%)
Gross operational result (EBITDA)	*7,017,214*	*14.0%*	*10,952,652*	*20.0%*	(3,935,438)	(35.9%)
Operational result (EBIT)	*5,505,791*	*11.0%*	*9,542,646*	*17.5%*	(4,036,855)	(42.3%)
Ordinary result	*5,732,815*	*11.4%*	*9,884,092*	*18.1%*	(4,151,277)	(42.0%)
Pre-tax and pre-third party share result	*5,508,521*	11.0%	9,972,992	18.2%	(4,464,471)	(44.8%)
Income taxes	(3,795,541)	(7.6%)	(5,333,795)	(9.8%)	1,538,254	(28.8%)
Third party (profit)loss for the period	(196,423)	(0.4%)	(447,323)	(0.8%)	250,900	(56.1%)
Profit (loss) for the period	*1,516,557*	*3.0%*	*4,191,874*	*7.7%*	(2,675,317)	(63.8%)

At 31.12.2005, the CAD IT Group consolidated balance showed a profit of Euro 1,517 thousand (previous period 4,192) and Euro 196 thousand net of third party profits (previous period 447).

The results achieved highlight the Group's ability to attain positive outcomes by concentrating on the production and supplying of new products and services, acquiring new users and market segments.
The pre-tax result was Euro 5,509 thousand (previous financial period 9,973).
Income tax came to Euro 3,796 thousand for 2005 (previous period 5,334).
Production revenues for the 2005 financial period stood at Euro 50,142 thousand (previous period 54,653).
Staff costs were Euro 29,998 thousand (previous period 29,559), while service costs came to Euro 8,807 thousand (previous period 9,144).
Amortization and depreciation costs showed the sum of Euro 1,511 thousand (previous period 1,410).
The balance of income and financial expenses showed a positive result of Euro 227 thousand (previous period 341); value amendments of the holdings accounted for in the economic account showed a negative balance of Euro 224 thousand (previous period showed a positive 89 thousand).

1.3 The market

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

1.4 Significant events in 2005

During the first quarter 2005 five banking groups chose to adopt the SIBAC IAC solution developed by CAD IT. SIBAC - IAC (Investor Adequacy Care) is a modular and integrated system designed to support Banks in adequacy checks as established by the Italian CONSOB regulations (art. 29 Regulation 11522/98), the European CESR Norms and in use in ABI's "Progetto IX iniziativa PattiChiari".
At the 29th April 2005, on the basis of the financial results of 2004, which confirm the Veronese Group's ability to generate positive income margins, the shareholder's meeting approved the distribution of a € 0.33 ordinary dividend per share and the allocation of €0.98 million into reserves, Following this transaction, the available reserve of retained earnings, will exceed € 10 million.
The ex-dividend and the dividend payment dates are the 9th and 12th of May 2005 respectively.
In the second quarter, CAD IT and PROMETEIA signed a strategic agreement on the creation, development and sale of a software called "IAC Modulo VaR" so as to be able to supply financial institutions with an integrated solution for projects on "Client risk investment adequacy". Due to the complementarity of this offer the two companies have established a partnership with the aim of offering the market a complete and integrated solution able to satisfy the many needs of financial intermediaries from the controls required by law to calculating the risk involved for each individual investor portfolio.
On 21st November 2005, CAD IT signed a Letter of Intent to create a strategic alliance with Xchanging, a worldwide multinational leader in the allocation of process management services for the financial and insurance sectors, for industry and the retail sector by giving support to new international markets.
In November, Xchanging purchased a 10% share in CAD IT.
Xchanging holds the leading market position in Germany for process management linked to banking instruments with a more than 15% market share. Currently, some of Xchanging's most prestigious

clients in this area are: Deutsche Bank, Citigroup, Sal. Oppenheim and Sparda Banken. Xchanging is also one of the most important suppliers of insurance transaction management services on the London market, providing services to more than 200 clients of Lloyd's of London and the International Underwriting Association.
The Letter of Intent between the two companies was signed with the aim of reaching a strategic alliance based on the following guidelines within six months:
• Xchanging and CAD IT shall analyse together the software platform for the management of financial instrument transactions that Xchanging currently uses through its controlled company Etb for allocating services on the German market. The aim is to identify any possible cost synergies by evaluating the products presently on offer at CAD IT.
• CAD IT software and Xchanging's ability to allocate services shall be integrated in order to create the first real all-European platform for process management linked to securities.
• Xchanging and CAD IT shall evaluate the opportunities of cross-selling for international Banking Groups.
• CAD IT and Xchanging shall analyse together the market potentialities for solutions for Xchanging insurances (e.g. "Genius") with the purpose of launching them onto the Italian market through CAD IT.
• Later, CAD IT and Xchanging intend to expand their service range and product portfolio to other areas of the financial market.

1.5 Analysis of the consolidated revenue results

Production revenues were Euro 50,142 thousand (previous period €54,653 thousand), including increases in intangible fixed assets due to internal projects, showing an 8.3% reduction compared to the value of the previous corresponding financial period. This decrease in revenue is due to major banking groups continually postponing investments while they concern themselves with merger and restructuring processes which have delayed investment decisions.
User licence sales exceeded those of the previous financial period but there was a fall-off in the number of days allocated to client assistance.
In line with this question, the Group continued with its own investment plans for creating new procedures, for getting ready to be able to offer innovative solutions and to become increasingly competitive.
The added value of Euro 39,295 thousand (previous period €43,097 thousand), was still 78% of production revenues, the same as for the previous period.
The Gross Operating Result (EBITDA) of Euro 7,017 thousand was 14% of production revenues (previous period € 10,953 thousand).
The Operational Result (EBIT) was Euro 5,506 thousand (previous period €9,543 thousand) equal to 11% of production revenues compared to 17.5% of the same period of the previous year. This is due to minor revenues from sales and services.
The total amount for depreciation, credit and funding devaluation was Euro 1,511 thousand compared to Euro 1,410 thousand in the previous period.
The pre-tax result, due to financial income and expenses and the revaluation and devaluation of holdings, came to Euro 5,509 thousand, 11% of production revenues.
The net result of the Group was Euro 1,517 thousand while third party profit stood at €196 thousand.

1.6 Net consolidated financial position

The net consolidated financial availability at the end of the year 2005 is positive, even after shareholder payments to a total of Euro 2,963 thousand in ordinary dividends in accordance with the decision taken at the shareholders' meeting on 29th April 2005.
Euro 8,721 thousand are available at short notice compared to the Euro 11,398 thousand at 31.12.2004. In particular, availability at short notice on bank accounts and cash on hand comes to Euro

3,772 thousand. The other uses of liquid assets, i.e. Euro 6,017 thousand, are available by contract within 30 days of request without any significant expense.

31/12/2004	Variation in net financial position/(indebtedness)	31/12/2005
6,080,666	Cash-on-hand and at bank	3,771,890
5,858,618	Capitalisation insurance policies	6,017,386
(541,471)	Payables due to banks including current portion of medium to long-term loans	(1,067,883)
11,397,813	**Net short-term financial position/(indebtedness)**	**8,721,393**
(342,587)	Long-term loans net of short-term portion	(374,004)
(342,587)	**Net long-term financial position/(indebtedness)**	**(374,004)**
11,055,226	**Net financial position / (indebtedness)**	**8,347,389**

As expected at the beginning of 2005, cash flows from working capital were positive (Euro 5.8 million). For details on cash flows, refer to Consolidated Cash Flow Statement of CAD IT Group.

1.7 Net assets forming part of working capital

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

31/12/2004	Variations in net assets forming part of working capital	31/12/2005
28,581,898	Trade receivables, net	24,452,416
(2,904,985)	Trade accounts payable to creditors	(3,555,407)
(28,002)	Payments on account received	(70,070)
(402,928)	Accrued expenses and deferred income	(557,624)
249,612	Accrued income and deferred expenses	245,466
25,495,595	**Total net assets forming part of working capital**	**20,514,781**
910,134	Closing inventory and on-going orders	982,883
1,021,882	Receivables from taxation authorities	1,252,215
413,706	Tax debts	282,699
(3,318,107)	Deferred tax assets	(3,353,687)
349,062	Other current assets	166,791
(5,617,950)	Sums payable to taxation authorities	(2,559,293)
(349,889)	Sums due to other financial institutions	(308,090)
(6,385,892)	Other current liabilities	(6,405,134)
12,518,541	**Total working capital, net**	**10,573,165**

1.8 Research and development

In relation to activities aimed at consolidating traditional business, the production of new modules to increase the functional and technological development of the considerable range of software installed remains constant within the Group.
The creation and use of new computer systems aimed at diversifying the Group's offer towards those sectors bordering on the ones in which it is already present, is still underway.

As regards new projects, development are continuing on the SIBAC platform, which is a fundamental element for the Group's strategic growth.
Activity is also intense, in collaboration with Bit Groove and DataFox, in the production of specialised modules for the business intelligence area.
CeSBE S.r.l. continues to work towards the technological and functional sophistication of solutions for Trading On Line and the offer of a new platform aimed at automating process research.
The CAD IT Group, taking advantage of the collaboration of NetBureau, is working intensely to create a procedure for keeping company shareholder registers at companies with a large body of shareholders.
SGM S.r.l., has developed vertical solutions of the new (ERP) SIGMAWEB management system for companies of all sizes. Of these, vertical solutions are being developed for the fashion world and the food industry (managing production line marking).
Smart Line S.r.l. is now investing to enrich its own offer range of solutions and services for Public Administration and authorities for the management of local taxes.
Elidata S.r.l. continues to invest in furthering the functions of its own platform for linking up to financial markets and for the operational stock market room.

1.9 Investments

Investments in tangible and intangible fixed assets made by the consolidated companies in the year amount to Euro 6,094 thousand (Euro 5,663 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 new products needed by credit institutions.
The trend of investments is shown in the following table:

Summary of investments	*year 2005*	*year 2004*
Intangible fixed assets	825,708	262,935
Assets under development and payments on account	5,053,447	5,155,609
Plant, machinery, equipment and other tangible fixed assets	215,291	244,540
Buildings under construction and payments on account		
Total investments in tangible and intangible fixed assets	***6,094,446***	***5,663,084***
Shareholdings and financial investments	170,379	465,317
Shares		
Total shareholdings and financial investments	***170,379***	***488,302***
Total investments	***6,264,825***	***6,128,401***

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.

1.10 Holdings or shares, either of their own or of their controlled, acquired or estranged companies

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

1.11 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 31st December 2005:

Company	***Costs***	***Turnover***	***Receivables***	***Payables***
Cad It S.p.a.	2,752,522	13,636,060	13,930,267	8,444,958
Cad S.r.l.	16,445,450	1,661,027	6,075,136	15,936,858
Cesbe S.r.l.	493,492	1,990,967	3,856,661	233,813
NetBureau S.r.l.	36,459	43,283	434,392	328,642
DQS S.r.l.	7,188	1,476,103	682,475	5,127
SGM S.r.l	1,198	504,493	167,745	46,769
SmartLine Line S.r.l.	20,676	196,134	89,961	173,097
BitGroove S.r.l.	140,434	11,205	1,304	107,208
Elidata S.r.l.	106,241	-	28,023	17,582
Datafox S.r.l.	1,934	486,982	233,491	29,049
Tecsit S.r.l.	661	-	-	176,352
Total	**20,006,254**	**20,006,254**	**25,499,455**	**25,499,455**

1.12 Related parties

In relation to the financial period at 31.12.2005, the fees destined to the members of the boards of directors and statutory auditors under any title, either directly by the parent company or subsidiaries or indirectly, are as follows: (in thousands of Euro)

Name	Description of role		Fees			
Name	Role held or profession	Term of office	Emoluments for the office	Fringe benefits	Indemnity at termination of office	Other fees
Dal Cortivo Giuseppe	Chairman of the Board of Directors and					
	Managing Director of CAD IT S.p.A.	1/1 - 31/12/05	122.5		17.4	
	Legal representative of CAD S.r.l.	1/1 - 31/12/05	86.8			
	Director of CESBE S.r.l.	1/1 - 31/12/05	6.2			
	Director of SICOM S.r.l.	1/1 - 31/12/05	6.2			
Magnani Giampietro	Managing Director of CAD IT S.p.A	1/1 - 31/12/05	123.0		17.4	
	Chairman of the Board of Directors of CAD S.r.l.	1/1 - 31/12/05	86.8			
	Director of BITGROOVE	1/1 - 31/12/05	6.0			
	Director of SMART LINE S.r.l	1/1 - 31/12/05	6.3			
Rizzoli Maurizio	Director of CAD IT S.p.A.	1/1 - 31/12/05	11.0			
Zanella Luigi	Managing Director of CAD IT S.p.A	1/1 - 31/12/05	23.0		17.4	
	Legal representative of CAD S.r.l.	1/1 - 31/12/05	86.8			
	Director of CESBE S.r.l.	1/1 - 31/12/05	6.2			
	Director of SICOM S.r.l.	1/1 - 31/12/05	6.2			
	Director of DQS S.r.l.	1/1 - 31/12/05	26.9		7.2	
Dal Cortivo Paolo	Managing Director of CAD IT S.p.A	1/1 - 31/12/05	11.0			83.6
Lambertini Lamberto	Non-Executive Director of CAD IT S.p.A.	1/1 - 31/12/05	10.5			
Miazzi Alberto	Non-Executive Director of CAD IT S.p.A.	1/1 - 31/12/05	11.4			
Rossi Francesco	Non-Executive Director of CAD IT S.p.A.	1/1 - 31/12/05	10.5			
Mazzi Sonia	Chairwoman of the Board of Statutory Auditors CAD IT S.p.A.	1/1 - 31/12/05	26.9			
	Chairwoman of the Board of Statutory Auditors of CAD S.r.l.	1/1 - 31/12/05	6.7			
	Chairwoman of the Board of Statutory Auditors of CESBE S.r.l.	1/1 - 31/12/05	7.4			
	Statutory Auditor of SGM S.r.l.	1/1 - 30/04/05	0.5			
Cereghini Giuseppe	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/05	21.8			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/05	4.7			
	Statutory Auditor of CESBE S.r.l.	1/1 - 31/12/05	5.1			
	Chairman of the Board of Statutory Auditors of SGM S.r.l.	1/1 - 30/04/05	0.8			
Cusumano Giannicola	Statutory Auditor of CAD IT S.p.A.	1/1 - 31/12/05	21.8			
	Statutory Auditor of CAD S.r.l.	1/1 - 31/12/05	4.7			

Investments of the directors and statutory auditors in the parent and subsidiary companies:

Name	Investment	Number of shares/quotas held at 31.12.2004		Number of shares acquired	Number of shares sold	Number of shares/quotas held at 31.12.2005	
Dal Cortivo Giuseppe	CAD IT S.p.A.	1,553,734	(1)	-	224,500	1,329,234	(2)
Magnani Giampietro	CAD IT S.p.A.	1,550,221	(1)	-	224,500	1,325,721	(2)
Rizzoli Maurizio	CAD IT S.p.A.	1,630,486	(3)	-	234,550	1,395,936	(4)
Zanella Luigi	CAD IT S.p.A.	1,552,680	(5)	-	224,500	1,328,180	(6)
Dal Cortivo Paolo	CAD IT S.p.A.	-		6,481	1,000	5,481	
Alberto Miazzi	CAD IT S.p.A.	980	(7)	-	-	980	(7)
Lamberto Lambertini	CAD IT S.p.A.	-		-	-	-	
Francesco Rossi	CAD IT S.p.A.	-		-	-	-	
Mazzi Sonia	CAD IT S.p.A.	2,165		-	-	2,165	
Cereghini Giuseppe	CAD IT S.p.A.	838		-	-	838	
Cusumano Giannicola	CAD IT S.p.A.	-		-	-	-	

(1) of which owned by his wife:	424,765
(2) of which owned by his wife:	370,885
(3) of which owned by his wife:	473,564
(4) of which owned by his wife:	351,264
(5) of which owned by his wife:	434,865
(6) of which owned by his wife:	380,985
(7) of which owned by his wife:	120

1.13 Corporate Governance

On 28th March 2006, the Board of Directors approved the annual report in order to provide the CAD IT S.p.A. shareholders with adequate information about its own company management system and about how much the company adheres to the auto-disciplinary code for quoted companies laid down by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A..

1.14 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.

1.15 Financial instruments and risk management

Given the type of financial instruments in its possession, the Group is not subject to exchange risks or significant risks regarding interest rates and liquidity.
As for credit risk, the Group constantly monitors credits so that its clients respect payment terms and in order to contain the risk of any possible losses. The Group mainly operates with banks and companies controlled by banks and in past periods the event of credit losses concerning said clients has been minimal.

No operations were carried out using derivate instruments during the period since it is not the company's policy to carry out these kind of operations, whether for cover purposes or for negotiation.

2 Consolidated financial statements of the Group

2.1 Consolidated Profit and Loss Account

Consolidated profit and loss account	***Notes***	*Period 2005*		*Period 2004*		*Variations*	
		01/01 - 31/12		*01/01 - 31/12*			*%*
Income from sales and services		44,889,287	89.5%	49,439,600	90.5%	(4,550,313)	(9.2%)
Variations in stock of products being elaborated		32,367	0.1%			32,367	100.0%
Changes in ongoing orders		(468,565)	(0.9%)	(45,000)	(0.1%)	(423,565)	941.3%
Asset increases due to internal work		5,645,447	11.3%	5,155,609	9.4%	489,838	9.5%
Other revenue and receipts		43,143	0.1%	102,809	0.2%	(59,666)	(58.0%)
Production value	2.5.2	*50,141,679*	*100.0%*	*54,653,018*	*100.0%*	(4,511,339)	(8.3%)
Costs for raw materials, subsidiaries and consumer goods		(984,318)	(2.0%)	(1,512,323)	(2.8%)	528,005	(34.9%)
Service costs		(8,807,173)	(17.6%)	(9,143,637)	(16.7%)	336,464	(3.7%)
Other operational costs		(1,055,238)	(2.1%)	(900,009)	(1.6%)	(155,229)	17.2%
Added value		*39,294,950*	*78.4%*	*43,097,049*	*78.9%*	(3,802,099)	(8.8%)
Labour costs		(29,998,236)	(59.8%)	(29,559,224)	(54.1%)	(439,012)	1.5%
Other administrative expenses		(2,279,500)	(4.5%)	(2,585,173)	(4.7%)	305,673	(11.8%)
Gross operational result (EBITDA)		*7,017,214*	*14.0%*	*10,952,652*	*20.0%*	(3,935,438)	(35.9%)
Allocation to Credit Depreciation Fund		(22,708)	(0.0%)	52,683	0.1%	(75,391)	(143.1%)
Amortizations:							
- Intangible fixed asset amortization		(588,078)	(1.2%)	(628,472)	(1.1%)	40,394	(6.4%)
- Tangible fixed asset amortization		(900,637)	(1.8%)	(829,221)	(1.5%)	(71,416)	8.6%
Other allocations				(4,996)	(0.0%)	4,996	(100.0%)
Operational result (EBIT)		*5,505,791*	*11.0%*	*9,542,646*	*17.5%*	(4,036,855)	(42.3%)
Net financial receipts (charges)	2.5.4	227,024	0.5%	341,446	0.6%	(114,422)	(33.5%)
Ordinary result		*5,732,815*	*11.4%*	*9,884,092*	*18.1%*	(4,151,277)	(42.0%)
Revaluations and depreciations	2.5.5	(224,294)	(0.4%)	88,900	0.2%	(313,194)	(352.3%)
Pre-tax and pre-third party share result		*5,508,521*	11.0%	*9,972,992*	18.2%	(4,464,471)	(44.8%)
Income taxes	2.5.6	(3,795,541)	(7.6%)	(5,333,795)	(9.8%)	1,538,254	(28.8%)
Third party (profit)loss for the period		(196,423)	(0.4%)	(447,323)	(0.8%)	250,900	(56.1%)
Profit (loss) for the period		*1,516,557*	*3.0%*	*4,191,874*	*7.7%*	(2,675,317)	(63.8%)

2.2 Consolidated balance sheet

31/12/2004	Balance sheet	Notes	31/12/2005
	Assets		
	A) Non-current assets		
21,612,261	I) Assets, equipment and machinery	*2.5.10*	20,943,387
13,989,480	II) Intangible assets	*2.5.11*	19,156,205
8,308,714	(1) Goodwill	*2.5.12*	8,308,714
-	(2) Development costs		-
2,814,325	(3) Industrial patents and similar rights		4,917
142,615	(4) Licences, trademarks and similar rights		520,240
7,890,551	(5) Assets under development		5,155,609
6,249,680	III) Holdings	*2.5.13-14*	152,626
	IV) Other financial assets available for sale	*2.5.15*	3,087,170
64,848	V) Other non-current credits		59,417
413,706	VI) Credits due to deferred taxes	*2.5.16*	282,699
42,329,975	**TOTAL NON-CURRENT ASSETS**		**43,681,504**
	B) Current assets		
475,134	I) Stock	*2.5.17*	647,291
435,000	II) Ongoing orders	*2.5.18*	335,592
29,180,572	III) Commercial credits and other credits	*2.5.19*	24,864,673
1,021,882	IV) Tax credits	*2.5.20*	1,252,215
0	V) Financial assets available for sale		0
11,939,284	VI) Cash on hand and other equivalent assets	*2.5.21*	9,789,276
43,051,872	**TOTAL CURRENT ASSETS**		**36,889,047**
55,154	***C) Non-current assets for sale***	*2.5.7*	-
85,437,001	**TOTAL CREDIT**		**80,570,551**
	Liabilities		
	A) Net patrimony		
4,669,600	I) Company capital	*2.5.22*	4,669,600
35,246,400	II) Reserves	*2.5.23*	35,297,564
17,782,874	III) Accumulated profits/losses	*2.5.24*	13,575,336
57,698,874	**TOTAL NET PATRIMONY OF THE GROUP**		53,542,500
2,576,290	IV) Third party net patrimony	*2.5.22*	2,570,309
60,275,164	**TOTAL NET PATRIMONY**		**56,112,809**
	B) Non-current liabilities		
342,587	I) Financing	*2.5.25*	374,004
3,318,107	II) Liabilities due to deferred taxes	*2.5.26*	3,353,687
5,587,467	III) TFR and quiescence reserves	*2.5.27*	6,436,553
25,146	IV) Expense and risk reserves		25,000
	V) Other liabilities		
9,273,307	**TOTAL non-current liabilities**		**10,189,244**
	C) Current liabilities		
3,335,915	I) Commercial debts	*2.5.28*	4,183,101
5,617,950	II) Tax debts	*2.5.29*	2,559,293
548,773	III) Short-term financing	*2.5.30*	1,120,969
6,385,892	IV) Other debts	*2.5.31*	6,405,134
15,888,530	**TOTAL current liabilities**		**14,268,497**
85,437,001	**TOTAL LIABILITIES AND NET PATRIMONY**		**80,570,550**

2.3 Net Patrimony variations table

	Attribution to the shareholders of the Main Company						
Table of net patrimony variations	***Company capital***	***Reserves***	***Accumulated profit (loss) net of period result***	***Period result***	***Group's net patrimony***	***Minority Interests***	***Total***
31-Dec-04	*4,669,600*	*35,246,400*	*13,591,000*	*4,191,874*	*57,698,874*	*2,576,290*	*60,275,164*
IAS 39 application effect		51,164	(2,737,024)		(2,685,860)	106,229	(2,579,631)
Increase in revaluation reserves							
Allocation of the period to reserves			4,191,874	(4,191,874)			
Dividend distribution			(2,963,400)		(2,963,400)	(308,633)	(3,272,033)
Effects on consolidation reserves			(23,670)		(23,670)		(23,670)
Company capital increases							
Period result				1,516,557	1,516,557	196,423	1,712,980
Period end total	***4,669,600***	***35,297,564***	***12,058,779***	***1,516,557***	***53,542,501***	***2,570,309***	***56,112,810***

2.4 Consolidated Cash Flow Statement of CAD IT Group

Year 2004	*Cash flow statement of Cad It Group*		*Year 2005*
	OPERATING ACTIVITIES		
4,191,874	**Profit (loss) for the period**		***1,516,557***
	Amortisation and depreciation:		
829,221	- Tangible fixed assets		900,637
628,472	- Intangible fixed assets		588,078
	Accruals:		
1,586,903	- Employees' leaving entitlement		1,687,055
4,996	- Other provisions		
4,762	Increase/(Decrease) in provisions for contingencies and other charges		15,176
7,246,228		***Sub-total***	4,707,503
(489,274)	Utilisation of employees' leaving entitlement		(853,291)
(4,719,142)	Increase)/Decrease in receivables included under assets forming part of working capital		5,267,588
(3,341,209)	Taxes paid in the financial period		(6,027,719)
39,972	(Increase)/Decrease in inventory		(72,749)
(43,194)	(Increase)/Decrease in accrued income and deferred expenses		4,146
(1,283,183)	Increase/(Decrease) in accounts due to creditors		763,569
(11,885)	Increase/(Decrease) in accrued expenses and deferred income		154,696
	Increase/(Decrease) in sums due to other financial institutions		45,784
7,749,830	Increase/(Decrease) in other non-financial payables		1,897,643
(2,098,085)		***Sub-total***	*1,179,668*
5,148,143	***(A) - Cash flows from (for) operating activities***		*5,887,171*
	INVESTING ACTIVITIES		
184,562	(Increase)/ Decrease in investments in subsidiary companies valued using the equity method		114,551
(5,599,829)	(Increase)/Decrease in intangible fixed assets		(5,069,424)
(176,337)	(Increase)/Decrease in tangible fixed assets		(917,142)
7,884	(Increase)/Decrease in other fixed assets		5,431
277,026	(Increase)/Decrease in investments in associated companies		15,584
250,000	(Increase)/Decrease in other investments and securities		
	IAS 39 application effect		2,934,903
(5,056,694)	***(B) - Cash flows from (for) investing activities***		*(2,916,097)*
	FINANCING ACTIVITIES		
	Increase/(Decrease) in financial payables		
	Increase/(Decrease) in IFRS transition reserve		(2,737,024)
	Increase/(Decrease) in reserve for fin. assets avail. for sale		51,164
(1,301)	Effects on consolidation reserve		(23,670)
(137,053)	Third party net patrimony		(5,981)
(2,694,000)	Distribution of dividends		(2,963,400)
	Capital injections		
(2,832,354)	***(C) - Cash flows from (for) financing activities***		*(5,678,911)*
(2,740,905)	***(A+B+C) - Total cash flows***		*(2,707,837)*
13,796,131	Opening liquid funds		11,055,226
11,055,226	***Closing liquid funds***		*8.347.389*

2.5 Consolidated Balance notes

CAD IT S.p.a. is not subject to other company control in accordance with art. 2359 of the civil code. It 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.
The official Head Office is in Verona at 44/a, Via Torricelli, where the administrative and operational offices are also located. The company is listed at no. 01992770238 of the Verona Company Register.
Unless otherwise indicated, the monetary quantities in the accounting tables are expressed in Euro, those indicated in these notes are in thousands of Euro.

2.5.1 Summary of the more important accounting standards and evaluation criteria

This consolidated balance has been drafted in accordance with the standards dictated for the annual consolidated accounts of the present period (IAS/IFRS), as laid down in regulation no.1606, adopted by the European Union in 2002.
In this period, the Group adopted the international accounting standards for the first time (before this the balances were drafted according to Italian accounting standards).
In attachment to the six-monthly management report of 30/06/2005, CAD IT published a document on transition to the international accounting standards IAS/IFRS, which contained the reconciliations laid down in paragraphs 39 and 40 of IFRS 1 and to which reference is made for:

a) the reconciliations of the net patrimony calculated using the previous accounting standards with the net patrimony calculated in accordance with the IFRS for both the following dates:
   i) the transition date to the IFRS and
   ii) the closing date of the last financial period for which the balance was drafted in accordance with the previous accounting standards
b) a reconciliation of the economic result recorded in the last financial period balance drafted on the basis of the previous accounting standards with the economic result after applying the IFRS for the same period.

This document includes accounting tables, comments on said tables and observations made by the administrative organ about the managerial situation and the most important facts concerning the period.

Drafting criteria

This consolidated balance has been drafted using the traditional cost evaluation criteria with the exception of financial instruments available for sale which have been evaluated at fair value.
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. The estimates and relative hypotheses are based on the experience and factors considered reasonable for the case and are adopted in order to estimate the accounting value. It is not easy to calculate the credits and debits from other origins. Since they are estimates, the results obtained are not necessarily the same as the results portrayed.
The estimates and hypotheses are reviewed on a regular basis. Any variations deriving from an accounting estimate review are shown in the period in which the review was made if such review only affects that period. If the review affects the current and future periods, the variation is recorded in the period in which the review is made and in the relative subsequent periods.

Balance sheet layout

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

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

Controlled companies

The consolidation area includes the Mother Company and the companies it directly or indirectly 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.
Controlled 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 drafting the consolidated balance all the balances and significant transactions between the Group's companies are eliminated, as are all unrealised infra-group profit and loss transactions.
Inactive controlled companies or those that generated an insignificant volume of business are consolidated using the net patrimony method. Their effect on the total activity, on liabilities, on the financial position and result of the Group is insignificant.

Associated companies

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

Property, plant and equipment

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

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

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

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

Financial leasing

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

Intangible fixed assets

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

Goodwill

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

Asset value 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. When the fair value cannot be feasibly determined, the shares are valued at rectified cost due to durable losses in value, the effect of which is included in the economic account.
Any profits or losses found as a result of the effect of evaluating the fair value on these assets at every balance date are shown at net patrimony unless these concern durable losses in value.
As previously stated, the Group opted for the faculty of postponing the IAS 32 and 39 application to 01/01/2005.

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 obbligation was determined on the basis of the IAS 19 in that the end of contract treatment (TFR) is comparable to a “subsequent benefit to working relations” of the “definite benefit plans” type,

whose already matured sum should be projected into the future so as to estimate the amount to be paid when the work contract is terminated and payment is to be made. The calculation refers to an already matured TFR and takes into account any future reserves.
The liability is calculated by independent actuaries.
The mathematical calculation of the end of contract treatment is made with the "unitary projection of credit" method, also known as the matured benefits in proportion to labour activities lent method (art. 64-66 of IAS 19). This method states that "the company attributes the benefit to the current accounting period (for the welfare cost relating to the current labour services) and to the current period and the previous one (to determine the real value of definite benefit obligations). The company should attribute the benefit to the periods in which the obligation to allocate subsequent benefits to the end of contract arises" (art. 68 of IAS 19). For a correct methodological approach to the problem, the mathematical evaluation was supplied with sensitivity tests in respect of the basic technical standards adopted so as to be able to appreciate the effect of any variation, whether due to leaving the group for whatever reason or to financial and economic reasons, to the allocation value in the balance of the TFR according to IAS 19.
The profits and losses deriving from the mathematical calculations are ascribed to the economic account.

Risk and obligation funds

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

Commercial debts and other current liabilities

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

Revenues and costs

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

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

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.

2.5.2 Revenues

The revenues gained by the Group are subdivided as follows:

Revenue	Period 2005 01/01 - 31/12		Period 2004 01/01 - 31/12		Variations	%
Income from sales and services	44,889,287	89.5%	49,439,600	90.5%	(4,550,313)	(9.2%)
Variations in stock of products being elaborated	32,367	0.1%			32,367	100.0%
Changes in ongoing orders	(468,565)	(0.9%)	(45,000)	(0.1%)	(423,565)	941.3%
Asset increases due to internal work	5,645,447	11.3%	5,155,609	9.4%	489,838	9.5%
Other revenue and receipts	43,143	0.1%	102,809	0.2%	(59,666)	(58.0%)
Production value	*50,141,679*	*100.0%*	*54,653,018*	*100.0%*	(4,511,339)	(8.3%)

2.5.3 Information by activity sectors and geographical areas

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

- *Finance*: includes the computer applications aimed specifically at banks and other financial institutions. The main applications provide:
    i. management of intermediary activities on securities, funds and derivate instruments;
    ii. management of the typical services in the credit sector, such as the collection, treasury and monitoring of credit procedures;
    iii. service allocation for trading on line;
    iv. management of integrated banking computer systems;
    v. 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.

Consolidated economic account by sector for period 2005	*Consolidated*	*Finance*	*Manufacturing*	*Not allocated/General*	*Elisions*
Income by sector from third parties	50,141,679	45,906,454	4,235,224		
Intra-sectorial income		2,690,127	1,368,800		(4,058,927)
Production revenues	50,141,679	48,596,581	5,604,024		(4,058,927)
Acquisition, service and operational costs by sector	(10,846,729)	(9,057,411)	(1,789,316)		
Intra-sectorial acquisition, service and operational costs		(628,800)	(1,254,959)	(1,023,319)	2,907,077
Added value	39,294,950	38,910,370	2,559,749	(1,023,319)	(1,151,849)
Labour costs and admin. expenses by sector	(32,277,736)	(30,394,666)	(1,883,071)		
Intra-sectorial labour costs and admin. expenses		(740,000)	(411,849)		1,151,849
Gross Operating Result (EBITDA)	7,017,214	7,775,704	264,829	(1,023,319)	
Depreciations and funding by sector	(1,511,423)	(1,388,686)	(122,737)		
Operating Result (EBIT)	5,505,791	6,387,018	142,092	(1,023,319)	
Net financial income (expenses)	227,024			227,024	
Ordinary Result	5,732,815	6,387,018	142,092	(796,295)	
Revaluations and devaluations	(224,294)	(205,596)	(18,698)		
Pre-tax and pre-third party share result	5,508,521	6,181,422	123,394	(796,295)	
Income taxes	(3,795,541)			(3,795,541)	
Third party share (profit)/loss	(196,423)	(730,947)	35,939	498,585	
Financial period profit (loss)	*1,516,557*	*5,450,475*	*159,333*	*(4,093,251)*	

Consolidated economic account by sector for period 2004	*Consolidated*	*Finance*	*Manufacturing*	*Not allocated/General*	*Elisioni*
Income by sector from third parties	54,653,018	50,627,472	4,025,546	0	
Intra-sectorial income		3,385,000	1,665,000	0	(5,050,000)
Production revenues	54,653,018	54,012,472	5,690,546	0	(5,050,000)
Acquisition, service and operational costs by sector	(11,555,969)	(9,918,937)	(1,637,033)	0	0
Intra-sectorial acquisition, service and operational costs		(785,000)	(1,450,000)	(800,000)	3,035,000
Added value	43,097,049	43,308,535	2,603,513	(800,000)	(2,015,000)
Labour costs and admin. expenses by sector	(32,144,397)	(30,189,407)	(1,954,990)	0	0
Intra-sectorial labour costs and admin. expenses		(880,000)	(1,135,000)	0	2,015,000
Gross Operating Result (EBITDA)	10,952,652	12,239,128	(486,477)	(800,000)	0
Depreciations and funding by sector	(1,410,006)	(1,265,008)	(144,998)	0	0
Operating Result (EBIT)	9,542,646	10,974,120	(631,475)	(800,000)	0
Net financial income (expenses)	341,446	0	0	341,446	
Ordinary Result	9,884,092	10,974,120	(631,475)	(458,554)	0
Revaluations and devaluations	88,900	102,622	(13,722)	0	
Pre-tax and pre-third party share result	9,972,992	11,076,742	(645,197)	(458,554)	0
Third party pre-tax (profit)/loss	(447,323)	(1,270,224)	308,337	514,565	
Group pre-tax profit/(loss)	*9,525,669*	*9,806,518*	*(336,860)*	*56,011*	*0*
Income taxes	*(5,333,795)*	*0*	*0*	*(5,333,795)*	
Financial period profit (loss)	*4,191,874*	*9,806,518*	*(336,860)*	*(5,277,784)*	*0*

Balance sheet	***at***	***31/12/2005***		
	Consolidated	*Finance*	*Manufacturing*	*Not allocated/General*
Assets				
A) Non-current assets				
I) Assets, equipment and machinery	20,943,387	20,774,718	168,669	-
II) Intangible assets	19,156,205	18,249,648	906,557	-
III) Holdings	152,626	152,626	-	-
IV) Other financial assets available for sale	3,087,170	3,087,170	-	-
V) Other non-current credits	59,417	38,407	21,010	-
VI) Credits due to deferred taxes	282,699	-	-	282,699
TOTAL NON-CURRENT ASSETS	**43,681,504**	**42,302,569**	**1,096,236**	**282,699**
B) Current assets				
I) Stock	647,291	405,520	241,771	-
II) Ongoing orders	335,592	-	335,592	-
III) Commercial credits and other credits	24,864,673	23,408,665	1,456,008	-
IV) Tax credits	1,252,215	-	-	1,252,215
V) Financial assets available for sale	0	0	0	0
VI) Cash on hand and other equivalent assets	9,789,276	9,592,049	197,227	-
TOTAL CURRENT ASSETS	**36,889,047**	**33,406,234**	**2,230,598**	**1,252,215**
C) Non-current assets for sale	-	-	-	-
TOTAL CREDIT	**80,570,551**	**75,708,803**	**3,326,834**	**1,534,914**
LIABILITIES				
B) Non-current liabilities				
I) Financing	374,004	254,412	119,592	-
II) Liabilities due to deferred taxes	3,353,687	3,333,398	20,289	-
III) TFR and quiescence reserves	6,436,553	6,228,277	208,276	-
IV) Expense and risk reserves	25,000	25,000	-	-
V) Other liabilities				
TOTAL non-current liabilities	**10,189,244**	**9,841,087**	**348,157**	**-**
C) Current liabilities				
I) Commercial debts	4,183,101	3,298,204	884,896	-
II) Tax debts	2,559,293	-	-	2,559,293
III) Short-term financing	1,120,969	352,863	768,106	-
IV) Other debts	6,405,134	5,918,205	486,930	-
TOTAL current liabilities	**14,268,497**	**9,569,272**	**2,139,932**	**2,559,293**
TOTAL LIABILITIES AND NET PATRIMONY	**24,457,741**	**19,410,359**	**2,488,089**	**2,559,293**
A) Net patrimony				
I) Company capital	4,669,600	-	-	
II) Reserves	35,297,564	-	-	
III) Accumulated profits/losses	13,575,336	-	-	
TOTAL NET PATRIMONY OF THE GROUP	53,542,500	-	-	
IV) Third party net patrimony	2,570,309	-	-	
TOTAL NET PATRIMONY	**56,112,809**	**-**	**-**	**-**
TOTAL LIABILITIES AND NET PATRIMONY	**80,570,550**	**19,410,359**	**2,488,089**	**2,559,293**

Balance sheet	atl	31/12/2004		
	Consolidated	*Finance*	*Manufacturing*	*Not allocated/General*
Assets				
A) Non-current assets				
I) Assets, equipment and machinery	21,612,261	21,412,438	199,823	-
II) Intangible assets	13,989,480	13,837,303	152,177	-
III) Holdings	6,249,680	6,224,333	25,346	-
IV) Other financial assets available for sale			-	-
V) Other non-current credits	64,848	34,980	29,868	-
VI) Credits due to deferred taxes	413,706	-	-	413,706
TOTAL NON-CURRENT ASSETS	**42,329,975**	**41,509,054**	**407,214**	**413,706**
B) Current assets				
I) Stock	475,134	472,790	2,344	-
II) Ongoing orders	435,000	-	435,000	-
III) Commercial credits and other credits	29,180,572	28,180,766	999,807	-
IV) Tax credits	1,021,882	-	-	1,021,882
V) Financial assets available for sale	0	0	0	0
VI) Cash on hand and other equivalent assets	11,939,284	11,809,521	129,763	-
TOTAL CURRENT ASSETS	**43,051,872**	**40,463,077**	**1,566,914**	**1,021,882**
C) Non-current assets for sale	55,154	55,154		
TOTAL CREDIT	**85,437,001**	**82,027,285**	**1,974,128**	**1,435,588**
LIABILITIES				
B) Non-current liabilities				
I) Financing	342,587	337,304	5,283	-
II) Liabilities due to deferred taxes	3,318,107	-	-	3,318,107
III) TFR and quiescence reserves	5,587,467	5,330,190	257,277	-
IV) Expense and risk reserves	25,146	25,146	-	-
V) Other liabilities				
TOTAL non-current liabilities	**9,273,307**	**5,692,640**	**262,560**	**3,318,107**
C) Current liabilities				
I) Commercial debts	3,335,915	2,967,563	368,353	-
II) Tax debts	2,299,843	-	-	2,299,844
III) Short-term financing	548,773	56,442	492,331	-
IV) Other debts	6,385,892	5,889,470	496,421	-
TOTAL current liabilities	**12,570,423**	**8,913,475**	**1,357,105**	**2,299,844**
TOTAL LIABILITIES AND NET PATRIMONY	**21,843,730**	**14,606,115**	**1,619,665**	**5,617,951**
A) Net patrimony				
I) Company capital	4,669,600	-	-	
II) Reserves	35,246,400	-	-	
III) Accumulated profits/losses	17,782,874	-	-	
TOTAL NET PATRIMONY OF THE GROUP	57,698,874	-	-	
IV) Third party net patrimony	2,576,290	-	-	
TOTAL NET PATRIMONY	**60,275,164**	**-**	**-**	**-**
TOTAL LIABILITIES AND NET PATRIMONY	**82,118,894**	**14,606,115**	**1,619,665**	**5,617,951**

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

2.5.4 Financial performance

The net financial income is Euro 227 thousand as the following table clearly shows.

31/12/2004	Financial performance and net financial position	31/12/2005
37,526	Financial income from assets available for sale	27,314
406,438	Interest on bank deposits and equivalent	315,398
443,964	**Total other financial income**	**342,712**
(102,518)	Interest on bank overdrafts and loans	(94,979)
-	Interest on debts for financial leasing	(16,990)
-	Profits and losses on exchanges	(3,719)
341,446	**Financial income and charges, net**	**227,024**

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.

2.5.5 Revaluations and depreciations

31/12/2004	Revaluations and depreciations	31/12/2005
102,622	Holding revaluation evaluated with the net patrimony method	64,836
(13,722)	Holding devaluation evaluated with the net patrimony method	(40,087)
	Devaluation of assets available for sale	(249,043)
88,900	**Total revaluations and depreciations**	**(224,294)**

The revaluation of holdings evaluated with the net patrimony method concerns Sicom S.r.l. The devaluation of holdings evaluated with the net patrimony method regards the estrangement of the following connected companies: Bookingvision S.r.l. for Euro 20 thousand, Archit for Euro 14 thousand and Nestegg for Euro 3 thousand.
The devaluation of assets available for sale derives from the appraisal to share prices on 31/12/2005 of the holding in Class Editori S.p.A.

2.5.6 Income taxes

Income taxes	*31/12/2005*
Tax pre-payments	31,917
Deferred taxes	73,292
Current taxes	3,690,332
Total income taxes	***3,795,541***

Tax incidence on the gross result was 68.9%. Such high incidence was mainly due to the effect of

IRAP, the burden of which on the results is particularly high because of the taxability of staff and collaborator costs.
The taxes ascribable to this portion of the period were estimated taking the results of the period and the norms in force into account and they represent the best possible estimate of the tax expenses ascribable to the period in question.
The controlling company, CAD IT S.p.A., and some of the Group's companies, have exercised the option of Group taxation as stated in art. 117 of TUIR 917/1986, which concerns the determination of a global income that corresponds to the algebraic sum of all net incomes of the companies in the group. The liquidation of this one tax allows the Group the contextual use of any tax losses in the period and also allows for dividends to be totally excluded.
Funding for taxes for the year can be reconciled with the result shown in the balance as follows:

RECONCILIATION BETWEEN TAX EXPENSES IN THE BALANCE AND THEORETICAL TAX EXPENSES

Theoretical rates	IRES	33.00%	IRAP	4.25%
	Taxable	**Tax**	**Taxable**	**Tax**
Pre-tax result	**5,508,521**		**5,508,521**	
Theoretical tax		**1,817,812**		**234,112**
Temporary differences deductible in later periods				
Representation expenses	32,715		32,715	
Total temporary tax variations on the increase	**32,715**	**10,796**	**32,715**	**1,390**
Temporary taxable differences in later periods				
Higher depreciations on land and buildings	145,233		145,233	
Total temporary tax variation on the decrease	**145,233**	**47,927**	**145,233**	**6,172**
Turnaround of the temporary differences from previous periods				
Representation expenses	35,150		35,150	
Holding share devaluation	7,028		0	
Director remuneration	35,199		0	
Maintenance expenses	996		996	
Total temporary variations from previous periods	**78,373**	**25,863**	**36,146**	**1,536**
Permanent differences				
To IRES / IRAP income increases	1,424,435		33,994,030	
To IRES / IRAP income decreases	477,621		1,459,311	
Total permanent differences	**946,814**	**312,449**	**32,534,719**	**1,382,726**
Taxable fiscal income	**6,264,444**		**37,894,576**	
Continual loss	(38,006)			
Taxable income / current tax on the period's income	**6,302,450**	**2,079,809**	**37,894,576**	**1,610,519**
Effective rate on the pre-tax result	**IRES**	**37.76%**	**IRAP**	**29.24%**

SUMMARY OF THEORETICAL TAX EXPENSES AND TOTAL EFFECT

Current IRES tax	2,079,809	37.76%
Current IRAP tax	1,610,519	29.24%
Total current taxes and effective rates	**3,690,328**	**66.99%**

2.5.7 *Non current assets held for sale*

At 31/12/2005, the Group had no non-current assets that could be classified as held for sale.

2.5.8 *Dividends paid and proposed*

On 12th May 2005, CAD IT S.p.A. distributed an ordinary dividend of Euro 0.33 per share to a total of €2,963,400 as agreed at the Shareholders' Meeting held on 29th April 2005.
In relation to the present period, the Directors have proposed the payment of a dividend of €0.18 per share to a total of €1,616,400, confirming the Group's ability to generate positive income margins. This dividend is subject to shareholder approval at the annual meeting and has therefore not been included in the liabilities of this balance.

2.5.9 *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	*2005*	*2004*
Net profit ascribable to ordinary shareholders in Euro	1,516,557	4,191,874
Weighed average number of ordinary shares in circulation	8,980,000	8,980,000
Net profit ascribable to ordinary shareholders for basic profit per share in Euro	0.17	0.47

2.5.10 *Property, plant and equipment*

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

Property, plant and equipment	**31/12/2005**	**31/12/2004**
Land	1,526,800	1,526,800
buildings	15,447,101	15,569,171
Plant and equipment	2,769,983	3,032,350
Other assets	1,199,499	1,483,940
Assets under construction and payments on account	-	-
Total property, plant and equipment	**20,943,383**	**21,612,261**

In the year 2005, the item "property, plant and equipment" varied as follows:

Tangible fixed assets	*Land and buildings*	*Plant and machinery*	*Industrial and commercial equipment*	*Other tangible fixed assets*	*Assets under construction*	*Total*
Purchase or production cost	9,139,616	4,056,998	1,186	5,136,900		18,334,700
FTA revaluations	8,438,978					8,438,978
Previous years depreciation and write-downs	(482,081)	(1,024,648)	(1,026)	(3,651,165)		(5,158,920)
Adjustments to previous years write-downs				(1,955)		(1,955)
Opening value	*17,096,514*	*3,032,350*	*160*	*1,483,780*		*21,612,804*
Variations in consolidation area		2,629	14,605	8,523		25,757
Purchases		29,691	1,990	187,225		218,906
Transfers		(3,615)				(3,615)
Reduction in accumulated depreciation due to disposals		50,492		333,342		383,834
Disposals		(53,041)		(340,621)		(393,662)
Revaluations for the period						
Depreciation and write-downs for the period	(122,612)	(288,524)	(3,257)	(486,247)		(900,640)
Adjustments to write-downs for the period						
Total tangible fixed assets	*16,973,902*	*2,769,983*	*13,497*	*1,186,002*		*20,943,384*

Land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert. For further information regarding this point, please refer to the attached document on transition to the international accounting standards.
The accounting value of the Group’s buildings includes the sum of € 332 thousand relating to owned assets based on financial leasing contracts.
The purchasing of new tangible assets during the period came to a total of Euro 218 thousand of which Euro 189 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.

2.5.11 Intangible fixed assets

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

Intangible fixed assets	**31/12/2005**	**31/12/2004**
(1) Goodwill	8,308,714	8,308,714
(2) Development costs	-	-
(3) Industrial patents and similar rights	2,814,325	4,917
(4) Licences, trademarks and similar rights	142,615	520,240
(5) Assets under development	7,890,551	5,155,609
Total Intangible fixed assets	**19,156,205**	**13,989,480**

In the year 2005, "Intangible fixed assets" varied as follows:

Intangible fixed assets	*Industrial patents and similar rights.*	*Licences, trademarks and similar rights*	*Assets under development and payments on account*	*Goodwill*	*Other*	*Total*
Purchase or production cost	91,971	2,937,463	5,155,609	12,440,551		20,625,593
Previous years revaluations						
Previous years amortisation and write-downs	(87,054)	(2,417,223)		(4,131,837)		(6,636,114)
Adjustments to previous years write-downs						
Opening value	*4,917*	*520,240*	*5,155,609*	*8,308,714*		*13,989,479*
Variations in consolidation area		3,249				3,249
Purchases	769,600	56,108	5,053,447			5,879,155
Transfers	2,190,904		(2,318,504)			(127,600)
Reduction in accumulated amortisation due to disposals						
Disposals						
Revaluations for the period						
Amortisation and write-downs for the period	(151,096)	(436,981)				(588,077)
Adjustments to write-downs for the period						
Total intangible fixed assets	*2,814,325*	*142,616*	*7,890,551*	*8,308,714*		*19,156,207*

The voice *industrial patent rights and works of ingenuity* is almost entirely made up of software procedures developed by the CAD IT Group and which were previously listed under the voice *ongoing assets* and have been reclassified as they are now ready for use.
The caption *Licences, trademarks and similar rights* principally includes the Dynasty software used by the Group for object-oriented programming activities.
The voice *assets under development* refers to investments in the development of software procedures under construction both for sale and for in-company use. Most of these investments are aimed at new, advanced products, the use of which will be needed very shortly, even by law, in credit and financial institutions as well as in the field of public and industrial administration. These assets are listed as receivable on the basis of the directly sustained cost.
The most important projects included in the assets are the following:

- SIBAC GS – an integrated banking system for large systems designed for the whole banking and financial sector;
- Basilea 2 – a project that involves the *business intelligence* area which aims at evaluating the operational risks of credit for the banking and insurance market;
- 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.

2.5.12 Goodwill

The Group verifies the recovery of goodwill at least once a year or more often if there are indications of a value loss.
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.	3,294,540
Cesbe S.r.l.	27,625
Netbureau S.r.l.	5,447
S.G.M. S.r.l.	1,223,761
D.Q.S. S.r.l.	2,278,850
Bit Groove S.r.l.	201,695
Elidata S.r.l.	616,563
Smart Line S.r.l.	443,121
Datafox	217,111
	8,308,713

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 for the next 5 years.
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:

$$k = kb\ (1\text{-}TC)\ (B/V) + kp\ (P/V) + ks\ (S/V)$$

where:
kb = 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.
kp = advisability cost of risk capital
P = market value of the privileged shares
ks = advisability cost of own capital determined by the market
S = market value of the net capital.

The cost of capital was identified as $k_S = 8.47\%$.
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-g) {[1/[1+(k-g)]^{N}}

2.5.13 Consolidation area

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

	Company name	Registered office	Share / Quota capital	Percentage of investment	Percentage of investment of the Group
	consolidated using the integral method				
	CAD IT S.p.A.	Verona	4,669,600	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	86.00%	86.00%
	S.G.M. S.r.l.	Verona	100,000	71.20%	71.20%
	D.Q.S. S.r.l.	Rome	11,000	55.00%	55.00%
	Bit Groove S.r.l.	Verona	15,500	100.00%	100.00%
	Elidata S.r.l.	Castiglione D'Adda (LO)	20.000	51,00%	51.00%
	Smart Line S.r.l.	Avellino	102,700	51.05%	51.05%
	Datafox	Florence	99,999	51.00%	51.00%
(1)	Tecsit S.r.l.	Rome	75,000	70.00%	38.50%

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

The controlling holding in the controlled company S.G.M. S.r.l. has increased from 61.6% to 71.2% since July 2005 due to company capital subscription.
The area of integral consolidation, compared to the situation at 31st December 2004, has changed because of the inclusion of the indirectly controlled company Tecsit S.r.l., which was previously consolidated with the net patrimony method in consideration of the patrimony and its insignificant business volume. Since the 2005 period, in order to give increasingly clearer information in the balance and to make it more complete and reliable (within the limits of relevance and costs), it was decided to integrate this controlled company. The data comparable to the 2004 period have not been recalculated in consideration of the very minor significance.

2.5.14 Investments in associates

The holding in Sicom S.r.l. was evaluated with the net patrimony method. The reference values used for evaluating this holding with the net patrimony 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.	31/12/2005	610,502	253,737	25.00%	152,625	152,625

Compared to 31/12/2004, the indirectly controlled companies Nestegg S.r.l. and Arch It S.r.l. are no longer present due to their liquidation and neither is the indirectly connected company Bookingvision S.p.A., which was sold to the held company, Datafox S.r.l., on 22/06/2005.

2.5.15 Other financial assets available for sale

This point involves Class Editori S.p.A. and CIA S.p.A. shares respectively quoted in the Standards and Expands segment, managed by Borsa Italiana S.pA. The two holdings are stable investments due to their strategic function in existing collaboration agreements with the Group and are registered in the balance at market value at the balance date.
The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account.
As previously indicated, the Group exercised the right to defer the application of IAS 32 and 39 to 01/01/2005.
The table below illustrates the value variations of these holdings.

Holding	No. of shares held	% holding	Value at 31/12//04	Value at 01/01/05 *fair value*	Value at 31/12/05 *fair value*	Differences during the period
Class Editori S.p.a. (CLE)	1,694,171	1.8356%	5,977,068	3,049,507,80	2,800,465	(249,043)
Cia S.p.a. (CIA)	1,694,171	1.8356%	44,953	235,490	286,654	51,164
TOTALE			**6,022,021**	**3,284,998**	**3,087,118**	

2.5.16 Credits due to prepaid taxes

Credits due to deferred taxes are made up of prepaid taxes of the period or previous periods, regarding which it is likely that a taxable income may be created for which they can be used. The prepaid tax credits IRES and IRAP mainly refer to time differences (deductible over the next few periods) and to the Group's companies' previous losses.

2.5.17 Inventories

Leftover stock, which is modestly insignificant, includes subsidiary and consumer assets, ongoing work to order and finished products and goods.
The entire point for the period in question is made up as follows:

Closing inventory	31/12/2005	31/12/2004	Differences
Products being elaborated or semi-elaborated	90,820		90,820
Finished goods	556,471	475,134	81,337
Total final inventory	**647,291**	**475,134**	**172,157**

2.5.18 Ongoing work to order

Ongoing work to order was registered at a total € 336 thousand and includes jobs that were in their final stages, evaluated on the basis of the principle of the completion percentage (cost-to-cost).

	31/12/2005	31/12/2004	Differences
Ongoing work to order	335,592	435,000	(99,408)

2.5.19 Other financial assets

Commercial credits and other credits are made up as follows:

Trade receivables and other credits	31/12/2005	31/12/2004	Differences
Trade receivables	24,452,416	28,581,898	(4,129,482)
Accrued income and deferred expenses	245,466	249,612	(4,146)
Other credits	166,791	349,062	(182,271)
Total trade receivables and other credits	24,864,673	29,180,572	(4,315,899)

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 particular type of client (mainly banks and companies connected to banks) means that, over time, the phenomenon of losses on credits becomes more or less irrelevant.
The Group evaluated the credits to the probable break-up value. This evaluation is made analytically for expired credits and on expiry of a greater length of time than the average receipt time and on a lump-sum basis for the other credits, depending on the past incidence of losses that the Group finds for sales during the invoicing year.
Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 342 thousand (€ 490 thousand in 2004) which ensures a cover of 1.38% of the total amount of credits towards clients. This fund was determined on the basis of past data regarding losses on credits and is considered proportionate.

31/12/2004	Trade receivables, net	31/12/2005
25,215	Associated companies	1,690
29,046,931	Trade receivables	24,793,194
(490,249)	Bad debt provision	(342,468)
28,581,897	**Total trade receivables**	**24,452,416**
1.69%	Coverage of bad debt provision	1.38%

The point *Accrued accruals and payables* refers to accrued income to the sum of Euro 8 thousand and the remaining amount to accrued income made up as follows:

Accrued costs	**31/12/2005**
Software assistance	57,982
Office management expenses	805
Advertising expenses	57,676
Telephone charges	37,116
Administrative services	20,198
Third party benefits	12,411
Various insurances	34,069
Hardware assistance	3,739
System maintenance	3,253
Associative fees	2,021
Various	8,204
Total accrued costs	**237,475**

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

31/12/2004	**Credits towards other**	**31/12/2005**
15,469	Receivables from social security institutions	15,593
10,297	Receivables for advances on travel expenses	14,172
74,731	Payments on account to suppliers	31,218
65,171	Other	96,966
8,394	Guarantee deposits	8,842
175,000	Financial credits towards controlled companies	
349,062	**Total credits towards others**	**166,791**

2.5.20 Tax credits

This point is almost completely made up of advance payments for direct taxes (IRES and IRAP) in the 2005 period.

2.5.21 Cash and other equivalent assets

Cash and other equivalent assets	**31/12/2005**	**31/12/2004**	**Differences**
Bank and postal accounts	3,758,627	6,063,593	(2,304,966)
Cheques on hand	100	4,056	(3,956)
Cash-on-hand and cash equivalents	13,163	13,017	146
Insurance policies capitalised	6,017,386	5,858,618	158,768
Total	**9,789,276**	**11,939,284**	**(2,150,008)**

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%.

2.5.22 Company capital

The company capital, entirely registered, deposited and unchanged over the period, amounted to €4,669,600. It was subdivided into 8,980,000 ordinary shares with a nominal value of €0.52 each and all with equal rights.
The ordinary shares are registered and indivisible and each one gives the right to a vote at the ordinary and extraordinary shareholders' meetings, as well as to the faculty of carrying out other company and patrimonial rights in accordance with the law and the statute. There are no restrictions on the free transfer of shares.

Group net patrimony

The Group net patrimony at 31/12/2005 came to Euro 53,542 thousand compared to Euro 57,699 thousand at 31/12/2004.
The concise variations are reported in the previous table on Net Patrimony variations.

Third party net patrimony

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

31/12/2004	Minority interests	31/12/2005
1,718,199	Minority quotaholders of Cesbe S.r.l.	1,678,933
143,978	Minority quotaholders of Datafox S.r.l.	148,003
(118)	Minority quotaholders of Netbureau S.r.l.	2,408
(10,886)	Minority quotaholders of SGM S.r.l.	(58,366)
	Minority quotaholders of Tecsit S.r.l.	53,322
247,034	Minority quotaholders of DQS S.r.l.	259,035
	Minority quotaholders of Bit Groove srl	
384,557	Minority quotaholders of Elidata srl	407,834
93,526	Minority quotaholders of Smart Line S.r.l.	79,141
2,576,290	**Total minority interests**	**2,570,310**

2.5.23 Reserves

		31/12/2005	31/12/2004	Differences
(1)	Own shares			
(2)	Share surcharge riserve	35,246,400	35,246,400	-
(3)	Re-evaluation reserve	-		-
(4)	Re-eval. res for fin. assets available for sale	51,164	-	51,164
Total		35,297,564	35,246,400	51,164

The variation of the evaluation reserve for assets available for sale comes from the variation in fair value at 31/12/05 of the holding in the quoted company CIA S.p.A., directly registered in the net patrimony reserve.

2.5.24 Utili portati a nuovo

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 available reserve of undivided profits increased by Euro 977 thousand due to the effect of undistributed profits in the previous period.

Accumulated profits/losses	31/12/2005	31/12/2004	Differences
Previous profits/losses	585,379	-	585,379
Legal reserve	933,920	933,920	0
Statutory reserve	-	-	0
IFRS transition reserve	2,118,989	4,856,013	(2,737,024)
Consolidation reserve	(1,965,504)	(1,607,818)	(357,686)
Available joint profit reserve	10,385,995	9,408,885	977,110
Period profits/losses	1,516,557	4,191,874	(2,675,317)
Total	**13,575,336**	**17,782,874**	**(4,207,538)**

2.5.25 Financing

€ 254 thousand of this point refers to the registration of the amount of debt funding determined by property leasing in accordance with the financial method.
A further medium-term debt towards a banking institute of €119 thousand was also registered.

2.5.26 Liabilities due to deferred taxes

Deferred taxes amounted to Euro 3,354 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.

2.5.27 Employees' leaving entitlement and quiescence reserves

Employees' leaving entitlement and quiescence reserves	31/12/2005	31/12/2004	Differences
Employees' leaving entitlement	6,261,882	5,428,118	833,764
Fund due to director end of term of office treatment	173,005	135,289	37,716
Other quiescence reserves	1,667	24,061	(22,394)
Total	**6,436,553**	**5,587,467**	**849,086**

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

31/12/2004	Employees' leaving entitlement	31/12/2005
4,330,488	**Balance at 1 January**	**5,428,117**
	Variations in consolidation area	22,135
1,586,903	Accruals	1,687,055
(489,274)	Utilisation	(875,426)
5,428,117	**Closing balance**	**6,261,881**

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:

a) the present value regarding future forecasted services relating to working activities carried out in previous periods;
b) 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;
c) the interest allowed given by the increase that the present value of the obligations is subject to during a period because of the fact that the date of payment of a benefit becomes one period closer.

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

TFR *on the basis of IAS at 31/12/2005*	*Previous years' costs*	*Current year's costs*	*Current year's interest allowed*
6,261,882	5,120,037	952,404	189,441

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	**31/12/2005**
Balance at 1 January	**135,289**
Accruals	37,716
Utilisation	
Closing balance	**173,005**

2.5.28 Commercial debts

The entire point shows the following trend:

Trade accounts payable to creditors and other payable	**31/12/2005**	**31/12/2004**	**Differences**
Accounts payable to creditors	3,555,407	2,904,985	650,422
Payments on account received	70,070	28,002	42,068
Accrued expenses and deferred income	557,624	402,928	154,696
Total	**4,183,101**	**3,335,915**	**847,186**

Debts towards suppliers are referred to as current debts for supplies of goods and services received, including those regarding investments in intangible assets.
The accrued liabilities amount to Euro 7 thousand.
The accrued income of Euro 551 thousand refers almost entirely to income that was already invoiced regarding annual ordinary maintenance contracts on user licences and pertaining to the next period.

Deferred income	31/12/2005
Software sales	244,981
Software assistance	299,110
Others	6,542
Total	**550,633**

2.5.29 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.
At the time of drafting this balance there were no legal cases pending with the Financial Authorities.

2.5.30 Short-term financing

This point is made up of Euro 1,068 thousand from short-term funding to banking institutions outstanding at account and of Euro 53 thousand from debts within 12 months for financial leasing.

2.5.31 Other debts

Details of other debts are as shown:

Other debts	31/12/2005	31/12/2004
Social security charges payable	2,411,992	2,288,223
Directors' emoluments	31,259	55,756
Dividends to be distributed to shareholders (third parties)	151,704	242,025
Towards staff for deferred salaries and pay	3,757,005	3,740,430
Other	53,174	59,458
Total other sums payable	**6,405,134**	**6,385,892**

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

2.5.32 Facts occurring after 31/12/2005

Since 31st December 2005 no particularly significant events have arisen that could significantly influence the patrimony or the economic results of the Group.

2.5.33 Relationships with related parties

In reference to Consob notifications no. 97001574 of 20th February 1997 and no. 98015375 of 27th February 1998, it is confirmed that the commercial nature of the relations between the Group's subsidiaries are governed by regular market conditions. Operations between CAD IT S.p.A. and its controlled companies, which are correlated organs of the company itself, have been eliminated in the consolidated balance and are not shown in these notes.
Except for pre-existing and previously notified relations, no further relations of an economic-patrimonial nature of any particular importance with correlated parties have been undertaken.

As regard remunerations paid to Directors and company auditors, please refer to the report on director management.

2.5.34 Balance approval

The project balance was approved by the CAD IT S.p.A. Board of Directors on 28/03/2006.

2.5.35 Employees

Compared to 31st December 2004, the staff of the CAD IT Group at the end of the current period decreased by 10 persons following a reorganisation plan of the activities of the controlled company SGM S.r.l. and taking into account an increase of 7 office clerks in order to include Tecsit S.r.l. in the consolidation.

Category of employees	*31/12/2005*	*31/12/2004*	*Variations*	*of which due to variations in the consolidation area*
Management	18	16	2	0
White-collars and cadres	621	631	-10	7
Blue-collars	1	1	0	0
Apprentices	4	6	-2	0
Total	***644***	***654***	-10	***7***

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

Category of employees	*Average number in 2005*	*Average number in 2004*	*Variations*
Management	17	16	1
White-collars and cadres	628	630	-2
Blue-collars	1	1	0
Apprentices	4	5	-1
Total	***650***	***652***	-2

The average number of employees in the 2005 period was 650 people, while, in the 2004 period, the average number was 652.
The Group continues to dedicate particular attention to the training and professional updating of its staff during certain periods.

2.5.36 Warranties

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

On behalf of the Board of Directors

The Chairman

(Giuseppe Dal Cortivo)

ANNEXES

3 Transition to the IFRS international accounting standards

In accordance with the IFRS 1, this appendix to the consolidated half-year report of the Group supplies:

1. the reconciliations of the net patrimony calculated using the previous accounting standards with the net patrimony calculated in accordance with the IFRS for both the following dates:
   i) the transition date to the IFRS and
   ii) the closing date of the last financial period for which the balance was drafted in accordance with the previous accounting standards
2. a reconciliation of the economic result recorded in the last financial period balance drafted on the basis of the previous accounting standards with the economic result after applying the IFRS for the same period.

The reconciliation tables were drafted only in preparation of the CAD IT Group's first complete consolidated balance to be calculated in accordance with the IFRS approved by the European Commission (consolidated balance at 31/12/2005) and therefore do not include comparative data and explanatory notes which otherwise would be necessary for a complete representation of the patrimonial-financial situation and of the consolidated economic result at 31/12/2004, as in accordance with the IFRS.

The tables have been prepared in accordance with the IAS/IFRS in vigour to date. These standards may not coincide with those in vigour at 31st December 2005 either due to new European Commission indications on their ratification or to the issuing of new standards or to interpretations by the bodies concerned and so the data shown may be subject to changes as regards to which comparative data from the first complete consolidated balance drafted in accordance with the IRFS are used.

The effects of the transition to the IFRS, as required by the IFRS 1, were transferred onto the initial net patrimony at the transition date.

Transition to the IFRS has meant that estimates calculated according to the national accounting standards have been maintained unless otherwise required by the adoption of the IFRS.

In order to prepare the consolidated data, the patrimonial, economic and financial situations of the controlled and participating 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 and the options of the first application of the IFRS adopted by the CAD IT Group.

The accounting standards and most significant evaluation criteria applied in drafting the reconciliation tables are shown below.

1 Options taken by the Group relating to the first adoption

The exemptions taken by the Group in accordance with the IFRS 1 are shown below.

- Assessment of the fixed assets, equipment and machinery and intangible assets at the *fair value* as a substitutive of the cost value: the Group has applied a *fair value* for each category of income source as a substitutive of the cost value;
- Business aggregation: the Group has not applied the IFRS 3 retrospectively to company aggregations made before the 1st January 2004. This has interrupted the process of amortization and of the consolidation differences registered on 1st January 2004.
- Designation date of the financial instruments as fair value instruments through the economic account or as available for sale: the Group has decided to designate these financial instruments as of 01/01/2005. In fact, the Group opted for the faculty of postponing the IAS 32 and 39 transition date to 1st January 2005 and has therefore applied the IAS 39 in evaluating the financial instruments as from the drafting of the consolidated balance for 2005.

- Employee benefits: the actuarial profits or losses accumulated since the beginning of the plans up to the date of transition to the IFRS have been entirely included in the net patrimony.

2 Consolidation criteria and procedures

2.1 Controlled companies

The consolidation area includes the Mother Company and the companies it directly or indirectly 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.
Controlled 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 drafting the consolidated balance all the balances and significant transactions between the Group's companies are eliminated, as are all unrealised infra-group profit and loss transactions.
Inactive controlled companies or those that generated an insignificant volume of business are consolidated using the net patrimony method. Their effect on the total activity, on liabilities, on the financial position and result of the Group is insignificant.

2.2 Incorporate companies

The share in incorporate companies, that is those companies in which the Group has considerable influence, is evaluated using the net patrimony method. 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.

3 Accounting standards and evaluation criteria

3.1 Tangible fixed assets, equipment and machinery

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. If the taxation value exceeds the assumed cash value, the assets are devaluated until they reflect the cash value, represented by the highest amount between the net sale price and the wear and tear value. In calculating the wear and tear value, the expected future financial flows are updated using a pre-tax discount rate that reflects the current market value in reference to the cost of non-invested cash at the time and at the specific risks for that particular asset. For an asset that does not generate significant individual financial flows, the cash value is determined in relation to the unit that generates financial flows and of which the asset is a part. Losses in value are accounted for in the economic account between amortisation and depreciation costs. Such losses in value are reassessed if the reasons that generated them no longer exist.

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.

3.2 Intangible fixed assets

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

Intangible fixed assets, having a defined useful life cycle, are subsequently registered net of the relative accumulated amortizations and any losses due to a durable reduction in value, determined in the same way as previously described for tangible fixed assets.

The useful life cycle is reassessed annually and any changes, where necessary, are brought in with a perspective application.

Profits or losses deriving from the transfer of an intangible fixed asset are determined as the difference between the elimination value and taxation value of said asset and are reported on the economic account at the time of elimination.

Project development costs for the production of instrumental software, or those to be terminated, are registered on the credit side when they satisfy the following conditions: the costs can be feasibly determined, the product is technically feasible, the expected use and/or sale of the product indicate that the sustained costs will generate future economic benefits. In respect of the standard that correlates costs and returns, such costs are amortized as from the date shown for the sales of the products in relation to the project concerned and according to the life cycle calculated for the products themselves, estimated over about five years, which is taken as not less than the period of effective use. The costs of intangible fixed assets generated internally include only those expenses that can be directly attributed to the development of said product. All other development costs, when sustained, are reported on the economic account.

3.3 Starting-up

The starting-up 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, the starting-up is no longer amortised and is decremented of any losses in accumulated value, calculated according to the *IAS 36 Asset value reduction.* Starting-up regarding shares in incorporate companies is included in the taxation value of said companies.

Starting-up 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.

Starting-up 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.

3.4 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. When the fair value cannot be feasibly determined, the shares are valued at rectified cost due to durable losses in value, the effect of which is included in the economic account.
Any profits or losses found as a result of the effect of evaluating the fair value on these assets at every balance date are shown at net patrimony unless these concern durable losses in value.
As previously stated, the Group opted for the faculty of postponing the IAS 32 and 39 application to 01/01/2005.

3.5 Other non-current credits

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

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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 Economic Account.

3.12 Risk and obligation funds

Funds for risk and obligations concern the costs and obligations of a determined, definite or probable nature that, at the closing date of the financial period in question, are indefinite either in their amounts or contingencies. 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

3.13 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.

3.14 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.
- Revenues from the sale of assets are determined when the significant risks and benefits of said assets are transferred to the purchaser.

3.15 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.

4 Reconciliation prospects

In accordance with paragraphs 39 and 40 of the IFRS 1 and the Consob resolution no. 14990 of 14th April 2005, the reconciliation prospects between the previously used accounting standards and the IFRS ones are given below, together with the relative explanatory notes. Particularly supplied are:

- the reconciliation of the net patrimony determined according to the previous accounting standards with the net patrimony calculated by applying the IFRS in reference to the date at which transition to IFRS was made, i.e. 1st January 2004, and at the closing date of the last financial period drafted in accordance with the previous accounting standards, i.e. 31st December 2004;
- the reconciliation of the economic result of 2004, the last balance drafted using the previous standards, with the economic result determined by applying the IFRS to the same period.

The reconciliation prospects have been drafted in accordance with the IFRS 1 international standard and by applying the assessment and measuring criteria established by the IFRS, as previously mentioned.

The data of the reclassified consolidated patrimonial status at 1st January 2004 and at 31st December 2004 and the data of the reclassified consolidated economic account for the 2004 period were taken as the reference basis for the reconciliation prospects.

To present the patrimonial status reconciliation tables the "current/non-current" standard was used whereas, for the economic account reconciliation table, the costs have been classified according to their nature. This brought about a reclassification of old balances that were set out according to the tables required by the Leg. Decree no. 127/1991.

The patrimonial status at 1st January 2004 shows the following differences compared to the consolidated balance at 31/12/2003, which was drafted in accordance with the national accounting standards:

- the assets and liabilities, the registration of which is required by the IFRS standards, have been determined and assessed in accordance with said standards;
- the assets and liabilities that, in conformity with the IFRS, do not require registration, have been eliminated;
- the assets, liabilities or components of the net patrimony that have a different type of asset, liability or component of the net patrimony on the basis of the IFRS, have been reclassified.

The rectifications found following the date of transition to the IFRS are directly ascribed to the IFRS transition reserve as rectification of the profits carried over as new.

5 Reconciliation of the opening patrimonial status at 1st January 2004 and comments

Consolidated patrimonial status of the CAD IT Group	Italian accounting standards 01/01/2004	Re-classifications	Rectifications	IFRS standards 01/01/2004	Notes
CREDIT					
A) Non-current assets					
I) Assets, equipment and machinery					
(1) Land	-	1,138,985	387,815	1,526,800	5.1
(2) Buildings	11,214,433	(3,472,865)	8,051,164	15,792,732	5.1
(3) Equipment and machinery	176,843	3,103,476		3,280,319	5.1
(4) Other assets	1,749,512		-	1,749,512	
(5) Ongoing amortizations and advances	-		-	-	
TOTAL Assets, equipment and machinery	13,140,788	769,597	8,438,978	22,349,363	
II) Intangible assets					
(1) Start-up	8,064,141		(16,268)	8,047,873	
(2) Development costs	-		-	-	
(3) Patent rights	-		-	-	
(4) Concessions, licences and brands	886,032		-	886,032	
(5) Ongoing intangible assets	-		-	-	
(6) Others	1,651,085	(769,597)	(881,488)	-	5.2
TOTAL Intangible assets	10,601,258	(769,597)	(897,756)	8,933,905	
III) Holdings	6,766,422	(247,445)	-	6,518,977	5.3
IV) Other financial assets available for sale	250,000		-	250,000	
V) Other non-current credits	72,732		-	72,732	
VI) Credits due to deferred taxes	-		327,579	327,579	5.4
TOTAL NON-CURRENT ASSETS	**30,831,200**	**(247,445)**	**7,868,801**	**38,452,556**	
B) Current assets					
I) Stock	470,106		-	470,106	
II) Ongoing orders	480,000		-	480,000	
III) Commercial credits and other credits					
(1) Commercial credits	24,388,358		-	24,388,358	
(2) Accruals and rediscounts	206,418		-	206,418	
(3) Other credits	924,633		6,836	931,469	
TOTAL Commercial credits and other credits	25,519,409	-	6,836	25,526,245	
IV) Tax credits	-		-	-	
V) Financial assets available for sale	-		-	-	
VI) Cash on hand and other equivalent assets	14,853,729		-	14,853,729	
TOTAL CURRENT ASSETS	**41,323,244**	**-**	**6,836**	**41,330,080**	
C) Non-current assets for sale	-	247,445	-	247,445	5.3
TOTAL CREDIT	**72,154,444**	**-**	**7,875,637**	**80,030,081**	

DEBIT	Italian accounting standards 01/01/2004	Re-classifications	Rectifications	IFRS standards 01/01/2004	Notes
A) Net patrimony					
I) Company capital	4,669,600		-	4,669,600	
II) Reserves					
(1) Own shares	-		-	-	
(2) Share surcharge reserve	35,246,400		-	35,246,400	
(3) Re-evaluation reserve	-		-	-	
(4) Re-eval. res. for fin. assets avail. for sale	-		-	-	
TOTAL Reserves	35,246,400	-	-	35,246,400	
III) Accumulated profits/losses					
(1) Previous profits/losses	-		-	-	
(2) Legal reserve	933,920		-	933,920	
(3) Statutory reserve	-		-	-	
(4) IFRS transition reserve	-		4,856,013	4,856,013	5.5
(5) Consolidation reserve	(416,172)		117,393	(298,779)	
(6) Available joint profit reserve	8,954,608		-	8,954,608	
(7) Period profits/losses	1,840,539		-	1,840,539	
Total accumulated profits/losses	11,312,895	-	4,973,406	16,286,301	
TOTAL NET PATRIMONY OF THE GROUP	**51,228,895**	**-**	**4,973,406**	**56,202,301**	
IV) Third party net patrimony					
(1) Third party capital and reserves	2,679,642		33,700	2,713,342	5.5
(2) Third party profit (loss)	-		-	-	
Total third party net patrimony	2,679,642	-	33,700	2,713,342	
TOTAL NET PATRIMONY	**53,908,537**	**-**	**5,007,106**	**58,915,643**	
B) Non-current liabilities					
I) Financing	331,288		-	331,288	
II) Liabilities due to deferred taxes	-		3,307,428	3,307,428	5.6
III) TFR and quiescence reserves	4,913,298		(438,897)	4,474,401	5.7
IV) Expense and risk reserves	30,825		-	30,825	
V) Other liabilities	-		-	-	
TOTAL non-current liabilities	**5,275,411**	**-**	**2,868,531**	**8,143,942**	
C) Current liabilities					
I) Commercial debts					
(1) Debts to suppliers	4,254,162		-	4,254,162	
(2) Advances from clients	30,000		-	30,000	
(3) Accruals and rediscounts	414,813		-	414,813	
TOTAL Commercial debts	4,698,975	-	-	4,698,975	
II) Tax debts	1,328,737		-	1,328,737	
III) Short-term financing	733,612		-	733,612	
IV) Other debts	6,209,172		-	6,209,172	
TOTAL current liabilities	**12,970,496**	**-**	**-**	**12,970,496**	
TOTAL DEBIT AND NET PATRIMONY	**72,154,444**	**-**	**7,875,637**	**80,030,081**	

The following notes illustrate the nature and the movements of the rectifications shown on each old poste of the balance at 1st January 2004.

5.1 *Immobili, impianti e macchinari*

In application of the optional exemption of IFRS 1, in the opening patrimonial status (01/01/2004) some assets were valued at *fair value* as "cost replacement". The market value was calculated with the expertise of private and qualified professionals.
Amortizations were calculated on the re-determined value during the opening by taking into account the useful life cycle and the remaining time. Rectification of the value in this initial adoption of IFRS had the net patrimony reserve at the transition date as a counter party, net of the tax effect, which was taken into account as deferred tax.
In particular, the estimating technical report of the market value of the assets and the CAD IT S.p.A. landed property reported the following values:

	Net value at 01/01/04 with Italian accounting standards	**Revaluations**	**Net value at 01/01/04 with IFRS**
land	1,138,985	387,815	1,526,800
buildings	7,304,157	8,051,164	15,355,321
TOTAL	**8,443,143**	**8,438,978**	**16,882,121**

IAS 16 foresees a separate indication of land which, since it is an asset with an indefinite life cycle, is not subject to amortization. Therefore, at the opening of the initial patrimonial status, the land has been separated from the buildings at the old cost value or rather replacement value (fair value).
In accordance with the Component Approach laid down in IAS 16, which requires that each component with a significant cost or different life cycle than the source of income of which is part, should be accounted for as a separate asset, as should its amortization, any identifiable equipment with a life cycle that is different to the building has been separated from the building value and reclassified to a value of €2.334 thousand.
Furthermore, the improvements on third party assets relating to buildings maintained by companies within the Group have been reclassified in the equipment voice on the basis of the IAS 16 indications to a value of €770 thousand.

5.2 *Intangible fixed assets*

Assets registered as such in accordance with the Italian accounting standards that are not considered ascribable in the patrimonial status according to the IFRS, have been eliminated. In particular, cost for equipment and enlargement capitalized among the assets of some of the Group's companies, have been eliminated to the sum of €881 thousand with a reduction in net patrimony taking into account the deferred tax effects.

5.3 *Non-current assets for sale*

The accounting values of the shares in the net patrimony of controlled companies in liquidation or to be dismissed have been reclassified into the non-current assets for sale voice, in accordance with the IFRS 5, to the value of €247 thousand.

5.4 Deferred tax assets

The €328 thousand rectification refers to the tax effects deriving form the variations in assets and liabilities registered during the first application of the IFRS, calculated at a tax rate of 37.25% (33% IRES +4.25% IRAP).

5.5 IFRS transition reserve

In accordance with IFRS 1, this reserve consists of the algebraic sum of all the effects, net of the relative deferred taxes, deriving from transition rectifications following the application of the international accounting standards, for the share appertaining to the Group. The relative differences to the patrimony share of third parties are shown separately.

5.6 Liabilities due to deferred taxes

The €3,307 thousand rectification refers to the tax effects deriving from variations in assets and liabilities registered during the first application of the IFRS, calculated at a tax rate of 37.25% (33% IRES +4.25% IRAP).

5.7 TFR and quiescence funds

On the basis of the IAS 19, the debt for dealing with employee leaving entitlement has been updated to the IFRS transition date to conform to the calculations carried out by private actuaries, the updated value being less than €439 thousand compared to the debt found in accordance with art. 2120 of the civil code.

6 Patrimonial status reconciliation at 31st December 2004 and comments

Consolidated patrimonial status of the CAD IT Group	**Italian accounting standards**	**Re-classifications**	**Rectifications**	**IFRS standards**	**Notes**
	31/12/2004			**31/12/2004**	
CREDIT					
A) Non-current assets					
I) Assets, equipment and machinery					
(1) Land	-	1,103,206	423,594	1,526,800	6.1
(2) Buildings	10,765,009	(3,363,882)	8,168,044	15,569,171	6.1
(3) Equipment and machinery	151,986	2,946,055	(65,691)	3,032,350	6.1
(4) Other assets	1,483,940		-	1,483,940	
(5) Ongoing amortizations and advances	-		-	-	
TOTAL Assets, equipment and machinery	12,400,935	685,379	8,525,947	21,612,261	
II) Intangible assets					
(1) Start-up	7,077,660		1,231,054	8,308,714	6.2
(2) Development costs	-		-	-	
(3) Patent rights	4,917		-	4,917	
(4) Concessions, licences and brands	520,240		-	520,240	
(5) Ongoing intangible assets	5,155,609		-	5,155,609	
(6) Others	693,307	- 685,379	(7,928)	-	6.1
TOTAL Intangible assets	13,451,733	(685,379)	1,223,126	13,989,480	
III) Holdings	6,304,834	(55,154)	-	6,249,680	6.3
IV) Other financial assets available for sale	-	-	-	-	
V) Other non-current credits	64,848		-	64,848	
VI) Credits due to deferred taxes	404,722		8,984	413,706	
TOTAL NON-CURRENT ASSETS	**32,627,072**	**(55,154)**	**9,758,057**	**42,329,975**	
B) Current assets					
I) Stock	475,134		-	475,134	
II) Ongoing orders	435,000		-	435,000	
III) Commercial credits and other credits					
(1) Commercial credits	28,581,898		-	28,581,898	
(2) Accruals and rediscounts	249,612		-	249,612	
(3) Other credits	349,062		-	349,062	
TOTAL Commercial credits and other credits	29,180,572	-	-	29,180,572	
IV) Tax credits	1,021,882		-	1,021,882	
V) Financial assets available for sale	-		-	-	
VI) Cash on hand and other equivalent assets	11,939,284		-	11,939,284	
TOTAL CURRENT ASSETS	**43,051,872**	**-**	**-**	**43,051,872**	
C) Non-current assets for sale	-	55,154	-	55,154	6.3
TOTAL CREDIT	**75,678,944**	**-**	**9,758,057**	**85,437,001**	

DEBIT	Italian accounting standards	Re-classifications	Rectifications	IFRS standards	Notes
A) Net patrimony	**31/12/2004**			**31/12/2004**	
I) Company capital	4,669,600		-	4,669,600	
II) Reserves					
(1) Own shares	-		-	-	
(2) Share surcharge reserve	35,246,400		-	35,246,400	
(3) Re-evaluation reserve	-		-	-	
(4) Re-eval. res. for fin. assets avail. for sale	-		-	-	
TOTAL Reserves	35,246,400	-	-	35,246,400	
III) Accumulated profits/losses					
(1) Previous profits/losses	-		-	-	
(2) Legal reserve	933,920		-	933,920	
(3) Statutory reserve	-		-	-	
(4) IFRS transition reserve	-		4,856,013	4,856,013	6.4
(5) Consolidation reserve	(1,723,910)		116,092	(1,607,818)	
(6) Available joint profit reserve	9,408,885		-	9,408,885	
(7) Period profits/losses	2,400,877		1,790,995	4,191,872	
Total accumulated profits/losses	11,019,772	-	6,763,100	17,782,872	
TOTAL NET PATRIMONY OF THE GROUP	**50,935,772**	**-**	**6,763,100**	**57,698,872**	
IV) Third party net patrimony					
(1) Third party capital and reserves	2,098,518		30,449	2,128,967	
(2) Third party profit (loss)	442,440		4,882	447,322	
Total Third party net patrimony	2,540,958	-	35,331	2,576,289	
TOTAL NET PATRIMONY	**53,476,730**	**-**	**6,798,431**	**60,275,161**	
B) Non-current liabilities					
I) Financing	342,587		-	342,587	
II) Liabilities due to deferred taxes	-		3,318,107	3,318,107	6.5
III) TFR and quiescence reserves	5,940,509		(353,042)	5,587,467	6.6
IV) Expense and risk reserves	30,585		(5,439)	25,146	
V) Other liabilities	-		-	-	
TOTAL non-current liabilities	**6,313,681**	**-**	**2,959,626**	**9,273,307**	
C) Current liabilities					
I) Commercial debts					
(1) Debts to suppliers	2,904,985		-	2,904,985	
(2) Advances from clients	28,002		-	28,002	
(3) Accruals and rediscounts	402,928		-	402,928	
TOTAL Commercial debts	3,335,915	-	-	3,335,915	
II) Tax debts	5,617,954		-	5,617,954	
III) Short-term financing	548,773		-	548,773	
IV) Other debts	6,385,891		-	6,385,891	
TOTAL current liabilities	**15,888,533**	**-**	**-**	**15,888,533**	
TOTAL DEBIT AND NET PATRIMONY	**75,678,944**	**-**	**9,758,057**	**85,437,001**	

Below are the details of the notes on the link-up at 31/12/2004.

6.1 Assets, equipment and machinery

The rectifications and reclassifications at 31/12/2004 take into account all the rectifications and reclassifications determined during the transition to the IFRS standards (paragraph 5.1) as well as those resulting from the difference in amortizations carried out during the 2004 financial period.

6.2 Start-up

The IFRS do not foresee start-up amortisation; the rectification of €1,231 thousand refers to the transfer of the amortisation registered in the drafted consolidation according to the national accounting standards. The remaining start-up values were tested for impairment based in the analysis of the future income flows of each individual company (cash generating units).

6.3 Non-current assets for sale

The accounting values of the shares in the net patrimony of controlled companies in liquidation or to be dismissed have been reclassified into the non-current assets for sale voice, in accordance with the IFRS 5, to the value of €55 thousand.

6.4 IFRS transition reserve

In accordance with IFRS 1, this reserve consists of the algebraic sum of all the effects, net of the relative deferred taxes, deriving from transition rectifications following the application of the international accounting standards, for the share appertaining to the Group. The relative differences to the patrimony share of third parties are shown separately.

6.5 Liabilities due to deferred taxes

The €3,318 thousand rectification refers to the tax effects deriving from variations in assets and liabilities registered during the first application of the IFRS, calculated at a tax rate of 37.25% (33% IRES +4.25% IRAP).

6.6 TFR and quiescence funds

On the basis of the IAS 19, the debt for dealing with employee leaving entitlement has been updated to conform to the calculations carried out by private actuaries, the updated value being less than €353 thousand compared to the debt found in accordance with art. 2120 of the civil code.

7 Reconciliation of the economic account for 2004

	Italian accounting standards	**Re-classifications**	**Rectifications**	**IFRS standards**	**Notes**
Income from sales and services	49,439,600			49,439,600	
Changes in ongoing orders	(45,000)			(45,000)	
Asset increases due to internal work	5,155,609			5,155,609	
Other revenue and receipts	102,809			102,809	
Production value	54,653,018	0	0	54,653,018	
Costs for raw materials, subsidiaries and consumer goods	(1,512,323)			(1,512,323)	
Service costs	(9,132,864)	(6,753)	(4,030)	(9,143,647)	
Other operational costs	(913,291)	13,282		(900,009)	
Added value	43,094,540	6,529	(4,030)	43,097,039	
Labour costs	(29,491,887)	18,518	(85,846)	(29,559,215)	7.1
Other administrative expenses	(2,584,210)	(963)		(2,585,173)	
Gross operational result (EBITDA)	11,018,443	24,084	(89,876)	10,952,651	
Allocation to Credit Depreciation Fund	(100,585)	153,268		52,683	
Amortizations:					
- Intangible fixed asset amortization	(2,760,631)		2,132,159	(628,472)	7.2
- Tangible fixed asset amortization	(916,190)		86,969	(829,221)	7.3
Other allocations	(4,996)			(4,996)	
Operational result (EBIT)	7,236,041	177,352	2,129,252	9,542,645	
Net financial receipts (charges)	341,446		0	341,446	
			0		
Ordinary result	7,577,487	177,352	2,129,252	9,884,091	
			0		
Revaluations and depreciations	88,900		-	88,900	
Extraordinary receipts (charges)	(512,463)	512,463	0	0	
			0		
Pre-tax and pre-third party share result	7,153,924	689,815	2,129,252	9,972,991	
Pre- third party tax (Profit)/loss	(442,440)		(4,882)	(447,322)	
Group pre-tax profit/loss	6,711,484	689,815	2,124,370	9,525,669	
Income taxes	(4,310,607)	(689,815)	(333,375)	(5,333,797)	
Profit (loss) for the period	2,400,877	0	1,790,995	4,191,872	

Below are the detailed notes on the economic account for the 2004 financial period.

7.1 Labour costs

The €86 thousand rectification refers to an adjustment of the debt for dealing with employee leaving entitlement determined in accordance with the calculations of private actuaries and in relation to the 2004 period.

7.2 Intangible fixed asset amortizations

The €2,132 thousand difference refers to the cancellation of amortisation for the updating of consolidated shares to the value of €1,248 thousand and €884 thousand for the cancellation of the amortisation of the pluriannual capitalised expenses in accordance with the national accounting standards and eliminated when the IFRS were first applied.

7.3 Tangible fixed asset amortizations

The sum of €87 thousand for minor amortizations refers to the lesser sum of amortizations concerning buildings, due to the recalculation of the depreciation value, bearing in mind the leftover value estimated during the assessment appraisement.

7.4 Extraordinary returns and obligations

The extraordinary returns and obligations have been reclassified into the relevant voices, the main ones being the rectification of the allocation of €153 thousand to the credit depreciation fund and income taxes to the value of €690 thousand.

8 Comparative data presentation exemption in accordance with the IAS 32 and 39

As previously stated, the CAD IT Group opted for the faculty to declare data and information regarding the financial instruments and holdings that came under the application rules of the IAS 32 and 39 standards as from the patrimonial situation at 1st January 2005.
Therefore, the comparative data and information regarding the financial instruments shown in the consolidated patrimonial status at 1st January 2004 and at 31st December 2004 and in the consolidated economic balance for the 2004 financial period have been drafted in accordance with the Italian accounting standards.
In the case in point, the adoption of the IAS 32 and 39 as from the IFRS transition date, would have caused a different classification and evaluation of the holdings in other companies in the same "available for sale" category with negative effects on the net patrimony at 1st January 2004 and on the economic account of the 2004 financial period to the values of €1,952 thousand and €785 thousand respectively.

4 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%

	31/12/2005	***31/12/2004***
TURNOVER	27,664,444	35,967,724
GROSS OPERATING RESULT	1,096,048	1,461,062
NET OPERATING PROFIT	710,939	985,016
FINANCIAL INCOME AND CHARGES, NET	103,874	173,832
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	814,813	1,158,848
NET PROFIT / (LOSS) FOR THE YEAR	208,082	375,866
TANGIBLE FIXED ASSETS, NET	128,323	504,467
WORKING CAPITAL, NET	68,419	(1,752,810)
INVESTED CAPITAL, NET	(1,666,463)	(3,099,277)
EMPLOYEES' LEAVING ENTITLEMENT	1,863,205	1,850,934
QUOTAHOLDERS' EQUITY	1,246,367	1,038,286
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	2,912,830	4,137,563

CESBE SRL

REGISTERED OFFICE: Via Torricelli, 37 - 37100 VERONA

QUOTA CAPITAL: € 10,400.00

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

	31/12/2005	***31/12/2004***
TURNOVER	3,835,748	4,157,629
GROSS OPERATING RESULT	697,384	928,079
NET OPERATING PROFIT	681,368	906,284
FINANCIAL INCOME AND CHARGES, NET	7,627	7,042
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	688,995	913,326
NET PROFIT / (LOSS) FOR THE YEAR	321,657	497,681
TANGIBLE FIXED ASSETS, NET	20,370	32,300
WORKING CAPITAL, NET	3,728,408	3,211,917
INVESTED CAPITAL, NET	3,365,964	2,929,918
EMPLOYEES' LEAVING ENTITLEMENT	382,814	314,299
QUOTAHOLDERS' EQUITY	3,466,717	3,545,063
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	100,753	615,145

NETBUREAU SRL
REGISTERED OFFICE: Via Morigi, 13 - MILAN
QUOTA CAPITAL: € 50,000.00
% OF INVESTMENT OF CAD IT S.p.A.:86%

	31/12/2005	***31/12/2004***
TURNOVER	720,884	630,975
GROSS OPERATING RESULT	5,547	(25,109)
NET OPERATING PROFIT	(21,332)	(33,678)
FINANCIAL INCOME AND CHARGES, NET	(3,799)	(2,855)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(25,131)	(36,533)
NET PROFIT / (LOSS) FOR THE YEAR	(33,786)	(41,734)
TANGIBLE FIXED ASSETS, NET	37,802	40,639
WORKING CAPITAL, NET	46,909	49,671
INVESTED CAPITAL, NET	35,573	42,805
EMPLOYEES' LEAVING ENTITLEMENT	49,138	47,503
QUOTAHOLDERS' EQUITY	16,213	(4,588)
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(19,360)	(47,393)

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%

	31/12/2005	***31/12/2004***
TURNOVER	4,844,534	5,804,238
GROSS OPERATING RESULT	322,014	846,396
NET OPERATING PROFIT	281,550	798,151
FINANCIAL INCOME AND CHARGES, NET	9,003	88,617
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	290,553	886,768
NET PROFIT / (LOSS) FOR THE YEAR	61,880	475,730
TANGIBLE FIXED ASSETS, NET	124,559	186,286
WORKING CAPITAL, NET	1,403,055	724,516
INVESTED CAPITAL, NET	1,046,809	530,804
EMPLOYEES' LEAVING ENTITLEMENT	480,805	379,998
QUOTAHOLDERS' EQUITY	564,937	503,056
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(283,867)	132,541

SGM SRL
REGISTERED OFFICE: Galleria Spagna, 28 - 35100 PADOVA
QUOTA CAPITAL: € 100,000
% OF INVESTMENT OF CAD IT S.p.A.: 71.2%

	31/12/2005	***31/12/2004***
TURNOVER	1,432,842	1,515,944
GROSS OPERATING RESULT	(68,795)	(519,337)
NET OPERATING PROFIT	(142,191)	(616,401)
FINANCIAL INCOME AND CHARGES, NET	(49,702)	(60,969)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	(191,893)	(677,370)
NET PROFIT / (LOSS) FOR THE YEAR	(334,449)	(527,075)
TANGIBLE FIXED ASSETS, NET	863,212	309,900
WORKING CAPITAL, NET	(203,055)	371,931
INVESTED CAPITAL, NET	530,608	466,830
EMPLOYEES' LEAVING ENTITLEMENT	129,549	215,001
QUOTAHOLDERS' EQUITY	(196,779)	(24,670)
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(725,720)	(479,624)

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%

	31/12/2005	***31/12/2004***
TURNOVER	1,458,974	1,700,857
GROSS OPERATING RESULT	142,127	187,778
NET OPERATING PROFIT	96,977	128,254
FINANCIAL INCOME AND CHARGES, NET	1,959	3,851
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	98,936	132,105
NET PROFIT / (LOSS) FOR THE YEAR	7,116	40,071
TANGIBLE FIXED ASSETS, NET	254,697	179,643
WORKING CAPITAL, NET	(40,731)	(84,354)
INVESTED CAPITAL, NET	(13,619)	(93,934)
EMPLOYEES' LEAVING ENTITLEMENT	227,585	189,223
QUOTAHOLDERS' EQUITY	145,120	176,071
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	158,739	270,005

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 %

	31/12/2005	***31/12/2004***
TURNOVER	892,539	635,287
GROSS OPERATING RESULT	80,347	(1,715)
NET OPERATING PROFIT	50,833	(28,455)
FINANCIAL INCOME AND CHARGES, NET	1,895	(5,117)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	52,728	(33,572)
NET PROFIT / (LOSS) FOR THE YEAR	6,311	(42,236)
TANGIBLE FIXED ASSETS, NET	63,224	50,884
WORKING CAPITAL, NET	(44,261)	(38,460)
INVESTED CAPITAL, NET	(12,473)	(6,520)
EMPLOYEES' LEAVING ENTITLEMENT	31,436	18,944
QUOTAHOLDERS' EQUITY	21,809	7,651
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	34,282	14,171

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%

	31/12/2005	***31/12/2004***
TURNOVER	1,246,418	1,626,380
GROSS OPERATING RESULT	433,644	815,873
NET OPERATING PROFIT	407,349	776,932
FINANCIAL INCOME AND CHARGES, NET	1,942	7,155
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	409,291	784,087
NET PROFIT / (LOSS) FOR THE YEAR	233,538	463,211
TANGIBLE FIXED ASSETS, NET	97,531	75,820
WORKING CAPITAL, NET	427,341	465,470
INVESTED CAPITAL, NET	503,627	524,821
EMPLOYEES' LEAVING ENTITLEMENT	21,245	16,469
QUOTAHOLDERS' EQUITY	798,002	764,464
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	249,375	239,643

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

	31/12/2005	***31/12/2004***
TURNOVER	637,247	734,503
GROSS OPERATING RESULT	105,202	(13,411)
NET OPERATING PROFIT	37,419	(45,209)
FINANCIAL INCOME AND CHARGES, NET	(20,191)	(10,869)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	17,228	(56,078)
NET PROFIT / (LOSS) FOR THE YEAR	(19,460)	(48,359)
TANGIBLE FIXED ASSETS, NET	109,295	67,274
WORKING CAPITAL, NET	188,640	196,033
INVESTED CAPITAL, NET	265,904	232,035
EMPLOYEES' LEAVING ENTITLEMENT	32,031	31,272
QUOTAHOLDERS' EQUITY	273,022	292,480
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	7,118	60,445

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%

	31/12/2005	***31/12/2004***
TURNOVER	1,626,878	1,592,517
GROSS OPERATING RESULT	455,802	591,369
NET OPERATING PROFIT	434,635	568,625
FINANCIAL INCOME AND CHARGES, NET	952	1,829
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	435,587	570,454
NET PROFIT / (LOSS) FOR THE YEAR	253,737	342,266
TANGIBLE FIXED ASSETS, NET	324,601	336,249
WORKING CAPITAL, NET	175,696	48,524
INVESTED CAPITAL, NET	448,089	346,594
EMPLOYEES' LEAVING ENTITLEMENT	52,208	38,179
QUOTAHOLDERS' EQUITY	610,502	593,567
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	162,413	246,973

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%

	31/12/2005	***31/12/2004***
TURNOVER	598,665	331,335
GROSS OPERATING RESULT	27,800	(9,894)
NET OPERATING PROFIT	19,249	(22,605)
FINANCIAL INCOME AND CHARGES, NET	(13,287)	(9,351)
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXATION	5,962	(31,956)
NET PROFIT / (LOSS) FOR THE YEAR	466	2,294
TANGIBLE FIXED ASSETS, NET	23,445	30,557
WORKING CAPITAL, NET	224,417	179,024
INVESTED CAPITAL, NET	232,615	195,565
EMPLOYEES' LEAVING ENTITLEMENT	15,247	14,016
QUOTAHOLDERS' EQUITY	85,319	84,853
(NET SHORT-TERM INDEBTEDNESS) / FINANCIAL POSITION	(147,296)	(110,712)