

TAS S.p.A.  
Quarterly Report  
as at 31 March 2006

The English version is a free translation of the Italian one, which remains the original and definitive version.



Quarterly report as at 31<sup>st</sup> March 2006

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**CORPORATE BODIES**


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**Board of Directors**

*until the approval of Financial Statements as at 31 December 2008*

Paolo Ottani		Chairman and Managing Director
Pompeo Busnello		Vice Chairman and Managing Director
Matteo Tamburini	1, 2	Non-Executive Director
Marco Nonni	1, 2	Independent Non-Executive Director
Giuseppe Caruso	1, 2	Independent Non-Executive Director

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**Board of Statutory Auditors**

*until the approval of Financial Statements as at 31 December 2007*

## Statutory Auditors

Edoardo Cintolesi	Chairman
Fulvio Tranquilli	
Francesca Beatrice Surace	

## Alternate Statutory Auditors

Federico Alesiani
Alba Rita Miglietta

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**External Auditors**

PricewaterhouseCoopers S.p.A.

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Share Capital	€921,519.04
no. of stocks	1,772,152
Nominal Value	€0.52

*1 Member of the Remuneration Committee*

*2 Member of the Internal Control Committee*

## **Introduction**

This document is drafted in compliance with Article 82 of Consob Regulation no. 11971 of 14<sup>th</sup> of May 1999 and following amendments, in the light of the Rules of the Markets organised and managed by Borsa Italiana S.p.A. and related Instructions. The quarterly report is drafted according to Annex 3D of the above mentioned Consob Regulation.

Starting from the 1<sup>st</sup> of January 2005, the Group is adopting IAS/IFRS international accounting standards currently in force.

Accounting standards and evaluation criteria adopted are consistent with those followed in the yearly report as at 31 December 2005, where impacts of transition to IFRS have also been analysed.

Comparative data of corresponding periods in 2005 have been recalculated according to the new accounting standards.

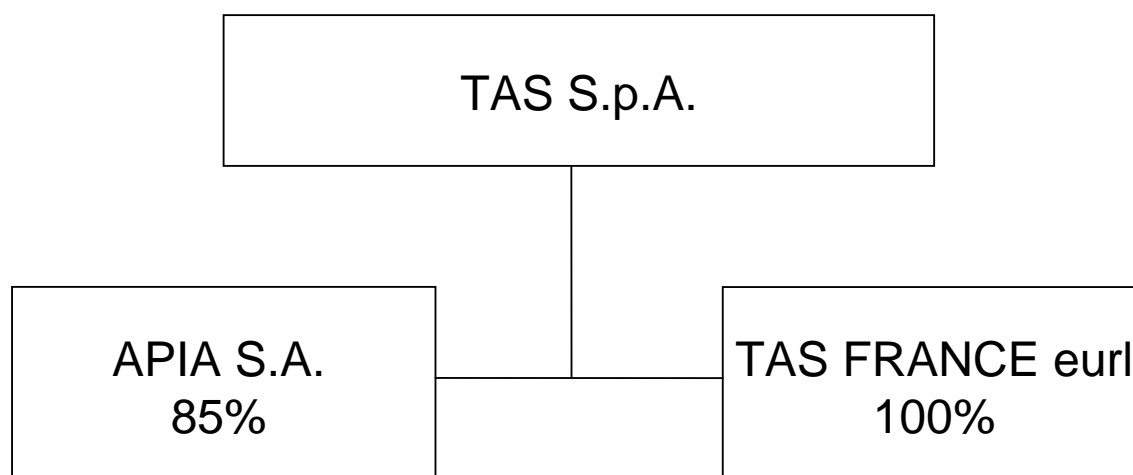
The quarterly report has not been object of audit of accounts.

Economic data are related to the reference quarter. They are also compared to data of the same period of the precedent year. Data of the whole financial year 2005 are also provided. Data of the net financial position at the end of the quarter are compared with data of the last financial year at year-end.

Accounting data, expressed in thousands Euro (k€), are referred to the Group as TAS is bound to prepare consolidated data.

The quarterly report as at 31 March 2006 has been approved by the Board of Directors on the 9<sup>th</sup> of May 2006.

## 1. TAS Group



The financial statements of the Companies included in the consolidation area are assumed with the integral method.

Name	Country	Share Capital	% Ownership	Net Shareholders' Equity
TAS S.p.A.	Italy	922		18,236
TAS FRANCE EURL	France	503	100	(360)
APIA SA	Switzerland	65	85 <sup>(1)</sup>	8,562

(1) Accounting data take into account 100% shareholding in APIA's share capital, although the percentage owned is 85% because the remaining 15% is the object of put & call options.

### **TAS S.p.A.**

Parent Company

- Largo dei Caduti di El Alamein no. 9, Rome - Italy

Local entities:

- Milan, Via Quintino Sella no. 4 - Italy;
- Verona, Via Museo no. 1 - Italy.

### **APIA S.A.**

Controlled 85%

- Prati Botta, 22 Barbengo (Lugano) - Switzerland

Secondary establishment:

- Kloten, Lindenstrasse, 12 (Zurich) - Switzerland

### **TAS France Eurl**

Controlled 100%

- Sophia Antipolis, W.T.C. 1, Batiment B7, 1300 Route des Crêtes – France



## **1.1 Operative conditions and business development**

TAS S.p.A. operates in the field of information technology with particular reference to development, commercialisation, consulting, assistance and maintenance of software, and it also has an ancillary activity of sale of hardware.

The software developed mainly concern automation of the process of collection, submission and execution of orders to purchase and sell financial products.

TAS also offers ASP (Application Service Provisioning) services in the same areas through its own applications.

The Company also started marketing APIA's solutions on the Italian market.

The Company operates abroad through its controlled undertakings APIA S.A. and TAS FRANCE E.U.R.L..

The activity of TAS S.p.A. is carried out at the registered offices in Rome, Largo dei Caduti di El Alamein no. 9 as well as at the following local entities:

- Milan, Via Quintino Sella no. 4;
- Verona, Via Museo no. 1.

TAS FRANCE is an Internet Service Provider with a wide experience in e-commerce and recently widening its Housing and Hosting capacity for own and third party's systems. Besides, it co-operates with TAS in developing new financial software products and in commercialising TAS products in France, Principate of Monaco, Belgium and Luxemburg. For this purpose a distribution agreement was stipulated between the two companies.

The activity of TAS FRANCE EURL is carried out at the registered offices at Sophia Antipolis, Batiment B7 1300 Route des Crêtes.

APIA S.A. was established in 1992 from the idea of two managers entrepreneurs, being already operative in the IT world inside the big Swiss banking groups for 10 years, with the aim of offering technological solutions able to guarantee to banking operators a remarkable efficiency in their operations and highest customer satisfaction.

The main focus of APIA resides therefore in the technological solutions for core business of financial intermediaries, gradually integrated with the existing accounting or back office "non core" systems, in order to reduce the impact on organisation and management. APIA offers solutions for credit supply and control.

APIA's registered office is at Prati Botta, 22 Barbengo (Lugano, Switzerland). The activity is carried out there and at the secondary office at Kloten (Zurig, Switzerland) in Lindenstrasse, 12.

## 2. Financial statements

2.1. Consolidated Income Statement	k€	31.03.2006	31.03.2005	31.12.2005	var //
Revenues		3,122	3,398	14,283	-8%
Changes in work in progress on order		273	112	-186	144%
Other income		8	4	29	100%
<b>Total revenues</b>		<b>3,403</b>	<b>3,514</b>	<b>14,126</b>	<b>-3%</b>
Costs for capitalised works		244	147	651	66%
Raw Goods and Consumables		-29	-37	-186	-22%
Personnel costs		-1,691	-1,639	-6,371	3%
Depreciation		-144	-127	-832	13%
Other expenses		-765	-652	-2,368	17%
<b>Total expenses</b>		<b>-2,385</b>	<b>-2,308</b>	<b>-9,106</b>	<b>3%</b>
<b>Operating Result</b>		<b>1,018</b>	<b>1,206</b>	<b>5,020</b>	<b>-16%</b>
Financial Income (Expenses)		147	72	277	104%
Income from affiliated companies		0	0	0	
<b>Result before taxes</b>		<b>1,165</b>	<b>1,278</b>	<b>5,297</b>	<b>-9%</b>
Taxes		-387	-281	-1,432	38%
<b>Result of recurring operations</b>		<b>778</b>	<b>997</b>	<b>3,865</b>	<b>-22%</b>
Result of non recurring operations			0	0	
<b>Net Result</b>		<b>778</b>	<b>997</b>	<b>3,865</b>	<b>-22%</b>
Minority net result			0	0	
<b>Group net result</b>		<b>778</b>	<b>997</b>	<b>3,865</b>	<b>-22%</b>

2.2. Investments in Fixed Assets	31.03.2006	31.03.2005	31.12.2005	var //
Development of software	244	147	651	66%
Other intangible fixed assets	2	74	97	-97%
Electronic equipment and Hardware	28	13	84	115%
Other tangible fixed assets	6		17	
<b>TOTAL INVESTMENTS OF THE PERIOD</b>	<b>280</b>	<b>234</b>	<b>849</b>	<b>20%</b>

2.3. Consolidated Net Financial Position	k€	31.03.2006	31.03.2005	31.12.2005
Cash, bank accounts and securities		16,164	14,805	16,450
Securities other than fixed assets		0	0	51
Other receivables		44	213	59
Short term payables to banks and other financial institutions		-25	-43	-75
Short term financial payables due within 12 months (Apia's put)		-5,324	-4,060	-2,097
<b>Short term net financial position</b>		<b>10,859</b>	<b>10,915</b>	<b>14,388</b>
Medium/long term receivables		161	167	161
Medium/long term payables to banks and other financial institutions		-8	-15	-15
Financial payables due over 12 months (Apia's put)			-2,509	-3,226
<b>Medium/long term net financial position</b>		<b>153</b>	<b>-2,357</b>	<b>-3,080</b>
<b>Net financial position</b>		<b>11,012</b>	<b>8,558</b>	<b>11,308</b>



<b>2.4. Consolidated Statement of Cash Flow</b>	<b>k€</b>	<b>31.03.2006</b>
Net Profit (Loss) of the period		778
Depreciation and write - downs		143
Changes in Employees' Leaving Indemnity		11
Changes in liabilities and charges provision		41
Decrease (increase) in Receivables		-3,718
Decrease (increase) in payables		2,881
<b>(A) Cash flow provided by (used in) operating activities</b>		<b>136</b>
Investments in fixed assets		-281
Intangible		-246
Tangible		-35
<b>(B) Cash flow provided by (used in) investment activities</b>		<b>-281</b>
Change for IFRS adoption		-13
<b>(C) Cash flow provided by (used in) financing activities</b>		<b>-13</b>
<b>(D) Change in net financial position (A+B+C)</b>		<b>-158</b>
<b>(E) Initial Net Financial Position</b>		<b>11,170</b>
<b>(F) NET FINANCIAL POSITION AT PERIOD-END (D+E)</b>		<b>11,012</b>

<b>2.5. Reclassified Consolidated Balance Sheet</b>	k€	31.03.2006	31.03.2005	31.12.2005
Intangible Fixed Assets		14,030	14,552	13,891
- Goodwill		13,011	13,607	13,011
- Other intangible fixed assets		1,019	945	880
Tangible Fixed Assets		354	378	352
- Tangible fixed assets		354	378	352
Shareholdings and other securities among fixed assets		67	67	67
Financial receivables among fixed assets		161	167	161
Deferred tax assets		14	45	45
Other receivables		534	25	537
<i>(of which advanced payments and deferred income)</i>		512		512
<b>Non current assets</b>		<b>15,160</b>	<b>15,234</b>	<b>15,053</b>
Net Inventories		346	141	31
Trade receivables		4,644	5,810	1,157
<i>(of which advanced payments and deferred income)</i>		129	195	113
Other receivables		141	110	212
Shareholdings and other securities among current assets		0	0	51
Financial receivables due within 12 months		62	227	86
<i>(of which advanced payments and deferred income)</i>		18	14	27
Cash and cash equivalents		16,164	14,805	16,450
Deferred tax assets		122	90	98
<b>Current assets</b>		<b>21,479</b>	<b>21,183</b>	<b>18,085</b>
<b>TOTAL ASSETS</b>		<b>36,639</b>	<b>36,417</b>	<b>33,138</b>
Share Capital		922	922	922
<i>(of which unpaid)</i>		0	0	0
Share premium reserve		16,950	16,950	16,950
Revaluation reserve		0	0	0
Other reserves		368	299	468
Profit/Loss of former financial periods		4,877	2,080	1,041
Profit /Loss of the period		778	997	3,865
<b>Group's Net Shareholders Equity</b>		<b>23,895</b>	<b>21,248</b>	<b>23,246</b>
Minority's share capital and reserves			0	0
Minority's Profit (loss)			0	0
<b>Minority Net Shareholders Equity</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated Net Shareholders Equity</b>		<b>23,895</b>	<b>21,248</b>	<b>23,246</b>
Employees' leaving indemnity		1,163	947	1,153
Provision for liabilities and charges		76	46	35
Provision for taxes including deferred taxes		0	844	0
Other payables			1	0
Deferred tax liabilities		276	229	287
Financial payables due over 12 months		8	2,524	3,241
<b>Non current liabilities</b>		<b>1,523</b>	<b>4,591</b>	<b>4,716</b>
Trade payables		3,673	3,861	850
<i>(of which advanced payments and deferred income)</i>		2,126	2,241	244
Other payables		1,978	2,527	2,015
Financial payables due within 12 months		5,349	4,103	2,172
<i>(of which advanced payments and deferred income)</i>				
Deferred tax liabilities		221	87	139
<b>Total current liabilities</b>		<b>11,221</b>	<b>10,578</b>	<b>5,176</b>
<b>TOTAL LIABILITIES</b>		<b>36,639</b>	<b>36,417</b>	<b>33,138</b>

### 3. NOTES TO FINANCIAL STATEMENTS

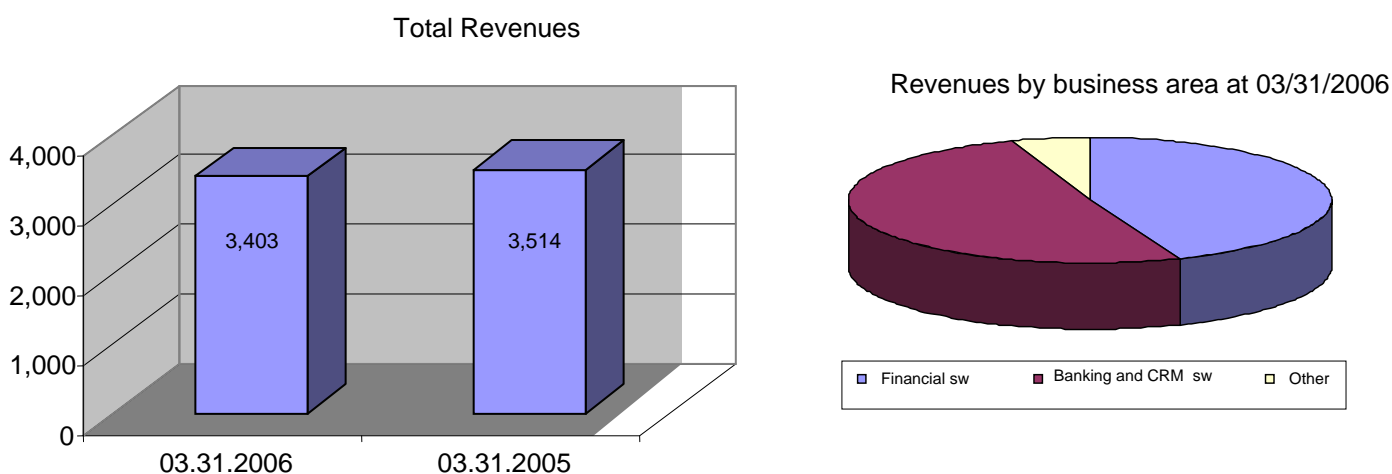
The consolidation area includes TAS S.p.A., the controlled Swiss Company APIA S.A. and the French TAS FRANCE EURL. Revenues of each Company come almost completely from the Countries where their head offices are located.

Comments herebelow concern comparison between data of the first quarter of the year and the corresponding period of the precedent year. It is worthnoting that, due to the small dimensions of the Group, contingent economic events may excessively influence results of a limited period of three months only.

#### ***Revenues***

*Total revenues* are consistent during the two quarters at reference, down by 3%, passing from 3,514 k€at 03/31/05 to 3,403 k€at the end of the first quarter of the current year.

No particular event is to be mentioned as for sales, a part from the fact that postponement of the “Market abuse” rules, better detailed herebelow, determined financial intermediaries subject to such obligations to decide later the purchase of the proper solution.



Main contribution to revenues come from the *Banking and CRM software*, sold only on the Swiss market, weighing more than 50% over total revenues. The bend of 6% is quite ordinary in short term operations.

Revenues by business area	31/03/2006	31/03/2005	var. I/I
Financial Software	1,492	1,76	1%
Banking and CRM Software	1,728	1,845	-6%
Other	183	193	-5%
Intersector equalisation	-5	-3	67%
<b>TOTAL</b>	<b>3,403</b>	<b>3,514</b>	<b>-3%</b>

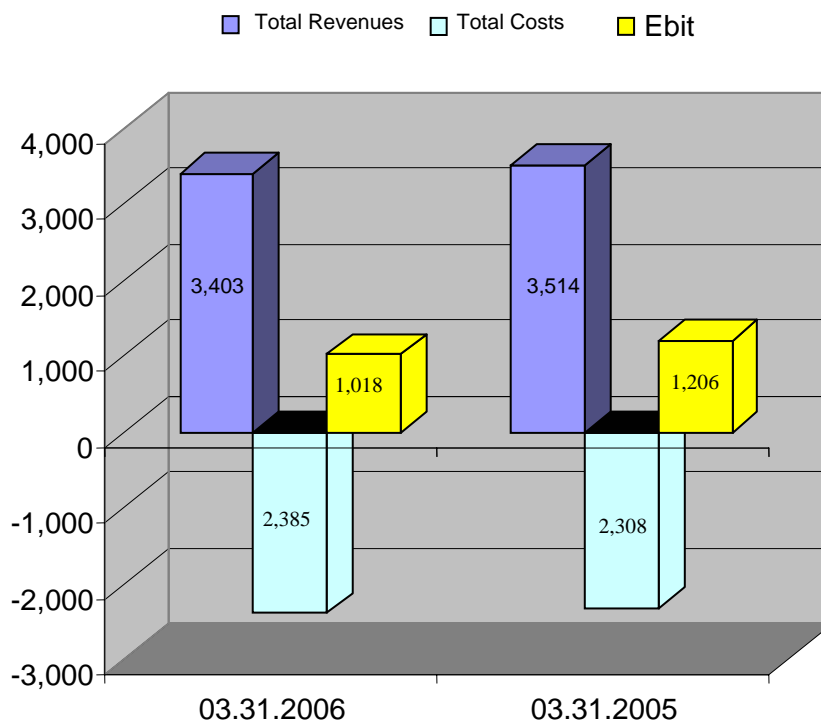
The area of *Financial Software* reaches almost the same values of the precedent year, up by 1%, whilst the slight bend by 5% of the remaining area (*Other*) is of little relevance as it totals only 10 k€ thousand.

Revenues by Geographical Area	31/03/2006	31/03/2005	var. %/I
Italy	1,466	1,479	-1%
Switzerland	1,728	1,845	-6%
France	169	196	-14%
Other	106	82	29%
Equalising of currency exchanges between sectors	-66	-88	-25%
<b>TOTAL</b>	<b>3,403</b>	<b>3,514</b>	<b>-3%</b>

The break down of revenues by geographical area reflects the location of the three companies forming the Group. *Italy* decreases by 1%, *Switzerland* decreases by 6%, *France* decreases by 14% whilst the area *Other* grows by 29% thanks to the good trend of international ASP service. The geographical area *Other* comprehends Great Britain, Germany, Monaco and San Marino.

### Operating Result

*Operating Result* decreases by 16% passing from 1,206 k€ to 1,018 k€



*Total costs* increase only by 3%.

*Raw Goods and Consumables* bend by 22% although this item is not relevant totalling as at 03/31/2006 29 k€ The contraction is due to lower resale of third party software.

*Personnel costs* increase by 3% passing from 1,639 k€ to 1,691 k€ notwithstanding the reduction of three units. Higher personnel costs are influenced by non recurring costs consequent to the resignation of two managers.

Increase of *Depreciation* by 13% is due to higher depreciation of development costs during past years.

*Other costs* grow by 17%, passing from 652 k€ to 765 k€. Higher costs arise from higher travel expenses for software development, better explained below, as well as from directors' fees, of new introduction compared to the first quarter 2005.

*Costs for capitalised works*, i.e. development costs, opposite to costs and therefore increasing the *Operating Result*, grow by 66% for reasons commented in the paragraph concerning investments.

### **Net Result**

*Net Profit* of the quarter is equal to 778 k€ lower by 22% over the same period of the precedent year when it amounted to 997 k€

*Financial Income* doubles from 72 k€ to 147 k€. The increase is due to a better net financial position for cash generation and to higher interest rates.

Regardless the contraction by 9% of the *Result before taxes* of IQ 2006 over the reference period in 2005, taxes increase by 38%. Such increase is caused by higher non deductible IRAP costs in Italy and by higher tax rate in Switzerland. In Italy, personnel costs and fees increased as also highlighted above, in Switzerland Canton Ticino introduced a higher tax rate for the period 2006-2008.

*Profit per share*, at the Group's level, amounts to €0.44 compared to €0.56 of IQ 2005 and to €2.18 of the whole financial year 2005.

	in euro	31.03.2006	31.03.2005	31.12.2005
Share Capital		921,519	921,519	921,519
Profit		778,000	997,000	3,865,000
Common shares		1,772,152	1,772,152	1,772,152
Weighed mean number of circulating shares in the period.		1,772,152	1,765,218	1,772,152
<b>Profit per share</b>		<b>0.44</b>	<b>0.56</b>	<b>2.18</b>

### **Net Financial Position**

*Net Financial Position* is positive for 11.012 k€ decreasing of 158 k€ from 12/31/2005.

As usual, invoices for yearly services are issued at the beginning of the year and paid later, therefore in the first quarter the net current assets reduce net financial position.

### **Investments**

Investments of the period are equal to 280 k€ and can be broken down as follows:

<b>Investments in Fixed Assets</b>	<b>31/03/2006</b>	<b>31/03/2005</b>	<b>31/12/2005</b>	<b>var. I/I</b>
Software development	244	147	651	66%
Other intangible Fixed Assets	2	74	97	-97%
Electronic machines and Hardware	28	13	84	115%
Other tangible fixed assets	6		17	
<b>TOTAL INVESTMENTS OF THE PERIOD</b>	<b>280</b>	<b>234</b>	<b>849</b>	<b>20%</b>

*Software Development*, 244 k€ concerns capitalised internal costs for development of new software applications. Increase by 66% is mainly due to the intense work of TAS S.p.A. personnel in order to develop a specific and appropriate software for the purposes of the recent “Market Abuse” regulation.

Following the 2004/72/CE “Market Abuse Directive”, CONSOB issued decision no. 15232 and decision no. 15233 and then Communication DME/5078692 of 29/11/2005 - Re: Examples of market manipulation and suspect operations as pointed out by Committee of European Securities Regulators (CESR) in the document "Market Abuse Directive. Level 3 - First set of Cesr guidance and information on the common operation of the Directive". Instructions for communication of suspect operations.

Financial intermediaries need to control negotiations in order to trace and communicate to CONSOB any market abuse behaviour of which they may be deemed liable. The control system compliant to the rules must be apt to analyse operations in securities and derivatives and single out among order executions and non-executions, in own name or on behalf of third parties, those showing the characteristics of *Insider Trading* and *Market Manipulation* as defined and including, but not limited to, examples provided by CONSOB.

*Other intangible fixed assets* mainly concern rights on software used for the Group’s activities. Their decrease is especially due to renewal of operating systems in TAS carried out in the former financial year.

*Electronic machines and Hardware* vary from 13 k€ to 28 k€ increasing by 115%. In particular they refer to personal computer and server to carry out activity.

#### **4. SIGNIFICANT EVENTS AFTER PERIOD END**

No significant event is worth noting.

#### **5. COMMENTS ON MANAGEMENT TREND**

Generation of income is now as structural as consistency of margins.

The slight bend of revenues seems due more to casual and contingent reasons, such as closing of negotiations and/or postponement of activities, than to the beginning of decrease of volumes. The same may apply to the little increase in costs influenced by non recurring events.

We are expecting in the short period a good response from investments in software development due to the recent European Directive about markets and financial instruments, i.e. the “*Market Abuse Directive*” 2004/72.

At the date of this report there are no significant events that could considerably change the financial, equity and economic situation of the Company.

The financial structure should not shift considerably from the actual one.

**TAS Tecnologia Avanzata dei Sistemi S.p.A.**

(The Chairman of the Board of Directors)

Paolo Ottani

