



# Financial Statements

as at 31 December 2007



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## FINANCIAL YEAR 2007

### Board of Directors

Chairman	Carlo Tresoldi
Deputy Chairman	Bruno Matteo Accornero
Managing Director	Renzo Vanetti

Directors	Paolo Abbo
	Tiziana Bernardi
	Giorgio Ferrero
	Paolo Vittorio Grandi
	Nazzareno Gregori
	Ennio La Monica
	Giovanni Pirovano
	Umberto Quilici
	Alessandro Santarsiero
	Elvio Sonnino
Piero Luongo	

Secretary to the Board of Directors      Monica Coppo

General Manager                      Gian Bruno Mazzi

### Board of Statutory Auditors

Chairman	Prof. Mario Cattaneo
Standing auditors	Giorgio Silva
	Fausto Gobbi
Alternate auditors	Roberto Bianco
	Prof. Paolo Golia

### Independent Auditors

Deloitte & Touche S.p.A.

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## LETTER TO THE SHAREHOLDERS

*Dear Shareholders,*

*The 2007 financial year was strongly influenced by the merger with SIA S.p.A., which took place in May with accounting and tax effects retroactive to 1 January 2007.*

*The merger led to the creation of a Group leader on the Italian market and one of the top ranked in Europe in the markets of card, service and payment system processing, and services and solutions for financial brokers and for networking.*

*The Group's Strategic Plan for the three-year period of 2008-2010 was developed during 2007. It singled out the strategies needed for strengthening its positioning on the domestic market and for developing new international businesses, and it confirmed the objectives established in the Integration Project. In this latter area, important synergies have already been achieved, and the foundations for the developments the business plan provides for have been laid.*

*In 2007 higher volumes with regard to both managed cards and network services were attained. The compliance projects for the SEPA were also completed. These projects formed the preliminary groundwork for starting production in January 2008. As far as the corporate aspect is concerned, the acquisition of GBC – a leading company on the Hungarian market in payment systems and processing – was successfully completed.*

*In 2007 SIA-SSB recorded revenues amounting to € 313 million, a value of production of € 323.3 million, and an operating margin of € 30.7 million. Compared with the aggregate figures of the two companies SSB and SIA, the financial year showed reduced revenues, mainly due to the closing of several services dedicated to the financial markets. This was however compensated in full by the reduced production costs, which allowed us to keep the same operating margin. The net profit, affected by extraordinary charges that resulted from the restructuring plan (mostly concerning personnel), amounts to € 9.1 million.*

*We wish to reiterate our personal appreciation and thanks to everyone who contributed to the attainment of the results, and to confirm once again our commitment to our customers, strategic partners and Shareholders.*

*The Chairman*

Carlo Tresoldi



*The Managing Director*

Renzo Vanetti





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## ORDINARY SHAREHOLDERS' MEETING

Published in Gazzetta Ufficiale no. 36, Part II on 25 March 2008

SIA-SSB S.p.A.

Registered office at Via Faravelli 14, Milan

Share capital € 22,091,286.62, fully paid-up

VAT number, tax code and Milan Register of Companies no. 10596540152

Milan Economic and Administrative Index no. 1385874

The ordinary session of the SIA-SSB S.p.A. shareholders' meeting is hereby convened at the Company's "Sala ATRIUM ", Via Taramelli 26, Milan, for 07:30 hours on 22 April 2008 in first call, and if necessary at 10:00 hours on 23 April 2008 at the same venue in second call, to discuss and resolve upon the following

agenda

1. Approval of the Financial Statements as at 31 December 2007 and related resolutions;
2. Definition of the number of Directors and subsequent resolutions;
3. Appointment of Directors pursuant to art. 2386 of the Italian Civil Code

Shareholders with the right to attend the Shareholders' Meeting are those in possession of ordinary shares and present the special notice released by an authorised intermediary in accordance with current law.

Milan, 21 March 2008

SIA-SSB S.p.A.

The Chairman of the Board of Directors

Carlo Tresoldi

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# Management Report

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## INTRODUCTION

In 2007, your company was strongly characterised by the effects of the merger in May of Società interbancaria per l'automazione - Cedborsa S.p.A., hereinafter SIA S.p.A.

In the financial statements, the management report compares data and information on strategic guidelines, business activities, market performance and volumes, with the corresponding aggregate data for 2006 so as to ensure a consistent and significant comparison.

Technically, the merger was by incorporation of SIA S.p.A. into Società per i Servizi Bancari S.p.A., hereinafter SSB S.p.A., backdated for accounting and tax purposes to 1 January 2007. The balance sheet and profit and loss account data are therefore compared to the corresponding 2006 figures for the acquiring company, in order to appreciate the increase in business generated externally. It is also worthwhile mentioning that the industrial plan leading to the integration of the two companies, as expressed by the shareholders, sees the operation as combining two companies similar in terms of size, operations and market approach. A significant comparison cannot therefore be drawn from the aggregation of 2006 financial statements data, used in various sections of the report and explanatory notes to include and explain the differences compared to 2007.

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## THE MARKET AND STRATEGIC GUIDELINES

### Reference market developments and the payments sector

From around the end of the second quarter, 2007 was strongly characterised by uncertainty and turbulence in the world economy, triggered by the real estate sector crisis in the United States that generated repercussions in Europe in general and on EU economies. Tension in the financial markets contributed to a slowing down of the entire economy: more consistent in the North American market, signals of a slowing down of the economy also hit Europe, whereas the effect of financial turbulence on emerging markets has so far been minimal. Economic indicators showed Italian economy growth as still below the European average (in both Eurozone and EU terms), with a further slowing down compared to forecasts in the last quarter of the year.

In 2007 the international reference context for the SIA-SSB Group was characterised by profound transformation, primarily as a result of banking concentrations and consolidation of the financial centres, the impact of new European regulations (MiFID, Basel II) and the launch of the Single Euro Payment Area (SEPA).

Specifically, with regard to the international credit and debit cards market, the competitive scenario rapidly advanced to supranational level. Driven by the SEPA, a general development was seen in domestic debit card circuits to international circuits, with a gradual opening up of the entire debit card market in Europe, even to non-domestic processors.

The payment cards market proved to be one of the most dynamic, with a growth trend in transactions stronger than GDP in many European markets. Through an aggressive acquisition strategy by specialist or global processors, it is forecast that in 2007 the market share of processing managed by "commercial" players, i.e. not controlled by the client banks, has exceeded 24% of payment cards at European level. The market was also marked by a gradual expansion of pure processing services provided, e.g. in terms of value-added services such as fraud management, terminal handling and back office services. Lastly, with the consolidation at European level of operators previously active only at national level, the overall competitive scenario proved to be a rapidly-changing battleground.

At banking level a number of large international groups in the cards market outsourced processing activities on a European scale. In parallel, there was continued pressure on card processing prices, linked to the increased level of competition in Europe and discontinuity of national debt in the various EU countries.

With regard to credit cards, in both issuing and acquiring terms, in 2007 the company completed important migrations of foreign customers in the various EU countries (Belgium, Hungary, the Czech Republic and Poland) through its subsidiary SiNSYS. This significant result means that the SIA-SSB Group is not the only processor in Europe that centrally manages over 21 million national-brand payment cards and more than 700,000 operators in 9 countries on one technology platform.

The payments market has retained its fragmented structure and, although there are signs of development, there is no specific leader at pan-European level. The regulatory impact on the reference context was particularly strong, the SEPA effects being felt on new integrated treasury management tools, integration of the supply chain and financial chain, and on corporate and public administration business operations. Lastly, the issue of the Payment Systems Directive paved the way for the entry of new non-banking issuers on the market as from 2009.

The process of operator consolidation as a result of the SEPA effects followed three main guidelines:

- the transfer of volumes to third-party PE-ACH providers;
- the aggregation of national ACH service providers;
- the ambition of certain national ACH providers to become volume aggregate leaders in Europe, and subsequent transformation into PE-ACH.

Of particular interest also are electronic payment and clearing market outsourcing, the areas forecast to be the major competition battlegrounds for providers in the coming years. It should be mentioned that SIA-SSB holds a particularly significant position in the securities post-trading and pre-settlement sector, from experience matured through its long-standing partnership with Monte Titoli.

Developments in the EU integration process in financial markets is reaching the end of its path towards a single European market. With this objective in mind, MiFID (the Markets in Financial Instruments Directive), which came into force throughout Europe on 1 November 2007, aims to regulate European financial markets and services for both intermediaries and customers. The directive plays a vital role in achieving a more integrated, more liquid and more efficient capital market, reinforcing Europe's competitiveness at global level. Investor protection is the driver behind the new regulatory developments on European markets, in which compliance is seen in terms of moral market trading conduct and efficiency of supervisory measures, in the interests of customer protection, intermediary reputation and faith in the system as a whole.

Operational transposition of MiFID is still under way, focused and defined in different ways in the 30 EU countries. Business opportunities for intermediaries and the establishment of MiFID-related markets could be fully implemented by the end of 2008. On this growth path the company will continue to support the financial intermediaries and central banks and authorities.

In addition, the leadership role of MTS in fixed income markets, and consequently SIA-SSB's role as technology provider for the sector, was confirmed.

For the network services markets new business scenarios are currently being defined following SEPA developments, i.e. pan-European interconnection and service provider interrelation with the various clients, unbundling of connectivity services between network and trading services and, lastly, consolidation of physical connectivity solutions for businesses.

## Merger by incorporation of SIA S.p.A.

The new company SIA-SSB S.p.A., resulting from the merger by incorporation of SIA S.p.A. into SSB S.p.A., became operative on 1 May 2007.

The SIA-SSB launch means that Europe has a new leader among technology operators in the credit and debit card processing, payment systems, capital markets and network services sectors as support for all financial activities for banks and their customers. With regard to network services, the Italian Anti-Trust Authority for Competition and the Market has imposed conduct-related measures on the company, mainly with the aim of guaranteeing the effective entry of competition in services offered at national level, and organisational measures to separate operations, accounting and trading departments in the network services operations unit. These measures required by the Anti-Trust Authority were implemented in 2007.

## SIA-SSB positioning

The merger between SIA and SSB was the response to international competitive pressure in the reference markets, brought about by the player consolidation processes.

As a result of the combined competitive positioning of the two companies, the merger led to the creation of a Group leader on the Italian market and one of the top ranked in Europe in the card processing, payment system services, services and solutions for financial brokers and networking markets.

In terms of size, the Group is comparable or larger than the leading players in the European payment and cards sector. The organisational structure includes seven subsidiaries: GBC (Hungary), Perago AG (Switzerland), Perago FSE (South African), Kedrios (with 61% of Simbologica), RA Computer, SiNSYS (Belgium) and TSP. The geographical area covered by services provided extends to thirty countries, also beyond Europe to South Africa.

Following the merger, SIA-SSB laid the foundations for:

- dimensional growth to reach the "minimum scale" needed to compete profitably in the reference markets;
- a strong overall level of efficiency to guarantee competitive prices in a market in which competition is increasing considerably and in which traditional customer-shared utilities relations are taking on, or already have taken on, a pure customer-supplier connotation;
- the availability of adequate financial resources to play an active role in the ongoing consolidation process of former state utilities and to adequately compete against the specialist global players, by pursuing both internal and external growth opportunities.

The characterising elements of the Group are:

- European-scale capacity to provide services, indispensable in effectively competing with local players, with leverage on the highest scale available, on a cross-border technological infrastructure and on a local level where necessary;
- its absolute technological level, able to satisfy customer needs in terms of efficiency and effectiveness (service levels, innovation support);
- an extensive range of services offered to:
  - seize upon all market opportunities with a good margin potential;
  - make use of "go-to-market" synergies, as a credible technological partner able to satisfy customer needs (services, solutions and products) throughout the payment systems, cards and financial intermediary solutions/services markets.
  - apply leverage on the service capacity offered by network management.

With reference to opportunities linked to the changing European regulatory framework, the Group is positioned as a leader in the SEPA area, offering its services as integrated lead partner for banks and businesses looking towards international expansion, also at non-European level.

The SIA-SSB merger has also allowed a considerable improvement in the cost structure, achieving significant synergies by means of:

- integration and rationalisation of the Corporate Center structures;
- integration of Facility Management into the service supply infrastructure;
- integration of the software factories;
- optimisation of purchases following supplier consolidation and stronger negotiating potential;
- rationalisation of development investments in overlapping clearing and extended payments areas;
- rationalisation of the organisational and logistics structures.

The Group has therefore confirmed its role as technological provider of financial services and solutions, expanding its area of influence from the national to European and international context.

## The Strategic Plan

During the year, the 2008-2010 Group Strategic Plan was developed, confirming the objectives set by the Integration Plan which identified strategies for the 3-year period along two main paths:

- strengthening of the competitive position on the national market, to be achieved through:
  - completion of the value chain on the majority of processes in the various business areas;
  - development of the product mix with a view to new value-added services/solutions increasingly driven by the market and business, innovation and customer differentiation needs;
  - strengthening of the corporate identity centred around the "one company" principle, with a shared vision and mission, single and differentiated resources and skills, and with consistent development of roles of the centralised infrastructures and Group companies.
- business development at international level, to be achieved through:
  - consolidation of the Group's role as leader in the SEPA, with the aim of becoming integrated reference partner for banks and businesses seeking international expansion, also on non-European markets;
  - launch of a decisive international strategy on both selected and EU markets, also by means of specific merger, takeover and joint venture initiatives. The aim is to expand the Group's presence on the market and achieve greater scale economies, not only in the cards and payments business areas, but also in network services and capital market solutions, replicating the Group's integrated supply model.

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## CUSTOMERS

### Italy

During 2007 SIA-SSB confirmed its commitment to commercial development on its own reference markets with the aim of:

- making use of synergies deriving from an expanded commercial product mix, to guarantee a price-competitive portfolio of solutions and services;
- improving its capacity for innovation, creating added value with respect to business needs of the existing and potential customer base;
- further studying and extending knowledge of its own market, with the support of Group companies, so as to make the best use of potential.

In the payment systems sector, action was focused on acquiring new points of reference for ACH EBA access services and consolidation of CBI services developed.

Specifically, during the year sixteen Step2 Clearing SCT access service clients were acquired and the migration of national bank transfers to the EBA platform for certain leading Italian banks was completed. Through one of the leading banking groups the first architectural re-engineering project for interbank network access systems was completed, in readiness for the SEPA.

With regard to CBI services, a new banking reference was acquired for Delegated Technical Structure services, and Banks' interest was confirmed in facilitated technology services, particularly those envisaged by the New CBI. On the Corporate side, ten new customers were activated on recommendation from Proposing Banks.

With main issuers in the credit and debit card processing area, new initiatives were launched to consolidate the market position and increase the traffic volumes currently handled. The more significant projects in 2007 focused on the development of new products (e.g. Vpay cards, unembossed MasterCards) and on service expansion (e.g. OLI, prepaid cards, risk management), also as complementary to the microcircuit migration projects.

Specifically, with two key customers, the first Vpay card initiatives in Italy were completed and a new reference was acquired in prepaid banking product development for the retail market.

Project support to customers on SIA-SSB platforms in international card management also allowed one leading Italian banking group to expand the commercial development of its own products in a cross-border environment.

In the Petrol sector, an important national project was acquired for infrastructure management of e-money and loyalty product/service acceptance for one of the leading market players. In this initiative the SIA-SSB

Group became the lead integrator for all players involved in the development of technology components and payment process management.

Launched and completed in collaboration with the subsidiary TSP, this initiative further confirmed the Group's positioning as outsourcer along the entire value chain of card processing services.

For the development strategy for new services based on multi-function POS terminals, an innovative project was developed with a telephony operator to provide the sales network with payment and electronic clearance instruments.

Lastly, of particular interest in prospective terms, it should be mentioned that the web-based platform project for new-generation ATM network management was completed with a leading banking group.

With regard to collection/payment services via the self-service networks (ATM, POS and web), commercial action was focused on the development of initiatives to increase self-service transactions managed at Group level and to expand the services available through partner bank ATM and internet-banking channels.

In this respect, three new customers were acquired in the supermarket and hypermarket sector for the development of eVoucher services, for which the SIA-SSB Group gained its position as national leader in 2007 in terms of references and volumes managed.

The commitment to mass billers for self-service channel payment automation also allowed for the acquisition of a new national reference that led to the significant increase in volumes handled in partnership with reference market operators.

The activation of two new virtual mobile operators for top-up service management with multi-channel logic also led to the formalisation of ten new Fastbank service contracts.

With regard to e-commerce services, the leading Italian municipal authority was acquired as reference, with which a tax collection project was completed.

With reference to mobility services, the volumes linked to the Fastpay circuit remained constant, also as a result of a renewed parking payment services interest in direct debit products which led to the acquisition of new customers.

Lastly, with regard to Capital Market services, commercial development continued of the ToDeal products as the primary and secondary market access platform, and Sia-Eagle as the compliance and supervisory solution for capital market transactions.

ToDeal now has approximately 80 references in Italy, confirming its position as a leading fixed income trading solution.

The Sia-Eagle platform, on the other hand, now has approximately 60 references in the national environment, including commercial banks, traders and asset management companies.

The partnership with Monte Titoli, MTS and e-Mid continued as outsourcer and lead technology partner for the development of new competitive services.

Specifically, towards the end of 2007 preliminary work began for Monte Titoli to allow pre-settlement management of London Stock Exchange contracts, and the first upgrades to the TARGET 2 settlement system were completed.

As planned, part of the migration to the new TradeImpact platform was completed for MTS, with a performance of up to 4,000+ transactions per second.

In 2007, for e-Mid, the first upgrades to TARGET 2 were completed.

Development in the European Markets in 2007 also involved Borsa Italiana, now integrated with the London Stock Exchange, and in this context the market technology internalisation programme was completed by Borsa Italiana in Milan, with subsequent closure of the services managed by SIA-SSB.

In the network services sector, until 2006 the sales strategy for SIANet.NG physical network services was based primarily on application service connectivity bundling: the connectivity services sold directly to customers represented a minority share of the overall physical network business. In 2007 the need arose to plan a new strategy for the physical network services market, to support the gradual unbundling process necessary, also as a result of commitments undertaken with Anti-Trust Authority for Competition and the Market to obtain authorisation for the merger.

The new strategy led to the launch of MDA (Multiple Domain Access): under this system the end customer becomes the key negotiator, signing a single MDA contract governing the economic and commercial handling of all domain access configurations for the individual Client system. The end customer is able to clearly see the benefit of having multiple connections to the SIANet.NG network solution: as the number of access points configured on the same system for the same customer increases, so does the discount recognised to the end customer.

2007 also saw a review of the logical network price list, applied from the second half of 2007. The data transfer cost debiting model, based on accumulated Kbytes measured in transit across the network gateways, differentiated according to the transfer service used (File Transfer, Message Switching and Transnational) remained unchanged, whereas modifications were made to both the number of pricing tiers (from 4 to 5 tiers, with modification of the access thresholds) and to Transnational prices which were halved compared to the 2006 price list.

## Foreign

In 2007 the international positioning of the new SIA-SSB Group strengthened considerably, with positive repercussions in terms of both consolidation level in the SEPA and increase in the overall share of revenues generated outside Italy.

The strategic objective of business internationalisation was pursued with numerous initiatives to maximise sales potential of customer portfolios and to promote cross-product and integration capacities of the

products offered by the Business Units (cards, payment systems, capital markets and network services) to ensure that the Group's support and delivery capacity, compared with European competitors, is unique.

Reference market presence and the extent of functional coverage of services offered have in fact allowed the Group to capitalise on relations with existing large international banking group customers and at the same time attract new prospects, bringing the current number of foreign contract counterparties to over 500.

Both business development paths have benefited from the geographic coverage guaranteed in terms of sales and operational support through the Group's foreign subsidiaries.

In the payment systems sector, 2007 was a year of intense collaboration between SIA-SSB and EBA Clearing in relation to the launch of SCTs (SEPA Credit Transfers) and SDD (SEPA Direct Debit) developments.

SIA-SSB has confirmed its position as leading European player in retail payments, as a result of its role as sole pan-European clearing house operator (Pe-ACH EBA-Step2) with more than 1600 institutional members in over 27 countries.

With regard to services provided to Central Banks, project work continued in 2007 on contracts awarded in Sweden, Norway and Egypt for RTGS and CSD solutions (software consulting and product services offered by subsidiaries Perago AG and Perago FSE).

In the card processing sector, 2007 marked a decisive consolidation of Group business in central and eastern Europe. In Poland, migration was completed for the first customer acquired in this country by subsidiary SiNSYS, with the aim of a multi-year service contract for the parent company with a customer pertaining to a leading bank in the Polish market.

The acquisition of Hungarian company GBC, completed in 2007, led to the Group's achievement of a significant market share in a region considered strategic to international expansion.

In 2007, SiNSYS successfully completed the migration of the cards portfolio of its own major bank customers in Belgium and the Netherlands, and confirmed its position as key player in the more important international tenders launched during the year.

2007 also saw the consolidation of processing services in the Ukraine and acquisition of an important contract with a Russian bank, expected to be launched in the first half of 2008. This will allow upgrading of the operating infrastructure to the economic, regulatory and legislative context for the area and subsequent acceleration of sales activity forecast in the Cards business expansion strategy. As further support to the Group's penetration capacity into this region through physical presence, in the last quarter of 2007 reconnaissance surveys were launched to identify possible cooperation partners.

In the capital markets sector, 2007 represented a period of consolidation for relations with foreign customers already acquired in the 15 MTS countries and one of study to identify potential market openings for supervisory and compliance as introduced by the MiFID Directive.

On western European markets, the ToDeal solution has approximately 60 references, including global players in London, whilst the Sia-Eagle solution now has its first foreign reference in an Irish intermediary.

At the end of 2007 the new SEPA price list was approved. The gradual start-up of the SEPA, the Single Euro Payments Area, starting on 28 January 2008 provides the banking industry with new business opportunities due to the adoption of common standards for the new SEPA payment instruments: in this context, the accessibility of the network to counterparties (banks and/or CSMs) will therefore play a key role in the banking industry in order to reach the efficiency and cost objectives needed to compete in the new reference scenario.

SIA-SSB, involved from the outset in development and promotion of the SEPA, offers a complete range of integrated network services aimed specifically at the needs of the European banking industry currently involved in the migration from domestic payment circuits and instruments to international standards and the new SEPA payments system.

From 1 February 2008, a new SEPA Network Domain will be added to the traditional Application Domains currently reached on the SIANet.DOM network (RNI, CBI, SIPA). The dedicated SEPA Network Domain will offer both SEPA SCT and SDD (SEPA Credit Transfer and Direct Debit) instruments and the "SEPA-eligible" domestic circuit instruments (bank transfers and collections), due to converge with SEPA instruments.

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## SERVICES

Illustrated below are the main new services developed during 2007 and services under development.

### Payment systems

#### SEPA Clearing and access solutions

2007 was the preparatory year for introduction of the SEPA, which saw SIA-SSB involved in the design, technical production and promotion of processing and clearing solutions for the new European payment instruments, compliant with requirements and deadlines set by the EPC (European Payments Council) and the National Plan for Migration to the SEPA.

SIA-SSB played a dual role in the SEPA launch:

- IT Operator for the EBA Clearing STEP2 platform;
- EPC-certified Clearing Mechanism for Italian banks intending to continue use of the BI-COMP clearing system for monetary settlement of SEPA payment transactions.

In its role as EBA IT Operator, SIA-SSB developed applications for the new payment transfer (SEPA Credit Transfer) and collection (SEPA Direct Debit) instruments, made available as a testing environment to European banks as of July 2007.

Through an agreement with EBA Clearing, SIA-SSB completed the Clearing Mechanism service, making use of the STEP2 shared platform, enhanced with Bi-Comp access functions and dialogue with other appointed operators and the Bank of Italy.

In this context, SIA-SSB also produced an application allowing the Bank of Italy to offer BI-COMP members a Euro1-regulated through-access service in STEP2 in pre-funding mode.

To facilitate the SEPA launch, SIA-SSB produced a number of access solutions for banks, allowing extremely flexible management of the migration process to new standards, consistent with the banks' own development strategies.

The SEPA Credit Transfer solution became operative on 25 January 2008, with 28 January 2008 as its first settlement date, therefore observing the established EPC deadline.

The operative date for the exchange of SEPA Direct Debits is subject to EPC decisions to be taken at European level and, with regard to the Italian banking community, by the National Plan for Migration to the SEPA.

Another important role played in migration to the SEPA was that of the SAPA (Single Architecture for Payment Area) solution platform for banks, a modular architecture for integrating the bank's back office management with the various clearing and settlement channels, produced by subsidiary RA Computer and already installed in the major banks to guarantee gradual migration to the SEPA.

With regard to the need for common regulations governing use of the new European collections instrument, widescale use is not expected until the Payment Service Directive (PSD) enters into force, the transposition deadline for which is planned for November 2009 in EU member states.

#### RTGS systems

With regard to RTGS system projects for Central Banks (managed in collaboration with subsidiaries Perago AG and Perago FSE), it is expected that all initiatives in progress, the implementation of second generation systems for the central banks in Sweden and Norway, and of first generation for the Egyptian Central Bank, will be completed in 2008.

#### Interbank Commercial Collections

As part of the Interbank Commercial Collections service, production began in February 2007 on the Direct Debit clearance transferability service defined for the Patti Chiari initiative, whilst on 5 November 2007 mass alignment between banks and companies began for the new IBAN codes, in compliance with SEPA standardisation requirements.

#### Interbank Corporate Banking

Migration of the CBI1-managed services to the new CBI2 architecture, based on the SIANET network, was completed in February 2007.

In November 2007 the new "Vertical Architecture" solution, allowing Manager Access Ports (GPA) to interface with the SIANET network with better performance and lower costs, went into production.

As part of the CBI2 framework, two new document management services, structured and non-structured, were prepared and activated for the issue of incoming foreign credit transfer notices.

In addition, the new "SEPA Credit Transfer with sender and beneficiary outcomes" service went into production on 28 January 2008, timed for the launch of the SEPA.

Furthermore, in 2007 functions were developed for the digital signature of flow mechanisms in relation to existing CBI1 services. Their activation, planned for the first half of 2008, is subject to the plan currently being finalised by the ACBI.

#### Mass databases

During 2007, advanced maintenance was developed for the RAC (Automatic Code Request) archive defined for specific CIPA and Co.Go.Ban interbank working parties in relation to the RAC-AZIENDE, MON-ATM and RAC-POS sectors.

On Bank of Italy instructions, the CAB archive was implemented to also allow management of the IMEL e-Money institutions.

In 2007 management optimisation was performed on the CRIC (Risk Assessment Centre for small amounts) and monitoring functions were also implemented.

The Bank of Italy confirmed its decision to lower the thresholds on reports to Risk Management centres to € 30,000, including reports currently managed by the CRIC, with its subsequent disbanding expected by the end of 2008.

## Card processing

In the payment card processing sector, the reference market confirmed the trend towards internationalisation, with customer demand increasingly directed towards a value chain management extended to include cross-border services.

Activities in readiness for the SEPA saw a strong acceleration, with a marked attention of customers to the migration to processing and payment card platforms in line with European security rules and technical standards entering into force in January 2008.

In 2007, the Cards Business Unit enhanced its supply of SEPA solutions for the processing sector, monitoring activities on the various circuits and aligning its own platforms to provide a positive response to the various needs of its customers. Other than activities for existing customers and direct prospects, the SIA-SSB Group

participated in important international RFI/RFP tenders, such as those in Austria and Greece, to acquire pan-European processing business, and confirms its success in acquiring significant visibility outside Italy.

For debit card processing, the card type most affected by introduction of the SEPA, functions were produced in support of VISA's new European Vpay platform and in collaboration with a leading Italian bank. The solution reached is the result of joint efforts by VISA, Co.Ge.Ban and SIA-SSB, and is the first example in Europe of alignment of the national Bancomat/Pagobancomat circuit to the 2008 European standards as well as to VISA standards.

Also completed in 2007 was development of the interlinking solution between national circuits to allow all German payment cards to operate in processor-to-processor mode on ATM/POS terminals of Italian banks subscribing to the European Alliance of Processing Schemes initiative. Two German processors are already active, and another two will be activated in the first quarter of 2008. During 2008, processor-to-processor mode management is planned for payment and withdrawal transactions on payment cards of Italian banks subscribing to German POS and ATM systems.

In addition to new customers becoming operative, e.g. in Germany, Ukraine and Russia, 2007 was characterised by the launch of important national and international migration projects for credit and debit card portfolios to existing reference platforms in Italy, Poland, the Czech Republic, Slovakia, Belgium and Hungary.

With regard to mergers of large banking groups, SIA-SSB will allow integrated groups to interface with the System as a single party yet at the same time operate under ABI coding and existing IT systems within the new group until their complete integration. Clearing/settlement authorisation processes were upgraded for Bancomat/Pagobancomat acquiring and Self-Service (mobile phone top-ups, utility payments, miscellaneous payments) systems.

During 2007 in terms of Full Processing services, SIA-SSB handled data preparation for approximately 5 million cards. Of these:

- around 500,000 were later customised directly by the customers;
- the remaining 4.5 million were customised under our own full liability through trusted external suppliers.

With reference to processing platforms, a number of key development tasks were implemented, e.g.:

- procedures were updated to comply with new PCI specifications for international circuits;
- security procedures were improved;
- efficiency improvement work continued on existing platforms.

In the Prepaid Cards sector, in addition to upgrading of the platform to EMV standard, a feasibility study was defined for the issue and management of prepaid Corporate cards on behalf of banks and in favour of business customers and their employees. In addition, the Cards Business Unit was able to propose a prepaid

"Gift Card" for distribution by dealers of a leading telecommunications operator, and a prepaid "Incentive" card initiative was launched.

Important investments in value-added services were made in 2007, i.e.:

- the production release of the fraud detection system based on the Falcon platform, characterised by advanced neural survey systems capable of online interaction with authorisation processes;
- consolidation of the DCMS system, capable of optimising the various operations workflow stages for dispute and claims management;
- the production release of the behavioural scoring service based on the TRIAD platform.

The new SAT application platform, governing the development of automatic ATM machines through web-based technology, became active and now handles a total of approximately 1,300 ATMs. Following acquisition of the Hungarian company, GBC, rationalisation of the Terminal Handling platforms continued to create a backup site at the Milan Datacenter for the solution now being produced in Hungary. During 2008 an assessment will be made regarding migration to the Hungarian platform of services currently outsourced.

2007 saw the award of an important contract in the Petrol sector: this activity is acquiring-related and envisages the handling of transactions and distributor network terminals together with loyalty services. The new virtual PIN Dispatching services in the supermarket and hypermarket distribution sector became operative and the number of transactions increased in parallel with activation of the distribution channels. Activities were launched for an effective presence in the Mobile payments sector, including the SEMOPS project (Secure Mobile Payment Service), a two-year initiative co-financed by the European Union, the objective being the activation of a mobile payment system at European level. In 2007, setup of the technical platform was completed, whereas in 2008 the business model will be completed and a controlled-environment pilot system will be launched to assess operations.

The e-commerce platform was enhanced with new value-added functions required by customers using the infrastructure in multi-channel mode (web portals, mobile, IVR, contact center). The supply is able to cover both payment card payments and direct current account debits.

## Capital market

During 2007 activities were completed in relation to the MTS migration from the Tandem/Exchange Place platform to the Open System TradeImpact platform. Completion of the migration process for the last MTS market to TradeImpact, with launch of the BondVision segment and unification of the technology platform for EONIA SWAP and REPO markets, is expected by the end of the third quarter 2008.

In relation to e-MID, upgrades were completed in 2007 to allow TARGET 2 first window settlement (November 2007). In addition, implementation began of TARGET 2 third window settlement planned for May 2008.

With regard to Monte Titoli, work began on the upgrading of settlement systems (Express I and II) to the new TARGET 2 system by means of the ToSettle product with two modules, the first an applications interface for all Monte Titoli services produced in 2007, and the second allowing dialogue with the TARGET 2 settlement system due to become available in the first quarter of 2008, according to deadlines established by the ECB for the migration of payment systems to TARGET 2. In addition, a feasibility study was launched towards the end of 2007 for the X-TRM-service management of contracts concluded on the London Stock Exchange trading platform (TradElect), including those concluded on the Italian MTA market.

During 2007, SIA-SSB continued to consolidate its market positioning with regard to the Sia-Eagle product range (for Intermediaries and Markets) launched in 2005.

The Sia-Eagle product range comprising the Sia-Eagle platform for Intermediaries, a solution operated by over 60 intermediaries, includes application modules for the monitoring of market trading from a Market Abuse Directive point of view (T+1 Diagnostics module and the Rules Module for intra-day monitoring), was enhanced in 2007 to include an Insider List module and MiFID monitoring modules which consolidated Sia-Eagle's position as a true Compliance and Fraud Detection platform.

Sia-Eagle for Intermediaries is offered to the market as a product solution, technology outsourcing service and administrative outsourcing service (making use of Group and Kedrios resources).

In the Access Systems framework, the ToDeal solution, a Fixed Income multimarket access platform launched in 2005 and after its consolidation in 2006 for MTS trading, 2007 saw the gradual strengthening of its position as a multimarket trading platform for both the secondary market, with the integration of markets such as Brokertec-REPO and Expeed-REPO, and the primary market with the Aste Italiane government securities trading module.

## Network services

In the first months of 2007 and according to schedule, the launch of the new Interbank Corporate Banking (CBI) services was completed on the new infrastructure managed by SIA on behalf of the CBI Association: the operation went smoothly, with no technical inconvenience whatsoever to the parties involved.

The new CBI architecture, based on SIANet.NG technology and EAS Logical Network and FEMS/I products, allows Subscribers to exchange interbank traffic in peer-to-peer mode for Corporate Banking activities, with new standard e-commerce functions in addition to existing services. The new architecture, also through international ISO certification, aims to become to base infrastructure for one or more global B2B cooperation circuits.

During 2007 activities also began on consolidation of the SIA-SSB Disaster Recovery centres, to be completed in the first quarter of 2008 at the Roncaglia centre, followed by the Certosa centre.

The Cesano Maderno site with Telecom Italia as the provider were chosen for their characteristics of reliability and redundancy, as well as for the easy interconnection to the Telecom Italia provider network backbone.

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## PERFORMANCE OF THE MAIN SERVICES

### Payment systems

The change in invoiced volumes in the Payment Systems sector can be seen as the result of offsetting of phenomena with opposite trends, particularly migration to STEP2 of national bank transfers exchanged between leading Italian banking groups.

In fact, if on the one hand there is a 45% reduction in domestic bank transfers, on the other hand there is a 224% increase in bank transfers handled through the STEP2 platform, mostly deriving from the migration of home market volumes.

Despite the historic growth performance in bank transfers, the increase in STEP2 volumes in absolute terms is lower than the corresponding reduction on the Applications Centre platform, in relation to both the decrease in interbank transactions following bank mergers, and for the different reporting criteria.

Domestic bank transfers exchanged on the STEP2 platform by leading Italian banking groups also led to a reduction in related ROI transactions invoiced, the handling of which is included in invoicing of the bank transfer processing service.

Commercial receipts confirm the growth trend of recent years, whereas Cheque Truncation has seen a gradual decrease in the number of cheques handled.

The reduced Corporate Banking service volumes (-77%) is the result of transit to the new CBI architecture, which no longer uses the Applications Centre formerly managed by SSB.

### Card processing

Payment cards (debit, credit and prepaid) are the electronic instrument which, in recent years, have recorded the highest levels of growth, mirroring the trend in other major European countries. SIA-SSB Group activities in 2007 led to a significant change in the overall consistency of the cards portfolio managed, exceeding 60.5 million at the end of 2007, a 25% increase over the previous year.

The increase in credit card transactions (867 million transactions, +25% on 2006) and international debit cards (384 million transactions, +29% on 2006) mainly derives from completion of the migration process of key customers in 2007.

The processing volumes for Italian debit cards, Bancomat and Pagobancomat, recorded an increase higher than forecast, the 2007 increase over the 2006 figure attributable to the increased volume of ATM withdrawal transactions (289 million transactions, +16% on 2006) and POS purchase transactions (1,436 million transactions, +11% on 2006), the growth in which exceeding past years' performance.

The transnational volumes for prepaid cards confirmed the significant growth rates of past years, confirmed as the card-based payment instrument with the highest percentage growth increase with respect to 2006, with a 169% change in the number of payment transactions (over 180 million transactions) and 9% in terms of card numbers, demonstrating an increasing consumer awareness of this particular type of card (6.3 million cards).

In 2007 the upward trend also continued on volumes of Self-Service payments (utilities payments, mobile phone top-ups, etc.) with a total of 89 million transactions and a 35% increase over 2006, with a significant contribution from the non-banking supermarket/hypermarket channel.

The operators portfolio at the end of 2007 exceeded 1 million units managed by 1,019 thousand operators, recording an increase rate of 3% with respect to 2006.

## Capital market

In the MTS framework (Secondary Market for Government Securities), the CMF market recorded an increase in operations in terms of both contracts concluded, which increased to just over 527 thousand (+8%), and value, amounting to € 3,536 billion (+18%). The number of offers to trade also increased to over 1,153 million (+14%). The REPO market also saw an increase in operations with over 654 thousand contracts (+15%) for a value of € 17,754 billion (+10%), with a total of 3,765 million offers to trade (-1%).

BondVision market operations increased considerably in terms of both contracts concluded, which reached over 124 thousand (+8%), and the trading value which increased to over € 667 billion (+17%).

With regard to the MID market (Interbank Deposits Market), 2007 was characterised by a decrease in operations with 5,039 million offers (-41%), a traded volume of € 5,855 billion (-11%) and a reduction in the number of contracts concluded, approximately 105 thousand (-18%).

The performance of Monte Titoli operations remained essentially stable, however, and as in the previous year amounted to approximately 281 million transactions (+0.1%).

Lastly, with reference to the share market, 2007 saw a gradual downsizing of services offered by Borsa Italiana. The volumes traded should therefore be considered partial and not comparable with previous years.

## Network services

In the network services sector, with regard to logical network services, of particular note is the strong increase in overall traffic (from 8,000 Gb to 10,310 Gb) due mainly to the launch of the New CBI domain. Specifically, a growth was recorded in File Transfer and Message Switching volumes, attributable to CBI, whereas the increase in Transnational service volumes is mainly due to the effects of incentive pricing policy implemented from the second half of the year.

With regard to the physical network, on the other hand, there was a drop in foreign connectivity systems due primarily to the removal of IDEM service-related systems for the stock exchange. This reduction, however, was almost completely offset by reinforcement in the Italian sector, due to the increased penetration of the new physical network services which became operative during 2007.

One year after completion of the third and final stage of migration from the former CBI architecture to the new architecture, the first conclusions can be drawn on traffic volumes from CBI Subscribers on the technology infrastructure provided by SIA-SSB.

Across the 25 Subscriber gateways currently in production, since the start of the year traffic in terms of character count was excess of 749 Gigabytes (749 billion characters). Given the special characteristics of "Logical Operations" - many operations, all of which are small - the number of operations completed since the beginning of the year proves particularly significant, involving over 23.9 million file transfer requests and approximately 90 million messages.

Considering that full operation of the service covers only volumes over the last ten months, the forecast annual volumes with the same number of application services active would bring the number of operations for 2008 to a total of 28 million.

The CBI launch had two effects on the SIA-SSB network technology infrastructure:

- a relative increase in the number of characters transmitted – adding 749 billion to over 8,000 billion already handled per year by services other than CBI (+9.3%);
- a fourfold increase in the number of file transfer operations (23.9 million increase over the 6.7 million of 2006; +356%) with messages almost doubling (90 million over and above the 100 million recorded in 2006).

Whilst the increase in characters had an objective impact on the SIANet.NG network capacity, from an analysis of the check parameters for Subscriber environment adequacy it emerges that thus far, and with CBI fully operative, the Logical Network access components are more than adequate to support the recorded increase in the number of operations, also for Subscribers which shared access to the Logical Network, for both the RNI and CBI domains (FEMS/FEMSI).

## Service levels

2007 Service Levels recorded a general improvement over the previous year, achieving highly positive results in the Processing (99.327% compared with the 98.507% of 2006), Capital market (99.979% for service availability compared to 99.968% in 2006, and 99.620% for response times compared to 99.448% in 2006) and in transnational services. The latter achieved a level of 99.950% compared to the 99.850% of the previous year, almost equalling the excellent result of 2005.

Settlement services recorded an improvement in response times (99.683% compared to 99.576% in 2006) and a drop in the service availability level (99.948% against the 99.965% of 2006), due to a provider stoppage which affected various services, caused by a basic system component error on 1 March.

Performance in the Data Center services provided through SiNSYS recorded a drop (99.401% compared to 99.650% in 2006), affected by an extended night-time batch processing resulting from the exceptional increase in 2007 of card volumes - from 8 million to 22 million - handled on the CAMS platform which made these stages more complex and time-consuming.

Lastly, the Transport Network Services figure remained unchanged, recording the same excellent 99.999% level of the previous year.

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## SYSTEM MANAGEMENT

### The production infrastructures

#### IBM Mainframe environment

Initiatives implemented in 2007 in the mainframe environment had two objectives: to meet growing business needs and to perform technology hardware updating so as to optimise as much as possible the Data Center consolidation operations.

The main operations were:

- March 2007: purchase of a new 1,656 mips Z9 processor for the Taramelli site, to consolidate equipment now considered obsolete;
- July 2007: to meet the continued and progressive increase in business volumes, the Z9 processor at the Faravelli site underwent a series of upgrades. This operation was divided into three steps: the first, increasing power by 860 mips, was installed in July 2007; the second increase of 1,313 mips installed in October 2007, and the last is due to be installed in June 2008 and involves a further upgrade by 1,180 mips.

This upgrading by steps allows for a direct correlation between increasing business volumes and the corresponding revenues and costs. The latter relate to hardware leasing costs, but have a significant impact on software leasing cost effectiveness.

In consideration of this particular aspect, all software contracts were reviewed and reorganised, with considerable cost savings, in line with the integration plan.

In December 2007, in accordance with the Data Center integration plan, a new Z9 processor was purchased for installation at the new Disaster Recovery Centre in Cesano Maderno to replace existing machines.

Other than operations involving central processors, the storage subsystems area also saw significant enhancements, including the purchase of a new storage subsystem for use in all Data Center data transfer activities for both the DR and production components.

### **Fault Tolerant environments**

The main operations involving the Fault Tolerant environments were:

- completion of application migration to the new machines and subsequent disposal of obsolete equipment, followed by the installation of new application software;
- organisation of a new HP Non Stop Server environment for Disaster Recovery of the corresponding production equipment at GBC in Budapest.

### **Distributed environments**

Technology infrastructures for the provision of new services were released for production on time in the following areas: Cards - API (Windows) and Falcon (Unix); Markets - SMF (Unix-Linux) and ToSettle (Unix); Network Services - CBI (Unix); and for Group companies - KSO (Linux) for Kedrios and EWS (Windows) for RA Computer. Important updates were performed on the shared technology infrastructures (SuperDome) for the provision of services already in production, i.e. CMF (Unix-Linux) in the Markets area and SWIFT Service Bureau in the network services area.

### **Network infrastructure**

A number of improvements were introduced to monitoring tools on the local network and firewall infrastructure. In addition to a full, advance update of software on this equipment, this ensured that periods of higher year-end traffic levels could be handled with adequate levels of control and proactivity if problems occurred. Furthermore, important tasks were completed on communications networks for the Bank of Italy (high-speed SWIFT network access for Target 2) and for GBC (Disaster Recovery links for the Hungarian company at SIA-SSB).

## **Security governance**

### **Security governance systems**

Both SIA and SSB had implemented a certified Security Governance System. In June 2007, after the merger, an integration plan was defined which in 2008 will lead to a series of releases including:

- a single risk analysis model;
- a single security policy and guidelines;
- a single Risk Management Plan;
- a single security incident management process.

Specifically, priority was given to the preparation of a single Risk Management Plan, completed in October 2007.

### **27001 Security Certification**

In October 2007, SIA-SSB successfully completed the ISO 27001 Certification Maintenance Inspection Visit. The certification involved two separate SIA and SSB security environments and the launch of specific integration projects for security environments and processes.

The next certification inspection is planned for the end of 2008 and will focus on verification of the actual implementation of a single SIA-SSB security framework.

### **Business continuity**

In June 2007 the integration plan for both SIA and SSB Business Continuity processes was launched.

In September 2007 the new SIA-SSB Emergency Management process was released, i.e. the means of handling crisis situations in organisational terms if significant events occur that could interrupt company business.

In October 2007 the Bank of Italy organisational test (CODISE) was passed which, from a crisis scenario declared at European level by the European Central Bank, simulated attacks that could potentially block the provision of certain vital services.

In November 2007, classroom training sessions on Crisis and Declaration Team awareness (officers and deputies) were held.

In December 2007, internal testing was performed among members of the crisis and crisis declaration committee.

Completion of the Business Continuity integration is expected by the end of 2008, also with regard to the single Disaster Recovery centre.

## **Auditing**

Of note among the tasks completed in 2007 were Business Continuity and Security audits, performed also in compliance with Supervisory Authority provisions. In addition, audits were performed to confirm observance of internal rules, regulations and responsibilities following the SIA-SSB merger, due attention being paid to SIA-SSB customer needs affected by Supervisory Authority inspections. Auditing provided Supervisory Body support in accordance with Italian Legislative Decree no. 231.

## **Supervisory Body (Legislative Decree no. 231)**

Following the SIA-SSB merger, Supervisory Body tasks performed in 2007 initially provided indications to the Company on relations between the parent company, Italian subsidiaries, foreign subsidiaries and associated companies. The Supervisory Body then updated the organisational model and "231" risk map. With regard to monitoring, verification and control tasks, based on risk analysis results, sensitive customers and suppliers were identified pursuant to Legislative Decree 231, and identification of profit, loss and balance sheet items that could represent critical aspects with respect to this law.

## **Security compliance - international VISA/MC circuits**

During 2007, SIA-SSB obtained PCI certification for its international Card Processing Services, and work was completed on other tasks in line with the new version of the standard which enters into force from June 2008. Periodic network vulnerability controls were also performed successfully.

## **Security planning document**

During 2007, integration tasks were completed on the models adopted for the treatment of privacy, specifically:

- Security Planning Document definition model;
- information for customers and suppliers;
- appointment of personal data treatment managers and officers

The Security Planning Document is now being drafted, release being planned for the end of March, i.e. by the legal deadline.

### **Access to IT resources**

Following the SIA-SSB merger in 2007, the mainframe access management tasks were integrated and centralised, and an Identity Access Management project was set up with the aim of identifying a single automated process for the company to manage access authorisation on all IT platforms, to be implemented from the start of 2008.

### **Key management**

Operational monitoring is guaranteed for key and security certificate management, particularly for processing.

### **Technical Security**

A Technical Security Department was set up to identify technical security solutions, perform vulnerability assessment tasks and monitor security operations on the internal and web-based networks.

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## **MAIN COMMUNICATIONS INITIATIVES**

During 2007, the Communications Department concentrated mainly on the implementation of specific internal and external initiatives to present and position the new SIA-SSB Group with a relate corporate identity.

For external communications, on the launch date (7 May) a press conference was organised for the leading dailies and periodicals to illustrate all details of the merger, brand and visual identity of the new Group.

Customers received a letter of presentation from the new company. SIA-SSB positioning was also reinforced by publication of the new European-domain web site ([www.siassb.eu](http://www.siassb.eu)).

All briefings were headlined "Think big, think fast, think European", also on advertisements planned for 8 May in the daily newspapers "Sole 24 Ore" and "Milano Finanza" and, later, in Italian and international industry periodicals.

During the year important media results were achieved. In particular, around 400 articles were published in Italy and abroad in daily, periodical and specialised web site publications, with over 150 news items disclosed through press agencies and 10 TV and radio broadcasting services.

As customer-targeted events, a special pre-Christmas evening was reserved for SIA-SSB at La Scala, attended by 1,600 guests from the Italian and foreign banking and financial communities.

Also to be remembered is the event held in Budapest in which SIA-SSB and the recently acquired subsidiary GBC presented the new Group's business strategies to the financial community with regard to development potential for payment systems in the Hungarian market.

In October, jointly with Sole24ORE, the Group organised the second International Payments Summit DOYOUSEPA. The meeting, with a strong international community flavour, brought together major stakeholders to voice the practical needs of banks, companies, public administration and consumers with a view to the SEPA launch in January 2008.

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## PERSONNEL

### Human resources, organisation and quality

#### Human resources

2007 closed with a workforce of 1,067 employees, recording a reduction over the pro-forma data for 1 January 2007 of 7%, i.e. 92 resources (22 new members of staff and 114 leaving). The average age in SIA-SSB is 40.8. Female staff represent 30.3% of the total workforce, and 25.4% of employees are graduates or have a university diploma. Lastly, of the personnel in service at year-end, 69 employees or 6.4% of the total workforce have part-time contracts.

New recruitments in 2007 were mainly to meet the pre-merger recruitment plans of the two companies, whereas terminations were the result of normal staff turnover, reorganisation of the existing SIA workforce and, especially towards the end of 2007, deriving from the post-merger downsizing plan.

Following the merger an internal resource mobility programme was implemented which led to the transfer of 4% of the company workforce. This re-grading plan, which will extend to the 2008-2009 period, meets the needs for both organisational streamlining and resource requirements for the various business areas.

#### Human resource development

The organisational streamlining plan outlined in the SIA-SSB integration plan on the one hand, and the need for new roles consistent with the 2008-2010 Strategic Plan on the other, have led to the implementation of mobility and internal re-grading involving a substantial percentage of the company workforce. In order to reach the objective, the organisational setup of the Human Resources, Organisation and Quality Department was reviewed, identifying HR Business Partners which, capturing the special features and needs of the individual interfaces, have promoted the development of human resources.

These developments were backed by special training exercises. The training programme provided mainly aimed to extensively spread the technology skills needed to profitably cover the duties with a high level of technical know-how. Specifically, with regard to project management techniques, tools and methodologies, training courses were based on international "best practices" so as to guarantee the adoption of high quality standards in project design activities. Wide scale language training was provided in support of the company's internationalisation process and consistent with the SIA-SSB strategic plan.

To complete the SIA-SSB integration path in terms of human resource development, a planning programme was launched to redefine integrated guidelines for the new system of roles, human resource assessment and, consequently, a set of structured development paths.

In addition, with the aim of safeguarding corporate competence and enhancement of critical resources for the development of the new Company, the "Key People Program" was launched, including different development tasks for resources with specialist skills and their involvement in projects/roles of strategic importance or with a potential use in different roles. This multi-year programme, involving around 16% of the company workforce, envisages both pay reviews and other forms of awards/incentives.

## Organisation

In May 2007, after the merger, the SIA-SSB organisational structure was launched. This structure, in line with objectives set in the merger plan, aims to pursue:

- a unique market presence with an integrated supply range;
- maximisation of cross-selling opportunities;
- promotion of network services with an independent and specific structure;
- strengthening of the delivery and go-to-market capacity;
- rapid response to changing demand and reference scenarios;
- cost synergies.

Consistent with these objectives, the structure adopted by SIA-SSB is department-based, with 5 management lines and 9 staff structures. The management lines reporting directly to the Managing Director include:

- the Business Units (Payment Systems, Cards and Capital Market) which monitor the specific reference markets, are responsible for developments and management of the overall supply and its delivery to customers, and supervise the Group's subsidiaries;
- the Sales structure, handling customers at Group level and divided into sales teams that group customers according to type and geographic area;
- Operations Equipment, responsible for the standardised supervision of technology infrastructures, their development and service levels provided.

The staff departments include:

- Internal Auditing, reporting directly to the Chairman to guarantee control body independence;
- Group Strategies and Development, Internal/External Communications, Legal and Corporate Affairs, all reporting to the Managing Director;

- Network Services, Human Resources Organisation and Quality, Administration, Finance and Control, Purchasing and Logistics, Risk and Security Management, all reporting to the General Manager.

With specific regard to Network Services, in application of guidelines expressed by the Anti-Trust Authority for Competition and the Market, these were defined as separate business units with their own analytical accounting. This structure includes marketing, sales and independent service departments responsible for the marketing and provision of network services solely through their own organisation and under unbundling conditions with respect to Business Unit supply.

### **Quality System and Processes**

In 2007, the existing SIA and SSB Quality Systems, both ISO 9001:2000 certified, were integrated.

Following the merger, in fact, a single certificate was issued immediately, the scope of validity of which covered all SIA and SSB activities. In November therefore, after the first joint inspection visit focusing on the integration plan, the validity of the current certificate was confirmed.

Integration of the Quality Systems also offered the opportunity to define a single integrated system of processes and procedures, at both company and Group level, divided into governance, management and support processes.

To complete the SIA-SSB integration process, the main personnel IT systems were combined.

With regard to accounting and management systems, an ERP solution was adopted with all modules necessary to accounting management and management systems. These tools will produce adequate reports for both management and supervisory purposes.

## **Trade union relations**

### **Contractual arrangements and Industrial Relations**

Following the merger the company procedure was launched to outline RSA negotiations for matters relating to workforce development management, extension of the integrated SSB pay agreement to SIA and other trade union-related topics. In this context, an agreement was reached for the management of surplus, as foreseen in the merger plan, in relation to workforce streamlining, and the groundwork was completed for second level corporate negotiations.

Throughout 2007 the two SIA and SSB collective pay agreements operated in parallel, applied to the respective employees in accordance with the agreement on merger procedures signed with the related Trade Unions on 20 December 2006. At the same time negotiations began with Trade Unions on the harmonisation of internal pay regulations for application to SIA-SSB S.p.A.

On 8 December 2007 the new National Pay Agreement for the Credit Sector was renewed, which amongst other things envisages pay increases for the five-year period 2006-2011.

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## EQUITY INVESTMENTS

### Subsidiaries

#### **GBC - GIRO BANKKARTYA Z.R.t.**

This company, for which 100% acquisition was completed in 2007, has its registered office in Budapest (Hungary), share capital of HUF 177,000,000 and shareholders' equity inclusive of profits for the year totalling HUF 1,103,229,000. GBC is a leader in Hungary in payment and processing systems, providing management services for ATM and POS terminals, transaction switching, fraud monitoring and other payment system services to banks, payment card issuers and acquirers. In the last three years the company has recorded a turnover growth rate of 63%, increasing the number of terminals and transactions managed and seizing upon opportunities offered by a rapidly-developing country. Hungary, in fact, offers a hitherto unexpressed growth potential in the use of payment cards if compared to other EU countries. Through this acquisition, SIA-SSB strengthens its presence in Europe, consistent with the Group's expansion strategy.

The financial statements record a value of production of € 7.5 million and an operating margin of € 3.8 million. The financial year closed with net profits for the year of € 3 million.

The company's Board of Directors, after appropriate allocation of provisions, proposed the distribution of a dividend to shareholders totalling HUF 700,000,000, equivalent to € 2.7 million.

#### **Perago AG**

This company, with headquarters in Unterägeri (Zug canton, Switzerland), 100% owned by SIA-SSB at 100%, was incorporated in the last quarter of 2005. The company has a share capital of CHF 100,000. During the year, a special shareholders' equity reserve was created with an allocation of € 1.9 million. This transaction, pursuant to Swiss accounting standards, was recognised to Perago AG's profit and loss account and therefore profits for the year, which felt the impact of this operation, recorded a positive € 1.2 million. A reclassification of the reserve amount of € 1.9 million to shareholders' equity results in a loss of € 0.7 million. A write-down by this amount was therefore applied directly to reduce the amount recognised.

#### **TSP S.r.l.**

This company, 100% owned by SIA-SSB, has share capital of € 5,647,000 and shareholders' equity of € 13,374,476, including profit for the year.

TSP is a leading company in Italy in the provision of mobile phone top-ups, payment of utilities, inquiry and top-up of bank- and privately-issued credit cards distributed via the banking and private networks. It designs, develops and manages solutions based on a multi-channel infrastructure capable of providing services to businesses and Public Administration.

The positive performance of the company is again linked to the expansion of Gateway service operations. This development was seen in terms of both quantity and quality, with efforts into diversification worthy of particular note. The total number of operations managed for companies increased significantly by over 15% (more than 71 million) with operations other than traditional mobile phone top-ups now accounting for 7% of the volume (against the 5% of 2006).

As confirmation of the constant efforts to enhance and develop TSP supply potential, the second half of 2007 saw the full launch of pin dispatching services for the sale of mobile phone top-ups as a supermarket/hypermarket POP service and the new supply integration activity rapidly developed, also allowing the award and launch of an important contract in the Petrol sector for fuel and loyalty card management.

To summarise, the company achieved revenues of € 10.9 million, an increase of approximately 12% over the previous year. The operating margin was € 6.7 million (+15%) and net profits for the year totalled € 6.6 million compared with the € 5.8 million for 2006.

For 2007, verification of the value of this equity investment was requested by means of an independent expert estimate and report, which confirmed the recorded value of the investment.

The company's Board of Directors, after appropriate allocation of provisions, proposed the distribution to shareholders of a € 6.2 million dividend.

#### **Kedrios S.p.A.**

This company, 81.24% owned by SIA-SSB, has share capital of € 2,402,500 and shareholders' equity of € 7,881,978, including profit for the year.

Kedrios is a leading Italian company in the provision of IT and administration back office and outsourcing products and services for the Financial Services industry. In addition, it offers technical consulting, application consulting and financial reporting services to the entire financial sector.

The Kedrios strategy can be summarised as a readily-available process not only of consolidation and enhancement, but also of expansion and diversification of traditional core competence.

In recent years, in fact, Kedrios has made substantial investments to guarantee the highest levels of efficiency and adequacy in new technology terms. The development plan led to the creation of new-generation products and services for Custodian Banks and Asset Management Companies involved in collective asset management. The IT solutions developed are flexible, capable of evolving in line with the regulatory framework and of enhancement as new needs emerge, customisable and guaranteeing

integration with future developments. The latest upgrade now also includes solutions for SGRs offering individual asset management services.

The Kedrios financial statements record a value of production of € 30.5 million compared with € 32.9 million in the previous year, with profits of € 0.2 million (€ 0.6 million in 2006).

For 2007, an independent expert was asked to verify and report upon the value of this equity investment. The report led to a € 1.4 million write-down in the recorded investment value.

### **Perago FSE Ltd**

A company with registered office in Pretoria (South Africa), 75% of which was acquired in 2005. Based on experience gained from the transformation of South African payment systems, Perago FSE has developed its own RTGS (Real Time Gross Settlement) product, considered by the market to be a sophisticated, modular, scalable system based on the most advanced technology for the sector. Positive feedback has already arrived in the form of contracts awarded from Sweden, Norway and more recently from Egypt.

2007 figures show a value of production of € 4.3 million and net profits for the year of € 0.2 million.

An independent expert was asked to verify and report upon the value of this equity investment also. The report led to a direct € 0.9 million write-down in the recorded investment value.

### **RA Computer S.p.A.**

A company with registered office in Milan and share capital of € 3,000,000, the 65% investment in which was completed in 2006. The company records shareholders' equity inclusive of profit (loss) for the year of € 4,991,043. RA Computer is specialised in the production of application packages and the provision of services to the banking and Public Administration sectors. Established in 1980, RA Computer specialised in creating back office products in Euro and other currencies for the banking sector, and web applications for banking and Public Administration. Since 1980, RA Computer has grown rapidly in the banking sector through the proven skills of its specialists, professionalism of the management team and the reliability of its IT solutions.

As of 2003 RA Computer began to produce web solutions for Public Administration to accompany e-government implementation in Italy. Its operations have allowed RA Computer to accumulate a significant business heritage of software solutions, technical, application and operating know-how.

RA Computer services are mainly targeted to banking, at the same time seeking to seize upon opportunities deriving from the development of Bank-Corporate and Bank-Public Administration relations. The company's response to opportunities offered by the imminent launch of the SEPA focused on the development of the new SAPA architecture (Single Architecture for Payment Area).

The inclusion of RA Computer in the Group allows an expansion of the product mix to provide wider coverage of the financial system value chain: from infrastructure to application solutions.

2007 closed with an increase in revenues of over 30% compared with the previous year (over 12 months). It should be remembered that the 31 December 2006 figures referred to a period of only 9 months to align the financial statements year-end date with that of the parent company.

The value of production was around € 32.8 million with profits for the year of € 1.3 million. The calculation of this result included extraordinary income of € 1.8 million. Shareholders' equity, including profits for the year, totalled € 5 million.

In 2007, verification of the value of this equity investment was requested by means of an independent expert estimate and report, which confirmed the recorded value of the investment.

### **SiNSYS SA**

This Belgian company, 51% owned by SIA-SSB, has share capital of € 6,000,000 and shareholders' equity of € 4,994,000, including profit for the year.

SiNSYS is one of the leading operators in the field of full processing services on the European market. Confirmation of its position on the European full processing market was achieved through the acquisition of service agreements with leading Pan-European banking groups.

SiNSYS has achieved significant results in several European countries (Belgium, Netherlands, Poland, Slovakia, Czech Republic, Hungary, Germany and Ukraine), by launching and completing migration to the SMAC and CAMS platforms for banks in the leading European banking groups, recording a notable increase in volumes of issuing and acquiring services managed.

The SiNSYS processing platform is one of the most advanced on the market. Both the CAMS II TM issuing platform and SMAC acquiring platform offer a high degree of flexibility in managing customised products and even scale economies, made possible by the single-system management of the mass volumes of several banking groups in Europe.

The SiNSYS financial statements record revenues of € 44.8 million and an operating margin of € 0.1 million. The financial year closed with a net loss for the year of € 0.2 million.

In 2007, verification of the value of this equity investment was requested by means of an independent expert estimate and report, which confirmed the recorded value of the investment.

## **Associated companies**

### **Glesia S.r.l.**

Glesia S.r.l., the company formed from the joint venture between SIA-SSB and GL TRADE SA, is a world leader in electronic solutions for trading on financial markets. Glesia products are targeted to Italian banks and financial institutions, with a complete range of STP tools for e-markets including Front and Back Office

solutions, e-trading systems, Internet platforms and a single international remote trading network. The services offered cover management of the entire lifecycle of an order from Front to Back Office.

Glesia is 51% owned by GL TRADE and 49% owned by SIA-SSB, with a highly specialised professional staff.

Despite contraction of the market following mergers between banking groups and the constant drive to optimise and reduce costs, the 2007 results record a value of production of € 15.2 million (€ 16.8 million in 2006), and net profits for the year of € 1.4 million (€ 1.2 million in 2006).

#### **INVOICING S.r.l.**

The investee company has focused its business activities and investments on development of the Bankpass Bollette e-billing service, a joint ABI and e-Committee initiative.

The uncertainty regarding future prospects and the lack of potential customers in this market sector nevertheless led shareholders to decide upon liquidation. For this reason, intangible and tangible fixed assets were cancelled from the financial statements as at 31 December 2007, and a provision for risk was allocated to cover costs for the early termination of existing contracts. In brief, the company achieved a value of production of € 1.2 million and a negative € 1.6 million operating margin (in 2006 the margin was a positive € 0.2 million). The net loss for 2007 was € 1.7 million compared with profits of € 0.1 million the previous year. Shareholders' equity recorded a negative € 1.5 million.

The related equity investment was written off and a provision for risk was allocated to cover losses totalling € 0.7 million.

#### **Actalis S.p.A.**

The company has share capital of € 6,300,000, is 44.6% owned by SIA-SSB and operates as a Certification Authority on the Italian market.

The new Al maviva Group management set the objective of expanding business, amongst other things by relaunching the National Services Card (CNS) activities related to the CNIPA contract, developing Certified Electronic Mail, increasing consulting on logical security and the dematerialisation of documents.

To summarise, in 2007 the company achieved revenues of € 8 million, a decrease of approximately 20% on the previous year. The gross operating margin was a negative € 1.3 million, in line with the previous year which recorded a negative € 1.4 million. The year closed with a net loss of € 1.6 million and a € 0.7 million write-down was therefore performed to directly reduce the recorded value.

**ATS S.p.A.**

SIA acquired a 30% holding in December 2000 in ATS S.p.A., which has share capital of € 120 thousand. This is a software development company, operating mainly in the banking and finance sectors, and is a qualified SIA-SSB business partner and supplier.

2007 recorded a value of production of approximately € 8.6 million (€ 8.0 million in 2006) and estimated gross profits for the year of € 0.3 million (€ 0.3 million in 2006).

**Perago Africa Ltd**

This company, acquired in 2005, is a service provider to SWIFT network subscribers in sub-Saharan Africa.

2007 ended with net profits for the year of € 0.5 million. The company's Board of Directors, after appropriate allocation of provisions, proposed the distribution of a dividend to shareholders totalling ZAR 3,370,000, the company's share of which is equivalent to € 100,800.

## Other equity investments

**Isnova S.c.r.l.**

This is a non-profit making organisation for new technology development and promotion on the national and international markets. The equity investment recorded was € 52 thousand.

**Waini S.r.l.**

This company sells, distributes and provides marketing services on its own account and for third parties, and promotes high-volume consumer goods of any category, particularly wine market products and advance sales certificates on wines. These activities are conducted traditionally, by teleservice, by telephone and online. As of the end of the previous year negotiations were launched - still in progress - to dispose of this investment.

**SIA-SSB relations with subsidiaries and associated companies (figures in €/000)**

Company	Receivables as at 31/12/2007	Payables as at 31/12/2007	Revenues 2007	Costs 2007
<b>Subsidiaries</b>				
GBC Zrl	2,758	-	-	-
<i>Dividends</i>	2,758	-	-	-
Perago AG	1,453	99	155	1,425
<i>Trade</i>	61	99	61	1,425
<i>Financial</i>	1,392	-	94	-
TSP S.p.A.	7,101	1,728	1,652	2,982
<i>Trade</i>	901	1,728	1,652	2,982
<i>Dividends</i>	6,200	-	-	-
Kedrios S.p.A.	1,897	1,131	6,097	1,923
<i>Trade</i>	1,897	1,131	6,097	1,923
Perago FSE Ltd	874	110	4	107
<i>Trade</i>	374	110	-	107
<i>Financial</i>	500	-	4	-
RA Computer S.p.A.	4,687	1,334	1,246	1,694
<i>Trade</i>	1,265	1,334	1,118	1,694
<i>Financial</i>	3,422	-	128	-
SiNSYS SA	3,299	3,467	13,627	20,297
<i>Trade</i>	3,299	3,467	13,627	20,297
<b>Associates and Others</b>				
Glesia S.r.l.	2,171	-	3,229	52
<i>Trade</i>	1,500	-	3,229	52
<i>Dividends</i>	671	-	-	-
INVOICING S.r.l.	108	213	58	436
<i>Trade</i>	108	213	58	436
Actalis S.p.A.	2,065	399	698	232
<i>Trade</i>	2,065	399	698	232
ATS S.p.A.	1,008	726	731	1,973
<i>Trade</i>	411	726	707	1,973
<i>Financial</i>	597	-	24	-
Perago Africa Ltd.	101	-	-	-
<i>Dividends</i>	101	-	-	-
<b>Total</b>	<b>27,522</b>	<b>9,207</b>	<b>27,497</b>	<b>31,121</b>

Relations with subsidiaries and associated companies include trade and financial receivables/payables and receivables on dividends allocated for the year.

## RESULTS OF OPERATIONS

### Profit and Loss Account position

Detailed below are the profit and loss values compared with the December 2006 financial statements for SSB S.p.A. A comparison of these values, given the merger by incorporation of SIA S.p.A. in May, backdated for tax and accounting purposes to 1 January 2007, has no industrial relevance. Reference should be made to the next section in which balance sheet values are compared with the 2006 pro-forma balance sheet, obtained by aggregating values from the individual past financial statements of the two companies (SSB S.p.A. and SIA S.p.A.), with certain items reclassified to provide representative values comparable to those of the 2007 financial statements.

The table below illustrates the main profit and loss account results, expressed in thousands of Euro.

	<b>Profit and Loss Account results</b>	<b>2007</b>	<b>2006</b>
	Revenues from sales and services	313,048	150,043
	Other value of production items	10,289	3,674
A	Value of production	323,337	153,717
B	Cost of production	292,651	143,077
A-B	<b>Added value</b>	<b>30,686</b>	<b>10,640</b>
C	Financial income and charges	11,572	5,999
D	Value adjustments to financial assets	-3,936	765
C+D	<b>Financial management</b>	<b>7,636</b>	<b>6,764</b>
E	Extraordinary income and charges	-17,958	848
A-B+C+D+E	<b>Profit (loss) before tax</b>	<b>20,364</b>	<b>18,252</b>
	Income taxes for the year	11,300	7,373
	<b>Profit (loss) for the year</b>	<b>9,064</b>	<b>10,879</b>

The values indicated in the table show a significant difference from the previous year, due to the incorporation of SIA S.p.A. in 2007, backdated for accounting and tax purposes to 1 January. Profit (loss) for the year before tax is instead essentially in line with the previous year's figure, mainly as a result of extraordinary charges deriving from personnel reorganisation.

## Balance Sheet position

The table below illustrates the main Balance Sheet data, expressed in thousands of Euro:

	<b>Balance Sheet results</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	Intangible fixed assets	12,831	6,999
	Tangible fixed assets	13,174	7,853
	Financial fixed assets	131,355	10,899
A	Total fixed assets	157,360	25,751
	Inventories	5,150	2,647
	Receivables	118,471	47,428
	Short-term investments	0	0
	Cash and cash equivalents	4,788	37,154
B	Total current assets	128,409	87,229
C	Accruals and deferrals	4,626	3,163
A+B+C	<b>Total assets</b>	<b>290,395</b>	<b>116,143</b>
	Capital	22,091	10,764
	Reserves	132,597	45,940
	Profit (loss) for the year	9,064	10,879
A	<b>Total Shareholders' Equity</b>	<b>163,752</b>	<b>67,583</b>
B	Provisions for risks and charges	17,935	5,134
C	Employee severance indemnity	20,005	8,940
D	Payables	88,140	34,486
E	Accruals and deferrals	563	0
A+B+C+D+E	<b>Total liabilities</b>	<b>290,395</b>	<b>116,143</b>

## PRO-FORMA FINANCIAL STATEMENTS DATA FOR THE ACQUIRING COMPANY

This section contains the figures as at 31 December 2007 and 31 December 2006 (2006 Aggregate), which illustrate the significant effects of the merger by incorporation of SIA S.p.A. in May, backdated for accounting purposes to 1 January 2007. The pro-forma data was obtained by aggregating values from the separate financial statements of both Groups (SSB and SIA) and reclassifying certain items in order to illustrate and compare 2007 data. The 2006 column instead indicates previous year values for SSB S.p.A. only, subsequently commented in the Explanatory Notes.

### Profit and Loss Account position (pro-forma)

(amounts in Euro/000)

	<b>Profit and Loss Account results</b>	<b>2007</b>	<b>2006 Aggregate (*)</b>	<b>Change</b>	<b>2006</b>
	Revenues from sales and services	313,048	320,605	-7,557	150,043
	Other value of production items	10,289	14,768	-4,479	3,674
A	Value of production	323,337	335,373	-12,036	153,717
B	Cost of production	292,651	304,568	-11,917	143,077
A-B	<b>Added value</b>	<b>30,686</b>	<b>30,805</b>	<b>-119</b>	<b>10,640</b>
C	Financial income and charges	11,572	7,326	4,246	5,999
D	Value adjustments to financial assets	-3,936	-448	-3,488	765
C+D	<b>Financial management</b>	<b>7,636</b>	<b>6,878</b>	<b>758</b>	<b>6,764</b>
E	Extraordinary income and charges	-17,958	-2,959	-14,999	848
A- B+C+D+E	Profit (loss) before tax	20,364	34,724	-14,360	18,252
	Income taxes for the year	11,300	17,202	-5,902	7,373
	<b>Profit (loss) for the year</b>	<b>9,064</b>	<b>17,522</b>	<b>-8,458</b>	<b>10,879</b>

(\*) Data aggregated on a matching basis to take into account the merger between SSB S.p.A. and SIA S.p.A.

An analysis of the items, comparing 2007 data with the 2006 pro-forma statements, shows that the decrease in value of production, mainly due to a reduction in revenues from services, was offset in full by reduction of the cost of production, guaranteeing the operating margin. The differences in financial income and charges and financial asset adjustments are mainly attributable to dividends and equity investment write-downs/revaluations. The increase in extraordinary income and charges relates to restructuring activities, mainly with regard to personnel. Profit before tax amounted to € 20.4 million.

The items with the greatest impact on the year can be summarised as follows:

- > The value of production, which also takes into account increases in own work capitalised, changes in projects under development, changes in long-term contracts and other revenues and income, amounted to € 323.3 million, compared to € 335.3 million in the previous year (-3.6%). The following factors contributed to this result:
  - a. a decrease in revenues mainly due to the closing of certain financial market services;
  - b. increased revenues from network services following a reduction in tariffs applied as a result of market liberalisation and increased competition, more than offset by the increase in volumes;
  - c. higher revenues for credit and debit card services;
  - d. lower revenues in the payment services sector due to delays in the completion of certain projects;
  - e. with regard to other items under the value of production, of note is the reduction in own work capitalised;
- > The cost of production increased by 3.9% over the previous year's figure, from € 304.5 million to € 292.6 million. This change was mainly due to:
  - a. lower personnel costs following implementation of the restructuring plan;
  - b. lower amortisation of intangible fixed assets due to completion of the CAMS licence amortisation period;
  - c. lower depreciation of tangible fixed assets due to the policy to acquire infrastructures through operating leases;
  - d. lower allocation to provisions for risks and charges;

- e. a reduction in other operating costs mainly justified by the reduced costs for non-deductible VAT following the 3 percentage-point drop in the pro-rata domestic rate and by a decrease in purchase volumes;
  - f. increased service costs and IT infrastructure leasing costs.
- > The added value, i.e. the difference between the value and cost of production, was € 30.7 million compared with € 30.8 million for the previous year;
  - > Financial management recorded overall profit of approximately € 7.6 million compared to the € 6.8 million of the previous year. This result derives primarily from dividends recorded for the year, relating to subsidiaries TSP, GBC, Glesia and Perago Africa, and from income on securities held in portfolio, partially offset by write-downs in the Kedrios, Actalis, Perago AG, Perago FSE and INVOICING equity investments.
  - > Extraordinary income and charges recorded a € 17.9 million loss, due mainly to the net balance between personnel restructuring costs and 2006 dividends collected in 2007 for Glesia and Perago Africa. This reclassification was due to the fact that dividends are recognised in the year due;
  - > The increased tax burden, 56% of gross profits, compared to the previous year is mainly due to costs for the write-down of equity investments no longer deductible, and telecommunications system costs being only 80% deductible as introduced by the 2007 Finance Act.

## Balance Sheet position (pro-forma)

(amounts in Euro/000)

	<b>Balance Sheet results</b>	<b>31/12/2007</b>	<b>31/12/2006 Aggregate (*)</b>	<b>Change</b>	<b>31/12/2006</b>
	Intangible fixed assets	12,831	16,408	-3,577	6,999
	Tangible fixed assets	13,174	12,629	545	7,853
	Financial fixed assets	131,355	83,581	47,774	10,899
A	<b>Total fixed assets</b>	<b>157,360</b>	<b>112,618</b>	<b>44,742</b>	<b>25,751</b>
	Inventories	5,150	5,411	-261	2,647
	Receivables	118,471	99,345	19,126	47,428
	Short-term investments	0	2,973	-2,973	0
	Cash and cash equivalents	4,788	52,709	-47,921	37,154
B	<b>Total current assets</b>	<b>128,409</b>	<b>160,438</b>	<b>-32,029</b>	<b>87,229</b>
C	Accruals and deferrals	4,626	4,365	261	3,163
A+B+C	<b>Total assets</b>	<b>290,395</b>	<b>277,421</b>	<b>12,974</b>	<b>116,143</b>
	Capital	22,091	28,888	-6,797	10,764
	Reserves	85,139	72,508	12,631	4,315
	Profit (loss) carried forward	47,458	41,626	5,832	41,625
	Profit (loss) for the year	9,064	17,522	-8,458	10,879
A	<b>Total Shareholders' Equity</b>	<b>163,752</b>	<b>160,544</b>	<b>3,208</b>	<b>67,583</b>
B	Provisions for risks and charges	17,935	10,622	7,313	5,134
C	Employee severance indemnity	20,005	21,034	-1,029	8,940
D	Payables	88,140	84,248	3,892	34,486
E	Accruals and deferrals	563	973	-410	0
A+B+C+D+E	<b>Total liabilities</b>	<b>290,395</b>	<b>277,421</b>	<b>12,974</b>	<b>116,143</b>

(\*) Data aggregated on a matching basis to take into account the merger between SSB S.p.A. and SIA S.p.A.

The main changes emerging from a comparative analysis between the balance sheet position and the pro-forma balance sheet for 2006 are:

- > Fixed assets:
  - lower values for intangible fixed assets, due mainly to amortisation accumulated as at 31 December 2007 and less capitalisation of internal projects during the year;
  - higher values for financial assets in relation to acquisition of the GBC (Hungary) equity investment, partially offset by write-downs in the Kedrios S.p.A., Actalis S.p.A., Perago AG, Perago FSE and INVOICING S.r.l. investments.
  
- > Current assets:
  - a reduction in cash and cash equivalents from acquisition of the equity investment in GBC, partly offset by an increase in trade receivables.
  
- > Shareholders' equity:
  - Shareholders' equity is recorded as the sum of the two equity totals for SIA S.p.A. and SSB S.p.A., the items of which as a result of the merger and share capital increase were subject to reclassification in some cases.
  
- > Provisions for risks and charges:
  - these increased following allocations for company reorganisation and for potential future risks (claims for damages, associated company loss cover).
  
- > Payables:
  - the increase in payables relates mainly to trade payables

## Cash Flow Statement (pro-forma)

(amounts in Euro/000)

	2007	2006
<b>Change in current assets</b>		
Inventories	-261	970
Receivables		
Due from customers	6,579	-1,375
Due from subsidiaries	6,388	1,712
Due from associates	884	769
Due from others	6,482	884
Short-term investments	-2,973	0
Cash and cash equivalents	-47,921	18,287
Accrued income and prepayments	261	1,242
<i>Total current assets</i>	<u>-30,561</u>	<u>22,489</u>
<b>Change in current liabilities</b>		
Payables		
Due to banks	-2,788	0
Due to suppliers	8,492	2,530
Due to subsidiaries	1,405	-13
Due to associates	-85	344
Advances	-93	0
Tax payables	-4,703	2,095
Due to Social Security	692	152
Other payables	3,676	-263
Accrued liabilities and deferred income	0	0
Accrued liabilities and deferred income	-410	0
<i>Total current liabilities</i>	<u>6,186</u>	<u>4,845</u>
<b>Increase/Decrease in Net Working Capital</b>	<b>-36,747</b>	<b>17,644</b>

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## BUSINESS OUTLOOK

2008 is expected to be a year of transformation for the Company and will focus on pursuing integration synergies, a careful cost control policy, targeted investment policy and the sales drive particularly in foreign markets and with the intention of recovering from the negative impact of external factors on revenues.

With regard to revenues, in fact, SIA-SSB will continue important sales development activities in foreign markets and will benefit from increased revenues from the launch of issuing and acquiring processing services resulting from the migration to SIA-SSB/SiNSYS platforms of large card and operator portfolios, and from increased traffic volumes on EBA/SEPA services in the payment services sector. These phenomena will offset the expected fall in revenues from external events such as conclusion of the Borsa Italiana contract following its merger with the London Stock Exchange, loss of Interbank Corporate Banking (CBI1) traffic following the migration of Italian banks to the new CBI2 architecture and reduced domestic interbank payment volumes following the mergers of leading banking groups.

With regard to costs, 2008 will see the continuation of integration activities, pursuing cost-cutting objectives in line with targets defined in the Merger Plan. In addition, SIA-SSB has launched a series of specific actions to improved profitability, especially focused on cost-cutting, i.e.:

- mainframe efficiency upgrading: architecture and applications activity on the mainframe platform to reduce technology resource consumption;
- back office: organisational action to streamline/outsource service structures
- vendor consolidation: an initiative to consolidate software development and maintenance suppliers and to assess outsourcing options for the specific functional/applicational areas.

A targeted investment policy will also be pursued, centred around innovation and business development projects (e.g. in market surveillance, value-added card services and cheque image processing) and to further strengthen disaster recovery and business continuity process and infrastructures.

Lastly, SIA-SSB will continue to seek growth opportunities for external lines, monitoring possible acquisition of processors operating in high-potential countries and/or active in processing value chain stages not currently covered by the company or other companies in the Group.

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## EVENTS SUBSEQUENT TO CLOSURE OF THE FINANCIAL YEAR

Of note among the significant events after closure of the financial year are:

- with effect from January 2008 the sales department organisational structure was modified to ensure focus on the domestic market, increase expansion options on the foreign market and to more efficiently monitor international markets considered strategic. Specifically, an *ad hoc* structure was created for development and foreign markets, divided into three geographic regions: Western Europe, Central-South East Europe, and Central-North West Europe;
- in January 2008 a draft memorandum of understanding was signed with Trade Unions for harmonisation of the internal pay agreement to be applied by SIA-SSB S.p.A. Trade Union negotiations concluded with implementation of the new SIA-SSB S.p.A. Integrated Pay Agreement in all contractual institutions and related indemnities and costs adopted by SSB prior to the merger. The new Integrated Agreement will expire on 31 December 2011;
- in February the company INVOICING S.r.l. was placed in liquidation;
- in January 2008 bank transfer activity was launched in compliance with the new SEPA standards via the Shared Platform technology developed in-house;
- in the first quarter of 2008 the Group was selected for participation in the final stages of important tenders at European level;
- at the end of 2007, Monte Titoli asked SIA-SSB to conduct a feasibility study regarding upgrading of the X-TRM service to manage contracts concluded on the London Stock Exchange platform (TradElect), including Italian MTA market securities. In the first few months of 2008 the company formalised the proposal for creation of the technology infrastructure;
- following the merger, the company reviewed the VAT system for certain services, requesting specific input from the Financial Administration on a number of these. The result of the request and related economic effects are currently being assessed by the company.





## Proposed allocation of profits

Dear Shareholders,

we hereby submit the Draft Financial Statements as at 31 December 2007 for your approval and we propose allocation of the € 9,064,115 profits as follows:

To the legal reserve, as required by law	453,206
As a dividend, equal to € 0.0353 per share	5,998,634
Profits carried forward	2,612,275
	9,064,115

The proposal expresses the Company's wish to maintain continuity of returns for Shareholders by distribution of a dividend consistent with the aggregate amounts distributed in the past by SIA and SSB. This in confirmation of trust in the solidity of SIA-SSB's business outlook, even with regard to the exceptional nature of 2007 in organisational, management and performance terms as a result of the start of the merger process between the two companies in May.

It is proposed that € 1,745 of the Reserve for exchange gains be reclassified to the Reserve for profits carried forward. If the proposals are accepted, Shareholders' Equity would be as follows:

Share capital	22,091,287
Legal reserves	2,606,004
Reserve for split-off surplus	1,425,801
Merger surplus reserve	78,844,027
Revaluation reserve for equity investments	2,714,625
Profits carried forward	50,071,833
	157,753,577

SIA-SSB S.p.A.

The Chairman of the Board of Directors

Carlo Tresoldi



Financial Statements  
as at 31 December 2007

## BALANCE SHEET

Assets	31/12/2007	31/12/2006	Change
<b>Subscribed capital unpaid (A)</b>	0	0	0
<b>B) Fixed assets</b>			
I - Intangible fixed assets			
3) Industrial patent and intellectual property usage rights	8,246,102	5,281,001	2,965,101
5) Goodwill	0	0	0
6) Projects under development and advances	2,339,603	652,014	1,687,589
7) Other	2,245,436	1,066,313	1,179,123
<b>Total</b>	<b>12,831,141</b>	<b>6,999,328</b>	<b>5,831,813</b>
II - Tangible fixed assets			
2) Plant and equipment	11,533,214	5,412,476	6,120,738
4) Other assets	1,640,997	855,020	785,977
5) Work in progress and payments on account	0	1,585,629	-1,585,629
<b>Total</b>	<b>13,174,211</b>	<b>7,853,125</b>	<b>5,321,086</b>
III - Financial fixed assets			
1) Equity investments in:	120,201,268	10,840,562	109,360,706
a) Subsidiaries	114,649,319	9,365,842	
b) Associates	5,450,303	1,423,074	
c) Other companies	101,646	51,646	
2) Receivables:			
d) from others	150,033	59,095	90,938
Amounts realisable within the following financial year			
Amounts realisable beyond the following financial year	150,033	59,095	
3) Other securities	11,004,000	0	11,004,000
Amounts realisable within the following financial year	11,004,000	0	
Amounts realisable beyond the following financial year			
<b>Total</b>	<b>131,355,301</b>	<b>10,899,657</b>	<b>120,455,644</b>
<b>Total Fixed Assets (B)</b>	<b>157,360,653</b>	<b>25,752,110</b>	<b>131,608,543</b>

Assets	31/12/2007	31/12/2006	Change
<b>C) Current Assets</b>			
I - Inventories			
3) Long-term contracts	5,150,340	2,646,726	2,503,614
<b>Total</b>	<b>5,150,340</b>	<b>2,646,726</b>	<b>2,503,614</b>
II - Loans			
1) To customers	73,905,257	34,278,207	39,627,050
Amounts realisable within the following financial year	73,905,257	34,278,207	
Amounts realisable beyond the following financial year			
2) To subsidiaries	22,068,519	8,185,125	13,883,394
Amounts realisable within the following financial year	22,068,519	8,185,125	
Amounts realisable beyond the following financial year			
3) To associates	5,453,457	1,479,549	3,973,908
Amounts realisable within the following financial year	5,453,457	1,479,549	
Amounts realisable beyond the following financial year			
4-bis) Tax credits	3,598,419	0	3,598,419
Amounts realisable within the following financial year	3,598,419	0	
Amounts realisable beyond the following financial year			
4-ter) Prepaid tax	8,503,631	3,155,020	5,348,611
Amounts realisable within the following financial year	8,503,631	3,155,020	
Amounts realisable beyond the following financial year			
5) To others	4,941,328	329,483	4,611,845
Amounts realisable within the following financial year	4,941,328	329,483	
Amounts realisable beyond the following financial year			
<b>Total</b>	<b>118,470,611</b>	<b>47,427,384</b>	<b>71,043,227</b>
III - Short-term investments			
6) Other securities	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
IV - Cash and cash equivalents			
1) Bank and postal deposits	4,771,394	37,150,434	-32,379,040
3) Cash on hand	16,820	3,623	13,197
<b>Total</b>	<b>4,788,214</b>	<b>37,154,057</b>	<b>-32,365,843</b>
<b>Total Current Assets (C)</b>	<b>128,409,165</b>	<b>87,228,167</b>	<b>41,180,998</b>
<b>D) Total Accrued Income and Prepayments</b>			
Accrued income and prepayments	4,626,057	3,162,738	1,463,319
<b>Total Accrued Income and Prepayments (D)</b>	<b>4,626,057</b>	<b>3,162,738</b>	<b>1,463,319</b>
<b>Total Assets (A+B+C+D)</b>	<b>290,395,875</b>	<b>116,143,015</b>	<b>174,252,860</b>

Liabilities	31/12/2007	31/12/2006	Change
<b>A) Shareholders' Equity</b>			
I - Capital	22,091,287	10,763,984	11,327,303
IV - Legal reserve	2,152,798	2,152,798	0
VII - Other reserves recorded separately	82,986,198	2,162,224	80,823,974
Reserves for split-off surplus	1,425,801	1,425,801	
Extraordinary reserve			
Reserve for merger surplus	78,844,027	0	
Revaluation reserve for equity investments	2,714,625	736,067	
Reserve for exchange gains	1,745	356	
VIII - Profit (loss) carried forward	47,457,813	41,626,418	5,831,395
IX - Profit (loss) for the year	9,064,115	10,879,077	-1,814,962
<b>Total Shareholders' Equity (A)</b>	<b>163,752,211</b>	<b>67,584,501</b>	<b>96,167,710</b>
<b>B) Provisions for Risks and Charges</b>			
2) For taxes, including deferred tax	1,574,846	2,201,369	-626,523
3) Other	16,360,337	2,932,378	13,427,959
<b>Total Provisions for Risks and Charges (B)</b>	<b>17,935,183</b>	<b>5,133,747</b>	<b>12,801,436</b>
<b>C) Employee severance indemnity</b>			
indemnity	20,005,390	8,939,429	11,065,961
<b>Total Employee severance indemnity (C)</b>	<b>20,005,390</b>	<b>8,939,429</b>	<b>11,065,961</b>
<b>D) Payables</b>			
4) Due to banks	10,068,659	0	10,068,659
Amounts realisable within the following financial year	2,644,975		
Amounts realisable beyond the following financial year	7,423,684		
6) Advances	3,448,956	0	3,448,956
Amounts realisable within the following financial year	3,448,956		
Amounts realisable beyond the following financial year			
7) Due to suppliers	39,420,877	16,153,107	23,267,770
Amounts realisable within the following financial year	39,420,877	16,153,107	
Amounts realisable beyond the following financial year			
9) Due to subsidiaries	7,868,677	5,558,680	2,309,997
Amounts realisable within the following financial year	7,868,677	5,558,680	
Amounts realisable beyond the following financial year			
10) Due to associates/investee companies	1,338,656	703,509	635,147
Amounts realisable within the following financial year	1,338,656	703,509	
Amounts realisable beyond the following financial year			
12) Tax payables	2,902,971	4,464,714	-1,561,743
Amounts realisable within the following financial year	2,902,971	4,464,714	
Amounts realisable beyond the following financial year			
13) Due to social security authorities	5,908,886	2,368,439	3,540,447
Amounts realisable within the following financial year	5,908,886	2,368,439	
Amounts realisable beyond the following financial year			
14) Other payables	17,182,412	5,236,889	11,945,523
Amounts realisable within the following financial year	17,182,412	5,236,889	
Amounts realisable beyond the following financial year			
<b>Total Payables (D)</b>	<b>88,140,094</b>	<b>34,485,338</b>	<b>53,654,756</b>
<b>E) Accruals and Deferrals</b>			
Accrued liabilities and deferred income	562,997	0	562,997
<b>Total accruals and deferrals (E)</b>	<b>562,997</b>	<b>0</b>	<b>562,997</b>
<b>Total Liabilities (A+B+C+D+E)</b>	<b>290,395,875</b>	<b>116,143,015</b>	<b>174,252,860</b>

Memorandum accounts:	31/12/2007	31/12/2006	Change
Guarantees issued to third parties			
Surety bonds issued	5,402,779	25,856,769	-20,453,990
<b>Total Memorandum Accounts</b>	<b>5,402,779</b>	<b>25,856,769</b>	<b>-20,453,990</b>

## PROFIT AND LOSS ACCOUNT

Profit and loss account	2007	2006	Change
<b>A) Value of production</b>			
1) Revenues from sales and services	313,048,197	150,042,842	163,005,355
3) Changes in long-term contracts	1,393,364	969,954	423,410
4) Increases in own work capitalised	3,327,544	2,705,000	622,544
5) Other revenues and income	5,568,288	2,958,427	2,609,861
<b>Total A)</b>	<b>323,337,393</b>	<b>156,676,223</b>	<b>166,661,170</b>
<b>B) Cost of production</b>			
6) Cost for consumables and goods	2,474,444	368,282	2,106,162
7) For services	118,532,652	56,365,118	62,167,534
8) For use of third party assets	47,455,917	26,655,406	20,800,511
9) For personnel	82,561,622	33,792,968	48,768,654
a) Wages and salaries	56,124,006	23,254,139	
b) Social security costs	16,205,766	6,683,473	
c) Employee severance indemnity	4,433,518	1,788,327	
d) Pension costs and similar charges	2,932,454	1,106,886	
e) Other costs	2,865,878	960,143	
10) Amortisation, depreciation and write-downs	18,960,737	11,931,477	7,029,260
a) Amortisation of intangible fixed assets	10,994,835	8,625,093	
b) Depreciation of tangible fixed assets	6,365,292	3,129,908	
c) Other write-downs of fixed assets	1,600,610		
d) Write-down of receivables recorded under current assets, cash and cash equivalents		176,476	
12) Provisions for risks and charges	697,933	2,703,654	-2,005,721
14) Other operating costs	21,968,168	14,219,204	7,748,964
<b>Total B</b>	<b>292,651,473</b>	<b>146,036,109</b>	<b>146,615,364</b>
<b>Difference between value and cost of production (A-B)</b>	<b>30,685,920</b>	<b>10,640,114</b>	<b>20,045,806</b>
<b>C) Financial Income and Charges</b>			
15) Income from investments	9,730,938	5,200,000	4,530,938
16) Other financial income	3,134,933	807,815	2,327,118
17) Interest and other financial charges	-1,302,824	-10,325	-1,292,499
17-bis) Exchange gains and losses	9,185	1,745	7,440
<b>Total C</b>	<b>11,572,232</b>	<b>5,999,235</b>	<b>5,572,997</b>
<b>D) Value adjustments to financial assets</b>			
18) Revaluations:	0	1,978,558	-1,978,558
a) of equity investments	0	1,978,558	
19) Write-downs:	-3,936,247	-1,214,057	-2,722,190
a) of equity investments	-3,916,246	-1,214,057	
b) of financial fixed assets not classed as investments	-20,001	0	
<b>Total D</b>	<b>-3,936,247</b>	<b>764,501</b>	<b>-4,700,748</b>
<b>E) Extraordinary Income and Charges</b>			
20) Income	1,125,624	1,700,000	-574,376
21) Charges	-19,083,715	-852,154	-18,231,561
<b>Total E</b>	<b>-17,958,091</b>	<b>847,846</b>	<b>-18,805,937</b>
<b>Profit (loss) before tax (A-B+C+D+E)</b>	<b>20,363,814</b>	<b>18,251,696</b>	<b>2,112,118</b>
<b>22) Current, deferred and prepaid income tax for the year</b>	<b>11,299,699</b>	<b>7,372,619</b>	<b>3,927,080</b>
<b>23) Profit (Loss) for the year</b>	<b>9,064,115</b>	<b>10,879,077</b>	<b>-1,814,962</b>





# Valuation criteria, accounting standards and principles for drafting the Financial Statements

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## EXPLANATORY NOTES

Dear Shareholders,

The financial statements which we submit for your approval, composed of the Balance Sheet, Profit and Loss Account and Explanatory Notes, has been prepared according to the Italian GAAP (art. 2423 et seq of the Italian Civil Code), interpreted and supplemented with the accounting standards developed by the Italian Accounting Profession and, where such standards are lacking or where new standards must apply, with those issued by the International Accounting Standards Board (IASB). In order to provide full disclosure, the financial statements were integrated with the Cash Flow Statement which analyses cash flows generated during the year. The financial statements were prepared in compliance with the provisions of corporate reform introduced by Italian Legislative Decree 6/2003. Furthermore, it must be specified that there were no derogations from art. 2423, subsection 4 of the Civil Code and that no revaluation was performed pursuant to special laws on this matter.

As envisaged under art. 2428 of the Italian Civil Code, the description of activities, position and results of operations of the Company, related party transactions, significant events following closure of the financial year and the business outlook are described in the management report prepared by the Company's Directors.

For greater clarity, items with a zero value for both the current and previous year have been omitted from the balance sheet and profit and loss account.

The data and comments on items of the balance sheet and profit and loss account are expressed in Euro, without decimal points in accordance with law.

The valuation criteria adopted are fully compliant with the provisions of art. 2426 of the Civil Code, and accounting principles adopted in formulating these financial statements were adjusted due to the effect of the merger by incorporation of SIA S.p.A. in 2007. Items were assessed pursuant to the general prudence and matching criteria, with a view to the business as an ongoing concern pursuant to art. 2423-*bis*, and taking into account the economic function of the asset or liability concerned. The valuation criteria adopted for the most significant items of the financial statements are indicated below.

### Intangible fixed assets

Intangible fixed assets are recognised at purchase or production cost, net of any cumulative amortisation calculated on a straight-line basis according to their useful life. Where required by law, the items are recorded with consent from the board of statutory auditors. If at the balance sheet date any fixed assets have undergone impairment, they are written down accordingly.

#### *Industrial patent and intellectual property rights*

- Patents:

The amortisation period corresponds with the duration of the patent.

- Software licences:

This item includes costs for the purchase of user licences for third-party software. The recorded costs all relate to long-term utilisation and are amortised according to the user licence duration. If the licence has an unlimited duration, the related cost is amortised over 3 years. Infrastructure and software application licences of particular strategic importance are examined on a case-by-case basis to assess the fair useful technical and economic life, which in exceptional circumstances may be more than 3 years.

Annual licence instalments are charged directly to the Profit and Loss Account under "Costs for use of third party assets".

- Projects developed during the year:

This item includes in-house software development projects already at production stage as at the balance sheet date. Third-party services are recognised as a direct cost, whereas production costs are calculated according to art. 2426, subsection 1, paragraph 1 of the Italian Civil Code through identification of the specific cost of related internal resources. The amortisation period is 3 years. Infrastructure and application software projects of particular strategic importance are examined on a case-by-case basis to assess the fair useful technical and economic life, which in exceptional circumstances may be more than 3 years. Costs relating to projects completed as at the end of the year for which future utilisation is certain are recorded under Balance Sheet assets.

*Software programmes under development and advances:*

This item includes production and purchase costs for the production of new software programmes as part of projects not yet completed or at final testing stage, and therefore not yet in operation at the end of the year. These relate to projects for which completion by the Company is reasonably certain from a technical point of view. Should these requisites not be met, the project costs are charged to the Profit and Loss Account for the year. It is only when the procedures using such software programmes go into production that the costs are reclassified to "Projects developed during the year", with subsequent commencement of related amortisation.

*Other intangible fixed assets:*

This item includes long-term charges relating to third-party assets. Amortisation is calculated according to the duration of the contract concerned and the residual useful life of the investment, and in any event for a period not exceeding 5 years.

Tangible fixed assets

Tangible fixed assets are recorded at their purchase cost, inclusive of related start-up costs. The values recorded are adjusted by their respective accumulated depreciation. If at the balance sheet date the value proves persistently lower than the net book value, the value is written down accordingly. If the reasons for write-down should at any time no longer apply, the write-down is not carried forward to future years.

Depreciation recognised to the profit and loss account was calculated systematically and on a straight line basis - reduced by 50% for assets purchased during the year - according to the domestic rate considered most representative of the estimated useful technical and economic life of the assets. These rates are then detailed in comments to the balance sheet items.

Costs for maintenance and repairs are charged to the Profit and Loss Account for the year in which they are incurred when they are of an ordinary nature, or capitalised if extraordinary.

The rates used by SIA S.p.A. were adopted for hardware in consideration of synergies resulting from the merger (which tend to shorten the technical useful life of equipment), and continued acceleration of the technological obsolescence of the infrastructures.

#### Financial fixed assets

Equity investments in subsidiaries were assessed at acquisition or subscription cost, adjusted for any impairment. The reduction of book values, where necessary, directly reduce the carrying value recorded previously. If the reasons for write-down should at any time no longer apply, the write-down is not carried forward to future years. Equity investments in associates and other companies recognised at acquisition cost are written down if impaired. Long-term investments composed of loans are recorded at their estimated realisable value. Long-term investment portfolio securities are recognised to "Other securities" under Financial Fixed Assets. This item includes both the purchase cost of the securities and directly attributable accessory charges, excluding accumulated interest which is recorded under "Accrued income and prepayments" or, if interest has already matured in full, to "Other receivables" under Current Assets. If at the time of preparation of the financial statements the security proves to be impaired, or if a change in economic use of the asset is decided, e.g. from a capitalised asset to an asset held for trading, the cost criteria is replaced by the lower of the cost and the market value of the security. Securities classed as long-term investments are held until their natural maturity.

#### Change in long-term contracts

The valuation of long-term contracts with duration beyond the year is based on percentage completion criteria pursuant to art. 2426, subsection 11 of the Italian Civil Code. The percentage completion of the contracts was calculated according to the cost-to-cost method. Any losses on the contract, expected on the basis of objective, reasoned assessment, are charged to the profit and loss account in the period in which they become known, allocating the year-end inventories value to a special fund or reducing the value as appropriate.

#### Receivables and payables

Receivables are recorded according to their estimated realisable value, corresponding to the difference between the nominal value and the bad debt provision created during the previous years and increased by the amount allocated during the year. Payables are shown at their nominal value.

### Short-term investments

Securities classed as short-term investments are valued at the lower between the purchase cost and market value, defined as the market value on the last day of trading for the year.

### Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value and represent the existence of cash and equivalent calculable sums as at the balance sheet date.

### Accruals and deferrals

These are recognised according to the cost matching principle. The item prepayments includes costs, the extent of which is time-dependent, incurred by the end of the financial year but relating to future financial years. The item deferred income includes income for the year that will be collected in future years.

### Provisions for risks and charges

The provisions for risks and charges include allocations for loss cover or debts of a calculable nature, whose existence is certain or probable, where the total or date of the contingency asset cannot be calculated as at year-end.

### Employee severance indemnity

Allocation is performed in compliance with reference regulations and current employment contracts, and represents the debt matured in favour of employees as at the end of the financial year.

### Costs and Revenues

These are recorded using the cost matching principle, also in observance of the principle of prudence.

### Derivatives

The derivatives comprise interest rate swap (IRS) hedges.

The IRS interest spread is recorded financial charges in the profit and loss account according to the matching principle. If any transaction is not in perfect alignment with the underlying financial position, it is assessed under market conditions.

### Dividends

These are recorded according to the cost matching and prudence principles.

### Taxes

The allocation of taxes for the year, recorded in the financial statements, was calculated based on the forecast of taxable income pursuant to current regulations. Deferred tax assets and liabilities are calculated on the temporary differences between the value of assets and liabilities according to Italian GAAP criteria and their value for tax purposes. Deferred taxes are not recorded if their payment is considered unlikely. Prepaid taxes are recognised only if there is a reasonable certainty of their recovery in the future.



## BREAKDOWN OF BALANCE SHEET ITEMS

It should be mentioned that comments on the general performance of balance sheet items are provided in the management report, in which the values are analysed in comparison with pro-forma financial statements representing the aggregation of 2006 statements for the two companies SSB S.p.A. and SIA S.p.A., reclassified as appropriate for comparison purposes. The tables below instead compare 2007 figures with those of the 2006 financial statements of SSB S.p.A. only. Changes are therefore primarily attributable to the effects of the merger in May 2007, backdated for tax and accounting purposes to 1 January 2007.

### Assets

#### Fixed assets - € 157,360,653

Fixed assets (tangible and intangible) are illustrated in analytical tables among the supplementary information to the explanatory notes and, for each item, indicate the historic costs, accumulated amortisation/depreciation, write-downs, reclassifications and changes during the year.

#### Intangible fixed assets

The breakdown of intangible fixed assets as at 31 December 2007 (net of amortisation) was as follows:

	31.12.2007	31.12.2006
<b>Intangible fixed assets</b>		
Patent and intellectual property rights	8,246,102	5,281,001
Projects under development and advances	2,339,603	652,014
Other intangible fixed assets	2,245,436	1,066,313
<b>Total</b>	<b>12,831,141</b>	<b>6,999,328</b>

For a detailed analysis of changes in intangible assets, related amortisation and any reclassification, reference should be made to the special table in the Supplementary Information section. Other intangible assets include improvements to third party properties and the capitalisation of long-term charges for data transmission connections.

The amortisation rates used are indicated in the section of valuation criteria adopted by the company.

### Tangible fixed assets

The breakdown of tangible fixed assets as at 31 December 2007 (net of depreciation) was as follows:

	31.12.2007	31.12.2006
<b>Tangible fixed assets</b>		
Plant and equipment	11,533,214	5,412,476
Other assets	1,640,997	855,020
Work in progress and payments on account	-	1,585,629
<b>Total</b>	<b>13,174,211</b>	<b>7,853,125</b>

Increases are mainly attributable to the incorporation of SIA S.p.A. During the year the company proceeded with its policy to acquire data processing and transmission technology infrastructures through operating leases. This method of acquiring means of production allows a more flexible upgrading of technological assets to meet company needs.

The main acquisitions during the year mainly referred to hardware.

The residual useful life of tangible assets recorded in the balance sheet is verified periodically with operations managers to confirm coherence.

The table below indicates the depreciation rates used. It should be mentioned that following the merger with SIA and related infrastructure synergies and reorganisation, the hardware depreciation rates were reviewed and changed from 20% to 40%.

Tangible Asset Category	Rate
Electrical systems	15%
Air-conditioning systems	15%
Alarm and security systems	30%
Telephony and telecommunications systems	25%
Hardware	40%
Office furniture and equipment	12%
Vehicles	25%

### Financial fixed assets

The breakdown of financial fixed assets as at 31 December 2007 (net of depreciation) was as follows:

	31.12.2007	31.12.2006
<b>Financial fixed assets</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
Equity investments	120,201,268	10,840,562
Other receivables	150,033	59,095
Other securities	11,004,000	-
<b>Total</b>	<b>131,355,301</b>	<b>10,899,657</b>

Changes in financial assets, except for the acquisition of GBC in 2007, derive from the merger by incorporation of SIA S.p.A. Details are provided in the tables below.

The following tables summarise the main values of equity investments and their changes during the year.

	Share capital	Percentage inv.	Nominal value of inv.	Carrying value	Shareholders equity as at 31/12/2007	Value of portion of Shareholders' Equity
<b>EQUITY INVESTMENTS IN SUBSIDIARIES</b>						
GBC Zrt	719,000	100%	719,000	<b>49,515,980</b>	4,348,000	4,348,000
Perago AG	60,000	100%	60,000	<b>1,211,230</b>	-13,000	-13,000
TSP S.r.l.	5,647,000	100%	5,647,000	<b>6,686,813</b>	13,374,476	13,374,476
Kedrios S.p.A.	2,402,500	81%	1,951,791	<b>35,025,709</b>	7,881,978	6,403,319
Perago FSE Ltd	1,994	75%	1,496	<b>4,462,508</b>	1,185,644	889,233
RA Computer	3,000,000	65%	1,950,000	<b>15,068,050</b>	4,991,043	3,244,178
SiNSYS SA	6,000,000	51%	3,060,000	<b>2,679,030</b>	4,994,000	2,546,940
<b>EQUITY INVESTMENTS IN ASSOCIATED COMPANIES</b>						
Glesia S.r.l.	20,000	49%	9,800	<b>9,800</b>	1,402,774	687,359
INVOICING S.r.l.	120,000	45%	54,000	-	-1,550,962	-697,933
Actalis S.p.A.	6,300,000	45%	2,812,320	<b>1,988,816</b>	4,453,949	1,988,243
A.T.S. S.p.A.	120,000	30%	36,000	<b>931,853</b>	-	-
Perago Africa Ltd.	39,880	30%	11,964	<b>2,519,833</b>	1,258,204	377,461
<b>EQUITY INVESTMENTS IN OTHER COMPANIES</b>						
Isnova S.c.r.l.	232,398	22%	51,639	<b>51,646</b>	-	-
Waini S.r.l.	65,384	12%	7,787	<b>50,000</b>	-	-
<b>TOTAL AS AT 31/12/2007</b>				<b>120,201,268</b>		

	Balance as at 31/12/2006	Effects of merger	Acquisitions/ Subscriptions	Disposals	Value adjustments	Balance as at 31/12/2007
<b>EQUITY INVESTMENTS IN SUBSIDIARIES</b>						
GBC	-	-	49,515,980	-	-	49,515,980
Perago AG	-	-	1,940,000	-	-728,770	1,211,230
TSP S.r.l.	6,686,812	0	-	-	-	6,686,812
Kedrios S.p.A.	-	36,444,709	-	-	-1,419,000	35,025,709
Perago FSE Ltd	-	5,356,508	-	-	-894,000	4,462,508
RA Computer	-	15,068,050	-	-	-	15,068,050
SiNSYS SA	2,679,030	-	-	-	-	2,679,030
Thesia S.p.A.	-	338,823	-	-246,697	92,126	-
<b>EQUITY INVESTMENTS IN ASSOCIATED COMPANIES</b>						
Glesia S.r.l.	-	9,800	-	-	-	9,800
INVOICING S.r.l.	74,921	-	-	-	-74,921	-
Actalis S.p.A.	1,348,153	1,348,093	-	-	-707,429	1,988,817
A.T.S. S.p.A.	-	931,853	-	-	-	931,853
Perago Africa Ltd.	-	1,011,920	1,507,913	-	-	2,519,833
<b>EQUITY INVESTMENTS IN OTHER COMPANIES</b>						
Isnova S.c.r.l.	51,646	-	-	-	-	51,646
Waini S.r.l.	-	50,000	-	-	-	50,000
<b>TOTAL AS AT 31/12/2007</b>	<b>10,840,562</b>	<b>60,559,756</b>	<b>52,963,893</b>	<b>-246,697</b>	<b>-3,916,246</b>	<b>120,201,268</b>

The effect of investment valuation by the equity method is indicated in the SIA-SSB Group consolidated financial statements, presented at the same time as the separate financial statements.

Equity investments in subsidiaries

#### **GBC - GIRO BANKKARTYA Zrt**

This company, for which 100% acquisition was completed in 2007, has its registered office in Budapest (Hungary) and share capital of HUF 177,000,000.

The financial statements record a value of production of € 7.5 million and profits for the year of € 3.0 million.

### **Perago AG**

This 100%-owned company has a share capital of CHF 100,000. During the year, a special shareholders' equity reserve was created with an allocation of € 1.9 million. This transaction, pursuant to Swiss accounting standards, was recognised to Perago AG's profit and loss account and therefore profits for the year, which felt the impact of this operation, recorded a positive € 1.2 million. A reclassification of the reserve amount of € 1.9 million to shareholders' equity results in a loss of € 0.7 million. A write-down by this amount was therefore applied directly to reduce the amount recognised.

### **TSP S.r.l.**

TSP S.r.l., with registered offices at Viale Certosa 218, Milan, was incorporated on 23 July 1997. The company develops and markets chip-based card services. On 18 February 2004, TSP's extraordinary shareholders' meeting resolved to change the company from a public limited company to a private limited company. The share capital of € 5,647,000 is 100% owned by our company.

TSP closed 2007 with profits of € 6.6 million. On approval of the financial statements it was resolved to allocate a € 6.2 million dividend.

### **Kedrios S.p.A.**

This company, 81.24% owned by SIA-SSB, has share capital of € 2,402,500 and shareholders' equity of € 7,811,987, including profit for the year.

The Kedrios financial statements record a value of production of € 30.5 million compared with € 32.9 million in the previous year, and profits of € 0.2 million (€ 0.6 million in 2006).

For 2007, an independent expert was asked to verify and report upon the value of this equity investment. The report led to a € 1.4 million write-down in the recorded investment value.

### **Perago FSE Ltd**

2007 figures show a value of production of € 4.4 million and net profits for the year of € 0.2 million.

An independent expert was asked to verify and report upon the value of this 75%-owned equity investment also. The report led to a direct € 0.9 million write-down in the recorded investment value.

### **RA Computer S.p.A.**

A company with headquarters in Milan and share capital of € 3 million, control of 65% of which was acquired in 2006. RA Computer is specialised in the production of application packages and the provision of services to the banking and Public Administration sectors.

2007 closed with a value of production of approximately € 32.8 million and net profits of € 1.3 million. Shareholders' equity, including profits for the year, totalled € 5 million.

An independent expert was asked to verify and report upon the value of this equity investment also. The result of the report confirms sustainability of the value recorded in the financial statements.

#### **SiNSYS SA**

SiNSYS, with registered office at Chaussée de Haecht 1426, Brussels, was incorporated on 23 September 2003 with share capital of € 6,000,000 comprised of 10,000 shares, 51% of which subscribed by our Company. The SiNSYS financial statements record revenues of € 44.8 million and an operating margin of € 0.1 million. The financial year closed with a net loss for the year of € 0.2 million.

#### **Thesia S.p.A.**

Liquidation of this company was completed in 2007, and all values were therefore recorded as zero.

> Equity investments in associates

#### **Glesia S.r.l.**

2007 figures recorded a value of production of € 15.2 million (€ 16.8 million in 2006) and net profits for the year of € 1.4 million (€ 1.2 million in 2006).

#### **INVOICING S.r.l.**

The investee company has focused its business activities and investments on development of the Bankpass Bollette e-billing service, a joint ABI and e-Committee initiative.

The uncertainty regarding future prospects and the lack of potential customers in this market sector led to a shareholder decision to consider liquidation. For this reason, intangible and tangible fixed assets were cancelled from the financial statements as at 31 December 2007, and a provision for risk was allocated to cover costs for the early termination of existing contracts. In brief, the company achieved a value of production of € 1.2 million and a negative € 1.6 million operating margin compared to the positive margin of € 0.2 million in 2006. The net loss for 2007 was € 1.7 million compared with profits of € 0.1 million the previous year. Shareholders' equity recorded a negative € 1.5 million.

The related equity investment was written off and a provision for risk was allocated to cover losses totalling € 0.7 million.

#### **Actalis S.p.A.**

2007 figures show a value of production of € 8.0 million and net losses for the year of € 1.6 million.

In view of these results, the equity investment value was adjusted and a write-down for a total of € 0.7 million recorded for the loss accumulated as at 31 December 2007.

**ATS S.p.A.**

2007 recorded a value of production of approximately € 8.6 million (€ 8.0 million in 2006) and estimated gross profits for the year of € 0.3 million (€ 0.3 million in 2006).

**Perago Africa Ltd.**

2007 ended with net profits for the year of € 0.5 million. The company's Board of Directors, after appropriate allocation of provisions, proposed the distribution of a dividend to shareholders totalling ZAR 3,370,000, the company's share of which is equivalent to € 100,800. As at the closing date of the financial statements it is considered that the profitability prospects of this investment are sufficient to maintain the value recorded in the financial statements.

**> Equity investments in other companies**

For an analysis of the business activities and performance in 2007 of the various companies, reference should be made to the Management Report.

**Isnova S.c.r.l.**

This is a non-profit making organisation for new technology development and promotion on the national and international markets. The equity investment recorded was € 52 thousand.

**Waini S.r.l.**

Waini s.r.l. share capital amounts to € 65 thousand of which SIA possesses 11.91%. Negotiations began in 2007 with a view to reaching agreements for disposal of this equity investment. As at the balance sheet date a decision had not yet been reached by the board of directors.

## Other receivables

These totalled € 150,033 and refer mainly to interest-free guarantee deposits realisable beyond the next financial year.

## Other securities

Securities	Balance as at 31/12/2006	Increases from merger	Acquisitions	Disinvestments/Redemptions	Write-downs/write-backs	Balance as at 31/12/2007
Government securities	-	5,017,501	-	-999,700	-8,201	<b>4,009,600</b>
Corporate bonds	-	7,006,200	-	-	-11,800	<b>6,994,400</b>
<b>Total</b>	-	<b>12,023,701</b>	-	<b>-999,700</b>	<b>-20,001</b>	<b>11,004,000</b>

The above table illustrates the changes and value adjustments during the year. Changes in the portfolio mainly relate to the redemption of fixed and floating rate securities on maturity. The write-downs relate to adjustment of the book value with respect to market prices as at 31 December 2007, whereas reversals are to the extent of previous write-downs. For greater details, reference should be made to the "Supplementary Information" section.

### Current assets - € 128,409,165

The individual elements are illustrated separately in the following tables, which summarise the changes commented below each table. Firstly, illustrated below are the changes in items comprising net current assets:

	31/12/2007 (a)	31/12/2006 (b)	Change (a-b)
<b>Net current assets</b>			
Current assets	128,409,165	87,228,167	41,180,998
Accruals and deferrals	4,626,057	3,162,738	1,463,319
Receivables due beyond the following financial year	-	-	-
<i>Current assets</i>	<i>133,035,222</i>	<i>90,390,905</i>	<i>42,644,317</i>
Payables	88,140,094	34,485,338	53,654,756
Accrued liabilities and deferred income	562,997	-	562,997
Amounts due beyond the following financial year	-7,423,684	-	-7,423,684
<i>Current liabilities</i>	<i>81,279,407</i>	<i>34,485,338</i>	<i>46,794,069</i>
<b>Total</b>	<b>51,755,815</b>	<b>55,905,567</b>	<b>-4,149,752</b>

The attachments to these Explanatory Notes, forming an integral part of the statements, contain both the reclassified balance sheet and cash flow statement in terms of changes in net current assets so as to allow comparative analysis of the data.

The individual items are commented in detail below.

### Inventories - € 5,150,340

Long-term contracts amount to € 5,150,340 (€ 2,646,726 as at 31 December 2006) and relate to national and international multi-year contracts for key customers. During the year the NAI project was completed, whilst the Pekao contract was cancelled from a specially allocated provision for risk of the same amount.

**Receivables- € 118,470,611**

> Due from customers

The breakdown of amounts due from customers included under current assets as at 31 December 2007 was as follows:

	31/12/2007	31/12/2006
<b>Due from customers</b>		
Due on amounts invoiced	61,748,561	33,511,176
Due on invoices to be issued	13,951,614	1,675,764
Bad debt provision	-1,794,918	-908,733
<b>Total</b>	<b>73,905,257</b>	<b>34,278,207</b>

Changes in the bad debt provision were as follows:

	31/12/2007	31/12/2006
<b>Bad debt provision</b>		
Opening balance	908,733	732,257
Increases from merger	1,461,347	-
Allocation for the year	-	176,476
Utilisation	-575,162	-
<b>Closing balance</b>	<b>1,794,918</b>	<b>908,733</b>

> Due from subsidiaries and associates

The breakdown of amounts due from subsidiaries, associates and other equity investments included under current assets as at 31 December 2007 was as follows:

<b>Due from subsidiaries and associates</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Subsidiaries	22,068,519	8,185,125
Associated companies	5,453,457	1,479,549
<b>Total</b>	<b>27,521,976</b>	<b>9,664,674</b>

For greater details, reference should be made to the statement in the management report.

#### > Tax credits

Tax credits totalled € 3,598,419 and include payments on account. In the previous year the balance for direct taxes showed an amount payable of € 3,191,523.

<b>Tax credits</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
From tax authorities for IRES (Corporation Tax)	2,921,437	-
Due to tax authorities for IRAP (Regional Business Tax)	676,982	-
<b>Total</b>	<b>3,598,419</b>	<b>-</b>

#### > Prepaid taxes

Prepaid tax credits amounting to € 8,503,631 and derive from temporary differences between the income for tax purposes and the balance sheet figure recorded in both past years and the current year. These were recorded as it is reasonably certain that they will be recovered in the future, and are calculated on the basis of average rates expected in the recovery periods. For this purpose the period considered is no more than five financial years.

Details of the temporary tax differences with breakdown by type are included in the summary statement attached to the explanatory notes.

> Other receivables (due within 12 months)

This balance amounts to € 4,941,328.

	31/12/2007	31/12/2006
<b>Other receivables</b>		
Advances to suppliers	3,637,419	347
Other receivables	1,303,909	329,136
<b>Total</b>	<b>4,941,328</b>	<b>329,483</b>

Advances to suppliers primarily relate to payments in advance of invoices which allowed a discount to be applied on renegotiation of the contract.

There are no receivables in foreign currency or realisable in more than 5 years.

### Short-term investments

As at year-end no amounts were recorded under this item. The table below illustrates changes during the year.

	Balance as at 31/12/2006	Increases from merger	Acquisitions	Disinvestments/Redemptions	Balance as at 31/12/2007
Securities					
Commercial papers	-	2,973,261	8,000,000	-10,973,261	-
<b>Total</b>	<b>-</b>	<b>2,973,261</b>	<b>8,000,000</b>	<b>-10,973,261</b>	<b>-</b>

**Cash and cash equivalents - € 4,788,214**

These mainly comprise funds readily available in current accounts, and cash and cash equivalents on hand.

	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Cash and cash equivalents</b>		
Bank current accounts	4,771,394	37,150,434
Cash on hand	16,820	3,623
<b>Total</b>	<b>4,788,214</b>	<b>37,154,057</b>

**Accrued income and prepayments – € 4,626,057**

Accrued income and prepayments can be broken down as follows:

	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Prepayments</b>		
Lease instalments	1,935,991	378,273
System support	688,457	-
Software user licences and maintenance	803,288	2,107,278
Insurance policies	210,036	312,624
Other prepayments	988,285	364,563
<b>Total prepayments</b>	<b>4,626,057</b>	<b>3,162,738</b>
<b>Total accrued income</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>4,626,057</b>	<b>3,162,738</b>

There are no accrued income or prepayment items with a duration of more than 5 years.

## Liabilities

### Shareholders' equity - € 163,752,211

The statement of changes in shareholders' equity is provided in the attachments.

### Share capital

Following the merger by incorporation of SIA S.p.A., during the year share capital was increased by € 11,327,303 by the issue of 87,133,095 ordinary shares with a nominal value of € 0.13 each, reserved without cash adjustments to shareholders of the acquired company.

The share capital totals € 22,091,287, comprising 169,932,974 ordinary shares with a nominal value of € 0.13 each. For an analysis of changes in capital during the year, reference should be made to the attached statement.

	31/12/2007	31/12/2006
<b>Share capital</b>		
Share capital	22,091,287	10,763,984
<b>Total</b>	<b>22,091,287</b>	<b>10,763,984</b>

### Legal reserves

As a result of the share capital increase during the year, this reserve is adjusted to contain one fifth of share capital as required under art. 2430 of the Italian Civil Code.

	31/12/2007	31/12/2006
<b>Legal reserves</b>		
Legal reserves	2,152,798	2,152,798
<b>Total</b>	<b>2,152,798</b>	<b>2,152,798</b>

### Reserves for split-off surplus

The total of € 1,425,801 recorded represents the difference between the total value of SSB shares assigned and the book value of the assets transferred after the partial split-off of the SIA S.p.A. processing branch.

### Reserve for merger surplus

Recorded for a total € 78,844,027 this reserve represents the difference generated from the merger by incorporation of SIA S.p.A.

### Revaluation reserve for equity investments

	31/12/2007	31/12/2006
<b>Revaluation reserve for equity investments</b>		
Revaluation of the TSP investment, 2004	487,397	487,397
Revaluation of the TSP investment, 2005	248,670	248,670
Revaluation of the TSP investment, 2006	535,817	-
Revaluation of the SiNSYS investment, 2006	1,442,741	-
<b>Total</b>	<b>2,714,625</b>	<b>736,067</b>

### Reserve for exchange gains

	31/12/2007	31/12/2006
<b>Reserve for exchange gains</b>		
Reserve for exchange gains	1,745	356
<b>Total</b>	<b>1,745</b>	<b>356</b>

### Profits carried forward

Profits carried forward were € 47,457,813 following allocation of the residual profits from 2006, and distribution of the € 0.03705 per share dividend for a total of € 3,067,735 as resolved by the shareholders' meeting of 20 April 2007.

	31/12/2007	31/12/2006
<b>Profits carried forward</b>		
Opening Balance	41,626,418	39,973,195
Allocation of profits for the year	5,831,395	1,653,223
<b>Total</b>	<b>47,457,813</b>	<b>41,626,418</b>

**Provisions for risks and charges - € 17,935,183**
**Provision for taxes**

Changes during the year were as follows:

	31/12/2007	31/12/2006
<b>Provision for taxes</b>		
Provision for deferred tax as at 31 December 2006	2,201,369	2,241,717
Allocation/utilisation during the year	-626,523	-40,348
<b>Total</b>	<b>1,574,846</b>	<b>2,201,369</b>

The provision includes costs deducted in advance for tax purposes and refers mainly to the residual clean-up of advance depreciation as at 31 December 2003 and advance depreciation for tax purposes for 2004, 2005, 2006 and 2007 together with tax calculated on dividends of the subsidiaries TSP and GBC, and of associates Glesia and Perago Africa.

**Other**

Provision	Balance as at 31/12/2006	Increases	Increases from merger	Utilisation	Balance as at 31/12/2007
Claims risk	1,255,606	762,055	-	-876,861	1,140,800
Future charges	1,676,772	-	2,549,437	-2,575,096	1,651,113
Restructuring costs	-	11,468,327	1,662,000	-1,537,000	11,593,327
Equity investment risk	-	697,933	1,277,164	-	1,975,097
<b>Total</b>	<b>2,932,378</b>	<b>12,928,315</b>	<b>5,488,601</b>	<b>-4,988,957</b>	<b>16,360,337</b>

The provision for claims risk was allocated as a result of claims for damages made by certain customers as a result of discrepancies occurring in the current and previous years. It should be mentioned that certain positions are partly covered by insurance.

The provision for future charges mainly relates to costs that may be incurred for advance termination of the lease agreement on the Roncaglia property.

The provision for restructuring costs was established to meet personnel reorganisation costs.

The provision for equity investment risks relates to losses generated by the subsidiaries Perago AG and INVOICING.

**Employee severance indemnity - € 20,005,390**

Changes in this item were as follows:

	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Employee severance indemnity</b>		
Opening balance	8,939,429	8,404,512
Transfers from Actalis	-	56,425
Effects of merger	12,094,589	-
Changes in Employee Severance Indemnity 2006	-	-30,397
Use for termination of employment relationships and advances	-2,175,754	-605,230
Allocations for the year	4,433,518	1,788,327
Transfers from SiNSYS	-2,324	-
Adjustments	9,383	-
Deposits to pension/treasury fund	-3,293,451	-649,756
Substitute tax	-75,636	-24,452
<b>Total</b>	<b>20,005,390</b>	<b>8,939,429</b>

Utilisation was linked to recourse to advances to personnel on employee severance indemnity matured and to company turnover.

The total proves sufficient to meet relevant contractual and legal obligations.

## Payables - € 88,140,094

A summary of changes during the year is provided below:

Payables	Balance as at 31/12/2007	Balance as at 31/12/2006	Net changes for the year
Due to banks	10,068,659	-	10,068,659
Advances from customers	3,448,956	-	3,448,956
Due to suppliers	39,420,877	16,153,107	23,267,770
Due to subsidiaries	7,868,677	5,558,680	2,309,997
Due to associates/investee companies	1,338,656	703,509	635,147
Tax payables	2,902,971	4,464,714	-1,561,743
Due to social security authorities	5,908,886	2,368,439	3,540,447
Other payables	17,182,412	5,236,889	11,945,523
<b>Total</b>	<b>88,140,094</b>	<b>34,485,338</b>	<b>53,654,756</b>

Amounts due to banks totalled € 10,068,659, of which € 7,423,684 payable beyond the following financial year, and refer to a medium/long-term loan. The loan was taken out in the first half of 2001 to cover investments in equity investments, has floating rate interest, is not backed by any form of guarantee and matures on 30 June 2011.

It should be mentioned, with regard to this loan, that since 2002 an interest rate swap exists to transform the effect of the original loan from a floating interest rate to a fixed interest rate. The notional value of this derivative decreases progressively as the capital share of the original debt is repaid (i.e. an amortizing swap), maintains the same interest rate flow and expires on 30 June 2008. The market value as at 31 December 2007 was negative at € 42,230. As of June 2008, a new hedge will take effect in which the flows offset those of the above agreement, therefore with no economic or equity impact.

There are no payables due in more than 5 years other than those illustrated above, and no payables are expressed in currencies other than Euro.

Amounts due to subsidiaries relate to commercial transactions.

Amounts due to subsidiaries/associates mainly refer to consulting, software development and processing services provided on behalf of SIA-SSB. For further information, reference should be made to the section "Equity and economic relations with associated companies" in the Management Report.

### Advances

These amount to € 3,448,956 and refer to advances received from key customers for contracts still in progress. No amounts were recorded under this item in the previous year.

### Due to suppliers

The total for this item was € 39,420,877, compared to € 16,153,107 in 2006.

	31/12/2007	31/12/2006
<b>Due to suppliers</b>		
Suppliers, of which:		
Invoices received and not yet paid	12,950,347	13,296,223
Invoices to be received	26,470,530	2,856,884
<b>Total</b>	<b>39,420,877</b>	<b>16,153,107</b>

### Due to subsidiaries

The total for this item was € 7,868,677, compared to € 5,558,680 in 2006.

### Due to associates

The total for this item was € 1,338,656, compared to € 703,509 in 2006.

### Tax payables

The total for this item was € 2,902,971, compared to € 4,464,714 in 2006.

	31/12/2007	31/12/2006
<b>Tax payables</b>		
Due to tax authorities for withholding taxes	2,329,170	808,801
From tax authorities for IRES (Corporation Tax)	-	2,884,609
Due to tax authorities for IRAP (Regional Business Tax)	-	306,914
VAT payables	573,801	463,380
Sundry payables	-	1,010
<b>Closing balance</b>	<b>2,902,971</b>	<b>4,464,714</b>

The previous year recorded a balance payable for income tax for the year of € 3,191,523, whilst in 2007 the balance shows an overall credit of € 3,598,419.

### Due to social security authorities

The overall total for this item was € 5,908,886 compared to € 2,368,439 in 2006.

	31/12/2007	31/12/2006
<b>Due to social security authorities</b>		
INPS (Social Security)	5,838,994	2,358,998
Other	69,892	9,441
<b>Total</b>	<b>5,908,886</b>	<b>2,368,439</b>

### Other payables

The total for this item was € 17,182,412 compared to € 5,236,899 in 2006.

	31/12/2007	31/12/2006
<b>Other payables</b>		
Due to personnel for wages/salaries matured	172,831	179,716
Staff bonuses and MBO	7,732,943	3,768,778
Other amounts due to personnel	5,499,506	823,038
Other payables	3,777,132	465,357
<b>Total</b>	<b>17,182,412</b>	<b>5,236,889</b>

Included under "other amounts due to personnel" are amounts relating to personnel reorganisation procedures implement, for which the amount due is fixed and certain.

### Accrued liabilities and deferred income - € 562,997

Accrued liabilities and deferred income can be broken down as follows:

	31/12/2007	31/12/2006
<b>Accrued liabilities and deferred income</b>		
Maintenance	147,751	-
Sia-Eagle products	67,500	-
SCT flow management	70,000	-
Fastbank service	33,850	-
SMAC and DREAM environment developments	120,000	-
National Services Card	50,891	-
Non-credit services	73,005	-
<b>Total</b>	<b>562,997</b>	<b>-</b>

There are no accrued liability or deferred income items with a duration of more than 5 years.

**Memorandum accounts - € 5,402,779**

The values refer to commitments and guarantees given to third parties as sureties.

	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Memorandum accounts</b>		
Guarantees	5,402,779	25,856,769
<b>Total</b>	<b>5,402,779</b>	<b>25,856,769</b>

The reduction is mainly due to disinvestment of the guarantee for the acquisition of GBC.

## BREAKDOWN OF PROFIT AND LOSS ACCOUNT ITEMS

It should be mentioned that comments on the general performance of costs and revenues are provided in the management report, in which the values are analysed in comparison with pro-forma financial statements representing the aggregation of 2006 statements for the two companies SSB S.p.A. and SIA S.p.A., reclassified as appropriate for comparison purposes. The tables below instead compare 2007 figures with those of the 2006 financial statements of SSB S.p.A. only. Changes are therefore primarily attributable to the effects of the merger in May 2007, backdated for tax and accounting purposes to 1 January 2007.

### Value of production - € 323,337,393

#### Revenues from sales and services

Revenues from ordinary operations are broken down as follows:

	2007	2006
<b>Revenues from services and sales of products</b>		
Network services	58,429,172	-
Card processing	128,300,484	114,329,842
Payment systems	56,805,698	35,713,000
Capital market	69,512,843	-
<b>Total</b>	<b>313,048,197</b>	<b>150,042,842</b>

With regard to network services, an increase is recorded despite the pricing reductions following liberalisation of the markets and increased competition, more than offset by the increase in volumes. There were, however, higher revenues in relation to credit and debit card management-related services.

In the payment systems area, completion of a number of project tasks was delayed.

The area dedicated to financial services recorded a decrease in revenues due to the termination of certain services with key customers. The network and capital market services were not included as SSB S.p.A. activities and therefore there are no reference values.

### Changes in long-term contracts

Changes during the year totalled € 1,393,364 thousand and mainly relate to progress on RTGS project contracts for Egypt, Sweden and Norway and completion of the "NAI" and "Applicazione Snodo" projects for customers.

### Increases in own work capitalised

The value of projects completed as at the end of the year, and therefore subject to amortisation, were as follows:

	2007	2006
<b>Increases in own work capitalised</b>	<b>2007</b>	<b>2006</b>
Software programmes developed during the year	3,277,320	1,800,651
Software programmes under development	50,224	904,349
<b>Total</b>	<b>3,327,544</b>	<b>2,705,000</b>

### Other revenues and income

Other operating revenues are broken down as follows:

	2007	2006
<b>Other revenues</b>	<b>2007</b>	<b>2006</b>
Other income	1,901,216	785,988
Extraordinary income	3,655,725	1,855,994
Capital gains on disposal of assets	11,347	316,445
<b>Total</b>	<b>5,568,288</b>	<b>2,958,427</b>

Contingent assets refer mainly to certain insurance reimbursements against customer claims incurred in the previous year, release of part of the provisions for risk allocated in previous years and the definition of data transfer invoicing adjustments for a number of banks.

The item "Other income" includes disbursements from the Fondazione Forte, reimbursement of contributions allowances from previous years and chargeback amounts relating to seconded personnel.

**Cost of production - € 292,651,473**

**Costs for raw materials, consumables and goods**

	<b>2007</b>	<b>2006</b>
<b>Costs for consumables and goods</b>		
Consumables	662,993	368,282
Third party hw and sw purchases	888,440	-
Gifts	262,325	-
Other	660,686	-
<b>Total</b>	<b>2,474,444</b>	<b>368,282</b>

The increase is essentially due to the incorporation of SIA S.p.A. Values recorded under "third party hw and sw purchases" relate to goods purchased for contract use.

## Service costs

These can be broken down as follows:

	<b>2007</b>	<b>2006</b>
<b>Costs for the provision of services</b>		
Consulting and technical assistance	50,905,594	33,717,390
Insurance	1,661,806	825,681
Retrocessions	4,628,253	5,009,329
Hardware maintenance fees	5,425,308	1,920,701
Maintenance	12,533,578	1,103,745
Electricity	2,719,850	898,733
Telephone and data transfer charges	21,830,603	918,106
Travel	1,849,203	647,266
Company bodies	991,773	461,444
Processing services	10,095,416	7,869,029
Surveillance and cleaning services	2,036,496	775,000
Distribution costs	989,318	-
Other	2,865,454	2,218,694
<b>Total</b>	<b>118,532,652</b>	<b>56,365,118</b>

The differences primarily refer to the merger by incorporation of SIA S.p.A.

Telephone and data transfer charges refer to the provision of network services. The comparison is not representative as it refers to services provided by SIA S.p.A. only during the previous year. The increased values for maintenance relate to the different contract classification for management of the mainframe systems.

### Costs for use of third-party assets

These can be broken down as follows:

	2007	2006
<b>Costs for use of third-party assets</b>		
Property leases	8,459,553	3,754,166
Software leases	23,464,821	14,723,890
Vehicle rentals	1,036,424	463,603
Hardware leases	14,279,604	6,205,737
Rental of equipment and data transmission lines	-	1,361,363
Miscellaneous leases	215,515	146,647
<b>Total</b>	<b>47,455,917</b>	<b>26,655,406</b>

Costs for the use of third party hardware and software reflect the acquisition costs for technology infrastructures for which operating leases are prevalent. This decision was determined by the strong degree of flexibility and rapid hardware upgrading options in meeting the changing needs of services provided and to satisfy customer requirements.

### Costs for subordinate employees and related contributions

As at 31 December 2007 the workforce totalled 1,095 (36 Managers - 1,059 Staff). The average number of employees, divided by category, is as follows:

	2007	2006
<b>Number of employees</b>		
Managers	54	15
Staff	1,073	455
<b>Total</b>	<b>1,127</b>	<b>470</b>

The breakdown of personnel costs is as follows:

	2007	2006
<b>Personnel costs</b>		
Wages and salaries	56,124,006	23,254,139
Social security costs	16,205,766	6,683,473
Employee severance indemnity	4,433,518	1,788,327
Insurance and pension funds	2,932,454	1,106,886
Other costs	2,865,878	960,143
<b>Total</b>	<b>82,561,622</b>	<b>33,792,968</b>

### Amortisation, depreciation and write-downs

Amortisation of intangible fixed assets

Amortisation of intangible fixed assets related to the following items:

	2007	2006
<b>Amortisation of intangible fixed assets</b>		
Software programmes for customer services and internal use	8,973,117	7,769,693
Long-term charges	2,021,718	855,400
<b>Total</b>	<b>10,994,835</b>	<b>8,625,093</b>

The balance derives from the amortisation process for software licences and projects developed in-house, regarding both central technology infrastructures and applications for specific services.

### Depreciation of tangible fixed assets

	2007	2006
<b>Depreciation of tangible fixed assets</b>		
Plant and equipment	5,910,496	2,866,734
Other assets	454,796	263,174
<b>Total</b>	<b>6,365,292</b>	<b>3,129,908</b>

The balance is attributable to the depreciation of peripheral hardware and market access (share and bond markets), and to a number of central processing and transmission infrastructures.

The detailed amounts for each category are illustrated in the complete table of tangible fixed assets provided as an attachment to the explanatory notes, of which the attachment forms an integral part.

### Other write-downs of long-term assets

The total of € 1,600,610 refers mainly to the write-down of certain in-house software developments for which capitalisation is no longer necessary.

### Bad debt provision

	2007	2006
<b>Bad debt provision</b>		
Bad debt provision	-	176,476
<b>Total</b>	<b>-</b>	<b>176,476</b>

During the year, no sums were allocated to this provision as the existing total as at the end of the year was considered adequate to cover risk.

### Allocation to provisions for risks and charges

	2007	2006
<b>Allocation to the provision for risks</b>	<b>2007</b>	<b>2006</b>
Provision for equity investment risks	697,933	-
Provision for future charges	-	2,703,654
<b>Total</b>	<b>697,933</b>	<b>2,703,654</b>

The amount allocated reflects the difference between the company's share (45%) of losses accumulated by INVOICING as at 31 December 2007 and the value of the investment recorded in the financial statements.

### Other operating costs

These are broken down as follows:

	2007	2006
<b>Other operating costs</b>	<b>2007</b>	<b>2006</b>
Non-deductible VAT	17,245,993	10,921,283
Indirect taxes	264,975	202,939
Indemnities to customers	1,070,750	910,525
Entertainment expenses and sponsorship	942,110	338,666
Contingent assets and liabilities	1,311,379	759,724
Charitable donations	215,000	93,000
Membership fees	282,531	180,001
Database membership fees	410,324	-
Sundry charges	225,106	813,066
<b>Total</b>	<b>21,968,168</b>	<b>14,219,204</b>

The impact of non-deductible VAT was positive as a result of the reduction in the non-deductible percentage from 60% to 57%.

Contingent liabilities mainly relate to differences generated from sums provisioned in the previous year and the reversal of certain revenue items incorrectly invoiced.

### Financial income and charges - € 11,572,232

	2007	2006
<b>Income from equity investments in subsidiaries</b>		
TSP Srl - dividend	6,200,000	5,200,000
Giro Bankkartya Zrt - dividend	2,758,838	-
Glesia Srl - dividend	671,300	-
Perago Africa - dividend	100,800	-
<b>Total</b>	<b>9,730,938</b>	<b>5,200,000</b>

The amount is due to dividends, recorded for the year, of subsidiaries TSP S.r.l. and GBC, and associates Glesia Srl and Perago Africa. The companies resolved to allocate the dividends prior to approval of the SIA-SSB financial statements. The GBC dividend totals HUF 700,000,000, converted at the 31 December 2007 exchange rate (€1 = HUF 253.73)

### Other financial income

A summary table is provided below, followed by all the detailed tables:

	2007	2006
<b>Other financial income</b>		
Interest income from current accounts and short-term credit facilities	1,865,011	750,385
Intercompany interest income	289,129	-
IRS interest	483,281	-
Interest income on bonds	475,923	-
Exchange rate differences	-	16,548
Other interest income	21,589	40,882
<b>Closing balance</b>	<b>3,134,933</b>	<b>807,815</b>

### Interest and other financial charges

	2007	2006
<b>Interest and other financial charges</b>		
Exchange rate expense	-	6,073
Interest expense on M/L term loans	588,839	-
IRS interest expense	573,811	-
Bank charges and other financial charges	127,783	-
Interest expense to suppliers	12,391	4,252
<b>Total</b>	<b>1,302,824</b>	<b>10,325</b>

### Exchange gains (losses)

This item includes exchange gains of € 20,760 and exchange losses of € 11,575, resulting in net exchange gains of € 9,185.

### Value adjustments to financial assets - € -3,936,247

#### Revaluation of Equity investments

	2007	2006
<b>Revaluation of Equity investments</b>		
TSP Srl	-	535,817
SINSYS SA	-	1,442,741
<b>Total</b>	<b>-</b>	<b>1,978,558</b>

No revaluations were made following the adoption of new accounting principles requiring the recognition of equity investments at their adjusted cost only if impaired.

### Write-down of Equity investments

	2007	2006
<b>Write-down of Equity investments</b>		
INVOICING Srl	74,921	-
Actalis SpA	707,429	1,214,057
Kedrios Spa	1,419,000	-
THESIA	92,126	-
Perago FSE	894,000	-
Perago AG	728,770	-
<b>Total</b>	<b>3,916,246</b>	<b>1,214,057</b>

The write-downs for INVOICING, Actalis and Perago AG relate to valuation of the companies using the equity method as at 31 December 2007. With regard to Thesia, the write-down relates to completion of liquidation procedures in 2007, whilst adjustments to the values of Kedrios and Perago AG were based on a valuation performed by an independent expert.

### Write-down of financial fixed assets not classed as investments

	2007	2006
<b>Write-down of financial fixed assets not classed as investments</b>		
Write-down of bonds	20,001	-
<b>Total</b>	<b>20,001</b>	<b>-</b>

This value relates to security prices adjusted to the market value as at 31 December 2007.

**Extraordinary income and charges - € -17,958,091**
**Income**

	<b>2007</b>	<b>2006</b>
<b>Extraordinary income</b>		
Extraordinary income	1,125,624	1,700,000
<b>Total</b>	<b>1,125,624</b>	<b>1,700,000</b>

This item includes dividends of associates Glesia S.r.l. and Perago Africa in reference to the 2006 financial statements, distributed in 2007 and recorded under cash flow matching criteria. These values were reclassified as in 2007 dividends relevant to the year were charged to the profit and loss account in accordance with the accounting principles.

**Charges**

	<b>2007</b>	<b>2006</b>
<b>Extraordinary charges</b>		
Extraordinary charges	19,083,715	852,154
<b>Total</b>	<b>19,083,715</b>	<b>852,154</b>

This item relates to costs incurred as a result of implementation of the personnel reorganisation process.

**Income taxes for the year – € 11,299,699**

These are composed of:

	<b>2007</b>	<b>2006</b>
<b>Taxes</b>		
IRAP	4,900,000	2,160,000
IRES	8,100,000	6,300,000
Deferred taxes	-626,523	-40,348
Prepaid taxes	-1,073,778	-1,047,033
<b>Total</b>	<b>11,299,699</b>	<b>7,372,619</b>

The increased tax burden, 56% of gross profits, compared to the previous year is mainly due to costs for the write-down of equity investments no longer deductible, and telecommunications system costs being only 80% deductible as introduced by the 2007 Finance Act.

Prepaid taxes essentially related to allocation to provisions for risk, write-downs and amortisation/depreciation in excess of the tax-deductible share and to personnel costs on which deduction was deferred in compliance with current legal provisions.

SIA-SSB S.p.A.

The Chairman of the Board of Directors

Carlo Tresoldi





# Supplementary Information

## Statement of changes in intangible fixed assets and related amortisation

	Historical cost			
	Balance as at 31/12/2006	Increases	Decreases	Balance as at 12/31/2007
	(a)	(b)	(c)	(e=a+b-c)
Formation costs	0	81,260	0	81,260
<b>Total formation costs</b>	<b>0</b>	<b>81,260</b>	<b>0</b>	<b>81,260</b>
Projects developed during the year	87,222,563	61,802,678	0	149,025,241
Software licences	24,380,830	31,581,914	0	55,962,744
Patents	8,983	0	0	8,983
<b>Total patent and intellectual property usage rights</b>	<b>111,612,376</b>	<b>93,384,592</b>	<b>0</b>	<b>204,996,968</b>
Goodwill	0	1,118,646	0	1,118,646
<b>Total goodwill</b>	<b>0</b>	<b>1,118,646</b>	<b>0</b>	<b>1,118,646</b>
Other intangible fixed assets	6,150,211	13,473,782	0	19,623,993
<b>Total other intangible fixed assets</b>	<b>6,150,211</b>	<b>13,473,782</b>	<b>0</b>	<b>19,623,993</b>
<b>Software programs under development and advances</b>	<b>652,014</b>	<b>6,472,844</b>	<b>4,785,255</b>	<b>2,339,603</b>
<b>Total intangible fixed assets in use</b>	<b>118,414,601</b>	<b>114,531,124</b>	<b>4,785,255</b>	<b>228,160,470</b>

Accumulated amortisation					12/31/2006	12/31/2007
Balance as at 31/12/2006 (f)	Increases from merger (g)	Amortisation for the year (i)	Decreases for adjustments (l)	Balance as at 12/31/2007 (m=f+g+h+i-)	Fixed assets net intangible asset: (n=a-g)	Fixed assets net intangible asset: (o=e-m)
0	81,260	0	0	81,260	0	0
<b>0</b>	<b>81,260</b>	<b>0</b>	<b>0</b>	<b>81,260</b>	<b>0</b>	<b>0</b>
82,488,917	56,027,202	2,884,770	0	141,400,889	4,733,646	7,624,352
23,833,475	25,419,172	6,088,347	0	55,340,994	547,355	621,750
8,983	0	0	0	8,983	0	0
<b>106,331,375</b>	<b>81,446,374</b>	<b>8,973,117</b>	<b>0</b>	<b>196,750,866</b>	<b>5,281,001</b>	<b>8,246,102</b>
0	1,118,646	0	0	1,118,646	0	0
<b>0</b>	<b>1,118,646</b>	<b>0</b>	<b>0</b>	<b>1,118,646</b>	<b>0</b>	<b>0</b>
5,083,898	10,272,941	2,021,718	0	17,378,557	1,066,313	2,245,436
<b>5,083,898</b>	<b>10,272,941</b>	<b>2,021,718</b>	<b>0</b>	<b>17,378,557</b>	<b>1,066,313</b>	<b>2,245,436</b>
0	0	0	0	0	652,014	2,339,603
<b>111,415,273</b>	<b>92,919,221</b>	<b>10,994,835</b>	<b>0</b>	<b>215,329,329</b>	<b>6,999,328</b>	<b>12,831,141</b>

## Statement of changes in tangible fixed assets and related depreciation

	Historical cost					Balance as at 31/12/2007 (f=a+b+c-d-e)
	Balance as at 31/12/2006 (a)	Reclassifications (b)	Increases (c)	Decreases (d)	Write-downs (e)	
<b>Plant and equipment</b>						
Electrical systems	3,647,915	0	16,293,892	0	0	<b>19,941,807</b>
Air-conditioning systems	2,405,797	0	4,847,141	0	0	<b>7,252,938</b>
Telecommunications systems	3,377,133	0	6,621,554	161	0	<b>9,998,526</b>
Alarm and security systems	1,668,118	0	4,938,930	0	0	<b>6,607,048</b>
Misc. systems	219,980	0	1,845,555	0	0	<b>2,065,535</b>
Hardware	19,409,378	0	35,940,366	1,326,544	0	<b>54,023,200</b>
Machinery	0	0	34,449	0	0	<b>34,449</b>
<b>Total plant and equipment</b>	<b>30,728,321</b>	<b>0</b>	<b>70,521,887</b>	<b>1,326,705</b>	<b>0</b>	<b>99,923,503</b>
<b>Other assets</b>						
Vehicles	8,465	0	6,122	0	0	<b>14,587</b>
Electrical machinery	800	0	403,033	0	0	<b>403,833</b>
Miscellaneous equipment	82,750	0	609,796	0	0	<b>692,546</b>
Office furniture and equipment	3,562,062	0	5,894,464	95,473	0	<b>9,361,053</b>
<b>Total other assets</b>	<b>3,654,077</b>	<b>0</b>	<b>6,913,415</b>	<b>95,473</b>	<b>0</b>	<b>10,472,019</b>
<b>Work in progress and payments on account</b>						
Work in progress and payments on account	1,585,629	0	0	1,585,629	0	<b>0</b>
<b>Total work in progress and payments on account</b>	<b>1,585,629</b>	<b>0</b>	<b>0</b>	<b>1,585,629</b>	<b>0</b>	<b>0</b>
<b>Total tangible fixed assets</b>	<b>35,968,027</b>	<b>0</b>	<b>77,435,302</b>	<b>3,007,807</b>	<b>0</b>	<b>110,395,522</b>

Accumulated depreciation						12/31/2006	12/31/2007
Balance as at 31/12/2006	Reclassifications	Increases from merger	Depreciation for the year	Decreases for the year	Balance as at 31/12/2007	Net tangible fixed assets	Net tangible fixed assets
(g)	(h)	(i)	(l)	(m)	(n=g+h+i+l-m)	(o=a-g)	(p=f-n)
2,462,316	0	10,891,585	1,220,861	0	<b>14,574,762</b>	1,185,599	<b>5,367,045</b>
1,511,851	0	3,337,048	404,347	0	<b>5,253,246</b>	893,946	<b>1,999,692</b>
3,122,363	30,322	5,579,607	543,742	161	<b>9,275,873</b>	254,770	<b>722,653</b>
1,411,355	-30,322	4,396,913	263,070	0	<b>6,041,016</b>	256,763	<b>566,032</b>
182,797	0	1,667,252	90,719	0	<b>1,940,768</b>	37,183	<b>124,767</b>
16,647,739	0	32,576,726	3,374,763	1,326,313	<b>51,272,915</b>	2,761,639	<b>2,750,285</b>
0	0	18,715	12,994	0	<b>31,709</b>	0	<b>2,740</b>
<b>25,338,421</b>	<b>0</b>	<b>58,467,846</b>	<b>5,910,496</b>	<b>1,326,474</b>	<b>88,390,289</b>	<b>5,389,900</b>	<b>11,533,214</b>
8,465	0	6,122	0	0	<b>14,587</b>	0	<b>0</b>
800	0	400,998	444	0	<b>402,242</b>	0	<b>1,591</b>
80,702	0	531,414	12,993	0	<b>625,109</b>	2,048	<b>67,437</b>
2,686,514	0	4,721,127	441,359	59,916	<b>7,789,084</b>	875,548	<b>1,571,969</b>
<b>2,776,481</b>	<b>0</b>	<b>5,659,661</b>	<b>454,796</b>	<b>59,916</b>	<b>8,831,022</b>	<b>877,596</b>	<b>1,640,997</b>
0	0	0	0	0	<b>0</b>	1,585,629	<b>0</b>
0	0	0	0	0	<b>0</b>	1,585,629	<b>0</b>
<b>28,114,902</b>	<b>0</b>	<b>64,127,507</b>	<b>6,365,292</b>	<b>1,386,390</b>	<b>97,221,311</b>	<b>7,853,125</b>	<b>13,174,211</b>

## Breakdown of prepaid and deferred taxes

	2007		2006	
	Total temporary differences	Tax effect (rate x%)	Total temporary differences	Tax effect (rate x%)
<b>Prepaid taxes:</b>				
Provisions for risks and charges	2,029,861	558,212	2,932,378	967,685
Bad debt provision	2,617,528	719,820	1,350,000	445,500
Write-down of equity investments	4,579,185	1,259,277	57,132	18,854
Entertainment expenses	351,604	121,154	115,645	41,588
Personnel costs and expenses payable	19,048,605	5,238,364	5,095,134	1,681,394
Write-down of tangible fixed assets	217,514	59,817	-	-
Write-down of intangible fixed assets	281,880	108,276	-	-
Allocation to provisions for risks and charges	762,055	209,565	-	-
Other	443,612	229,146	-	-
<b>Total</b>	<b>30,331,844</b>	<b>8,503,631</b>	<b>9,550,289</b>	<b>3,155,021</b>
<b>Deferred taxes:</b>				
Accelerated amortisation/depreciation	4,271,402	1,341,221	5,357,796	1,995,779
Dividends	486,547	133,800	260,000	85,800
Provision for tax credit write-downs	363,000	99,825	363,000	119,790
<b>Total</b>	<b>5,120,949</b>	<b>1,574,846</b>	<b>5,980,796</b>	<b>2,201,369</b>
<b>Net deferred/prepaid tax</b>		<b>6,928,785</b>		<b>953,652</b>

## Reconciliation statement between theoretic and balance sheet rates

	2007		2006		2007		2006	
			IRES	IRAP	IRES	IRAP	IRES	IRAP
Ordinary rate applicable			33%	4.25%	33%	4.25%		
Profit (loss) for the year before tax	20,363,814	18,251,696	6,720,059	865,462	6,023,060	775,697		
- IRES-exempt income	-15,590,732	-8,637,329	-5,144,942	-	-2,850,319	-		
- Dividends	-10,800,280	-5,200,000	-3,564,092	-	-1,716,000	-		
- IRES non-deductible costs	30,556,702	14,020,050	10,083,712	-	4,626,617	-		
- IRAP taxable income	92,883,728	33,387,780	-	3,947,558	-	1,418,981		
- IRAP-exempt income	-11,449,933	-4,627,637	-	-486,622	-	-196,675		
- IRAP non-deductible costs	12,463,058	2,823,871	-	529,680	-	120,015		
Total			<b>8,094,736</b>	<b>4,856,078</b>	<b>6,083,358</b>	<b>2,118,018</b>		
Effective rate			39.75%	23.85%	33.33%	11.60%		

## Breakdown of shareholders' equity as at 31/12/2006

Type/Description	Amount	Utilisation options	Available share
<b>Capital</b>	<b>22,091,287</b>		
<b>Capital reserves</b>			
Legal reserves	2,152,798	B	-
Reserve for merger surplus	78,844,027	A,B,C	78,844,027
Split-off reserves	1,425,801	A,B,C	1,425,801
<b>Profit reserves:</b>			
Revaluation reserve for equity investments	2,714,625	B	-
Reserves for distributable exchange gains	1,745	B	-
<b>Profits carried forward</b>	<b>47,457,813</b>	<b>A,B,C</b>	<b>47,457,813</b>
<b>Total</b>			<b>127,727,641</b>
<b>Share not distributable</b>			<b>12,831,141</b>
<b>Remaining distributable share</b>			<b>114,896,500</b>

Key: A: for share capital increases; B: for loss coverage; C: for distribution to shareholders

## Breakdown of securities

Securities	Balance as at 31/12/2006	Increases from merger	Acquisitions	Disinvestments/ Redemptions	Write-downs	Write- backs	Balance as at 31/12/2007
<i>Financial fixed assets</i>							
B.T.P. 15/01/2007 2.75% coupon	-	999,700	-	-999,700	-	-	-
C.C.T. 01/09/2008 floating rate	-	2,007,800	-	-	-5,200	-	2,002,600
C.C.T. 01/06/2010 floating rate	-	2,010,001	-	-	-3,001	-	2,007,000
<b>Total government securities</b>	-	5,017,501	-	-999,700	-8,201	-	4,009,600
Banco di Desio 09/07/09 floating rate	-	3,003,000	-	-	-6,000	-	2,997,000
Credito Emiliano 20/6/2008 floating rate	-	2,000,000	-	-	-1,000	-	1,999,000
Banca Agrileasing 11/3/2009 floating rate	-	2,003,200	-	-	-4,800	-	1,998,400
<b>Total bonds</b>	-	7,006,200	-	-	-11,800	-	6,994,400
<b>Total</b>	-	12,023,701	-	-999,700	-20,001	-	11,004,000
<i>Short-term investments</i>							
Commercial papers	-	2,973,261	8,000,000	-10,973,261	-	-	-
<b>Total</b>	-	2,973,261	8,000,000	-10,973,261	-	-	-
<b>Total Securities</b>	-	14,996,962	8,000,000	-11,972,961	-20,001	-	11,004,000

## Statement of changes in shareholders' equity

	Share capital	Legal reserve	Split-off reserves	Merger surplus reserve	Reserve for undistributed exchange gains	Revaluation reserve for equity investments	Profits carried forward	Profit (Loss) for the year	Total
<b>Balances as at 31/12/2005</b>	<b>10,763,984</b>	<b>2,152,798</b>	<b>1,425,801</b>	<b>-</b>	<b>17,201</b>	<b>487,397</b>	<b>39,973,195</b>	<b>3,252,901</b>	<b>58,073,277</b>
<i>Distribution of 2005 profits</i>									
Legal reserve									
Revaluation reserve for equity investments						248,670		-248,670	
Reserve for undistributed exchange gains					-16,845				
Profits carried forward							1,653,223	-1,636,377	
Dividends								-1,367,854	-1,367,854
Profit (Loss) for the year as at 31/12/2006								10,879,077	<b>10,879,077</b>
<b>Balances as at 31/12/2006</b>	<b>10,763,984</b>	<b>2,152,798</b>	<b>1,425,801</b>	<b>-</b>	<b>356</b>	<b>736,067</b>	<b>41,626,418</b>	<b>10,879,077</b>	<b>67,584,501</b>
<i>Distribution of 2006 profits</i>									
Legal reserve									
Revaluation reserve for equity investments						1,978,558		-1,978,558	
Reserve for undistributable exchange gains					1,389			-1,389	
Profits carried forward							5,831,395	-5,831,395	
Dividends								-3,067,735	-3,067,735
<i>Merger by incorporation of SIA S.p.A.</i>									
Share capital increase	11,327,303								11,327,303
Merger surplus reserve				78,844,027					78,844,027
Profit (Loss) for the year as at 31/12/2007								9,064,115	
<b>Balances as at 31/12/2007</b>	<b>22,091,287</b>	<b>2,152,798</b>	<b>1,425,801</b>	<b>78,844,027</b>	<b>1,745</b>	<b>2,714,625</b>	<b>47,457,813</b>	<b>9,064,115</b>	<b>163,752,211</b>

## Reclassified balance sheet

	12/31/2007	%	12/31/2006	%
Patent and intellectual property rights	8,246,102	2.8%	5,281,001	4.5%
Projects under development and advances	2,339,603	0.8%	652,014	0.6%
Plant and equipment	11,533,214	4.0%	5,412,476	4.7%
<b>Technical assets</b>	<b>22,118,919</b>	<b>7.6%</b>	<b>11,345,491</b>	<b>9.8%</b>
Other assets	1,640,997	0.6%	2,440,649	2.1%
Other intangible fixed assets	2,245,436	0.8%	1,066,313	0.9%
<b>Other fixed assets</b>	<b>3,886,433</b>	<b>1.3%</b>	<b>3,506,962</b>	<b>3.0%</b>
Financial fixed assets - equity investments in subsidiaries	114,649,319	39.5%	9,365,842	8.1%
Financial fixed assets - equity investments in other companies	5,551,949	1.9%	1,474,720	1.3%
Financial fixed assets - loans to others	150,033	0.1%	59,095	0.1%
Financial fixed assets - other securities	11,004,000	3.8%	0	0.0%
<b>Fixed assets</b>	<b>157,360,653</b>	<b>54.2%</b>	<b>25,752,110</b>	<b>22.2%</b>
Due from customers	73,905,257	25.4%	34,278,207	29.4%
Due from subsidiaries	22,068,519	7.6%	8,185,125	7.0%
Due from associates/investee companies	5,453,457	1.9%	1,479,549	1.3%
Tax credits	3,598,419	1.2%	0	0.0%
Prepaid tax credits	8,503,631	2.9%	3,155,020	2.7%
Other receivables	4,941,328	1.7%	329,483	0.3%
Inventories	5,150,340	1.8%	2,646,726	2.3%
Bank deposits	4,771,394	1.6%	37,150,434	32.0%
Cash on hand	16,820	0.0%	3,623	0.0%
Accrued income and prepayments	4,626,057	1.6%	3,162,738	2.7%
<b>Current assets</b>	<b>133,035,222</b>	<b>45.8%</b>	<b>90,390,905</b>	<b>77.8%</b>
<b>TOTAL ASSETS</b>	<b>290,395,875</b>	<b>100.0%</b>	<b>116,143,015</b>	<b>100.0%</b>
Share capital	22,091,287	7.6%	10,763,984	9.3%
Legal reserve	2,152,798	0.7%	2,152,798	1.9%
Other reserves	82,986,198	28.6%	2,162,224	1.9%
Profit (loss) carried forward	47,457,813	16.3%	41,626,418	35.8%
Profit (loss) for the year	9,064,115	3.1%	10,879,077	9.4%
Provisions for risks and charges	17,935,183	6.2%	5,133,747	4.4%
Employee severance indemnity	20,005,390	6.9%	8,939,429	7.7%
Medium/long-term payables due to banks	7,423,684	2.6%	0	0.0%
<b>Fixed liabilities</b>	<b>209,116,468</b>	<b>72.0%</b>	<b>81,657,677</b>	<b>70.3%</b>
Short-term payables due to banks	2,644,975	0.9%	0	0.0%
Short-term advances from customers	3,448,956	1.2%	0	0.0%
Due to suppliers	39,420,877	13.6%	16,153,107	13.9%
Due to subsidiaries	7,868,677	2.7%	5,558,680	4.8%
Due to associates/investee companies	1,338,656	0.5%	703,509	0.6%
Income taxes payable	2,902,971	1.0%	4,464,714	3.8%
Due to social security authorities	5,908,886	2.0%	2,368,439	2.0%
Other payables	17,182,412	5.9%	5,236,889	4.5%
Accrued liabilities and deferred income	562,997	0.2%	0	0.0%
<b>Current liabilities</b>	<b>81,279,407</b>	<b>28.0%</b>	<b>34,485,338</b>	<b>29.7%</b>
<b>TOTAL LIABILITIES</b>	<b>290,395,875</b>	<b>100.0%</b>	<b>116,143,015</b>	<b>100.0%</b>
<b>Current assets</b>	<b>133,035,222</b>		<b>90,390,905</b>	
<b>Current liabilities</b>	<b>81,279,407</b>		<b>34,485,338</b>	
<b>NET CURRENT ASSETS</b>	<b>51,755,815</b>		<b>55,905,567</b>	

## Cash flow statement

(amounts in Euro/000)

	2007	2006
<b>Change in current assets</b>		
Inventories	2,504	970
Receivables		
Due from customers	39,627	-1,375
Due from subsidiaries	13,883	1,712
Due from associates	3,974	769
Due from others	13,559	884
Short-term investments	0	0
Cash and cash equivalents	-32,366	18,287
Accrued income and prepayments	1,463	1,242
<i>Total current assets</i>	<u>42,644</u>	<u>22,489</u>
<b>Change in current liabilities</b>		
Payables		
Due to banks	2,645	0
Due to suppliers	23,268	2,530
Due to subsidiaries	2,310	-13
Due to associates	635	344
Advances	3,449	0
Tax payables	-1,562	2,095
Due to Social Security	3,540	152
Other payables	11,946	-263
Accrued liabilities and deferred income	0	0
Accrued liabilities and deferred income	563	0
<i>Total current liabilities</i>	<u>46,794</u>	<u>4,845</u>
<b><i>Increase/Decrease in Net Working Capital</i></b>	<b><u>-4,150</u></b>	<b><u>17,644</u></b>

## Statement of changes in net current assets

(amounts in Euro/000)

	2007	2006
<b>Profit (loss) for the year</b>	9,064	10,879
<b>+ Non-monetary costs</b>		
Amortisation/depreciation	17,360	11,755
Write-down of fixed assets	1,601	0
Allocation to employee severance indemnity fund	4,434	1,845
Allocations to deferred tax reserve	0	0
Write-down of equity investments	0	2,066
Allocation to provisions for risks and charges	12,928	2,127
<b>Net cash flow generated from operations</b>	45,387	28,672
<b>Changes in net cash flow generated from off-balance sheet operations</b>		
<i>Sources:</i>		
Sale of fixed assets (net book values)	36	908
Reduction of share capital in associates	0	2,040
Change in shareholders' equity due to merger	92,960	0
Change in provisions for risk due to merger	5,489	0
Change in employee severance indemnity fund due to merger	12,095	0
Change in loans payable due to merger	10,127	0
<b>Total sources</b>	166,094	31,620
<i>Utilisation:</i>		
Increase in intangible fixed assets	7,400	5,006
Increase in tangible fixed assets	8,568	2,556
Change in intangible fixed assets due to merger	9,407	0
Change in tangible fixed assets due to merger	4,776	0
Increase in other receivables after 1 year	0	0
Increase in financial fixed assets	47,775	1,052
Change in financial fixed assets due to merger	72,681	0
Net change in long-term loans	0	-14
Decrease in loans payable	2,703	0
Revaluation of equity investments	0	1,979
Loss cover for associates	0	719
Distributed dividends	5,856	1,368
Utilisation of provisions for risk for compensation for damages	877	0
Utilisation of provisions for future risks and charges	2,575	0
Utilisation of the mobility reserve	1,537	0
Utilisation of the deferred tax reserve	627	0
Utilisation of employee severance indemnity	5,462	1,310
<b>Total utilisation</b>	170,244	13,976
<b>Increase/Decrease in Net Working Capital</b>	<b>-4,150</b>	<b>17,644</b>

## Pro-forma financial statements

The pro-forma data was obtained by aggregating values from the separate financial statements of both Groups (SSB and SIA) and reclassifying certain items in order to illustrate and compare 2007 data.

### Balance Sheet (pro-forma)

Assets	31/12/2007	31/12/2006 Aggregate	Change
<b>A) Subscribed capital unpaid</b>	0	-	
<b>B) Fixed assets</b>			
I - Intangible fixed assets			
3) Industrial patent and intellectual property usage rights	8,246,102	9,323,854	-1,077,752
5) Goodwill	0	0	0
6) Projects under development and advances	2,339,603	3,797,315	-1,457,712
7) Other	2,245,436	3,287,179	-1,041,743
<b>Total</b>	<b>12,831,141</b>	<b>16,408,348</b>	<b>-3,577,207</b>
II - Tangible fixed assets			
2) Plant and equipment	11,533,214	9,510,947	2,022,267
4) Other assets	1,640,997	1,532,266	108,731
5) Work in progress and payments on account	0	1,585,629	-1,585,629
<b>Total</b>	<b>13,174,211</b>	<b>12,628,842</b>	<b>545,369</b>
III - Financial fixed assets			
1) Equity investments in:	120,201,268	71,400,318	48,800,950
a) Subsidiaries	114,649,319	66,573,932	
b) Associates	5,450,303	4,724,740	
c) Other companies	101,646	101,646	
2) Receivables:			
d) from others	150,033	156,574	-6,541
Amounts realisable within the following financial year			
Amounts realisable beyond the following financial year	150,033	156,574	
3) Other securities	11,004,000	12,023,701	-1,019,701
Amounts realisable within the following financial year	11,004,000	12,023,701	
Amounts realisable beyond the following financial year			
<b>Total</b>	<b>131,355,301</b>	<b>83,580,593</b>	<b>47,774,708</b>
<b>Total Fixed Assets (B)</b>	<b>157,360,653</b>	<b>112,617,783</b>	<b>44,742,870</b>

Assets	31/12/2007	31/12/2006 Aggregate	Change
<b>C) Current Assets</b>			
I - Inventories			
3) Long-term contracts	5,150,340	5,411,423	-261,083
Total	5,150,340	5,411,423	-261,083
II Receivables			
1) From customers	73,905,257	67,325,809	6,579,448
Amounts realisable within the following financial year	73,905,257	67,325,809	
Amounts realisable beyond the following financial year			
2) From subsidiaries	22,068,519	15,680,081	6,388,438
Amounts realisable within the following financial year	22,068,519	15,680,081	
Amounts realisable beyond the following financial year			
3) From associates	5,453,457	4,569,834	883,623
Amounts realisable within the following financial year	5,453,457	4,569,834	
Amounts realisable beyond the following financial year			
4-bis) Tax credits	3,598,419	627,766	2,970,653
Amounts realisable within the following financial year	3,598,419	627,766	
Amounts realisable beyond the following financial year			
4-ter) Prepaid tax	8,503,631	7,429,854	1,073,777
Amounts realisable within the following financial year	8,503,631	6,234,561	
Amounts realisable beyond the following financial year		1,195,293	
5) From others	4,941,328	3,711,600	1,229,728
Amounts realisable within the following financial year	4,941,328	3,699,477	
Amounts realisable beyond the following financial year		12,123	
Total	118,470,611	99,344,944	19,125,667
III - Short-term investments			
6) Other securities	0	2,973,261	-2,973,261
Total	0	2,973,261	-2,973,261
IV - Cash and cash equivalents			
1) Bank and postal deposits	4,771,394	52,700,093	-47,928,699
3) Cash on hand	16,820	9,217	7,603
Total	4,788,214	52,709,310	-47,921,096
<b>Total Current Assets (C)</b>	<b>128,409,165</b>	<b>160,438,938</b>	<b>-32,029,773</b>
<b>D) Total Accrued Income and Prepayments</b>			
Accrued liabilities and deferred income	4,626,057	4,364,628	261,429
<b>Total Accrued Income and Prepayments (D)</b>	<b>4,626,057</b>	<b>4,364,628</b>	<b>261,429</b>
<b>Total Assets (A+B+C+D)</b>	<b>290,395,875</b>	<b>277,421,349</b>	<b>12,974,526</b>

Liabilities	31/12/2007	31/12/2006 Aggregate	Change
<b>A) Shareholders' Equity</b>			
I - Capital	22,091,287	28,887,668	-6,796,381
IV - Legal reserve	2,152,798	5,777,535	-3,624,737
VII - Other reserves recorded separately	82,986,198	66,730,372	16,255,826
Reserves for split-off surplus	1,425,801	1,425,801	
Extraordinary reserve		64,568,148	
Reserve for merger surplus	78,844,027		
Revaluation reserve for equity investments	2,714,625	736,067	
Reserve for exchange gains	1,745	356	
VIII - Profit (loss) carried forward	47,457,813	41,626,418	5,831,395
IX - Profit (loss) for the year	9,064,115	17,522,097	-8,457,982
<b>Total Shareholders' Equity (A)</b>	<b>163,752,211</b>	<b>160,544,090</b>	<b>3,208,121</b>
<b>B) Provisions for Risks and Charges</b>			
2) For taxes, including deferred tax	1,574,846	2,201,369	-626,523
3) Other	16,360,337	8,420,980	7,939,357
<b>Total Provisions for Risks and Charges (B)</b>	<b>17,935,183</b>	<b>10,622,349</b>	<b>7,312,834</b>
<b>C) Employee severance indemnity</b>			
<b>Total Employee severance indemnity (C)</b>	<b>20,005,390</b>	<b>21,034,019</b>	<b>-1,028,629</b>
<b>D) Payables</b>			
4) Due to banks	10,068,659	15,560,012	-5,491,353
Amounts realisable within the following financial year	2,644,975	5,432,910	
Amounts realisable beyond the following financial year	7,423,684	10,127,102	
6) Advances	3,448,956	3,542,129	-93,173
Amounts realisable within the following financial year	3,448,956	3,542,129	
Amounts realisable beyond the following financial year			
7) Due to suppliers	39,420,877	30,928,996	8,491,881
Amounts realisable within the following financial year	39,420,877	30,928,996	
Amounts realisable beyond the following financial year			
9) Due to subsidiaries	7,868,677	6,463,743	1,404,934
Amounts realisable within the following financial year	7,868,677	6,463,743	
Amounts realisable beyond the following financial year			
10) Due to associates/investee companies	1,338,656	1,423,911	-85,255
Amounts realisable within the following financial year	1,338,656	1,423,911	
Amounts realisable beyond the following financial year			
12) Tax payables	2,902,971	7,605,985	-4,703,014
Amounts realisable within the following financial year	2,902,971	7,605,985	
Amounts realisable beyond the following financial year			
13) Due to social security authorities	5,908,886	5,216,991	691,895
Amounts realisable within the following financial year	5,908,886	5,216,991	
Amounts realisable beyond the following financial year			
14) Other payables	17,182,412	13,506,187	3,676,225
Amounts realisable within the following financial year	17,182,412	13,506,187	
Amounts realisable beyond the following financial year			
<b>Total Payables (D)</b>	<b>88,140,094</b>	<b>84,247,954</b>	<b>3,892,140</b>
<b>E) Accruals and Deferrals</b>			
Accruals and deferrals	562,997	972,937	-409,940
<b>Total accruals and deferrals (E)</b>	<b>562,997</b>	<b>972,937</b>	<b>-409,940</b>
<b>Total Liabilities (A+B+C+D+E)</b>	<b>290,395,875</b>	<b>277,421,349</b>	<b>12,974,526</b>
<b>Memorandum accounts:</b>			
Guarantees issued to third parties			
Surety bonds issued	5,402,779	27,925,739	-22,522,960
<b>Total Memorandum Accounts</b>	<b>5,402,779</b>	<b>27,925,739</b>	<b>-22,522,960</b>

**Profit and Loss Account (pro-forma)**

	2007	2006 Aggregate	Change
<b>A) Value of production</b>			
1) Revenues from sales and services	313,048,197	320,605,262	-7,557,065
3) Changes in long-term contracts	1,393,364	3,061,911	-1,668,547
4) Increases in own work capitalised	3,327,544	6,797,472	-3,469,928
5) Other revenues and income	5,568,288	4,908,627	659,661
<b>Total A)</b>	<b>323,337,393</b>	<b>335,373,272</b>	<b>-12,035,879</b>
<b>B) Cost of production</b>			
6) Cost for consumables and goods	2,474,444	2,185,741	288,703
7) For services	118,532,652	117,207,981	1,324,671
8) For use of third party assets	47,455,917	43,648,287	3,807,630
9) For personnel	82,561,622	84,064,311	-1,502,689
a) Wages and salaries	56,124,006	57,654,998	
b) Social security costs	16,205,766	16,083,833	
c) Employee severance indemnity	4,433,518	4,158,545	
d) Pension costs and similar charges	2,932,454	2,807,029	
e) Other costs	2,865,878	3,359,906	
10) Amortisation, depreciation and write-downs	18,960,737	24,859,533	-5,898,796
a) Amortisation of intangible fixed assets	10,994,835	17,217,424	
b) Depreciation of tangible fixed assets	6,365,292	7,292,030	
c) Other write-downs of fixed assets	1,600,610		
d) Write-down of receivables recorded under current assets, cash and cash equivalents		350,079	
12) Provisions for risks and charges	697,933	6,011,092	-5,313,159
14) Other operating costs	21,968,168	26,591,048	-4,622,880
<b>Total B</b>	<b>292,651,473</b>	<b>304,567,993</b>	<b>-11,916,520</b>
<b>Difference between value and cost of production (A-B)</b>	<b>30,685,920</b>	<b>30,805,279</b>	<b>-119,359</b>
<b>C) Financial Income and Charges</b>			
15) Income from investments	9,730,938	5,928,686	3,802,252
16) Other financial income	3,134,933	2,665,242	469,691
17) Interest and other financial charges	-1,302,824	-1,276,431	-26,393
17-bis) Exchange gains and losses	9,185	8,002	1,183
<b>Total C</b>	<b>11,572,232</b>	<b>7,325,499</b>	<b>4,246,733</b>
<b>D) Value adjustments to financial assets</b>			
18) Revaluations:	0	1,978,558	-1,978,558
a) of equity investments	0	1,978,558	0
19) Write-downs:	-3,936,247	-2,426,013	-1,510,234
a) of equity investments	-3,916,246	-2,423,613	
b) of financial fixed assets not classed as investments	-20,001	-2,400	
<b>Total D</b>	<b>-3,936,247</b>	<b>-447,455</b>	<b>-3,488,792</b>
<b>E) Extraordinary Income and Charges</b>			
20) Income	1,125,624	1,700,000	-574,376
21) Charges	-19,083,715	-4,659,154	-14,424,561
<b>Total E</b>	<b>-17,958,091</b>	<b>-2,959,154</b>	<b>-14,998,937</b>
<b>Profit (loss) before tax (A-B+C+D+E)</b>	<b>20,363,814</b>	<b>34,724,169</b>	<b>-14,360,355</b>
<b>22) Current, deferred and prepaid income tax for the year</b>	<b>11,299,699</b>	<b>17,202,072</b>	<b>-5,902,373</b>
<b>23) Profit (Loss) for the year</b>	<b>9,064,115</b>	<b>17,522,097</b>	<b>-8,457,982</b>

**Cash Flow Statement (pro-forma)**

(amounts in Euro/000)

	2007	2006
<b>Change in current assets</b>		
Inventories	-261	970
Receivables		
Due from customers	6,579	-1,375
Due from subsidiaries	6,388	1,712
Due from associates	884	769
Due from others	6,482	884
Short-term investments	-2,973	0
Cash and cash equivalents	-47,921	18,287
Accrued income and prepayments	261	1,242
<i>Total current assets</i>	<u>-30,561</u>	<u>22,489</u>
<b>Change in current liabilities</b>		
Payables		
Due to banks	-2,788	0
Due to suppliers	8,492	2,530
Due to subsidiaries	1,405	-13
Due to associates	-85	344
Advances	-93	0
Tax payables	-4,703	2,095
Due to Social Security	692	152
Other payables	3,676	-263
Accrued liabilities and deferred income	0	0
Accrued liabilities and deferred income	-410	0
<i>Total current liabilities</i>	<u>6,186</u>	<u>4,845</u>
<b><i>Increase/Decrease in Net Working Capital</i></b>	<b><u>-36,747</u></b>	<b><u>17,644</u></b>

**Statement of changes in net current assets (pro-forma)**

(amounts in Euro/000)

	2007	2006
<b>Profit (loss) for the year</b>	9,064	10,879
+ <i>Non-monetary costs</i>		0
Amortisation/depreciation	17,360	11,755
Write-down of fixed assets	1,601	0
Employee severance indemnity fund	4,434	1,845
Allocations to deferred tax reserve	0	0
Write-down of equity investments	0	2,066
Allocation to provisions for risks and charges	12,928	2,127
<b><i>Net cash flow generated from operations</i></b>	45,387	28,672
<b>Changes in net cash flow generated from off-balance sheet operations</b>		
<i>Sources:</i>		
Sale of fixed assets (net book values)	39	908
Reduction of share capital in associates	0	2,040
Increase in prepaid tax credits realisable beyond the financial year	1,195	0
Decrease in other receivables beyond the financial year	12	0
<b><i>Total sources</i></b>	46,633	31,620
<i>Utilisation:</i>		
Increase in intangible fixed assets	7,400	5,006
Increase in tangible fixed assets	8,568	2,556
Increase in other receivables beyond the financial year	0	0
Increase in financial fixed assets	47,775	1,052
Net change in long-term loans	0	-14
Decrease in loans payable	2,703	0
Revaluation of equity investments	0	1,979
Loss cover for associates	0	719
Distributed dividends	5,856	1,368
Utilisation of provisions for risk for compensation for damages	877	0
Utilisation of provisions for future risks and charges	2,575	0
Utilisation of the mobility reserve	1,537	0
Utilisation of the deferred tax reserve	627	0
Utilisation of employee severance indemnity	5,462	1,310
<b><i>Total utilisation</i></b>	83,380	13,976
<b><i>Increase/Decrease in Net Working Capital</i></b>	<b>-36,747</b>	<b>17,644</b>





# Board of Statutory Auditors' report

SIA-SSB S.p.A.

Registered office: Via Faravelli 14, Milan

Share capital € 22,091,286.62, fully paid-up

VAT number, tax code and Milan Register of Companies no. 10596540152.

Milan Economic and Administrative Index no. 1385874

\* \* \*

Board of Statutory Auditors' Report on the separate financial statements as at 31 December 2007 pursuant to art. 2429 of the Italian Civil Code

Dear Shareholders,

2007 was characterised by the merger by incorporation of SIA S.p.A. into SSB S.p.A. which following the merger assumed the new name of SIA-SSB S.p.A.

The operation was subject to approval of the Anti-Trust Authority for Competition and the Market, which gave its authorisation subject to completion of certain organisational/management commitments, particularly with regard to transfer services on the National Interbank Network (RNI). Specifically, the company was required to adopt measures primarily to guarantee the entry of competition in the supply of services to the Italian market, and to separate operations, accounting and sales departments for such services.

The merger became effective for corporate purposes as of 1 May 2007, backdated for accounting and tax purposes to 1 January that year. As a result it was therefore possible to prepare a single set of financial statements for the two companies for the financial year ending 31 December 2007, which reflect the accounting of all SSB S.p.A. events from 1 January to 31 December 2007, and all SIA S.p.A. events from 1 January to 30 April 2007.

Following the merger, i.e. from 1 May 2007, SSB S.p.A., now SIA-SSB S.p.A., therefore became responsible for all SIA S.p.A. property, business and all related assets and liabilities.

Having regard to the above, specific details are hereby provided on audit tasks completed by the Board of Statutory Auditors.

We confirm that in 2007:

- we attended the Board of Directors meetings of your company, ensuring that transactions of major economic, financial and equity impact resolved and implemented were in compliance with law and the articles of association;
- to the extent of our responsibility, we monitored and supervised the adequacy of the Company's organisational structure and its observance of the principles of proper management by gathering information from operations and audit department managers and from meetings with the Independent Auditors for the mutual exchange of relevant data and information;
- we assessed and monitored the adequacy of the administrative and accounting system, and its reliability in correctly representing operations by gathering information from the respective department managers and independent auditors.

The management aspects of business conducted by your Company is provided in the Management Report, the more important financial statements items then commented in the Explanatory Notes.

It should also be emphasised that, as a result of the merger by incorporation of SIA S.p.A. - completed, as you are aware, on 1 May 2007, but backdated for accounting and tax purposes to 1 January of that year - a comparison with previous SSB S.p.A. financial statement values is not significant in economic terms. In fact, it is necessary to compare the 2007 results for SIA-SSB S.p.A. with the pro-forma financial statements, obtained by aggregating the values in the separate financial statements for 2006 of the two companies (SSB S.p.A. and SIA S.p.A.).

This Report accompanies the draft financial statements as at 31 December 2007, duly submitted by the Directors together with detailed statements and attachments, and with the Management Report pursuant to art. 2428 of the Italian Civil Code.

The aforementioned documents were prepared in accordance with law.

The balance sheet and profit and loss account results as at 31 December 2007, as illustrated in the financial statements, can be summarised as follows:

Balance Sheet

Assets			Euro	290,395,875
Liabilities and provisions	Euro	126,643,664		
Shareholders' equity	Euro	154,688,096		
			Euro	(281,331,760)
Profit (loss) for the year			Euro	9,064,115

Included in the balance sheet are guarantees totalling € 5,402,779.

Profit and loss account

Production results	Euro	30,685,920
Financial income	Euro	11,572,232
Value adjustments to financial assets	Euro	(3,936,247)
Profit (loss) before tax	Euro	20,363,814
Income taxes for the year	Euro	(11,299,699)
Profit (loss) for the year	Euro	9,064,115

With regard to the financial statements, we should mention that in preparing these documents the Directors made no recourse to exceptions pursuant to art. 2423, subsection 4 of the Italian Civil Code.

Based on audits performed, we confirm that there is no evidence of laws or articles of association having been violated in governance of the company and therefore, further to completion of our audit and being in possession of the Independent Auditors' Report, which contains no reservations, we express our opinion in favour of your approval of the draft Financial Statements as at 31 December 2007.

Lastly, with regard to allocation of profits for the year, the relationship between company profits for distribution and the profits recorded in the consolidated financial statements of the Group should be emphasised. This year, your Directors propose to distribute the sum of € 5,998,634 to shareholders, an amount nevertheless greater than the profits recorded in the aforementioned consolidated statements which, amongst other things, felt the impact of amortisation on the consolidation difference recorded as a result of the equity investment in GBC and, in previous years, in RA Computer and Perago FSE.

In this respect, we consider that the sustainability of this policy should always be viewed in strict connection with outlook monitoring of the profitability status of both the parent company and, especially, the major subsidiaries.

From this point of view, the proposal for allocation advanced by your Directors may be considered sustainable to the extent that it takes into account the developments in terms of profitability of both the parent company and major subsidiaries, also making use of the corporate synergies forecast as a result of the merger described at the beginning of this report.

Milan, 8 April 2008

The Board of Statutory Auditors

The Chairman: Prof. Mario Cattaneo

Standing Auditor: Giorgio Silva

Standing Auditor: Fausto Gobbi



# Independent Auditors' report

## AUDITORS' REPORT PURSUANT TO ARTICLE 2409-TER OF THE CIVIL CODE

### To the Shareholders of SIA-SSB S.p.A.

1. We have audited the financial statements of Sia-Ssb S.p.A. as of December 31, 2007. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of some subsidiaries, representing 94% of the total investment in Group companies and 39% of total assets, rests with other auditors.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the auditors' report issued by other auditors on March 27, 2007.

3. In our opinion, the financial statements present fairly the financial position of Sia-Ssb S.p.A. as of December 31, 2007, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Maurizio Ferrero  
Partner

Milan, Italy,  
April 8, 2008

*This report has been translated into the English language solely for the convenience of international readers.*