



Interim Management Report  
at 31<sup>st</sup> March 2017

*This document has been translated into English for the convenience of readers outside of Italy.  
The original Italian version remains the definitive and authoritative document.*

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## BOARD OF DIRECTOR AND AUDITORS

### BOARD OF DIRECTORS <sup>(1)</sup>

GIAMPIETRO MAGNANI  
*Chairman <sup>(2)</sup> and Managing Director*

LUIGI ZANELLA  
*Vice Chairman and Managing Director*

PAOLO DAL CORTIVO  
*Managing Director*

GIULIA DAL CORTIVO  
*Managing Director*

MAURIZIO RIZZOLI <sup>(4)</sup>  
*Director*

THOMAS BURKHART  
*Director*

LAMBERTO LAMBERTINI <sup>(4)</sup>  
*Director and lead independent director*

ALESSANDRA PEDROLLO <sup>(4)</sup>  
*Independent Director*

GIAN PAOLO TOSONI  
*Independent Director*

DEBORA CREMASCO <sup>(3)</sup>  
*Independent Director*

### STATUTORY AUDITORS <sup>(1)</sup>

CHIARA BENCIO LINI  
*Chairman*

GIAN PAOLO RANOCCHI  
*Statutory Auditor*

RENATO TENGATTINI  
*Statutory Auditor*

### AUDITORS: PKF ITALIA S.p.A.

- (1) Appointed on 29 April 2015; office expires with the shareholders' meeting for the approval of the 2017 financial statements.
- (2) Appointed on 8 July 2016; office expires with the shareholders' meeting for the approval of the 2017 financial statements.
- (3) Appointed on 27 April 2017; office expires with the shareholders' meeting for the approval of the 2017 financial statements.
- (4) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.

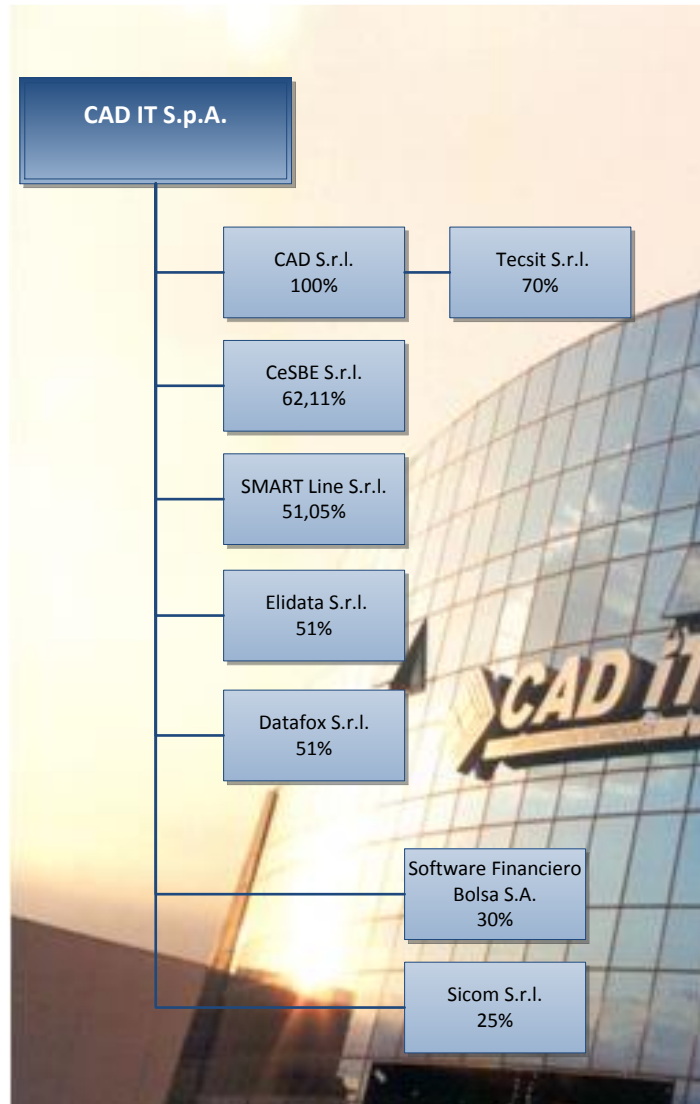
*The main powers reserved in the statute to the Board of Directors are the examination and approval of the strategic, industrial and financial plans of the company; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of new subsidiaries and the take-over, acquisition or sale of corporate investments; the acquisition, sale, exchange or transfer of the whole company or of business lines; the underwriting of obligations, commitments and responsibilities which, either singularly or jointly with other connected negotiations, come to more than €4,000,000; the nomination of managing directors; the release of warranties and real or personal guarantees of any kind to the sum of more than €2,000,000 for each individual transaction and, if in the interest of subjects other than the Company and its subsidiaries, to any sum whatsoever; the examination and preventive approval of significant transactions including those with company related parties and company subsidiaries; verification of the appropriateness of the administrative and organisational structure and the general accounting, the internal control system and any conflicts of interest.*

*The Chairman and Managing Director, Giampietro Magnani, is authorised to perform all ordinary and extraordinary administrative duties, excluding only those which can not be delegated by law and those assigned to the Board of Directors by article 19 of the company by-laws.*

*The Vice-Chairmen Luigi Zanella, pursuant to article 20 of the company by-laws, carries out vicarious functions to those of the President in case of his absence or impediment. The managing director Luigi Zanella, will have full ordinary administrative power including the faculty to prepare reports and to order banking transactions, within the limits of account availability and credit worthiness with the power to act alone for each individual transaction to the amount of Euro 2,000,000 (two million) and with the joint signature of another managing director for each individual transaction to the amount of Euro 4,000,000 (four million); furthermore, the aforementioned director will have the power and faculty, with their single free signature, to purchase and/or sell registered assets, with the exception of boats and airplanes of any kind.*

*The Managing Director Paolo Dal Cortivo will have full ordinary administrative power including the faculty to prepare reports and to order banking transactions, within the limits of account availability and credit worthiness, with the power to act alone for each individual transaction to the amount of Euro 2,000,000 (two million) and with the joint signature of another managing director for each individual transaction to the amount of Euro 4,000,000 (four million). The said Managing Director will have ordinary administrative power to represent the Company in terms of relations with institutional investors and shareholders as well as with Borsa Italiana S.p.A. and Consob, by sending them communications and information, including anything required by the laws in force and/or the international best practice rules in respect of the laws and rules themselves and any internal regulations.*

*The Managing Director Giulia Dal Cortivo has been delegated to matters concerning the management of the Company's employees as well as the employees of its subsidiaries CAD Srl, Cesbe Srl, Datafox Srl and Smart Line Srl; the Managing Director, Giulia Dal Cortivo, has also been entrusted with the management - as the person in charge - of CAD IT Group's legal and corporate affairs and company secretarial and administrative matters.*

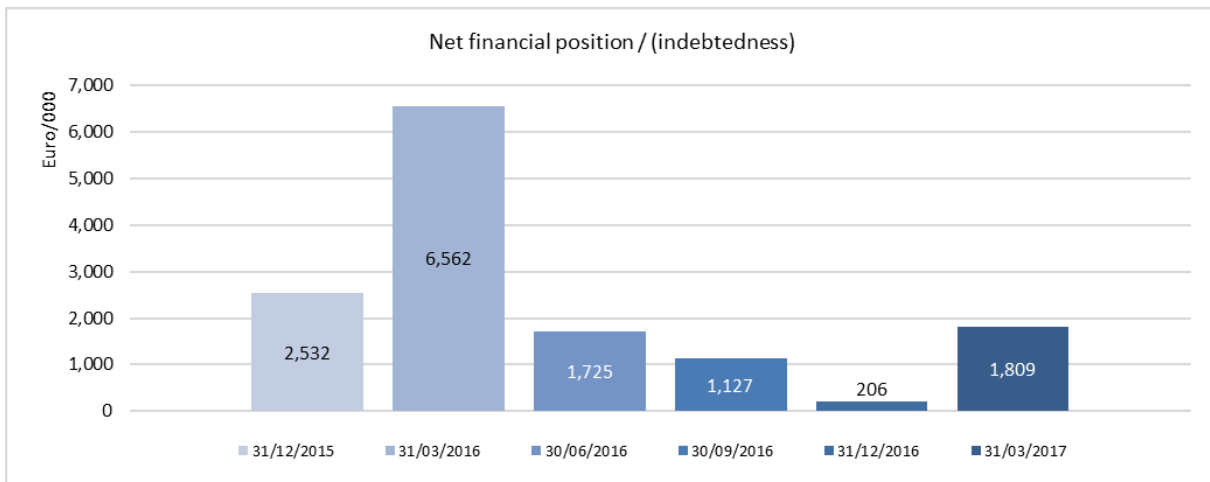
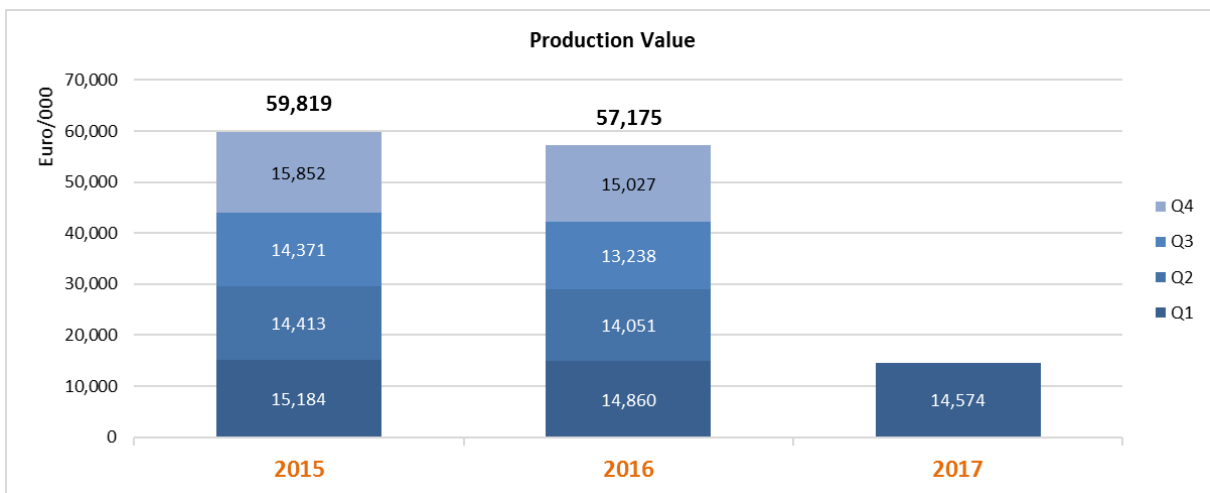
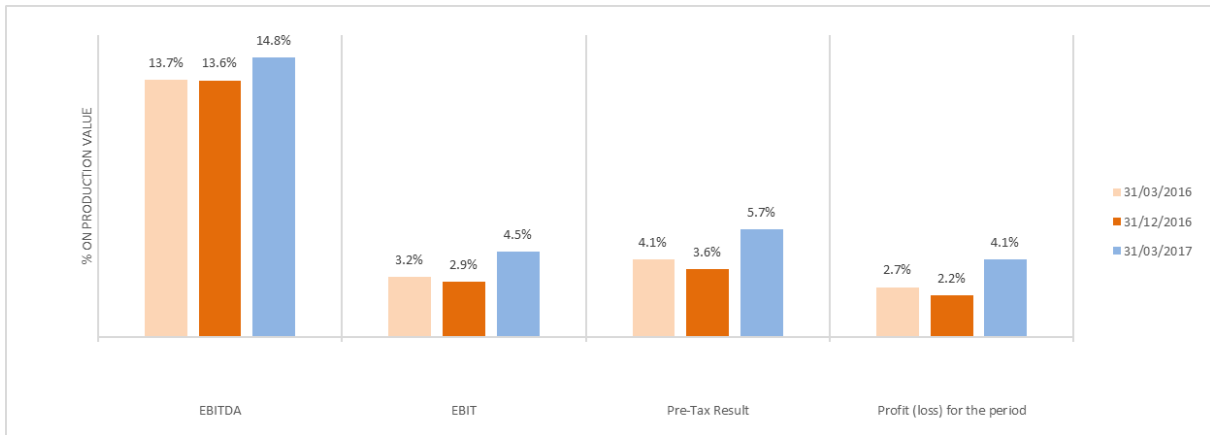


CAD IT Group as at 31/03/2017

## SUMMARY OF THE GROUP'S RESULTS AND DATA

	31/03/2017		31/03/2016		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	14,574	100.0%	14,860	100.0%	(287)	- 1.9%
Gross operational result (EBITDA)	2,164	14.8%	2,030	13.7%	134	+ 6.6%
Operational result (EBIT)	658	4.5%	475	3.2%	183	+ 38.5%
Pre-tax result	835	5.7%	609	4.1%	226	+ 37.1%
Income taxes	(232)	(1.6%)	(215)	(1.4%)	(18)	- 8.2%
Profit for the period	603	4.1%	395	2.7%	209	+ 52.8%
<b>Profit for the period attributable to owners of the parent</b>	<b>493</b>	<b>3.4%</b>	<b>425</b>	<b>2.9%</b>	<b>68</b>	<b>+ 16.0%</b>
Total comprehensive income	603		395		209	+ 52.8%
<b>Total comprehensive income attributable to owners of the parent</b>	<b>493</b>		<b>425</b>		<b>68</b>	<b>+ 16.0%</b>

	31/03/2017	31/12/2016	31/03/2016
Total Assets	86,465	83,847	86,398
Total Equity	55,943	55,339	56,418
Equity attributable to owners of the parent	53,506	53,013	53,916
Net short-term financial position/(indebtedness)	3,211	1,883	8,558
Net financial position / (indebtedness)	1,809	206	6,562
Employees at the end of the period (number)	646	649	647
Employees (average number in the period)	648	647	646



## SUMMARY SCHEDULES

### *Consolidated income statement*

(in thousands of Euro)

	<i>I Quarter 2017</i>	<i>I Quarter 2016</i>
Income from sales and services	13,482	13,584
Asset increases due to internal work	1,063	1,252
Other revenue and receipts	29	24
Purchase costs	(83)	(72)
Service costs	(1,945)	(2,380)
Other operational costs	(228)	(204)
Labour costs	(9,609)	(9,619)
Other administrative expenses	(545)	(555)
Allocation to fund and credit depreciation	(27)	(34)
Intangible fixed asset amortization	(1,336)	(1,390)
Tangible fixed asset amortization	(142)	(130)
Financial income	0	17
Financial expenses	(12)	(12)
Revaluations and depreciations	189	128
<b>Pre-tax result</b>	<b>835</b>	<b>609</b>
Income taxes	(232)	(215)
<b>Profit/(loss) for the period</b>	<b>603</b>	<b>395</b>
<b>Profit/(loss) for the period attributable to:</b>		
Non-controlling interests	110	(30)
<b>Owners of the parent</b>	<b>493</b>	<b>425</b>
Weighted average number of ordinary shares: 8,980,000		
Basic earnings per share (in €)	0.055	0.047

## Consolidated statement of comprehensive income

(in thousands of Euro)

	I Quarter 2017	I Quarter 2016
<b>Profit (loss) for the period</b>	<b>603</b>	<b>395</b>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>		
Actuarial gains/(losses) on defined benefit liabilities	-	-
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>		
Gains/(Losses) on fair value of available-for-sale financial assets	-	-
Reclassification adjustments: gains realized on disposal of available-for-sale	-	-
<b>Total Comprehensive income/(loss)</b>	<b>603</b>	<b>395</b>
Comprehensive income/(loss) attributable to:		
- Non-controlling interests	110	(30)
- <b>Owners of the parent</b>	<b>493</b>	<b>425</b>



## Consolidated Statement of financial position

(in thousands of Euro)

31/12/2016	ASSETS	31/03/2017	31/03/2016
	A) Non-Current Assets		
18,413	Property, plant and equipment	18,318	18,364
18,301	Intangible assets	18,034	18,616
8,309	Goodwill	8,309	8,309
2,202	Investments	2,391	499
50	Other financial assets available for sale	50	50
325	Other non-current credits	318	278
910	Credits due to deferred taxes	883	793
<b>48,510</b>	<b>TOTAL NON-CURRENT ASSETS</b>	<b>48,302</b>	<b>46,909</b>
	B) Current Assets		
14	Inventories	24	14
29,636	Trade receivables and other credits	31,872	27,506
1,293	Tax credits	1,298	1,400
4,394	Cash on hand and other equivalent assets	4,968	10,569
<b>35,337</b>	<b>TOTAL CURRENT ASSETS</b>	<b>38,163</b>	<b>39,488</b>
<b>83,847</b>	<b>TOTAL ASSETS</b>	<b>86,465</b>	<b>86,398</b>

31/12/2016	EQUITY AND LIABILITIES	31/03/2017	31/03/2016
	A) Equity		
4,670	Company capital	4,670	4,670
35,246	Reserves	35,246	35,246
13,097	Accumulated profits/losses	13,590	14,000
<b>53,013</b>	<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>53,506</b>	<b>53,916</b>
2,327	Third party Equity	2,437	2,502
<b>55,339</b>	<b>TOTAL EQUITY</b>	<b>55,943</b>	<b>56,418</b>
	B) Non-current liabilities		
1,677	Financing	1,401	1,996
2,520	Deferred tax liabilities	2,520	2,519
7,976	Employee benefits and quiescence provisions	7,998	7,534
-	Expense and risk provisions	-	-
<b>12,173</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>11,920</b>	<b>12,050</b>
	C) Current liabilities		
3,950	Trade payables	7,036	7,184
2,904	Current tax payables	2,197	2,017
2,511	Short-term financing	1,758	2,010
6,970	Other liabilities	7,612	6,718
<b>16,335</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>18,603</b>	<b>17,930</b>
<b>83,847</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>86,465</b>	<b>86,398</b>

## Consolidated Cash Flow Statement

(in thousands of Euro)

<i>Cash Flow Statement of CAD IT Group</i>	<b>1° Quarter 2017</b>	<b>1° Quarter 2016</b>
<b>A) OPERATING ACTIVITIES</b>		
Profit (loss) for the period	603	395
Amortisation, revaluation and depreciation:		
- Property, plant and equipment depreciation	142	130
- Intangible fixed asset amortisation	1,336	1,390
- Revaluation of investments and financial assets available for sale	(189)	(128)
Allocations (utilization) of provisions	22	90
Financial performance:		
- Net financial receipts (charges)	12	(6)
- Profit/(loss) on foreign exchange	(1)	-
Other working capital variations	796	3,543
Income taxes paid	0	-
Interest paid	(11)	(12)
<b>A) - Cash flows from (used in) operating activities</b>	<b>2,710</b>	<b>5,402</b>
<b>B) INVESTMENT ACTIVITIES</b>		
Investments in activities		
- purchase of property, plant and equipment	(46)	(69)
- purchase/production of intangible assets	(1,069)	(1,283)
- purchase of assets available for sale	-	(50)
- increase in other fixed assets	(13)	(7)
Disinvestment activities		
- transfers of property, plant and equipment	-	-
- decrease in other fixed assets	20	19
Cashed Interest	-	17
Cashed dividends	-	-
<b>(B) - Cash flows from (used in) investment activities</b>	<b>(1,107)</b>	<b>(1,372)</b>
<b>C) FINANCING ACTIVITIES</b>		
Medium/long term financing repayment	(275)	(264)
Medium/long term financing opening	-	-
Allocation of profits to directors of subsidiary companies	-	-
Dividends paid	-	-
<b>(C) - Cash flows from (used in) financing activities</b>	<b>(275)</b>	<b>(264)</b>
<b>(A+B+C) - Total cash and other equivalent assets flows</b>	<b>1,327</b>	<b>3,766</b>
<b>Opening cash balances and equivalents</b>	<b>1,883</b>	<b>4,792</b>
<b>Closing cash balances and equivalents</b>	<b>3,211</b>	<b>8,558</b>



## EXPLANATORY NOTES

### 1. Foreword

This Interim Management Report is provided as an additional periodic financial information and has been drafted, in accordance with article 2.2.3, paragraph 3, letter a) of the Borsa Italiana Rules and, in line with the clarification from Borsa Italiana Notice n. 7587 of April 21, 2016, according to the provisions of the paragraph 5 of Article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998, in the pre-existing wording of the coming into force of Legislative Decree no. 25 of 15 February 2016, that amended the previous Directive 2004/109/EC (the so-called Transparency Directive); this report is not an interim management statement drafted in accordance with IAS 34 "Interim Statements".

In accordance with this regulation, this interim management report gives:

- a) a general description of the Group's financial standing and financial trend in the reference period;
- b) an outline of the significant events and transactions that occurred in the reference period and their effect on the Group's financial standing.

The interim report includes balance charts in reference to the following periods:

- profit and loss account for the interim period in question and trend compared to the same interim period (period and trend) of the previous financial year;
- statement of financial position at the end of the interim period concerned, in comparison to the statement of financial position of the last annual financial statement;
- cash flow statement at the interim period closure date compared to the figures for the same period of the previous financial year.

The figures representing the net financial position, compared with the figures of the previous quarter and the previous year end, and tables showing investments in intangible and tangible assets, installations and machinery relating to the intervening period between the beginning of the financial period and the closing date of the quarter, are also supplied.

This document shows the quarterly figures required on a consolidated basis, since CAD IT S.p.A is obliged to draft a consolidated balance.

Unless otherwise indicated, the monetary sums in the accounting tables and those in the notes are shown in thousands of Euro. The totals and subtotals of the statements presented are determined by rounding the sum of the point data. The percentage figures shown are calculated using the non-rounded off figures.

The Interim Management Report is not subject to auditing by the auditing company.

### 2. Information on CAD IT S.p.A.

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

CAD IT was set up as a joint stock company under Italian law. The registered office and the administrative and main operating offices are in Via Torricelli 44/a, Verona. The company is registered in the Verona Company Register under no. 01992770238. Share capital amounts to € 4,669,600, fully subscribed and paid-in, and comprises 8,980,000 ordinary shares. There are no other action categories. These shares are nominal and cannot be divided. Each of them entitles to one vote in the ordinary and extraordinary meetings of the company and to the execution of all other corporate and property rights in accordance with the law and the company's by-laws. The company is listed in the STAR segment of MTA market of the Italian stock exchange, segment conceived for mid size companies that voluntarily comply with requirements of excellence in terms of information transparency, communication, liquidity of free float and Corporate Governance, in line with best international standards.

CAD IT S.p.A. is not subject to the control of any other company, as provided by article 2359 of the Italian Civil Code and it is fully responsible for defining its own general and operational strategic policies. CAD IT S.p.A.

manages and coordinates its own subsidiaries.

The CAD IT Group operates in Italy with its own branches and companies in Verona, Milan, Rome, Prato and Padova.

### **3. Activities of the Group**

#### ***A dynamic and innovative company ...***

The group philosophy is that every customer situation is unique and for each of them will be sought specific solution. For this reason group's technology solutions are established on component-based architectures that allow for secure, phased and progressive implementation.

With over 600 highly trained professionals employed within the company, the aim of the Group is to harness innovation and technology to help the company run better.

#### ***... with a broad and impressive customer base***

CAD IT serves demanding market-leading organisations across Europe.

Its customer base includes banking groups, national authorities, local authorities, consumer goods companies, insurance companies, outsource service providers and foundations.

Each day, its technology solutions support over 200,000 end-users in: Italy, Switzerland, Germany, UK, Czech Republic, Spain, Portugal, Austria, Saudi Arabia and China.

#### ***... operating through a dedicated company network***

During the years it has widened its product range through the continual increase in new skills, a careful strategy of acquisitions and partnerships, considerable investment in research and development and constant market trend monitoring, that has always favored the issue of products in line with the changing needs and anticipating needs.

The founding of new companies and other strategic purchases have enabled the Group to improve synergies and to enter new markets, e.g. business intelligence and control and management systems for banks, insurance companies, private and public institutions, innovative solutions to interconnect financial markets, SIM (securities brokerage firm) and SGR (company asset management), ERP applications and solutions for local tax collection agencies.

#### ***... with market leading products based on reliable and flexible technology***

CAD IT has proven and functionally-rich technology solutions and offers its customers true expertise in technology.

With the gained experience and consistent R&D in technology design and application development, the group has the expertise to build reliable, user-friendly and highly scalable application architecture.

Based on an independent model platform, service oriented its architectures offer customers the flexibility of phased implementation within a technology framework that is designed for today and can evolve around their changing needs. The "lego" methodology, coupled with a broad range of services, facilitates the tailoring of common technological solutions to the customer's situation.

#### ***... combining with a comprehensive set of services***

The services offered are related to developed solutions in the following areas:

- project management;
- system integration;
- consultancy and training;
- customisation and change management activities;
- application monitoring & support through agreed SLA;
- multi-lingual, 24x7 Help Desk;

- regulatory support;
- application development;
- application maintenance;
- private cloud;
- business processing.

### *... and a laser focus on customer service*

Guidelines, frameworks and specific toolsets are in place to ensure every aspect of work is linked to these needs from requirements and service planning, through solution development to deployment and support.

Software Development Centre of CAD IT supports all software releases, documentation and materials that allow to simplify the operation activities of its customers.

The Group developed a special single-point-of-contact (SPOC) Customer Support Framework for the management of support and maintenance activities including Service Desk, Incident and Problem Management, Change and Release Management.

Its main purpose is:

- to act as a single point of contact for the CAD IT software end-user;
- to manage the life cycle of user generated issues and service requests;
- to guarantee pre-agreed service levels;
- to organise and prioritise requirements;
- to keep end-users updated on progress.

### *... innovating together with a wide network*

CAD IT invests heavily in R&D for its technology solutions.

Its capacity to innovate together with its clients is a compelling advantage. For many years now CAD IT adopted a collaborative research and development approach with customers, universities, regulatory authorities, consultancies, communities and technological and business partners.

With a growing user community of over 200,000 end-users, where customer demands and requirements constantly evolve, Group's strength is the ability to deliver solutions that respond to our client's needs and adapt to the changing market environment.

### *... offering constant improvement*

The CAD IT Group offers solutions based on the know-how of a vast community of users and supports customers in achieving their own specific objectives with a personalised approach based on granular software components and tailor-made modular services.

Due to the inspiration we receive from our customers and believing firmly in creating stable and lengthy relations, we aim to evolve constantly by making every effort to find new methods, innovate our technology and support the professional growth of our own resources through training and experiential courses.

The Group is convinced that its commitment to understanding the customers' needs and to providing increasingly more efficient solutions is the true reason behind its managing to maintain customer satisfaction rate extremely high.

We believe that innovation does not simply end with the supply of a state-of-the-art technological solution, but is a continual process of customer support to provide solutions that evolve and adapt to changing market conditions. This is why the Group continues to provide support for all the releases and, although invites its customers to evolve, never obliges them to replace their software with updated versions.

By offering holistic services like system integration, training, consultancy, assistance and constant support, the Group is continually enriching its own know-how by increasing the added value of the solutions it offers to the customers.

## **FINANCE**

Area Finanza, flagship product, is viewed as the gold standard on the Italian market, with about a 90% share of



the Italian securities processing market, according to the estimate of the company.

Since 2006, with continuing product development, Area Finanza has now been implemented successfully internationally, at leading financial institutions in Switzerland, Germany, UK and the Czech Republic.

Area Finanza offers total automation of all processes relating to derivatives and securities in the following macro areas: Position Keeping, Custody and Administration, Corporate Actions, Order Management, Trading Rooms, Securities Master Database, Settlement, Asset Management, Reconciliations, REPOs, Know Your Customer, Financial Advice and Reporting.

Customers are banks, banking groups, insurance companies, global custodians, brokers, asset managers, IT and BPO service providers, finance companies, trust companies and banking foundations.

According to company estimates within Europe, applications for Area Finanza are the following:

- 1,000 financial institutions;
- 25,000 bank branches;
- 14,000 post office branches;
- 200,000 users;
- 25,000,000 security deposit accounts.

### **PUBLIC ADMINISTRATION**

The Group holds a leading position in providing software solutions for Tax Collection in Italy.

Our SET suite for tax collection is the National IT solution being used by the Institutions that manage public tax collection.

Activity in this sector began in the 1980s and has been developed by constantly keeping up with the legal and functional evolutions in the management of both "voluntary" and "compulsory" tax collection.

Since 2006, in view of the ongoing decentralisation of local tax collection, CAD IT has made considerable investments in developing its FE suite for managing Taxation for Public Authorities, capitalising on its experience in Tax Collection at a central level.

FE offers avant-garde tools at the service of all types of central and local Authority for managing tax collection, from preparing "loading lists" up to payment collection and settlement. Furthermore, the FE suite includes planning and control solutions that improve the Authority's internal management, so that Public Administration can accompany the citizen through all the most important events of the public service lifecycle: from information services to the various payment means.

Customers are Authorities, Licensed Companies, Tax Collection Agents and Banking Groups that carry out Treasury and Tax collection services.

Taxation for Authorities (FE) and Tax Collection System (SET) are used throughout Italy and exclusively manage tax collection activities for the National Public Administration Service.

### **INDUSTRY**

In addition, the Group boasts a long-standing activity in the industrial and the financial sectors and can count on the capacity to offer solutions for e-business, credit and industrial companies in constant evolution.

CAD IT is a reference point for companies producing the most famous "made in Italy" products: fashion and food. In these sectors, CAD IT aims at providing specific IT and business skills through software packages and services with high added value that ensure immediate benefits for its customers.

Customers are hundreds of companies dotted all over Italy with branches abroad and with a strong potential for internationalization. Companies that have grown with the collaboration of CAD IT in terms of modernising and reviewing their company procedures. With them were created organizational models so that decisions can be taken quickly and within economically sustainable time periods.

CAD IT, with the support of its strategic partners, is able to provide its customers with a complete range of services so that they can make the decisions that lead to creating advanced systems supported by the very best specific skills available on the market.



## 4. Hot topics

### **IFRS 9**

In July 2014, the IASB issued the new IFRS 9 accounting standard that legislates financial instrument classification, measurement, impairment and hedge accounting and which will replace the IAS 39 accounting standard. The IFRS 9 application range involves all debt and equity financial instruments that were already included in the IAS 39 scope. The new standard will come into force as of 01/01/2018.

The FRS 9 will have a number of new aspects compared to the current IAS 39 standard:

- new Business Model concept;
- new binding rules for classifying financial instruments in terms of the SPPI test (“Solely Payments of Principal and Interest”);
- new balance categories;
- new ways to measure financial instruments;
- new ways to calculate impairment.

These new entries in IFRS 9 will have a significant impact on Financial Institute Balances, also in terms of a potentially considerable increase in Economic Statement volatility.

Furthermore, these new entries will also have heavy consequences on organisational procedures and company information technology systems.

In this context, CAD IT, thanks to its expertise and consolidated experience in developing IT solutions for financial instrument management, has defined its own Finance Area evolutionary strategy in order for it to be IFRS 9 compliant.

To optimize the quality of its offer, CAD IT, during 2016, has organized a work group with leading Italian financial institutions in order to compare the impacts of the new regulation as well as the relative solutions.

In the fourth quarter of 2016 some parts of the software relating the Master Data Portfolios, Master Data Securities, the First Time Adoption, Assessments and Accounting, were already released. In 2017 the parts relating Impairment, Hedging, Controls on dispositive and administrative functions are going to be released.

### **MiFID II – MiFIR**

Banks and other investment companies operate in an environment with strict, complex and hard-to-interpret regulations. Several regulations (e.g. EMIR, BASEL III, CRD IV, IFRS 9, Market Abuse) affect the same operating processes.

In this context, the new European Union directives, MiFID II and MiFIR, will be coming into force as of 2018. This new regulation regards various operational processes and will impact on income sources such as commissions, incentives and financial product distribution.

The banks and investment companies need a comprehensive and modular MiFID II/MiFIR compliant solution that has a lesser impact on current processes and which allows large volumes of data to be managed efficiently and centrally.

CAD IT's solution for managing MiFID II and MiFIR obligations is flexible and covers all the regulatory areas: "customer protection", "markets" and "compliance".

CAD IT's solution is solid because it is based on existing products and founded on regulatory requirements shared by a work group that comprises all CAD IT's customers.

### **Master Data**

After meticulous international market research into best practices and best available technologies, and following years of research and development in collaboration with a leading banking group, CAD IT has created Master Data, a robust, dynamic and pro-active product that is able to rapidly evolve and adapt its own processes, designed to meet the needs of a banking group which, in total autonomy, wants to configure, manage and monitor processes and the specificities of each Entity.

Master Data is user-oriented thanks to an active graphic interface, fitted with dynamic module loading, real-time validation, self-completion, contextual help windows and timely messaging, that also supports the user during

every data process phase, thus increasing concentration and zeroing error percentages.

Master Data is quality-centric, based on an intrinsic data quality system that enables the constant data management, offering definition and configuration autonomy in:

- data acquisition processes through workflow definition and form design;
- data checking through data dictionary;
- proper usage of the data.

Moreover Master Data is migration-oriented, a unique product that brings with it the experience of a sustainable migration process which allows:

- new and "old" data to be constantly aligned thanks to a two-directional synchronisation process;
- applications that access "old" data to progressively migrate to the new data.

### ***Cash & Liquidity Management - Basilea III compliant***

Constant evolution in the Payment System world, globalisation and high market volatility make Treasury activities more and more complex and Treasury is forced to face difficult challenges on a daily basis: risk management, uncertainties concerning the quality of information gathered, processing of reliable forecasts and satisfying the current regulatory requirements set by institutional entities (like, for example, the Basel Committee of Banking Supervision, BCBS).

Underestimating these scenarios can lead to high risk in terms of wasting resources in activities with poor added value, running into pointless expenses linked to interest rates and not achieving cash flow objectives. It is therefore necessary to find a solution that would offer the greatest number of benefits and advantages to the user. A solution that would be able to respond, at any moment, to the most important questions in terms of liquidity management.

CAD IT aims at determining factors to achieve this objective, in other words: detailed collection and management (also in real-time if possible) of all the necessary information, check functions that guarantee the quality of the data used, product adaptation to all possible operative configurations, maximum usability in order to reduce errors and increase user action effectiveness.

Built on the CAD IT SPIKE framework technology, Cash & Liquidity Management supports the Treasury in managing the liquidity needed for all the bank's or financial institute's activities. Adaptable to the organisational structure in terms of security/enablement and operative workflow, the product interfaces with the systems (internal or external) that operate on liquidity, providing an overall and detailed view of the cash trend: End of Day, Intraday and Forecast, all supported by graphics and parameterisable alert functions. There is a funding functionality which also acts automatically, processing transaction "proposals" (giros and transfers) on the basis of rules linked, for example, to balance and average stock. The user can modify and/or confirm these proposals which, if sent to the Systems of reference, will immediately be used by the application to calculate forecasts.

Report management is an important advantage that SPIKE offers to the treasurer in order to meet accounting needs at all organisational levels as well as everything foreseen by the regulations (e.g. Central Banks, BASILEA 3, etc.). Print-outs can be produced automatically or on command by the user who, starting from all the information in the database, can manage reporting through pre-defined models or in a personalised manner. The reports can be edited on the basis of all the most commonly used layouts (pdf, csv, xls, txt, etc.).

### ***KID per PRIIPs***

The introduction of KIDs for all PRIIPs comes fully within the host of post-crisis European provisions aimed at strengthening retail investor protection.

PRIIPs "packaged retail investment and insurance-based investment products", are "pre-assembled" investment and insurance products sold by the financial industry to retail customers.

KIDs "key information documents", refer to 3-page documents, which every issuer will be obliged to submit to the customer, containing key information on the product sold.

According to the European Union, as of January 1st 2018, every issuer will be obliged to provide the KIDs relating to products of their own issue and supply the customers with a copy, otherwise they will not be able to sell the products. The information therein should be standardized and comparable and an average retail investor should



be able to understand them easily.

Until now, issuers have paid little attention to this topic, convinced that the regulation's coming into force would be deferred and that they would be able to produce an "in-house" document since it seemed to be easy to create. In reality, the activation times would still be very tight because the KIDs will not only have to be prepared for new products, but also for those of older issue. Each KID must then be constantly monitored and, if necessary, updated and published on multiple channels.

Furthermore, issuers are now realizing that the KIDs are not just simple reports but do, in fact, contain quantitative and qualitative information that is hard to assemble, implying an in-depth knowledge of the regulation and the technical standards to be applied.

This is why issuers, particularly banks and insurance companies, are now rushing to adapt quickly to the regulation.

In order to meet the needs of its clientele, CAD IT, in collaboration with «Fairmat», a company that has been working for years on themes regarding PRIIPs, has created a software solution that will allow issuers to rapidly structure the KIDs in relation to all product types involved in the regulation.

The platform is extremely flexible and can be integrated with the necessary general data for automating the process.

Moreover, scenarios can be constructed to check the final result of the KIDs created for the Issuers' new products.

### **BitFinder**

Bitfinder is a full text search engine that searches contents that may be present in any application, system, network or platform. BitFinder replaces the various tools that provide vertical search services on single applications with one single system able to carry out searches and group information and content from the most varied internal and external sources.

A powerful syntax allows specialised and personalised searches to be carried out for different contexts through the use of words, phrases, proximity operators, logic operators, regular weights and expressions.

Third party applications therefore have the chance to enrich their own functions by integrating BitFinder search services through the use of the API web service.

A security system based on Roles, ensures that only those effectively authorised will be able to see the information returned by the search.

The web administration module provides simple and complete management and parameterisation of all the functionalities.

### **Anti-Money Laundering**

The software procedure was created in order to comply with the anti-money laundering regulation introduced into the Italian system with law no. 197 of 5th July 1991, subsequently integrated and modified by various decrees and regulations up until the last Banca d'Italia Provision issued on 3rd April 2013, published in ordinary supplement no. 35 of Official Gazette no. 105 of 7th April 2013, and to put the provisions outlined in Directive 2015/849/CE (IV European Anti-money Laundering Directive) into effect.

The regulation involves a large number of subjects, especially bank and financial intermediaries in general and imposes the setting up of a Single Electronic Archive in which to record:

- continuous relations installed with the clientele;
- transactions of an equal or higher amount than a set threshold;
- transactions of a lower amount than the set threshold but made by the same subject within a defined timeframe and whose totals amount to the registration limit.

The Archive respects precise technical standards defined by the regulation both in terms of structure and data coding.

CAD IT's Anti-money laundering solution allows the customer to comply with all these obligations through easy-to-learn functions that not only make loading data and their subsequent management simple, but also data inquiries, should the controlling authorities need to carry out investigations. The solution is available in both the mainframe and departmental versions.

## **SOS**

Banca d'Italia has reviewed the entire collection and management system for suspicious transaction alerting. This new system aims at improving the quality of the alerts by ensuring greater uniformity and completeness as well as shortening the analysis and investigation procedures. An important new factor in the way that information flows with alerting parties are exchanged is the introduction of the standard XBRL format and the use of the Banca d'Italia portal.

The SOS system is natively integrated within CAD IT's "Anti money laundering" module but can also be independently interfaced with the bank's internal systems.

CAD IT's SOS system aims at making it easier to collect and integrate the data required for executing an alert by providing access to external files such as General Data, the Single Computerised File and the "unexpected" lists in the "Gianos" procedure.

An alert follows a route that generally starts from the branch in which the minimal data is collected, then goes to the central offices responsible for inserting other additional elements and ends with the production of files in the XBRL format, ready to be sent to the UIF.

The SOS software is able to memorise each individual stage, thus ensuring that the entire operation is archived.

## **TDOC@Web**

In a world that is becoming increasingly submerged by information, constant attention to digitalisation issues is now necessary with a view to a simple and effective re-organisation of know-how. It is therefore essential to have the tools that are able to favour data and information exchange in a structured yet flexible manner.

TDOC@Web is CAD IT's tool that allows Bank, PA Office and Company users to quickly, safely and automatically transfer large volume data flows between different platforms and, more generally, between environments where controlled flow exchanges are essential for carrying out their service.

The instrument uses standard methods like MQ Series, Thema Spazio, Posta Elettronica Certificata, Web Services, etc.

Specific additional modules manage functionalities connected to "Digital Signatures" for user identification through Smart Cards, to verify documents that have been signed digitally and to affix Digital Signatures.

The system foresees functionality through the Internet/Intranet for checking, supervising and managing the users and for standard or personalised operative flows.

## **EMIR: Reporting Compliance for Derivative Trades**

According to the EMIR regulation, financial and non-financial counterparties must ensure that the details of any derivative contract they may have concluded as well as any subsequent modification or termination of said contract is reported to a trade repository, no later than one the working day following its the conclusion, modification or termination of the contract.

The reporting obligation will take effect as of July 2013 for derivatives on interest and credit and as of January 2014 for derivatives on all other asset classes.

CAD IT's Trade Repository Reporting allows to introduce new reporting logic into your current applications.

Trade Repository Reporting captures operations in real time from existing Front Office Systems (e.g. MUREX, Kondor+, Bloomberg, direct market connection, etc.) and from the Area Finanza Suite, elaborates the data and sends all necessary messages to the Trade Repository. The monitoring screen shows the status of all messages for all contracts.

Through CAD IT's partnership with REGIS-TR ([www.regis-tr.com](http://www.regis-tr.com)), the European trade repository, launched by Iberclear (BME) and Clearstream (Deutsche Boerse Group), we are able to supply a complete service.

## **Market Abuse Sensing**

Market Surveillance Authority regulations are becoming increasingly more severe and extensive. Applying them effectively while limiting the impact in terms of cost and application complexity, is a challenge that can be faced with automation.

CAD IT has developed a tool for Market Abuse Sensing (compliant with Italian and European laws) that is able to

identify suspect transactions of market manipulation and information abuse (insider trading). The application also manages a register of interest conflicts.

The platform totally automates the processes for acquiring data for processing and has automatic search functions with a high number of variables to find potentially suspect transactions. The effectiveness of investigation into automatically identified transactions, in order to establish the soundness of the suspicion and to notify any transactions to the market surveillance authorities, is supported by a vast information workflow that allows the user easy and fast management of investigation activities.

#### **Local Authority Treasuries**

Local Authority Treasuries: software procedure for the total automated management of Local Authority Treasury and Funds for which the law imposes the figure of Treasurer or Receiver (Local Authority, Balances, documental and non-documental cash collection and payment management). The application can be integrated with Teso@Web, a product that, through Internet and by using special consultation functions, allows Local Authorities to swiftly access their own data. The SIOPE and UNIFIED TELEMATIC PUBLIC TREASURY procedures are available for Banca d'Italia reporting.

#### **INDUSTRY DIVISION**

In the period collaboration activities with INFOR were continued.

A new project for an important customer operating in the fresh food sector, which foresees the implementation of the Infor MP platform, began in the first quarter of 2017. This ERP platform aims at meeting the customer's specific needs, aiding data analysis and optimizing planning and logistics procedures for operational units located in Italy, the United States and Spain. The application will lead to greater benefits in terms of coordination between departments and a more careful and effective management of the peculiarities of each product at cost, certification and traceability levels.

### **5. Corporate Governance**

The system of corporate governance adopted by CAD IT SpA is the traditional one.

CAD IT adheres to the Code of Conduct for listed companies issued by the Italian Stock Exchange (the "Codice di Autodisciplina"), available on the website of the Italian Stock Exchange.

In compliance to the legal obligations, the Board of Directors annually approves the Corporate governance and property asset report, in accordance with articles 123 bis and 124 ter TUF and 89 bis Consob Issuer Regulations, in order to provide an adequate description of the corporate governance system adopted, information on property assets and adherence to Corporate Governance regulations. The report is published and is available for public viewing in the Investor Relations sector of the company's Internet site: [www.caditgroup.com](http://www.caditgroup.com). Please refer to this document for further details on governance and the Internal Control System of CAD IT and of the Group.

### **6. Accounting standards and consolidation criteria**

The economic, patrimonial and financial information has been drafted in accordance with the evaluation and measurement criteria as established by the International Financial Reporting Standard (IFRS), issued by the International Accounting Standards Board (IASB) and approved by the European Commission according to the procedure in art. 6 of the European Parliament and Council Regulation (EC) no. 1606/2002 of 19th July 2002.

The accounting standards adopted are the same as those used for drafting the last annual balance with the exception of the items described in the paragraph below – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2017.

The accounting standards adopted have been applied in the same manner throughout the periods shown and for all the Group's companies, amending the respective Financial Statement drafted in accordance with Italian

accounting standards to consolidate.

Interim Management Report has been drafted in the assumption that the company will continue.

Inside the Report is included the profit and loss account drafted in scalar form, highlighting the intermediary results as follows:

- Production revenues: this is the value of services and goods produced and sold by the Group, including internal assets and other income and earnings from the traditional offer.
- Added value: obtained by subtracting the operative costs for service and asset purchases from production revenues, this measures how much of the internal production and distribution of goods and services is due to company productive factors.
- Gross Operational Result (EBITDA): this figure is obtained by subtracting from the added value all of the costs that can be put down to staff and other administrative expenses. It highlights the result based on the traditional offer including depreciations, financial management, revaluations or devaluations and taxes.
- Operational Result (EBIT): this figure is obtained by subtracting the depreciation and funding amounts from the gross operational result.
- Ordinary Result: this includes the financial management result.
- Pre-tax result: obtained by including revaluations and devaluations in the ordinary Result.

In this Report, no alternative performance indicators have been adopted with the exception of the net financial position, shown in the Financial Statement notes, for which no reclassifications have been made in terms of Financial Statement figures and relative explanations are supplied and linked to the patrimonial status entries concerned, as defined in the CESR Recommendations.

#### ***Use of estimates***

The drafting of the Interim Management Report requires the company management to the formulation of evaluations, estimates and hypotheses to apply the accounting standards which affect the amounts of credit and debit and the costs and revenues found. Estimates and their relative hypotheses are based on past experience and factors considered reasonable for the case. Since they are estimates, the results obtained are not necessarily the same as the results portrayed.

The estimates and hypotheses are reviewed on a regular basis. Any variations deriving from an accounting estimate review are shown in the period in which the review was made if such review only affects that period. If the review affects the current and future periods, the variation is recorded in the period in which the review is made and in the relative subsequent periods.

#### ***Accounting standards, amendments and interpretations applied since 1st January 2017***

There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1<sup>st</sup> January 2017 approved by the IASB and IFRIC and published in the European Community's Official Gazette. No standards approved by the European Union, the application of which will be compulsory in the future, have been adopted in advance.

## 7. Consolidation area

During the first quarter 2017 there were no changes in the consolidation area. The fully consolidated companies included in the financial schedules of CAD IT Group are the following:

Company name	Registered office	Share/ Quota capital Euro	Percentage of investment	Percentage of investment of the Group
<i>Consolidated using the integral method</i>				
CAD IT S.p.A.	Verona	4,669,600	Parent company	
CAD S.r.l.	Verona	350,000	100.00%	100.00%
CeSBE S.r.l.	Verona	10,400	62.11%	62.11%
Elidata S.r.l.	Castiglione D'Adda (LO)	20,000	51.00%	51.00%
Smart Line S.r.l.	Verona	102,700	51.05%	51.05%
Datafox	Verona	99,999	51.00%	51.00%
Tecsit S.r.l. <sup>(1)</sup>	Roma	75,000	70.00%	70.00%
<sup>(1)</sup> Held through CAD S.r.l.				

Shares in associates, in which the Group has significant influence, have been evaluated using the equity method and reduced accordingly where the asset value has decreased. In April 2016 CAD IT acquired 30% of the capital of the Spanish company Software Financiero Bolsa and signed an agreement to increase to a majority share in 2019; for more information on the acquisition, please refer to the Consolidated financial statements at 31 December 2016.

Company name	Registered office	Date of reference	Quotaholders' equity	Period profit	Percentage of investment	Investment value of the Group
Sicom S.r.l.	Viadana (MN)	31/03/2017	2,464	742	25.00%	616
Software Financiero Bolsa S.A.	Madrid - Spain	31/03/2017	1,113	12	30.00%	334

## 8. The short-term situation and trend of ICT market

*Recent cyclical indicators signal a gradual firming up of the outlook for global growth, thanks in part to expansionary policies. World trade has accelerated, benefiting from stronger investment in many economies. The persistent uncertainty surrounding prospective economic policies, notably the contents of the fiscal stimulus package currently under preparation in the United States and the positions adopted on trade policy, continues to be a risk factor.*

*Economic activity in the euro area continued to expand, driven by domestic demand.*

*The recovery in the Italian economy is proceeding at a moderate pace, thanks mainly to the stimulus from investment spending. The cyclical indicators suggest that GDP continued to expand in the first quarter of 2017, rising by 0.2 per cent on the fourth quarter of 2016, a similar pace to the previous quarter growth.*

*In the first quarter of this year, the general increase in sovereign spreads also affected Italian government securities. The share prices of banks benefited from a number of highly successful recapitalization operations.*

*Lending to the private sector is sustained by low interest rates and the improving economic outlook. Rates of growth in corporate lending and credit policies are still differentiated according to sector of economic activity and firm size. The loan quality of Italian banks continues to benefit from the improvement in the economy.*

*For the banking groups classified as significant for supervisory purposes, the ratio of the stock of NPLs to total outstanding loans diminished in the fourth quarter compared with the third, both in terms of gross values and net of write-downs.*

*Banks' actions to increase NPL coverage ratios affected profitability. Return on equity of the significant banking groups fell to -9.9 per cent, from 3.5 per cent in 2015. Gross income contracted by 7.2 per cent, mainly owing to the fall of 7.1 per cent*

*in net interest income and, among the other revenue items, the fall in profits deriving from the sale of available-for-sale financial assets. Operating costs grew by 3.7 per cent.*<sup>1</sup>

*On the country's digitalization front, the positive signs are becoming stronger. In 2016, the Italian digital market (IT, telecommunications and contents) grew by 1.8% arriving at Euro 66,100 million. Compared to forecasts, there was an improvement of half a point, which strengthened the trend that began in 2015 (+1%) and overturning the decline of the previous years. If the telecommunications network services component is removed from the market, the comparison becomes even more encouraging with a growth of 3.4% compared to last year's 3%. Looking forward into 2017, the forecasts predict a further improvement of around 2.3% (3.8% net of network services) due to the effect of an increase in components linked to innovation.*

*Even at the first level of disaggregation, the data indicate that practically all divisions, with the afore-mentioned exception of network services, contributed to the 2016 growth: ICT Services stood at Euro 10,631.6 million (+2.5%); ICT Software and Solutions at Euro 6,258.8 million (+4.8%), Devices and Systems at Euro 17,229.6 million (+1.4%), Digital Content and Digital Advertising at Euro 9,622.2 million (+7.2%). Within individual divisions, the trends of several segments once more confirmed the downturn of the more traditional elements and the dynamism of those more linked to the digital transformation of productive models and services; it can be seen, for example, that Cloud has grown at a rate of 23%, IoT by 14.3%, mobile business by 13.1% and security solutions by 11.1%.<sup>2</sup>*

## **9. Significant events of the period**

Activities regarding the development and sale of new products for both traditional and new types of clients continued throughout the period.

<sup>1</sup> Source: Banca D'Italia, Economic Bulletin no. 2, April 2017.

<sup>2</sup> Source: Assinform: 10/3/2017 Presentation Report on the digital market and Preview of 2017 results.

## 10. Management results and comments on the most significant components in the quarter

	I Quarter 2017		I Quarter 2016		Period variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	13,482	92.5%	13,584	91.4%	(102)	(0.8%)
Asset increases due to internal work	1,063	7.3%	1,252	8.4%	(190)	(15.1%)
Other revenue and receipts	29	0.2%	24	0.2%	5	21.1%
<b>Production value</b>	<b>14,574</b>	<b>100.0%</b>	<b>14,860</b>	<b>100.0%</b>	<b>(287)</b>	<b>(1.9%)</b>
Purchase costs	(83)	(0.6%)	(72)	(0.5%)	(10)	(14.3%)
Service costs	(1,945)	(13.3%)	(2,380)	(16.0%)	435	18.3%
Other operational costs	(228)	(1.6%)	(204)	(1.4%)	(24)	(11.8%)
<b>Added value</b>	<b>12,318</b>	<b>84.5%</b>	<b>12,204</b>	<b>82.1%</b>	<b>114</b>	<b>0.9%</b>
Labour costs	(9,609)	(65.9%)	(9,619)	(64.7%)	10	0.1%
Other administrative expenses	(545)	(3.7%)	(555)	(3.7%)	11	1.9%
<b>Gross operational result - EBITDA</b>	<b>2,164</b>	<b>14.8%</b>	<b>2,030</b>	<b>13.7%</b>	<b>134</b>	<b>6.6%</b>
Allocation to fund and credit depreciation	(27)	(0.2%)	(34)	(0.2%)	7	19.8%
Intangible fixed asset amortization	(1,336)	(9.2%)	(1,390)	(9.4%)	53	3.8%
Tangible fixed asset amortization	(142)	(1.0%)	(130)	(0.9%)	(11)	(8.8%)
<b>Operational result - EBIT</b>	<b>658</b>	<b>4.5%</b>	<b>475</b>	<b>3.2%</b>	<b>183</b>	<b>38.5%</b>
Financial income	0	0.0%	17	0.1%	(17)	(98.1%)
Financial expenses	(12)	(0.1%)	(12)	(0.1%)	(1)	(6.2%)
<b>Ordinary result</b>	<b>646</b>	<b>4.4%</b>	<b>481</b>	<b>3.2%</b>	<b>165</b>	<b>34.4%</b>
Revaluations and depreciations	189	1.3%	128	0.9%	61	47.4%
<b>Pre-tax result</b>	<b>835</b>	<b>5.7%</b>	<b>609</b>	<b>4.1%</b>	<b>226</b>	<b>37.1%</b>
Income taxes	(232)	(1.6%)	(215)	(1.4%)	(18)	(8.2%)
<b>Profit/(loss) for the period</b>	<b>603</b>	<b>4.1%</b>	<b>395</b>	<b>2.7%</b>	<b>209</b>	<b>52.8%</b>
<b>Profit/(loss) for the period attributable to:</b>						
Non-controlling interests	110	0.8%	(30)	(0.2%)	140	464.0%
<b>Owners of the parent</b>	<b>493</b>	<b>3.4%</b>	<b>425</b>	<b>2.9%</b>	<b>68</b>	<b>16.0%</b>

The CAD IT Group closed the first quarter of 2017 with results and profit margins showing an improvement compared to the same period of previous year. Net profit of the quarter was Euro 603 thousand compared to Euro 395 thousand of the same quarter of previous year (+52.8%).

The value of production in the first quarter amounting to Euro 14,574 thousand, a slight decrease (-1.9%) compared to the same quarter of previous year (Euro 14,860 thousand), mainly includes revenues from sales and services of Euro 13,482 thousand (-0.8% compared to Euro 13,584 thousand of the first quarter of 2016), as well as the increase in fixed assets for internal works of Euro 1,063 thousand (-15.1% compared to Euro 1,252 thousand in the same period of 2016) relating to the development of new procedures and the CAD IT's own software.

Service costs of Euro 1,945 thousand (equal to 13.3% of the value of production) decreased (-435 thousand of Euro) compared to Euro 2,380 thousand in the first quarter of 2016 (equal to 16.0% of the value of production), mainly due to the lower use of third party collaborations and services.

The added value, of Euro 12,318 thousand, a slightly increase by 0.9% compared to the same quarter of previous

year (Euro 12,204 thousand), reached a margin of 84.5% on the value of production (82.1% in the first quarter of 2016).

Labour costs during the quarter came to Euro 9,609 thousand, in line with the same period of 2016 (Euro 9,619 thousand). The average number of employees during the quarter was 648 units, slightly increasing compared to the same quarter of 2016 (646 units).

The other administrative costs of Euro 545 thousand are also in line with the same period of previous year (Euro 555 thousand).

The EBITDA revenue margin stood at Euro 2,164 thousand, showing an increase compared to Euro 2,030 thousand in the first quarter of 2016 (+6.6%).

Amortization quotas during the quarter were Euro 1,336 thousand for intangible assets and Euro 142 thousand for tangible assets, compared to Euro 1,390 thousand and 130 thousand of the same quarter of 2016.

The EBIT operational result for the quarter was in credit by Euro 658 thousand, increased (+38.5%) compared to Euro 475 thousand in the same period of previous year.

The result of the financial management was negative and recorded financial expense for Euro 12 thousand, compared to a positive net financial result of Euro 5 thousand in the first quarter of last year.

The ordinary result was in credit by Euro 646 thousand compared to Euro 481 thousand in the first quarter of 2016.

The revaluation and devaluation result was in credit for Euro 189 thousand, an increase compared to the first quarter of 2016 (Euro 128 thousand). The revaluations of the period refer to the share of profit of associated companies, calculated with the net patrimony method.

The pre-tax result was in credit by Euro 835 thousand (equal to 5.7% of the value of production), sharply improving (+37.1%) compared to the same quarter in the previous financial year when the figure registered was Euro 609 thousand (equal to 4.1% of the value of production).

Taxes impact on income for Euro 232 thousand, compared to Euro 215 thousand in the first quarter of 2016, resulting in a profit for the period of Euro 603 thousand, an improvement compared to Euro 395 thousand in the first quarter of 2016.

The result of the quarter attributable to owners of CAD IT was positive for Euro 493 thousand compared to Euro 425 thousand in the first quarter of 2016; the result attributable to minority interest was positive for Euro 110 thousand, compared to a negative result of Euro 30 thousand in the first quarter 2016.

The figures summarizing earnings from sales and services, subdivided according to the business line and compared to the corresponding amounts of the same periods of previous year, are shown below.

<i>Income from sales and services</i>	<i>1° Quarter 2017</i>		<i>1° Quarter 2016</i>	
	<i>€/000</i>	<i>%</i>	<i>€/000</i>	<i>%</i>
Finance	12,992	96.4%	13,243	97.5%
Manufacturing	490	3.6%	341	2.5%
<b>Total</b>	<b>13,482</b>	<b>100.0%</b>	<b>13,584</b>	<b>100.0%</b>

## **11. Net financial position**

The net financial position of the Group as at 31st March 2017 was in credit by Euro 1,809 thousand, an improvement compared to the year ended 31<sup>st</sup> December 2016 when it amounted to Euro 206 thousand.

In particular, the net short-term financial position amounted to Euro 3,211 thousand, while the net financial position was positive for Euro 1,809 thousand, due to the presence of long-term loans for Euro 1,401 thousand.



(in thousands of Euro)

<i>Net consolidated financial position</i>	<i>31/03/2017</i>	<i>31/12/2016</i>	<i>31/03/2016</i>
Cash-on-hand and at bank	4,968	4,394	7,868
Capitalization insurance policies	0	0	2,701
Payables due to banks current portion	(1,758)	(2,511)	(2,010)
<b>Net short-term financial position/(indebtedness)</b>	<b>3,211</b>	<b>1,883</b>	<b>8,558</b>
Medium/Long-term loans	(1,401)	(1,677)	(1,996)
<b>Net long-term financial position/(indebtedness)</b>	<b>(1,401)</b>	<b>(1,677)</b>	<b>(1,996)</b>
<b>Net financial position/(indebtedness)</b>	<b>1,809</b>	<b>206</b>	<b>6,562</b>

Cash-on-hand bank accounts and cash amounted to Euro 4,968 thousand. In the last quarter of 2016 the capitalization insurance policy was extinguished and redeemed.

Short-term debts towards banks of Euro 1,758 thousand were made up of overdrawn accounts and advances subject to final payment and of current portion of medium/long term loans.

The net financial position balance sheet agrees with the balance sheets; it is hereby reported that: cash in bank accounts and capitalization insurance policies are registered in the patrimonial status as "Cash and other equivalent assets"; short-term financial debts are registered as "Payables due to banks current portion"; long-term financing is registered in the patrimonial status as "Long-term loans".

As shown in the Consolidated Cash Flow Statement, operational management activities, in the first quarter of 2017, generated a positive cash flow of Euro 2,710 thousand (compared to Euro 5,402 thousand in the first quarter of 2016).

Investment activity management took Euro 1,107 thousand, compared to Euro 1,372 thousand used in the same period of previous year. Specifically Euro 1,069 thousand were invested in intangible assets, Euro 46 thousand in tangible assets.

Lastly, financing activities absorbed Euro 275 thousand for the repayment of portions of financing, compared to Euro 264 thousand during the first quarter of 2016. Please refer to Consolidated Cash Flow Statement for more cash flow details.

## **12. Research and development**

CAD IT Group dedicates a significant part of its activities and resources to conceive, create and develop their own software, which will either be licensed out to clients or directly used for product development and the provision of service to its customers.

In particular, activities for the realization of new modules to increase the functional and/or technological development of the considerable range of software installed, with the purpose of consolidating traditional business, diversifying the Group's offer with new products and towards those sectors bordering on the ones in which it is already present and to new markets abroad, are still underway.

An important development project concerns the evolution of the *Suite Area Finanza*, made up of independent and integrated modules that can each carry out their own specific activities and interface with others to ensure high standards of efficiency in the management of data, avoiding duplication, in perspective of simplifying the product and the method of release. The evolutions allow to make the Suite even more attractive for the international market.

Development and innovation activities for the Suite is particularly intense with the aim to improve user experience and create new functions or modules required by the national and international markets, like, for example:

- Easy Action, a new generation, comprehensive platform for the controlled end-to-end management of corporate actions and income;
- Position Keeping: module dedicated to recording the events/movements and able to update the

positions in real time, manage the process of completing tasks for each event (taking care to enable the modules of competence for settlement, taxation, corporate actions), make accounting records and prepare reports of supervision.

CAD IT, in activities aimed at developing its own range of products, is also creating solutions linked to the new laws (for example further wave provided by Target 2 Securities).

Another important ongoing development project regards the new General Data (Anagrafe Generale) product, a modern, technologically avant-garde, flexible and versatile solution, which will make it easy to adjust to constant variations in regulations and in the commercial or operative needs of banking institutions. Considering the centrality and criticality of the process, which is one of the primary data sources for the entire banking information system, thanks to the tools being developed, CAD IT will be able to offer gradual data migration within its implementation projects, which will include a period of co-existence and synchronisation between the old and new data system, in order to allow integration and interfacing with the system's other processes as well as standardisation of the data to be transferred into the new data file.

Activity in the production of specialized modules for the business intelligence (Managerial Information System) area is also continuing, especially in regard to compliance and liquidity management and monitoring.

Moreover, during the quarter, the activities started in 2016 continued; these activities refer to developments and software updates were made and/or started in relation to sector or regulation evolutions that have had, and are set to have, considerable impact on customer systems in the financial sector. These include the new IFRS9 accounting standard, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR), Classic Repo management, the adoption of the "rolling" method for dilutive increases in capital, the setting up of ISP Individual Savings Plans (products established with the 2017 Budget Laws, which give access to taxation benefits by investing in certified financial instruments, in other words, those that mainly refer to Italian companies, including small and medium-sized enterprises, maintaining the plan for at least 5 years), adjustments to the FTT model and register in accordance with the Italian Revenue Office's recent measures.

### 13. Investments and assets

The figures accumulated in investments in intangible and tangible assets, made during the first quarter by companies of the Group included in the consolidation area amount to Euro 1,115 thousand, compared to Euro 1,352 thousand in the same period in 2016.

*(in thousands of Euro)*

<i>Summary of investments</i>	<i>1° Quarter 2017</i>	<i>1° Quarter 2016</i>	<i>Year 2016</i>
Intangible fixed assets	6	31	82
Assets under development and payments on account	1,063	1,252	4,755
Property, Plant and equipment	46	69	534
<b><i>Total investments in tangible and intangible fixed assets</i></b>	<b>1,115</b>	<b>1,352</b>	<b>5,372</b>

The voice assets under development relates to investments in development of software procedures under construction both for sale and for in-company use. Particularly ongoing intangible asset costs mainly refer to the use of the Group's internal resources for the development of its own software which will either be licensed out to clients or used for the Group's activities.

The amount of investment derives from strategic decisions taken by the Board of Directors and management, who have approved the development of a large number of products, projects and new technologies in order to be ready for development lines in the sector and to be able to propose an updated range of products that can quickly satisfy market demand.

During the period, the item "Intangible fixed assets" and "Property, Plant and equipment" varied as follows:

(in thousands of Euro)

<i>Intangible fixed assets</i>	<i>Industrial patents and similar rights</i>	<i>Licences, trademarks</i>	<i>Assets under development and payments on account</i>	<i>Other intangible fixed assets</i>	<i>Total</i>
Purchase or production cost	43,682	4,099	8,114	15	55,910
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(33,645)	(3,949)	-	(15)	(37,609)
Adjustments to previous years write-downs	-	-	-	-	-
<b>Opening value</b>	<b>10,037</b>	<b>151</b>	<b>8,114</b>	<b>0</b>	<b>18,301</b>
Variations in consolidation area	-	-	-	-	-
Purchases/increases	-	6	1,063	-	1,069
Transfers	804	-	(804)	-	-
Reduction in accumulated depreciation due to disposals	-	1,486	-	-	1,486
Disposals	-	(1,486)	-	-	(1,486)
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(1,316)	(20)	-	-	(1,336)
Adjustments to write-downs for the period	-	-	-	-	-
<b>Total intangible fixed assets</b>	<b>9,525</b>	<b>137</b>	<b>8,373</b>	<b>0</b>	<b>18,034</b>

During the quarter, software development projects for which there was ongoing investment were ended and therefore the incurred costs were reclassified from the voice "assets under development", to the voice "patent rights and intellectual property", for a value of Euro 804 thousand, with the start of its amortization plans.

(in thousands of Euro)

<i>Property, plant and equipment</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Industrial and commercial equipment</i>	<i>Other tangible fixed assets</i>	<i>Assets under development</i>	<i>Total</i>
Purchase or production cost	10,416	4,465	34	4,797	16	19,727
First time adoption revaluation	8,439	-	-	-	-	8,439
Previous years depreciation and write-downs	(2,039)	(3,403)	(32)	(4,280)	-	(9,753)
Adjustments to previous years write-downs	-	-	-	-	-	-
<b>Opening value</b>	<b>16,816</b>	<b>1,062</b>	<b>2</b>	<b>517</b>	<b>16</b>	<b>18,413</b>
Variations in consolidation area	-	-	-	-	-	-
Purchases	-	1	-	45	-	46
Transfers	-	-	-	-	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	4	-	4
Disposals	-	-	-	(4)	-	(4)
Revaluations for the period	-	-	-	-	-	-
Depreciation and write-downs for the period	(43)	(53)	(0)	(46)	-	(142)
Adjustments to write-downs for the period	-	-	-	-	-	-
<b>Total tangible fixed assets</b>	<b>16,774</b>	<b>1,010</b>	<b>2</b>	<b>516</b>	<b>16</b>	<b>18,318</b>

## 14. Personnel

The number of CAD IT Group staff, at the end of the quarter decreased by 3 units compared to the end of 2016 financial period. Information on the actual number employees at the end of each period is reported below:

Category of Employees	Labour force at 31/03/2017	Labour force at 31/03/2016	Labour force at 31/12/2016
Management	20	20	20
White-collars and cadres	574	582	576
Blue-collars	1	1	1
Apprentices	51	44	52
<b>Total</b>	<b>646</b>	<b>647</b>	<b>649</b>

The average number of employees in the quarter was 648 units, an increase of 2 units compared to the same reference quarter of the year 2016 (646 units).

Category of Employees	Average number I Quarter 2017	Average number I Quarter 2016	Average number year 2016
Management	20	20	20
White-collars and cadres	575	583	578
Blue-collars	1	1	1
Apprentices	52	42	48
<b>Total</b>	<b>648</b>	<b>646</b>	<b>647</b>

## 15. Significant events since 31st March 2017

On 27th April 2017, the Ordinary Shareholders' Meeting of CAD IT S.p.A. approved the Annual Financial Statements at 31st December 2016 and decided the distribution of an ordinary dividend of Euro 0.20 per share. The dividend will be paid from 10th May 2017. Dividend payment resulted in a cash outlay of Euro 1,796 thousand.

Moreover, the Shareholders' Meeting has confirmed the appointment of the non-executive and independent director Debora Cremasco (previously co-opted by the Board of Directors on 19th October 2016 pursuant to art. 2386 of the Italian Civil Code and to art. 18 of the Company's by-laws), who will be in charge until the expiry date for the entire Board of Directors, i.e. until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31st December 2017.

Meeting approved the first section of the Remuneration Report pursuant to article 123-ter of Leg. Dec no. 58 of 24 February 1998 (available in the Company's website).

No events have occurred that could noticeably effect the economic, patrimonial and financial situation of the company.

## 16. Foreseeable development in the management

The development strategies adopted for the current year aim at meeting the priorities that the Italian and European banks are now being obliged to face. In fact, financial institutions are now finding themselves having to deal with the constant need to adjust their procedures and structures in order to quickly acknowledge new norms and regulations introduced at an international, European and national level as well as to try and improve results and margins in order to manage the current market context that is now beginning to show signs of recovery.

The principal norms that the banks will have to face in the immediate future involve: modifications to the IFRS 9



accounting standard, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR) integrated with directives and delegated regulations in the issuing stage, the management of Classic Repos and new individual savings plans (PIR), adjustments to the FTT model and register according to recent Inland Revenue Office provisions, EU Regulation 1286/2014 regarding the KID (Key Information Document) aimed at increasing the transparency of Packaged Retail and Insurance-based Investment Products (PRIIPs), Market Abuse, Data Quality, Alerts (Puma 2), Basel III, T2S.

For the purposes of an efficient, timely and coordinated development in the procedures in order to adjust to the new regulations, CAD IT started a series of "work groups" in collaboration with its customers to further study the new specifications since last year.

As regards pursuing improved margins, the financial institutions are constantly trying to contain costs and extend their business areas.

CAD IT also puts itself forward as a strategic partner for its customers on these fronts with innovative software like the new Oder Hub and General Data systems which are able to take advantage of new technologies that lead to achieving high standards of efficiency in terms of data and process management, with significant reductions in processing times and costs.

Lastly, in order to provide financial institutions with support in their business area and business volume expansion strategies, CAD IT offers a Framework for the new generation Digital Bank and, thanks to significant experience and references matured in the field of solutions for financial promoters, also places its skills at the disposal of those financial institutions that want to innovate and promote their own offers and networks.

In addition to the mentioned opportunities the main strategic objectives of the company and the Group are to maintain and further develop its leadership position in the Italian banking sector, increase its customer portfolio in the insurance and trust companies sectors, in the local tax collection sector, further distribute new products relating to business intelligence, promote its software for the industrial sector at medium/large-sized companies, also at international level.

The Group is also continuing to pursue its efforts to expand towards the European and international markets, which could also be supported and accelerated by the acquisition of the previous year of the shareholding in the Spanish company Software Financiero Bolsa S.A., as well as by the optimal references it has obtained from its existing foreign customers and by the internationalization procedures for which the large Italian and European banking groups are advocating.

The CAD IT S.p.A. managers are also constantly on the look-out for any development opportunities, whether direct or through external lines, through technical or commercial collaboration agreements and by taking on or acquiring holdings in order to create activities that are complimentary and synergic to existing ones.

The prospects for the ongoing year foresee a good trend in sales revenues and Group performances in the domestic banking sector, taking into account the numerous and significant developments in the regulations that the customers will have to adjust to. Moreover, the Group's increase in activities on a European and international scale and the acquisition of new customers in sectors bordering on financial institution areas, may contribute to maintaining and increasing the value of production compared to that of the 2016 financial period. The global short-term economic situation remains difficult and uncertain, however, still a national and international level, and the managerial trend would be subject to risks connected to factors outside the Group's control. Despite this, the Board of Directors expects that positive results can still be achieved, considering activities and actions already developed and those planned in the development plans of the company and of the Group.

On behalf of the Board of Directors  
The Chairman  
//s// Giampietro Magnani

## **DECLARATION IN ACCORDANCE WITH ARTICLE 154-BIS, SECOND PARAGRAPH, OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998**

The undersigned, Michele Miazzi, manager in charge of drafting CAD IT S.p.A. accounting documents, hereby declares, in accordance with article 154-bis, second paragraph, of the Revenue Office “Testo Unico” (Leg. Dec. 58/1998), that the accounting information in this Interim Management Report corresponds to the documentary results, books and accounting registers.

Verona, 11 May 2017

Manager in charge of drafting  
the CAD IT S.p.A. accounting documents  
//s// Michele Miazzi



**Gruppo CAD IT**  
Via Torricelli, 44/a  
37136 Verona - ITALY  
Tel: +39 045 82 11 111  
Fax: +39 045 82 11 110  
[caditgroup@caditgroup.com](mailto:caditgroup@caditgroup.com)  
[www.caditgroup.com](http://www.caditgroup.com)

