



Interim Management Report
at 31st March 2018

*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 ⁽¹⁾

PAOLO DAL CORTIVO
Chairman and Managing Director

GIULIA DAL CORTIVO
Vice Chairman and Managing Director

DEBORA CREMASCO ⁽²⁾
Director and lead independent director

FLAVIO PIVA ⁽²⁾
Independent Director

LAMBERTO LAMBERTINI ⁽²⁾
Director

CECILIA ROSSIGNOLI
Director

LUIGI MARCO LIBROIA
Independent Director

STATUTORY AUDITORS ⁽³⁾

MARIATERESA DIANA SALERNO
Chairman

CHIARA BENCIOLINI
Statutory Auditor

BRUNO ANTI
Statutory Auditor

AUDITORS: PKF ITALIA S.p.A.

- (1) Appointed on 27 April 2018; office expires with the shareholders' meeting for the approval of the 2018 financial statements.
- (2) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.
- (3) Appointed on 27 April 2018; office expires with the shareholders' meeting for the approval of the 2020 financial statements.

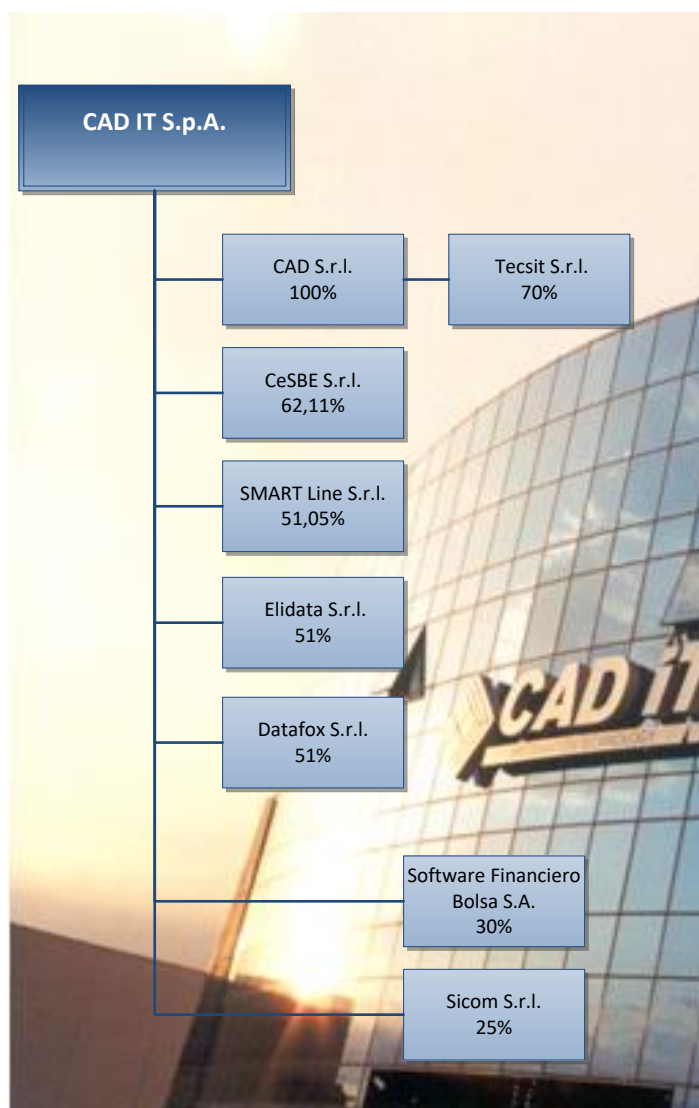
The main powers reserved in the statute to the Board of Directors are the examination and approval of the strategic, industrial and financial plans of the company; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of 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 Euro 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 Euro 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.

As foreseen by art. 22 of the Company Statute, the President is responsible for the Company's legal representation and has signing authority on behalf of the Company, either towards third parties or in legal matters, with the faculty to promote legal and administrative actions and disputes at all levels of jurisdiction, including appeals to the Supreme Court and appeals to overturn sentences.

The Managing Director Paolo Dal Cortivo, has full ordinary and extraordinary administrative power, excluding only those which can not be delegated by law and/ or by the company bylaws, with the power to act alone, for the amount of Euro 4,000,000 (four million).

The Vice-Chairmen, 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 Giulia Dal Cortivo has full ordinary administrative power, excluding only those which can not be delegated by law and/ or by the company bylaws, with the power to act alone, for each individual transaction to the amount of Euro 4,000,000 (four million).

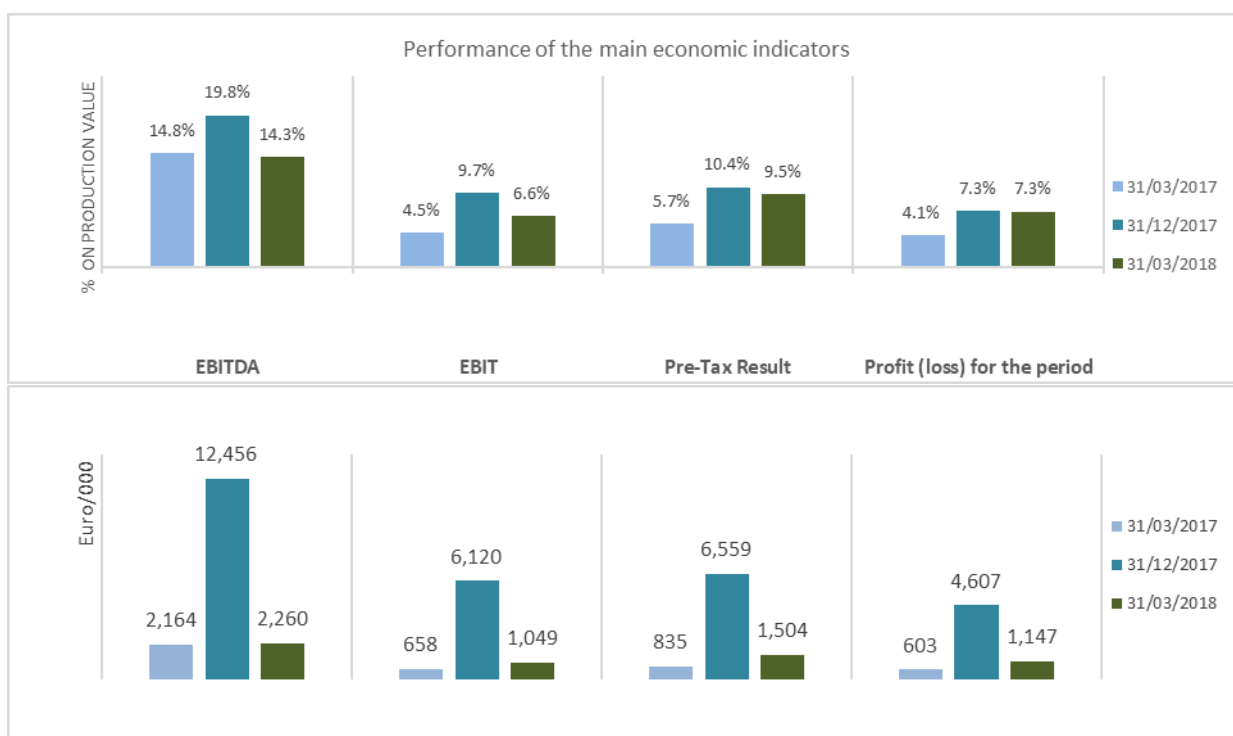
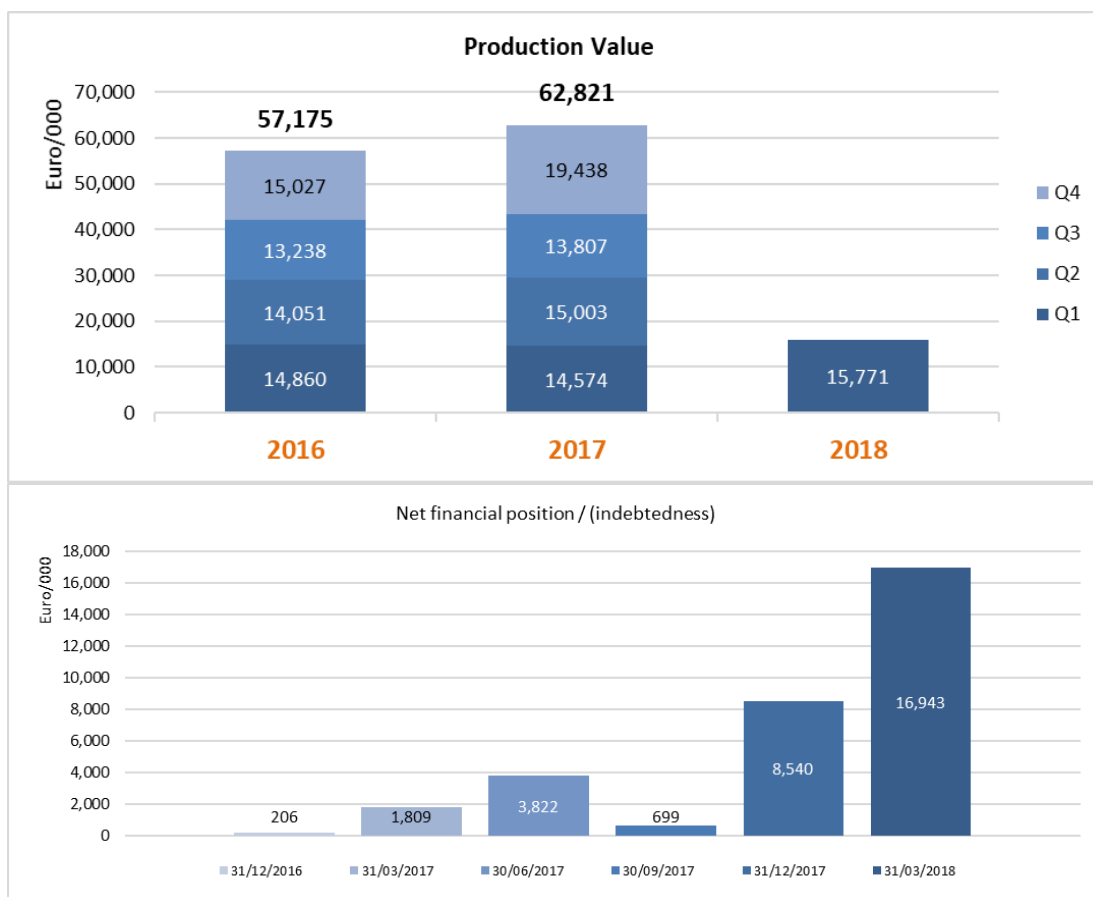


CAD IT Group as at 31/03/2018

SUMMARY OF THE GROUP'S RESULTS AND DATA

	31/03/2018		31/03/2017		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	15,771	100.0%	14,574	100.0%	1,198	+ 8.2%
Gross operational result (EBITDA)	2,260	14.3%	2,164	14.8%	96	+ 4.5%
Operational result (EBIT)	1,049	6.6%	658	4.5%	390	+ 59.3%
Pre-tax result	1,504	9.5%	835	5.7%	669	+ 80.0%
Income taxes	(357)	(2.3%)	(232)	(1.6%)	(125)	- 53.8%
Profit for the period	1,147	7.3%	603	4.1%	544	+ 90.1%
Profit for the period attributable to owners of the parent	1,014	6.4%	493	3.4%	521	+ 105.5%
Total comprehensive income	1,147		603		544	+ 90.1%
Total comprehensive income attributable to owners of the parent	1,014		493		521	+ 105.5%

	31/03/2018	31/12/2017	31/03/2017
Total Assets	98,186	91,838	86,465
Total Equity	59,168	58,021	55,943
Equity attributable to owners of the parent	55,953	54,939	53,506
Net short-term financial position/(indebtedness)	20,410	10,203	3,211
Net financial position / (indebtedness)	16,943	8,540	1,809
Employees at the end of the period (number)	624	624	646
Employees (average number in the period)	625	642	648



SUMMARY SCHEDULES

Consolidated income statement

(in thousands of Euro)

	I Quarter 2018	I Quarter 2017
Income from sales and services	15,265	13,482
Asset increases due to internal work	487	1,063
Other revenue and receipts	19	29
Purchase costs	(121)	(83)
Service costs	(3,378)	(1,945)
Other operational costs	(179)	(228)
Labour costs	(9,362)	(9,609)
Other administrative expenses	(470)	(545)
Allocation to fund and credit depreciation	(43)	(27)
Intangible fixed asset amortization	(1,008)	(1,336)
Tangible fixed asset amortization	(161)	(142)
Financial income	1	0
Financial expenses	(11)	(12)
Revaluations and depreciations	465	189
Pre-tax result	1,504	835
Income taxes	(357)	(232)
Profit/(loss) for the period	1,147	603

Profit/(loss) for the period attributable to:

Non-controlling interests	133	110
Owners of the parent	1,014	493

Weighted average number of ordinary shares: 8,980,000

Basic earnings per share (in €)	0.113	0.055
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Consolidated statement of comprehensive income

(in thousands of Euro)

	I Quarter 2018	I Quarter 2017
Profit (loss) for the period	1,147	603
Other income/(losses) after tax that will not be reclassified to the income statement		
Actuarial gains/(losses) on defined benefit liabilities	-	-
Total Comprehensive income/(loss)	1,147	603
Comprehensive income/(loss) attributable to:		
- Non-controlling interests	133	110
- Owners of the parent	1,014	493

Consolidated Statement of financial position

(in thousands of Euro)

31/12/2017	ASSETS	31/03/2018	31/03/2017
	A) Non-Current Assets		
18,139	Property, plant and equipment	18,057	18,318
16,625	Intangible assets	16,242	18,034
8,309	Goodwill	8,309	8,309
2,500	Investments	2,966	2,391
89	Investments at fair value recorded in the income statement	89	50
326	Other non-current financial assets	369	318
825	Credits due to deferred taxes	829	883
46,813	TOTAL NON-CURRENT ASSETS	46,861	48,302
	B) Current Assets		
53	Inventories	16	24
29,606	Trade receivables and other credits	25,250	31,872
1,216	Tax credits	1,189	1,298
14,150	Cash on hand and other equivalent assets	24,871	4,968
45,025	TOTAL CURRENT ASSETS	51,326	38,163
91,838	TOTAL ASSETS	98,186	86,465

31/12/2017	EQUITY AND LIABILITIES	31/03/2018	31/03/2017
	A) Equity		
4,670	Company capital	4,670	4,670
35,246	Reserves	35,246	35,246
15,023	Accumulated profits/losses	16,037	13,590
54,939	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	55,953	53,506
3,082	Third party Equity	3,216	2,437
58,021	TOTAL EQUITY	59,168	55,943
	B) Non-current liabilities		
1,663	Financing	3,467	1,401
2,520	Deferred tax liabilities	2,520	2,520
7,837	Employee benefits and quiescence provisions	7,875	7,998
160	Expense and risk provisions	1	-
12,180	TOTAL NON-CURRENT LIABILITIES	13,863	11,920
	C) Current liabilities		
5,800	Trade payables	10,049	7,036
4,540	Current tax payables	2,846	2,197
3,948	Short-term financing	4,461	1,758
7,350	Other liabilities	7,800	7,612
21,637	TOTAL CURRENT LIABILITIES	25,155	18,603
91,838	TOTAL LIABILITIES AND EQUITY	98,186	86,465

Consolidated Cash Flow Statement

(in thousands of Euro)

<i>Cash Flow Statement of CAD IT Group</i>	1° Quarter 2018	1° Quarter 2017
A) OPERATING ACTIVITIES		
Profit (loss) for the period	1,147	603
Amortisation, revaluation and depreciation:		
- Property, plant and equipment depreciation	161	142
- Intangible fixed asset amortisation	1,008	1,336
- Revaluation of investments	(465)	(189)
Allocations (utilization) of provisions	(121)	22
Financial performance:		
- Net financial receipts (charges)	10	12
- Profit/(loss) on foreign exchange	(0)	(1)
Other working capital variations	7,420	796
Income taxes paid	0	0
Interest paid	(11)	(11)
A) - Cash flows from (used in) operating activities	9,149	2,710
B) INVESTMENT ACTIVITIES		
Investments in activities		
- purchase of property, plant and equipment	(79)	(46)
- purchase/production of intangible assets	(625)	(1,069)
- increase in other non-current financial assets	(45)	(13)
Disinvestment activities		
- transfers of property, plant and equipment	1	-
- decrease in other non-current financial assets	2	20
Cashed Interest	1	-
Cashed dividends	0	-
(B) - Cash flows from (used in) investment activities	(745)	(1,107)
C) FINANCING ACTIVITIES		
Medium/long term financing repayment	(605)	(275)
Medium/long term financing opening	2,409	-
Dividends paid		-
(C) - Cash flows from (used in) financing activities	1,804	(275)
(A+B+C) - Total cash and other equivalent assets flows	10,207	1,327
Opening cash balances and equivalents	10,203	1,883
Closing cash balances and equivalents	20,410	3,211



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, according to the provisions of the paragraph 5 of Article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

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.

This report is not an interim management statement drafted in accordance with IAS 34 "Interim Statements".

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 subject to the control of Quarantacinque S.p.A., as provided by article 2359 of the Italian Civil Code.

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 and Prato.

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

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:

- 1.5 trillions of euro of AUM – Asset Under Management;
- 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, as INFOR, is able to provide the customers with a complete range of solutions 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

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, come 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.

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 came into force as of 01/01/2018.

The IFRS 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.

At the end of 2016 the first 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 was released.

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, in order to 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.

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.

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 adhesion 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. 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 2018.

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 further 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 2018

The accounting standards and evaluation criteria applied are consistent with those used for drafting the Consolidated Financial Statements as at 31st December 2017 with the exception of the two new international accounting standards applicable from 1st January 2018:

- IFRS 9 "Financial instruments", which replaces IAS 39 and
- IFRS 15 "Revenue from contracts with customers", which replaces IAS 18.

The application of the new accounting standards did not entail adjustments to data and results of previous years and therefore it was not necessary to recalculate comparative information. It should be noted that as from 1 January 2018, as a result of the first application, the items in the consolidated statement of financial position have been modified according to the following schedule:

<i>Items of assets from 1st January 2018</i>	<i>Items of assets as of 31st December 2017</i>
Investments at fair value recorded in the income statement	Other financial assets available for sale
Other non-current financial assets	Other non-current credits

The "Other financial assets available for sale", entirely formed by investments in other companies at 31st December 2017, had not undergone changes in *fair value* and therefore the reclassification in the item "Investments at fair value recorded in the income statement" did not entail adjustments to assets.

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 2018 there were no changes in the consolidation area. The fully consolidated companies included in the financial schedules of CAD IT Group are the following:

<i>Company name</i>	<i>Registered office</i>	<i>Share/ Quota capital Euro</i>	<i>Percentage of investment</i>	<i>Percentage of investment of the Group</i>
<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. ⁽¹⁾	Roma	75,000	70.00%	70,00%
⁽¹⁾ Held through CAD S.r.l.				

Shares in associates 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)	31/03/2018	3,832	1,702	25.00%	958
Software Financiero Bolsa S.A.	Madrid - Spagna	31/03/2018	1,888	133	30.00%	566

8. The short-term situation

The global economy continues to grow at a rapid pace, although it faces certain risks. The first, that the tariffs introduced by the Trump administration may trigger retaliatory measures on the world trade stage; the second, that changes in expectations regarding growth or monetary policy may cause a recurrence of sharp corrections on the financial markets, as observed in the early weeks of 2018.

Growth in the euro area proceeds at a steady pace; core inflation, however, has yet to display a lasting upward adjustment. The Governing Council of the ECB confirmed the continued need for an ample degree of monetary accommodation, ensured through net asset purchases, the sizeable stock of financial assets in the portfolios of the Eurosystem central banks and the forthcoming reinvestments, and forward guidance on interest rates. Growth continues at a more moderate pace in Italy. The cyclical indicators suggest that GDP continued to expand in the first quarter of 2018, though at a more moderate pace than in the previous quarter (0.2 per cent on the fourth quarter of 2017). Surveys of business conditions indicate that the confidence of firms and households remains at cyclically high levels, consistent with continued GDP growth; firms plan to increase their productive investment compared with 2017.

The gradual improvement in the labour market continues, although unemployment levels remain high and wage growth is modest. Lending to firms shows signs of a more robust expansion. The quality of banking credit improved in 2017.

For the banking groups classified as significant for supervisory purposes, the ratio of the stock of NPLs to total outstanding loans fell again in the fourth quarter of the year, both gross and net of loan loss provisions (to 14.5 and 7.3 per cent respectively, from 15.3 and 7.8 per cent in the third quarter). Both sales of bad loans and internal recovery processes contributed to the fall. In 2017 as a whole, operating profits of the significant groups, net of extraordinary components, grew markedly with respect to the previous year (by 22.4 per cent). Gross income rose by 0.6 per cent, driven by the increase of 6.6 per cent in fees, which more than offset the decline of 1.6 per cent in interest income. Operating costs fell by 6.6 per cent, mostly owing to the discontinuation of the extraordinary contributions to the National Resolution Fund and the lower costs associated with early retirement incentives. Loan loss provisions were down 46.3 per cent; their share of operating profits fell to 81.6 per cent (from 204.6 per cent in 2016). The annualized return on equity rose to 8.6 per cent (-10.4 per cent in 2016).¹

9. Significant events of the period

On 3rd January 2018, the chairman and executive director, Giampietro Magnani, passed away suddenly. Giampietro Magnani, executive director of the Company since 27th February 1991 and chairman of the board of directors since 8th July 2016 is remembered by CAD IT Group's directors, auditors, employees and collaborators for his generosity and professionalism as well as the integrity and loyalty he so freely gave over the year. The chairman's position was taken on, in accordance with Article 20 of the company's by-laws and board deliberation of 29th April 2015, by vice-chairman and executive director Luigi Zanella until 19th January 2018.

On 19th January 2018 the board of directors appointed the managing director Paolo Dal Cortivo as chairman of

¹ Source: Banca D'Italia, Economic Bulletin no. 2, April 2018.

the board. Paolo Dal Cortivo was given all the powers of ordinary and extraordinary administration, except those reserved by law to the shareholders' meeting or to the board of directors and those reserved to the exclusive jurisdiction of the board of directors, as listed in Article 19 of the by-laws.

At the same time, the Board of Directors nominated for co-option, pursuant to art. 18 of the company Statute and art. 2386 of the Italian Civil Code, Cecilia Rossignoli as Non-executive Director, on the favourable opinion of the Board of Auditors and the Remuneration and Nomination Proposal Committee.

On 19th February 2018, the company Quarantacinque S.p.A. (formerly Quarantacinque S.r.l.) notified its decision to promote a public offer of voluntary acquisition, pursuant to articles 102 and 106, paragraph 4 of the TUF, concerning the entire amount of CAD IT S.p.A. company shares, less the overall number of shares, that is, 1,278,196, held by the subjects concerned in the offer (Paolo Dal Cortivo, Giulia Dal Cortivo and Liliana Lanza) equal to about 85.766% of the CAD IT company capital, at a price of Euro 5.30 for each CAD IT's Share tendered to the Offer.

The offer was promoted with the aim of acquiring the whole corporate capital of CAD IT, in any case, at obtaining the delisting of the Issuer's ordinary Shares from the MTA, without restoring, should this be the case, a sufficient free float to ensure the normal trading. After completion of the Offer, the Offeror intends to ensure stability in the shareholders' structure and managerial continuity in order to enable the Issuer to exploit possible future opportunities of development and growth in Italy and abroad within the sectors in which the Issuer operates, as well as a strategic guideline aimed to achieve a business valorisation in the medium-long term.

On 20th April 2018, the offer was completed and Quarantacinque S.p.A. has reached 66.292% of the capital of CAD IT.

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



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

	I Quarter 2018		I Quarter 2017		Period variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	15,265	96.8%	13,482	92.5%	1,783	13.2%
Asset increases due to internal work	487	3.1%	1,063	7.3%	(576)	(54.2%)
Other revenue and receipts	19	0.1%	29	0.2%	(10)	(33.1%)
Production value	15,771	100.0%	14,574	100.0%	1,198	8.2%
Purchase costs	(121)	(0.8%)	(83)	(0.6%)	(38)	(46.2%)
Service costs	(3,378)	(21.4%)	(1,945)	(13.3%)	(1,433)	(73.6%)
Other operational costs	(179)	(1.1%)	(228)	(1.6%)	49	21.6%
Added value	12,093	76.7%	12,318	84.5%	(224)	(1.8%)
Labour costs	(9,362)	(59.4%)	(9,609)	(65.9%)	247	2.6%
Other administrative expenses	(470)	(3.0%)	(545)	(3.7%)	74	13.6%
Gross operational result - EBITDA	2,260	14.3%	2,164	14.8%	96	4.5%
Allocation to fund and credit depreciation	(43)	(0.3%)	(27)	(0.2%)	(15)	(56.3%)
Intangible fixed asset amortization	(1,008)	(6.4%)	(1,336)	(9.2%)	328	24.6%
Tangible fixed asset amortization	(161)	(1.0%)	(142)	(1.0%)	(19)	(13.3%)
Operational result - EBIT	1,049	6.6%	658	4.5%	390	59.3%
Financial income	1	0.0%	0	0.0%	1	348.0%
Financial expenses	(11)	(0.1%)	(12)	(0.1%)	1	8.2%
Ordinary result	1,039	6.6%	646	4.4%	392	60.7%
Revaluations and depreciations	465	3.0%	189	1.3%	276	146.0%
Pre-tax result	1,504	9.5%	835	5.7%	669	80.0%
Income taxes	(357)	(2.3%)	(232)	(1.6%)	(125)	(53.8%)
Profit/(loss) for the period	1,147	7.3%	603	4.1%	544	90.1%
Profit/(loss) for the period attributable to:						
Non-controlling interests	133	0.8%	110	0.8%	23	21.0%
Owners of the parent	1,014	6.4%	493	3.4%	521	105.5%

The CAD IT Group closed the first quarter of 2018 with results and profit margins showing an improvement compared to the same period of previous year. Net profit of the quarter was Euro 1,147 thousand compared to Euro 603 thousand of the same quarter of previous year (+90.1%).

The value of production in the first quarter amounting to Euro 15,771 thousand, an increase (+8.2%) compared to the same quarter of previous year (Euro 14,574 thousand), mainly includes revenues from sales and services of Euro 15,265 thousand (+13.2% compared to Euro 13,482 thousand of the first quarter of 2017), as well as the increase in fixed assets for internal works of Euro 487 thousand (-54.2% compared to Euro 1,063 thousand in the same period of 2017) relating to the development of new procedures and the CAD IT's own software.

Service costs, of Euro 3,378 thousand, increased (+1,433 thousand of Euro) compared to Euro 1,945 thousand in the first quarter of 2017, mainly due to the use of third party collaborations and services, against the increase in revenues from services. Service costs include costs for external collaborations (Euro 2,246 thousand, compared to Euro 974 thousand in the first quarter of 2017), travelling expenses and fee reimbursement (Euro 247 thousand, compared to Euro 263 thousand in the first quarter of 2017) and other service costs (Euro 885 thousand, compared to Euro 708 thousand in the first quarter of 2017).

The added value, of Euro 12,093 thousand, a slightly decrease by 1.8% compared to the same quarter of previous year (Euro 12,318 thousand), reached a margin of 76.7% on the value of production (84.5% in the first quarter of 2017).

Labour costs during the quarter came to Euro 9,362 thousand, a decrease by 2.6% compared to the same period of 2017 (Euro 9,609 thousand). The decrease in labour costs is mainly due to the reduction of average number of employees during the quarter (625, compared to 648 in the same quarter of 2017).

The other administrative costs of Euro 470 thousand decreased compared to the same period of previous year (Euro 545 thousand).

The EBITDA revenue margin stood at Euro 2,260 thousand, showing an increase compared to Euro 2,164 thousand in the first quarter of 2017 (+4.5%).

Amortization quotas during the quarter were Euro 1,008 thousand for intangible assets and Euro 161 thousand for tangible assets, compared to Euro 1,336 thousand and 142 thousand of the same quarter of 2017.

The EBIT operational result for the quarter was in credit by Euro 1,049 thousand, increased (+59.3%) compared to Euro 658 thousand in the same period of previous year.

The result of the financial management, not very significant, was negative and recorded financial expense for Euro 11 thousand, substantially in line with those the first quarter of last year (Euro 12 thousand).

The ordinary result was in credit by Euro 1,039 thousand compared to Euro 646 thousand in the first quarter of 2017.

The revaluation and devaluation result was in credit for Euro 465 thousand, an increase compared to the first quarter of 2017 (Euro 189 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 1,504 thousand (equal to 9.5% of the value of production), sharply improving (+80%) compared to the same quarter in the previous financial year when the figure registered was Euro 835 thousand (equal to 5.7% of the value of production).

Taxes impact on income for Euro 357 thousand, compared to Euro 232 thousand in the first quarter of 2017, resulting in a profit for the period of Euro 1,147 thousand, an improvement compared to Euro 603 thousand in the first quarter of 2017.

The result of the quarter attributable to owners of CAD IT was positive for Euro 1,014 thousand compared to Euro 493 thousand in the first quarter of 2017; also the result attributable to minority interest was positive, for Euro 133 thousand, an increase compared to Euro 110 thousand in the first quarter 2017.

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 2018</i>		<i>1° Quarter 2017</i>	
	<i>€/000</i>	<i>%</i>	<i>€/000</i>	<i>%</i>
Finance	14,855	97.3%	12,992	96.4%
Manufacturing	410	2.7%	490	3.6%
Total	15,265	100.0%	13,482	100.0%

11. Net financial position

The net financial position of the Group as at 31st March 2018 was in credit by Euro 16,943 thousand, a sharp improvement compared to the year ended 31st December 2017 when it amounted to Euro 8,540 thousand.

The increase in the net financial position is mainly due to the collection of receivables related to important projects invoiced at the end of last year and in the first few months of the current year.

In particular, the net short-term financial position amounted to Euro 20,410 thousand and long-term loans amounted to Euro 3,467 thousand.

(in thousands of Euro)

<i>Net consolidated financial position</i>	<i>31/03/2018</i>	<i>31/12/2017</i>	<i>31/03/2017</i>
Cash-on-hand and at bank	24,871	14,150	4,968
Payables due to banks current portion	(4,461)	(3,948)	(1,758)
Net short-term financial position/(indebtedness)	20,410	10,203	3,211
Medium/Long-term loans	(3,467)	(1,663)	(1,401)
Net long-term financial position/(indebtedness)	(3,467)	(1,663)	(1,401)
Net financial position/(indebtedness)	16,943	8,540	1,809

Cash-on-hand bank accounts and cash amounted to Euro 24,871 thousand. Short-term debts towards banks of Euro 4,461 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 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 2018, generated a positive cash flow of Euro 9,149 thousand (compared to Euro 2,710 thousand in the first quarter of 2017).

Investment activity management took Euro 745 thousand, compared to Euro 1,107 thousand used in the same period of previous year, mainly as a result of investments in intangible assets of Euro 625 thousand and in tangible fixed assets of Euro 79 thousand.

Lastly, financing activities generated a positive cash flow of Euro 1,804 thousand due to the opening of medium/long term financing for Euro 2,409 thousand, net of repayments for 605 thousand euro.

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.

During the period, 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, were carried out.

An important development project, already started in previous years, 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 development allows to make the Suite even more attractive for the international market with the aim to create a new generation platform, improved in user experience compared to traditional platform Area Finanza, equipped with functionalities and new innovative technical solutions, adapted to the demands of the national and international market.

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 relating the Dashboard for the business intelligence (Managerial Information System) area is also continuing, especially in regard to compliance and liquidity management and monitoring.

Moreover, during the period, the activities started in previous years continued; these activities refer to developments and software updates were made and/or started in relation to sector or regulation evolutions that are having considerable impact on customer systems in the financial sector. These include the new IFRS 9 accounting standard, including adjustments of supervisory reports and financial statements and notes to the financial statements for financial institutions, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR), the management 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).

Development activities, started in 2017 financial period, to enrich the product for managing operability on trading on line (TOL), continued during the quarter.

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 704 thousand, compared to Euro 1,115 thousand in the same period in 2017.

(in thousands of Euro)

Summary of investments	1° Quarter	1° Quarter	Year
	2018	2017	2017
Intangible fixed assets	138	6	111
Intangible fixed assets under development	487	1,063	3,658
Property, Plant and equipment	79	46	313
Total investments in tangible and intangible fixed assets	704	1,115	4,082

The value of "Intangible fixed assets under development" relates to investments in development of software procedures under construction both to be licensed out to clients or used for the Group's companies activities, and are mainly referred to use of the Group's internal resources. The amount of investment derives from strategic decisions taken by management, who have approved the development of a large number of products, frameworks, tools 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	46,245	2,566	8,727	15	57,553
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(38,516)	(2,397)	-	(15)	(40,928)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	7,730	169	8,727	0	16,625
Variations in consolidation area	-	-	-	-	-
Purchases/increases	120	18	487	-	625
Transfers	4,906	-	(4,906)	-	-
Reduction in accumulated depreciation due to	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(985)	(24)	-	-	(1,008)
Adjustments to write-downs for the period	-	-	-	-	-
Total intangible fixed assets	11,771	164	4,307	0	16,242

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 4,906 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>Total</i>
Purchase or production cost	10,446	4,500	34	4,553	19,534
First time adoption revaluation	8,439	-	-	-	8,439
Previous years depreciation and write-downs	(2,213)	(3,614)	(32)	(3,974)	(9,833)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	16,672	886	2	579	18,139
Variations in consolidation area	-	-	-	-	-
Purchases	-	9	-	70	79
Transfers	-	-	-	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	14	14
Disposals	-	-	-	(15)	(15)
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(43)	(68)	(0)	(50)	(161)
Adjustments to write-downs for the period	-	-	-	-	-
Total tangible fixed assets	16,629	827	2	599	18,057

14. Personnel

The number of CAD IT Group staff, unchanged at the end of the quarter compared to the end of 2017 financial period. Information on the actual number employees at the end of each period is reported below:

Category of Employees	Labour force at 31/03/2018	Labour force at 31/03/2017	Labour force at 31/12/2017
Management	19	20	19
White-collars and cadres	570	574	569
Blue-collars	1	1	1
Apprentices	34	51	35
Total	624	646	624

The average number of employees in the quarter was 625 units, a decrease of 23 units compared to the same reference quarter of the year 2017 (648 units).

Category of Employees	Average number / Quarter 2018	Average number / Quarter 2017	Average number year 2017
Management	19	20	20
White-collars and cadres	570	575	573
Blue-collars	1	1	1
Apprentices	35	52	48
Total	625	648	642

15. Significant events since 31st March 2018

On 24th April 2018 acquired 74.5% of the capital of the Spanish company Desarrollo de Productos Informaticos S.A. (DPI).

Founded in 1991, with registered offices in Madrid, DPI is the market leader in Spain for the supply of software solutions to about 60 Financial Company customers. DPI closed its 2017 financial period with revenues equal to 3.45 million euros, a net profit of 0.37 million euros and a Net Financial Position in credit for 1.54 million euros. The cost of acquiring 74.5% of the DPI capital comes to about 3.8 million Euros of which 80% was provided at the date of acquired, while payment for the remaining 20% will be made on 30th April 2020. In order to meet the investment, CAD IT opened a specific bank financing for the duration of five years.

With this transaction, CAD IT strengthens its presence in Europe's financial software sector and confirms its high interest in developing on the Spanish market.

This agreement provides CAD IT with significant opportunities for increasing revenues due to:

- DPI's considerable commercial and technical presence in Spain and Andorra;
- DPI's existing customer base;
- DPI product cross-selling opportunities with CAD IT customers;
- reinforcing CAD IT's brand credibility on the Spanish market.

On 27th April 2018, the Ordinary Shareholders' Meeting of CAD IT S.p.A. approved the Annual Financial Statements at 31st December 2017 and resolved to set aside the year's net profit in the available reserves of undivided profits.

The Shareholders' Meeting also approved the first section of the Remuneration Report ex article 123-ter of Leg. Dec. 58/1998 (available in the Company's website), has nominated the Board of Directors, whose office will expire with the shareholders' meeting for the approval of the 2018 financial statements and the Board of Auditors, whose office will expire with the shareholders' meeting for the approval of the 2020 financial

statements, determining their remuneration. The CVs of every member of the Board of Directors and of the Board of Statutory Auditors are available at the Company's registered office, at Borsa Italiana S.p.A., on the "eMarket STORAGE" authorized storage mechanism for regulated information at www.emarketstorage.com and in the Investor Relations section of the Company's internet website.

On 2nd May 2018 the Board of Directors granted powers to the directors, setting the executive directors' remuneration and has set up the Control and Risks Committee and the Nominating and Remuneration Committee.

On the same date, the Board of Directors finally started the merger process between CAD IT S.p.A. and its controlling company Quarantacinque S.p.A..

Should the proposed merger by incorporation of CAD IT S.p.A. into its parent company Quarantacinque S.p.A. be approved, it will entail the delisting of CAD IT S.p.A. shares from the Stock Exchange Market ("Mercato Telematico Azionario") managed and organized by Borsa Italiana S.p.A. and the shareholders who will not concur to the approval of this merger will be entitled to exercise the withdrawal right, pursuant to Art. 2437 and 2437-quinquies of the Italian Civil Code. The withdrawal consideration for the shares in relation to which the withdrawal right will be duly exercised is equal to Euro 4.84 (four Euro and eighty-four cents) for each share, this consideration corresponds, pursuant to Art. 2437-ter, third paragraph, of the Italian Civil Code, to the arithmetic mean of the closing price of the CAD IT S.p.A. shares during the six months prior to the publication of the notice of call of the shareholders' meeting.

The extraordinary shareholders' meeting to approve the merger project by incorporation of CAD IT S.p.A. in its controlling company Quarantacinque S.p.A. it was summoned for July 13th, 2018.

16. Foreseeable development in the management

The development strategies adopted for 2017, aimed at meeting the priorities that the financial institutions (banks, insurance companies, funds) are now being obliged to face, are going to continue also in the current year. 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 and issues that the banks will have to face involve: the information to be furnished following the entry into force of IFRS 9 accounting standard, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR) integrated with directives and delegated regulations, the management of individual savings plans (PIR), 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, Solvency II. In addition, the new regulations that could lead to adjustment and updating activities and software releases are the European GDPR regulation regarding new privacy protection and the Securities Financing Transactions Regulation (SFTR), which, as of 2019, will introduce new transparency measures for security loan activities, the European Directive IDD (Insurance Distribution Directive) on "Insurance Distribution".

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 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, especially the Spanish one, whose expansion could be encouraged by the recent acquisition in April 2018 of 74.5% of the Spanish company Desarrollo de Productos Informaticos S.A. and by the Spanish associated company of the Group, at 30% , Software Financiero Bolsa S.A., acquired in April 2016 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.

In the domestic banking sector the prospects are therefore positive, 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 the good performance of the business also for 2018 financial year.

On behalf of the Board of Directors
The Chairman
//s// Paolo Dal Cortivo



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, 14 May 2018

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

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