



Interim Management Report at 31st March 2014

*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.*

CONTENTS

Board of director and auditors.....	3
Summary of the Group's results and data	5
Summary schedules.....	7
<i>Consolidated income statement.....</i>	<i>7</i>
<i>Consolidated statement of comprehensive income</i>	<i>8</i>
<i>Consolidated Statement of financial position</i>	<i>9</i>
<i>Consolidated Cash Flow Statement</i>	<i>10</i>
Explanatory notes.....	11
1. <i>Foreword.....</i>	<i>11</i>
2. <i>Information on CAD IT S.p.A.</i>	<i>11</i>
3. <i>Activities of the Group</i>	<i>12</i>
4. <i>Hot topics</i>	<i>15</i>
5. <i>Corporate Governance</i>	<i>17</i>
6. <i>Accounting standards and consolidation criteria</i>	<i>17</i>
7. <i>Consolidation area</i>	<i>22</i>
8. <i>The short-term situation</i>	<i>23</i>
9. <i>Significant events of the period.....</i>	<i>23</i>
10. <i>Management results and comments on the most significant components in the quarter</i>	<i>24</i>
11. <i>Net financial position</i>	<i>25</i>
12. <i>Research and development.....</i>	<i>26</i>
13. <i>Investments and intangible and tangible fixed assets</i>	<i>26</i>
14. <i>Personnel.....</i>	<i>28</i>
15. <i>Significant events since 31st March 2014.....</i>	<i>29</i>
16. <i>Other Information.....</i>	<i>29</i>
17. <i>Foreseeable management developments.....</i>	<i>29</i>
Declaration in accordance with article 154-bis, second paragraph, of legislative decree no. 58 of 24 february 1998	30

BOARD OF DIRECTOR AND AUDITORS

BOARD OF DIRECTORS ⁽¹⁾

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIAMPIETRO MAGNANI
Vice Chairman and Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI ⁽²⁾
Director

THOMAS BURKHART ⁽³⁾
Director

FRANCESCO ROSSI ⁽²⁾
Director and lead independent director

LAMBERTO LAMBERTINI ⁽²⁾
Independent Director

STATUTORY AUDITORS ⁽¹⁾

RICCARDO FERRARI
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

AUDITORS: BDO S.p.A.



(1) Appointed on 26 April 2012; office expires with the shareholders' meeting for the approval of the 2014 financial statements.

(2) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.

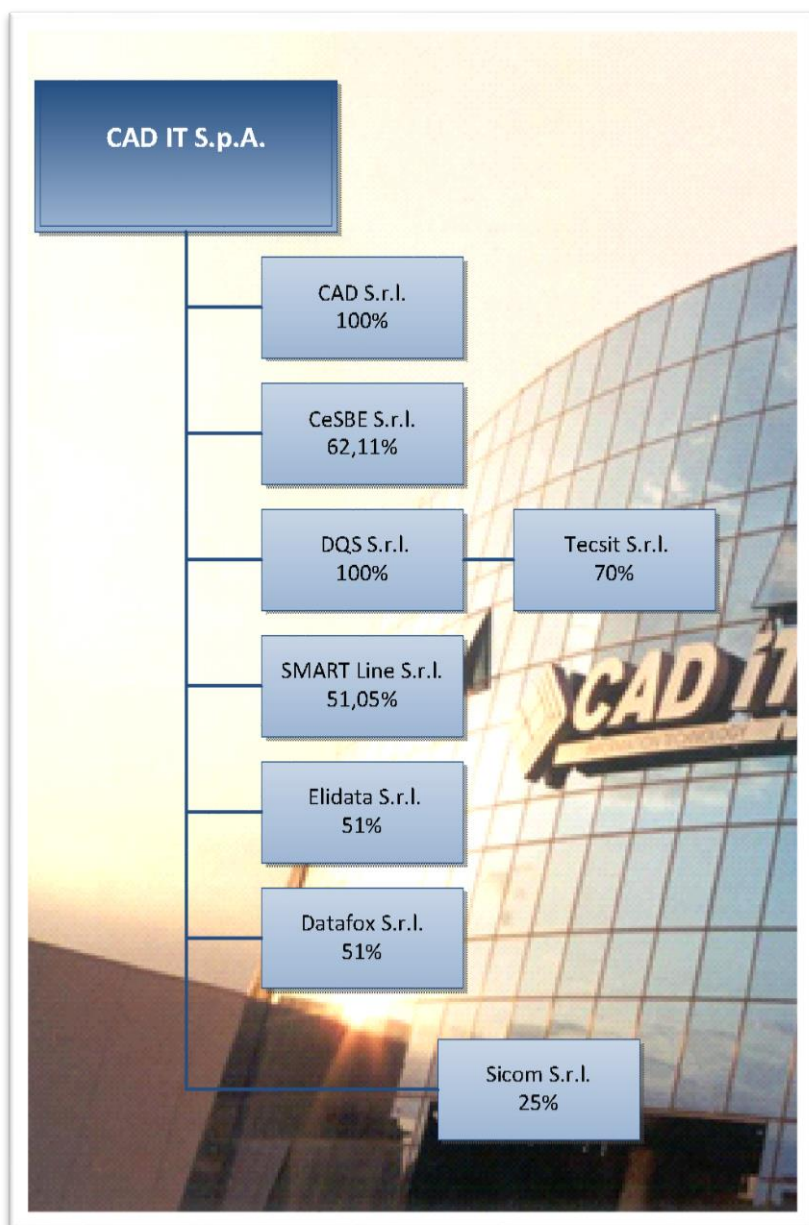
(3) Appointed on 29 April 2014; office expires with the shareholders' meeting for the approval of the 2014 financial statements.

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 €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 of the parent company CAD IT S.p.A., Giuseppe Dal Cortivo, is authorised to perform all ordinary and extraordinary administrative duties, excluding only those which can not be delegated by law and those assigned to the Board of Directors by article 19 of the company by-laws.

The Vice-Chairmen Giampietro Magnani and Luigi Zanella, pursuant to article 20 of the company by-laws, carry out vicarious functions to those of the President in case of his absence or impediment. The managing directors, Giampietro Magnani and 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 directors 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.

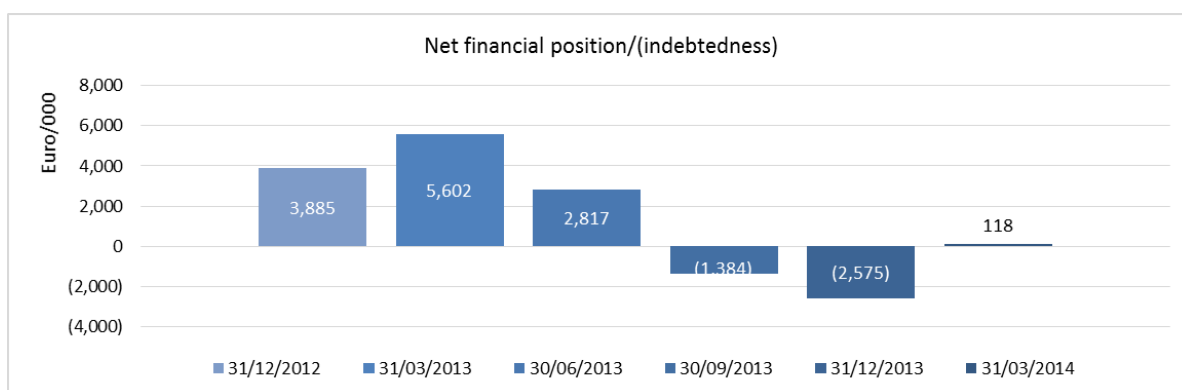
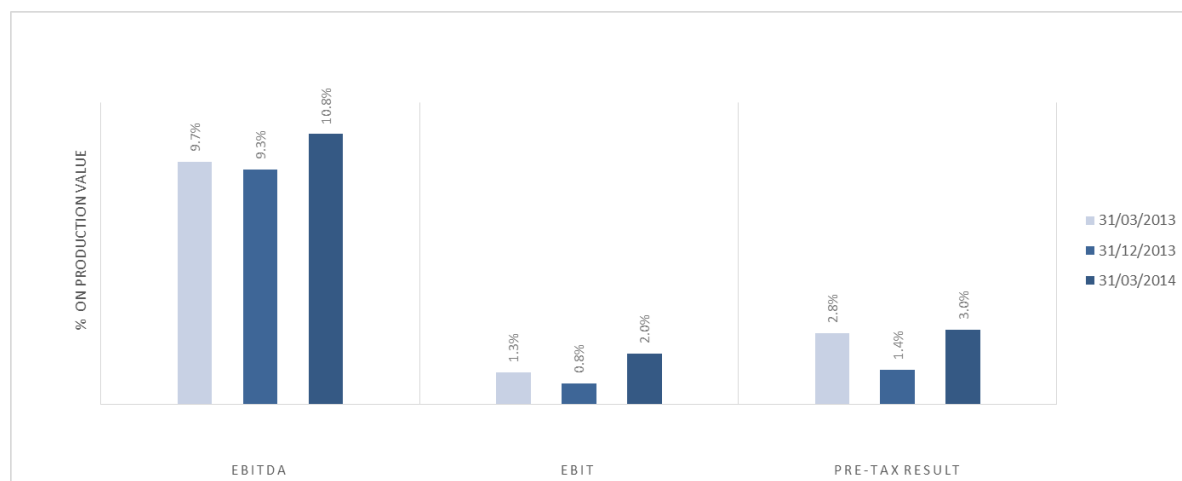
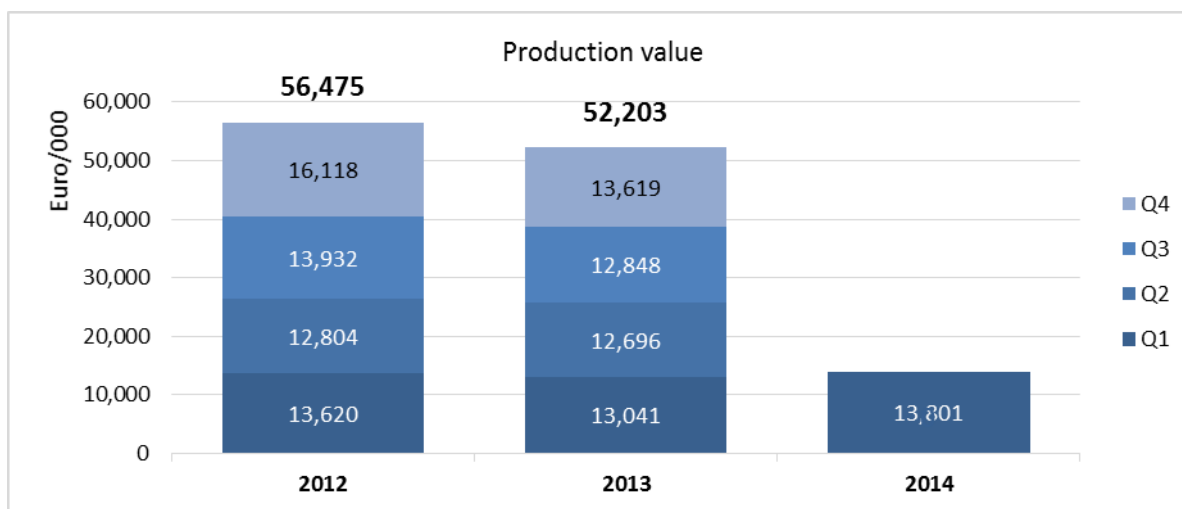


CAD IT Group at 31/03/2014

SUMMARY OF THE GROUP'S RESULTS AND DATA

	31/03/2014		31/03/2013		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	13,801	100.0%	13,041	100.0%	760	5.8%
Added value	10,977	79.5%	10,724	82.2%	253	2.4%
Gross operational result (EBITDA)	1,487	10.8%	1,260	9.7%	227	18.0%
Operational result (EBIT)	276	2.0%	166	1.3%	110	66.3%
Ordinary result	267	1.9%	175	1.3%	92	52.4%
Pre-tax result	409	3.0%	369	2.8%	40	10.8%
Pre-tax profit attributable to owners of the parent	378	2.7%	430	3.3%	(52)	(12.1%)
Total comprehensive pre-tax income	409		296		113	38.1%
Total comprehensive pre-tax income attributable to owners of the parent	378		357		21	5.8%

	31/03/2014	31/12/2013	31/03/2013
Total Assets	86,074	86,494	85,972
Total Equity	55,937	55,528	59,285
Equity attributable to Owners of the parent	53,728	53,350	56,772
Net short-term financial position/(indebtedness)	118	(2,575)	5,602
Net financial position / (indebtedness)	118	(2,575)	5,602
Employees at the end of the period (number)	611	613	607
Employees (average number in the period)	612	609	605



SUMMARY SCHEDULES

Consolidated income statement

	<i>(in thousands of Euro)</i>	
	<i>I Quarter 2014</i>	<i>I Quarter 2013</i>
Income from sales and services	12,899	12,110
Asset increases due to internal work	869	895
Other revenue and receipts	33	36
Purchase costs	(136)	(90)
Service costs	(2,537)	(2,080)
Other operational costs	(150)	(147)
Labour costs	(8,969)	(8,929)
Other administrative expenses	(521)	(535)
Allocation to fund and credit depreciation	(4)	(2)
Intangible fixed asset amortization	(1,093)	(972)
Tangible fixed asset depreciation	(114)	(120)
Financial income	17	20
Financial expenses	(27)	(11)
Revaluations and depreciations	143	194
Pre-tax result	409	369
Pre-tax result attributable to:		
- Non-controlling interests	31	(61)
- Owners of the parent	378	430
Weighted average number of ordinary shares outstanding	8,980,000	8,980,000
Pre-tax basic earnings per share (in €)	0.042	0.048

Consolidated statement of comprehensive income

(in thousands of Euro)

	I Quarter 2014	I Quarter 2013
Pre-tax profit (loss) for the period	409	369
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit liabilities	-	-
Other comprehensive income that will be reclassified subsequently to profit or loss		
Gains/(Losses) on fair value of available-for-sale financial assets	-	(4)
Reclassification adjustments: gains realized on disposal of available-for-sale	-	(69)
Total Pre-tax comprehensive income (loss)	409	296
Comprehensive income (loss) attributable to:		
- Non- controlling interests	31	(61)
- Owners of the parent	378	357

Consolidated Statement of financial position

(in thousands of Euro)

ASSETS	31/03/2014	31/12/2013
A) Non-Current Assets		
Property, plant and equipment	17,356	17,445
Intangible assets	20,455	20,650
Goodwill	8,309	8,309
Investments	326	353
Other financial assets available for sale	0	0
Other non-current credits	230	194
Credits due to deferred taxes	776	776
TOTAL NON-CURRENT ASSETS	47,452	47,727
B) Current Assets		
Inventories	79	62
Ongoing orders	-	-
Trade receivables and other credits	31,767	32,768
Tax credits	2,099	2,128
Cash on hand and other equivalent assets	4,677	3,808
TOTAL CURRENT ASSETS	38,623	38,767
TOTAL ASSETS	86,074	86,494

EQUITY AND LIABILITIES	31/03/2014	31/12/2013
A) Equity		
Company capital	4,670	4,670
Reserves	35,246	35,246
Accumulated profits/losses	13,812	13,434
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	53,728	53,350
Third party Equity	2,209	2,177
TOTAL EQUITY	55,937	55,528
B) Non-current liabilities		
Financing	0	0
Deferred tax liabilities	2,957	2,957
Employee benefits and quiescence provisions	6,989	6,908
Expense and risk provisions	120	120
TOTAL NON-CURRENT LIABILITIES	10,066	9,985
C) Current liabilities		
Trade payables	6,584	4,473
Current tax payables	1,555	3,290
Short-term financing	4,559	6,382
Other liabilities	7,374	6,835
TOTAL CURRENT LIABILITIES	20,072	20,981
TOTAL LIABILITIES AND EQUITY	86,074	86,494

Consolidated Cash Flow Statement

(in thousands of Euro)

<i>Cash Flow Statement of CAD IT Group</i>	<i>I Quarter 2014</i>	<i>I Quarter 2013</i>
A) OPERATING ACTIVITIES		
Profit (loss) for the period	409	369
Amortization, revaluation and depreciation:		
- Property, plant and equipment depreciation	114	120
- Intangible fixed asset amortisation	1,093	972
- Revaluation of investments and financial assets available for sale	(143)	(194)
Allocations (utilization) of provisions	81	72
Financial performance:		
- Net financial receipts (charges)	10	(9)
- Profit / (loss) on foreign exchange	(0)	(0)
Other working capital variations	1,927	1,050
Income taxes paid	0	0
Interest paid	(27)	(11)
(A) - Cash flows from (used in) operating activities	3,465	2,369
B) INVESTMENT ACTIVITIES		
Investments in activities		
- purchase of property, plant and equipment	(25)	(47)
- purchase/production of intangible assets	(898)	(919)
- increase in other fixed assets	(36)	(38)
Disinvestment activities		
- transfers of property, plant and equipment	0	1
- transfers of assets available for sale	0	169
- decrease in other fixed assets	0	0
Cashed Interest	17	20
Cashed dividends	170	163
(B) - Cash flows from (used in) investment activities	(771)	(652)
C) FINANCING ACTIVITIES		
Medium/long term financing repayment	-	-
Allocation of profits to directors of subsidiary companies	-	-
Distribution of profit reserves for withdrawal of a partner of a subsidiary	-	-
Dividends paid	-	-
(C) - Cash flows from (used in) financing activities	-	-
(A+B+C) - Total cash and other equivalent assets flows	2,693	1,717
Opening cash balances and equivalents	(2,575)	3,885
Closing cash balances and equivalents	118	5,602

EXPLANATORY NOTES

1. Foreword

This Interim Management Report has been drafted in accordance with art. 154-ter, paragraph 5, of the Testo Unico della Finanza that was introduced by Leg. Decree 195/2007, put into effect by the 2004/109/CE Directive (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 quarter;
- b) an outline of the significant events and transactions that occurred in the quarter and their effect on the Group's financial standing.

The accounting tables shown are the same as those used for drafting the annual and six-monthly financial reports.

The interim management report is presented without calculating the income taxes for the period.

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;
- balance sheet at the end of the interim period concerned, also in comparison to the figures for the same period of the previous financial year;
- 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 quantities in the accounting tables and those in the notes, are shown rounded off to the nearest thousand 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 and opinion by the external auditors.

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 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, Padova and Mantua.

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 over 600 organisations with their essential tasks in Italy, Switzerland, Germany, UK and the Czech Republic.

... 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 human 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 customer's benefit.

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.

Within Europe, our application statistics for Area Finanza include:

- 400 financial institutions;
- 25,000 bank branches;
- 14,000 post office branches;
- 150,000 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 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

FINANCE DIVISION

Privacy

The provisions issued by the Guarantor of Privacy foresees the obligation to store information relating to transactions for two years, even if only informative, like, for example, inquiries carried out on customer reports by banking staff, i.e. the users of information systems. With this provision, banks should verify and adjust their 'logs', the archives in which they record the transactions made on their computer systems which, as is well-known, is the most complex of all financial sectors. It is therefore necessary to set up a repository in which to keep all the information and then have a system to identify any improper behaviour by the bank's own employees. This provision, in fact, is the result of situations in which information on customer accounts and transactions have been unduly divulged and used illegally.

In this context CAD IT is one of the main players in the banking sector software vendor community, promoted by Deloitte, that can resolve this requirement by means of a highly innovative project.

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), the European trade repository, launched by Iberclear (BME) and Clearstream (Deutsche Boerse Group), we are able to supply a complete service.

Fatca

The new US regulation named FATCA imposes heavy duties on Banks, Insurances Companies, Asset Managers, and Brokers, all over the world:

- identification and classification of clients and financial accounts;
- application of a 30% withholding tax for recalcitrance;
- data reporting to the United States;
- compliance and audit obligations.

CAD IT's Tax and Compliance Area (TCA) solution for FATCA is the result of a shared analysis with a dedicated User Community involving banks, financial institutions and their consulting companies.

TCA has been designed to be easily adaptable to the identification of customer and account, new types of taxation and reporting, thus enabling a strategic approach to new future requirements.

T2S

Target 2 Securities (T2S) is the new centralised platform for the settlement of Euro securities, which will be available as of June 2015 and which will have a great impact on all market subjects, such as Banks, Custodians and CSDs.

T2S will eliminate the differences between domestic and cross-border settlements and will lead to a gradual removal of national specifications. In this way settlement activities will be limited to pure utility and will force a clean-cut separation from custody services.

CAD IT proposes its own Settlement EasySet solution, which has been designed to help banks deal with the changes that T2S will bring, both in terms of direct and indirect adhesions.

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.

Flow Management

TDOC@Web: is CAD IT's tool which, hosted in a web-site, allows Bank, Public Body and Company users to rapidly and safely exchange a large volume data flow, archive and printout.

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.

PUBLIC ADMINISTRATION DIVISION

Italian Public Administration is experiencing considerable change as a result of a similar radical transformation of the country's social network.

Immigration, globalization, computerization and integration are just some of the important topics that Public Administration is having to deal with. While these themes may represent problems, they can also provide the chance to improve the services offered to the citizens.

One of the key factors is the use of new technologies, which are the first steps towards a new millennium. Not just tablet PCs and smartphones, but also self-service terminals and call centres. Not just social networks and peer to peer, but also, and above all, company clouds and public service networks.

For this reason, CAD IT has created an integrated and multi-lingual solution to automate information services, procedures, policies, regulations and laws within large organizations and government bodies.

The CAD IT solution is based on a repository where all the information is organized in such a way that the engine interpreting the operation can recognize the citizen, carry out information filtering, even translate from and to the desired language and then provide the requested service.

With the CAD IT solution, the Public Administration office is guaranteed fewer costs and less conflict and stress for its front desk operators as well as the possibility to monitor the level of services carried out. For the citizens, the solution means a much faster, more personalized, timely and modern service.

INDUSTRY DIVISION

In the period collaboration activities with INFOR were continued.

- In January CAD IT's INDUSTRY division has passed the certification tests on the MINGLE-ION platform which will be useful for implementing the new INFOR technological platforms. Apart from installing and

configuring MINGLE-ION for integration and collaboration functionalities, it will also be possible to install and configure useful INFOR suite modules for integrating the most common managerial platforms on the market.

- In February CAD IT has successfully concluded the project to implement the ISA S.p.A. business model in ERP Infor M3 in full respect of the time schedule and budget agreed with the customer. The aim of the project was to adapt existing IT systems to the company's business needs and to reduce software customisation to an absolute minimum.
- In March CADIT, in collaboration with the American registered offices of CIBER, has completed the installation of a few M3 modules for an important customer with premises in the state of WASHINGTON. The installation of these modules marks the beginning of a plan to update the entire M3 installation now operating on the customers' systems.
- In March MABI S.p.A., company operating in the leather industry, has chosen CAD IT to introduce an integrated ERP solution aimed at better supporting its business processes and to provide its customers with top quality service. Taking advantage of the potential of INFOR's M3 for Fashion, the project's purpose is to implement the business model by avoiding having to personalise software. This approach, besides lowering investment and management costs, also contributes to a reduction in start-up times and minimises risks. Moreover, it will allow the company to reap the benefits of an integrated approach in terms of harmonisation, standardisation (adjustment to the rules) and control, ensuring sufficient operative flexibility thanks to a multitude of parameter options.

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 2014.

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 using the evaluation criteria of historical cost, except for financial instruments available for sale, which are assessed at fair value, and the holdings in subsidiaries, which are assessed in accordance with the equity method. Moreover, where some land and buildings have been included

in First Time Adoption, the *fair value* has been used instead of the cost.

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

Interim Management Report is presented without calculating the income taxes for the period.

Format of financial statements

The financial statements are prepared in accordance with IAS 1 specifications.

The Group has decided to present revenue and cost entries referring to the period in question in two statements. One statement shows the profit (loss) components for the period (Consolidated Income statement) and the other, which begins with the profit (loss) of the period and shows the statement entries of the other components of the overall profit and loss account (Statement of comprehensive income).

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

In the Report is presented on 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.

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

The Cash Flow statement has been presented according to the indirect method so that the profit (or loss) for the period has been adjusted of any non-monetary operations and by deferments and the setting aside of future incomes or payments.

Subsidiary companies

The consolidation area includes the Parent company and the companies it controls, that is, where it has the power to determine financial and managerial policies of a business in order to reap benefits from said company's activities.

Subsidiary companies are consolidated from the date in which control was effectively transferred to the Group and are no longer consolidated as from the date that control becomes external to the Group.

These companies are consolidated using the integral consolidation method. In order to prepare the consolidated data, the patrimonial, economic and financial situations of the subsidiary and associate companies have been used as prepared by the Group's individual companies at the reference dates, opportunely reclassified and amended to reflect the application of the homogeneous accounting standards.

In drafting the Interim Management Report all the balances and significant transactions between the Group's companies have been eliminated, as well as all unrealised profit and loss on infra-group transactions.

Associate companies

The share in associate companies, that is those companies in which the Group has significant influence, is evaluated using the equity method, as defined in IAS 28 – Investments in Associates. The

profits or losses relevant to the Group are included in the Interim Management Report from the date in which this significant influence began up to the moment it ceases.

Property, plant and equipment

Tangible fixed assets are shown at purchase cost, including any costs that may be directly ascribable and necessary for activating the asset and putting it to the use for which it was purchased. In reference to land and buildings listed in First Time Adoption, the fair value was used instead of the cost.

Tangible fixed assets are shown at net value of the relative accumulated depreciations and losses due to the reduction in value determined in accordance with the modalities described below.

Tangible fixed assets are amortised in constant rates during the course of their expected useful life cycle, i.e. the estimated period of time in which the asset will be put to company use. Whenever significant parts of tangible fixed assets have different estimated useful life cycles, said components are amortised separately.

The value to be depreciated is given by the registered value of the asset net of any loss in value and reduced by its assumed value at the end of its useful life cycle, if significant and reasonably calculable. The useful life cycle and the cash value are reassessed annually and any changes, where necessary, are brought in with a perspective application.

The main economic-technical depreciation rates used are the following:

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

Land, both without buildings or next to civil and industrial constructions, is accounted for separately and not amortised as it is considered an element with an indefinite useful life cycle.

In order to calculate any losses due to depreciation, the accounting value of intangible fixed assets is subject to verification.

At the time of elimination or when no future

economic benefit can be expected from the use of an asset, it is eliminated from the balance and the eventual profit or loss (calculated as the difference between the assignment value and the taxation value) is shown in the economic account of the year in which the asset is eliminated.

Financial Leasing

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

Intangible fixed assets

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

Intangible fixed assets, having a defined useful life cycle, are subsequently registered net of the relative accumulated amortizations and any losses due to a durable reduction in value.

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

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

Research costs are charged to the income statement in the period in which they are incurred. The development costs of projects for the production of instrumental software, or those to be sold, are registered on the assets when they satisfy the following conditions: the costs can be reliably determined, the product is technically feasible, the expected use and/or sale of the product indicate that the sustained costs will generate future economic benefits. In respect of the standard that correlates costs and returns, these costs are amortized as from the moment in which the activity becomes available for use, in permanent amortisation amounts for the entire duration of the

product's lifecycle, estimated at five years. The costs of internally generated intangible assets include only expenses that can be directly attributable to the development of the product. Development costs that cannot be capitalised, when sustained, are reported on the income statement.

Goodwill

Goodwill resulting from the purchase of subsidiaries and associates is initially registered at cost and is the overbalance of the purchase cost in respect of the purchaser's share of the fair value of the assets and liabilities and the potential liabilities at the date of purchase.

After the initial registration, goodwill is not subject to amortisation but is decremented of any losses in accumulated value, calculated according to the IAS 36 Asset value reduction. Goodwill regarding shares in associates companies is included in the taxation value of said companies.

Goodwill is subject to an annual analysis of retrievableness or at shorter intervals if something happens or changes in circumstances arise, which could cause losses in value.

Goodwill deriving from purchases made prior to 1st January 2004 is registered at the recorded value ascribed to it in the last balance drafted on the basis of the previous accounting standards (31st December 2003). In fact, during the preparation of the opening balance in accordance with the international accounting standards, none of the purchase transactions made prior to 1st January 2004 have been re-considered.

Impairment loss

The Group annually verifies the accountable value of intangible and tangible assets or more often whenever there is an indication that assets may have suffered a value loss.

If the charged value exceeds the recoverable value, the assets are devalued to reflect their recoverable value, represented by the greatest figure between the net price and use value. In defining the use value, expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimations in reference to the cost of money at the time and the specific risks of the asset in question. For an asset that does not generate widely independent financial flows,

the return value is determined in relation to the unit generating the financial flows of which the asset is a part. The value losses are accounted for in the income statement among depreciation and devaluation costs. When subsequently an asset value loss, different from the goodwill, is less or decreases, the accounting value is increased to a new estimate of the recoverable value within the limit of the previous value loss. The recovery of a value loss is registered to the income statement.

Assets available for sale

Share in non-consolidated companies are classified as assets financially available for sale and are valued at fair value. For any shares quoted as fair value, this value is taken as the market value, if active. Any profits or losses found as a result of the effect of evaluating the fair value on these assets at every balance date are shown at net patrimony unless they are sold or they have durable losses in value, that are the moments when the total profit or loss found in the net patrimony is registered to the profit and loss account.

Other non-current credits

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

Stock

Leftover stock is valued as the lesser value between purchase cost and the net value of the assumed income. The cost is determined in accordance with the average calculated cost method.

On-going orders

When the result of an order can be reliably estimated, the relative revenues and costs are shown in relation to the situation of the activity's progress at the time of financial period closure, on the basis of the ratio between sustained costs for the activity carried out to date and the total estimated cost of the order, unless this calculation is not deemed representative of the order's progress.

Any variations to the contract, price or incentive reviews, are included to the amount that were agreed with the customer.

When the result of an order cannot be estimated reliably, the relative revenues are shown only within the limits of the order's sustained costs, which will

probably be retrieved. Order costs are shown as expenses in the financial period in which they were sustained.

Should it appear likely that the total costs of a work to order will exceed the revenues, the expected loss is immediately shown as a cost.

Commercial credits and other credits

Commercial credits, whose expiry limits are within normal commercial terms, are not updated and are registered at their nominal value net of any loss of value. Moreover, they are adjusted to their assumed cash value by means of the registration of an appropriate amendment fund.

Liquid asset availability and equivalent means

The availability of liquid assets and equivalent means is registered at nominal value and has the requirements to be immediately available or available at very short notice, without obstacles and with no significant expense for collection.

Employee benefits

Severance pay (TFR), governed by Civil Code article 2120, foresees that, when the work contract ends and working relations close, an employee shall be paid a sum calculated on the basis of the length of time he/she was employed and the amount of remuneration received.

Following the reform on additional welfare benefits, amounts matured up to 31/12/2006 remain in the company and the old governance system will be applied on these. Instead, for amounts matured since 01/01/2007, the employees can decide whether to allocate them as an additional welfare payment or to keep them in the company (if the company employs at least 50 people) or even have them put into a treasury fund (if the company employs at least 50 people) set up at INPS (State Welfare Offices).

Therefore:

- Severance Pay amounts matured up until 31/12/2006 and amounts matured since 01/01/2007 and kept in the company, are shown as definite benefit plans, while
- Severance Pay amounts matured since 01/01/2007 and transferred into additional welfare funds or treasury funds at INPS, are shown as definite contribution plans.

Severance Pay is calculated by independent actuaries using the "matured benefit" method by means of the "Projected Unit Credit" criterion as provided for in IAS 19. The calculation method can be outlined by the following phases:

- projection for each employee according to the assessment date of any Severance Pay already set aside and any future Severance Pay amounts that will mature up to the unforeseeable end of relations and by projecting the worker's remunerations;
- determination for each employee of probable Severance Pay payments that the company may have to make should the employee decide to resign, be dismissed, be incapacitated, die or take early retirement as well as any request for advance payments;
- the discounting back, at assessment date, of each probable payment;
- and (for companies with at least 50 employees) the re-proportioning, for each employee, of the probable and discounted back services based on the length of service at assessment date compared to the entire unpredictable amount at liquidation date.

Risk and obligation funds

In accordance with the IAS 37, the allocations are shown when there is an ongoing obligation (legal or implicit) that stems from a past event, whenever an outlay may be necessary to satisfy the obligation and a feasible estimation may be made on the obligation amount.

Commercial debts and other current liabilities

The commercial debts, whose deadlines are within normal commercial terms, are not updated and are registered at cost (identified by their nominal value).

Financial liabilities are initially shown at cost, which corresponds to the fair value of the liability, net of transition costs, which are directly attributable to the issue of the liability itself.

After the initial determination, the financial liabilities are assessed with the criterion of amortized cost using the effective original interest rate method.

Revenues and costs

The revenues and costs are determined in accordance with the qualifying economic principle to the amount to which the fair value can be feasibly determined.

Depending on the type of operation, the revenues are determined on the basis of the specific criteria reported below:

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

As for sales concerning assistance and/or maintenance services carried out with the annual subscription formula, the accrual is calculated in proportion with time.

The costs are ascribed in the balance according to the same criteria as those for revenue acknowledgment.

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 2014

There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1st January 2014 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 2014 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	295,500	100.00%	100.00%
CeSBE S.r.l.	Verona	10,400	62.11%	62.11%
D.Q.S. S.r.l.	Roma	11,000	100.00%	100.00%
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 DQS 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.

Company name	Registered office	Date of reference	Quotaholders' equity	Pre-tax result 01/01-31/03	Percentage of investment	Investment value of the Group
Sicom S.r.l.	Viadana (MN)	31/03/2013	1,201	481	25.00%	300
		31/03/2014	1,303	571	25.00%	326

8. The short-term situation ¹

Global output and trade are continuing to expand, but with signs of weakness in some emerging countries, in the first quarter 2014.

In euro-area financial markets, the rise of bond prices and the reduction in risk premiums have gained pace. The improvement is attributable mainly to the dissipation of fears of a break-up of the Monetary Union and to the progress made in macroeconomic adjustment in member countries, but it also reflects the large inflow of capital exiting the emerging countries in search of safer investments. With economic growth still moderate and uneven, inflation in the euro area remains well below recent forecasts. The Governing Council of the ECB is resolute in its commitment to using also unconventional instruments, such as market purchases of bonds, in order to cope effectively with risks of a too prolonged period of low inflation.

In Italy, there are signs that the recovery is slowly spreading: the performance of industrial production and the results of business surveys indicate that economic activity has continued to expand at a moderate pace in the first few months of the year. The strength of the recovery differs by category of firm and geographical area, but it appears to be spreading gradually. Surveys indicate that the improvement in the prospects of large industrial firms and export-oriented companies is accompanied by initial positive signs for service businesses as well. The situation remains less favourable in the South.

The profitability of Italian banking groups was affected in 2013 by a decline in the volume of lending, which was a factor in the decline in net interest income. Despite the curbing of operating costs, profit for the year shrank. Profitability was eroded above all by the banks' substantial loan loss provisions, up by a third owing to the major groups' particularly prudent valuation of their balance-sheet assets which, however, helped to boost their share prices. Net of one-off items such as goodwill impairments, ROE was negative by 1.3 per cent.

9. Significant events of the period

With effect as of 1st January 2014, the non-executive director Enrique Sacau, has resigned as a member of the Company's Board of Directors, following the taking on of new tasks that prevent him from attending the Board's meetings. Enrique Sacau, the non-executive and non-independent director, did not belong to any internal committee.

In February 2014 CAD IT has been granted the contract for the supply of the "MA-Market Abuse" application platform and the relative specialist support services for monitoring of *Market Abuse, Personal Transactions and Conflicts of interest* for Poste Italiane S.p.A.. The platform developed by CAD IT is able to identify any market manipulation and insider trading suspicious transactions in accordance with the European and Italian Market Abuse regulations. The procedure also manages also the conflicts of interest register.

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

Moreover, the planning activities with Xchanging UK Ltd (a company that supplies security administration services for the German and British market and which holds a 10% share in CAD IT S.p.A.) through which the CAD IT Group aims at increasing its revenues in Italy and also to diversify its business in geographical terms, is continuing.

¹ Data source: Banca D'Italia, Economic Bulletin no. 2, April 2014.

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

	31/03/2014		31/03/2013		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	12,899	93.5%	12,110	92.9%	789	6.5%
Asset increases due to internal work	869	6.3%	895	6.9%	(26)	(2.9%)
Other revenue and receipts	33	0.2%	36	0.3%	(3)	(9.3%)
Production value	13,801	100.0%	13,041	100.0%	760	5.8%
Costs for purchases	(136)	(1.0%)	(90)	(0.7%)	(46)	51.3%
Costs for service	(2,537)	(18.4%)	(2,080)	(15.9%)	(458)	22.0%
Other operational costs	(150)	(1.1%)	(147)	(1.1%)	(3)	2.0%
Added value	10,977	79.5%	10,724	82.2%	253	2.4%
Labour costs	(8,969)	(65.0%)	(8,929)	(68.5%)	(40)	0.5%
Other administrative expenses	(521)	(3.8%)	(535)	(4.1%)	14	(2.6%)
Gross operational result - EBITDA	1,487	10.8%	1,260	9.7%	227	18.0%
Allocation to fund and credit depreciation	(4)	(0.0%)	(2)	(0.0%)	(2)	64.0%
Intangible fixed asset amortization	(1,093)	(7.9%)	(972)	(7.5%)	(121)	12.4%
Tangible fixed asset amortization	(114)	(0.8%)	(120)	(0.9%)	6	(4.8%)
Operational result - EBIT	276	2.0%	166	1.3%	110	66.3%
Financial income	17	0.1%	20	0.2%	(3)	(12.9%)
Financial expenses	(27)	(0.2%)	(11)	(0.1%)	(16)	146.3%
Ordinary result	267	1.9%	175	1.3%	92	52.4%
Revaluations and depreciations	143	1.0%	194	1.5%	(52)	(26.6%)
Pre-tax result	409	3.0%	369	2.8%	40	10.8%
Pre-tax result attributable to:						
Non- controlling interests	31	0.2%	(61)	(0.5%)	92	(151.8%)
Owners of the parent	378	2.7%	430	3.3%	(52)	(12.1%)

The CAD IT Group closed the first quarter of 2014 with a value of production of Euro 13,801 thousand, showing an increase (+5.8%) compared to the same quarter in the previous financial period (Euro 13,041 thousand), thus achieving positive improved returns.

The value of production was mainly made up of revenues from services and sales amounting to Euro 12,899 thousand, increasing (+6.5%) compared to the same quarter in the previous year (Euro 12,110 thousand).

The increase in internal work capitalized under fixed assets came to Euro 869 thousand, showing a decrease of Euro 26 thousand compared to the first quarter of the previous year (Euro 895 thousand).

Service costs of Euro 2,537 thousand (equal to 18.4% of the value of production) increased (+458 thousand of Euro) compared to Euro 2,080 thousand (equal to 15.9% of the value of production) in the first quarter of 2013. Service costs consist of external collaborations (Euro 1,112 thousand), travelling expenses and fee reimbursement (Euro 387 thousand) and other service costs (Euro 1,038 thousand).

The Euro 10,977 thousand of added value was equal to 79.5% of the value of production, compared to Euro 10,724 thousand in the first quarter of previous year (82.2% of the value of production).

Labour costs during the quarter came to Euro 8,969 thousand, a slight increase (+40 thousand of Euro) compared to Euro 8,929 thousand in the same period of 2013. The average number of employees during the quarter was 612 units, increasing compared to the same quarter of 2013 (605 units).

Other administrative costs came to Euro 521 thousand, a slight decrease compared to the previous year (Euro 535 thousand).

The EBITDA revenue margin stood at Euro 1,487 thousand, showing an increase compared to Euro 1,260

thousand in the first quarter of 2013 (+18.0%).

Amortization quotas during the quarter were Euro 1,093 thousand for intangible assets and Euro 114 thousand for tangible assets, compared to Euro 972 thousand and 120 thousand respectively of the same quarter of 2013. Depreciation and amortization of intangible assets increased compared to the previous period due to the beginning of the amortization schedules of software procedures, concluded in previous years, which have become available for use and for sale.

The EBIT operational result for the quarter was in credit by Euro 276 thousand compared to Euro 166 thousand in the same period of previous year, showing an increase of Euro 110 thousand.

The result of the financial management recorded revenue of Euro 17 thousand and financial expense for Euro 27 thousand, compared respectively to Euro 20 and 11 thousand in the first quarter of last year.

The ordinary result was in credit by Euro 267 thousand compared to Euro 175 thousand in the first quarter of 2013.

The revaluations of the period refer to the share of profit of associate company, calculated with the net patrimony method, which generated a Euro 143 thousand revaluation. In the first quarter of 2013 the revaluations were related for Euro 120 thousand to the share of profit of associate company, calculated with the net patrimony method, as well as for Euro 74 thousand to the capital gain from the sale of assets available for sale.

The pre-tax result was in credit by Euro 409 thousand (equal to 3.0% of the value of production), improving (+10.8%) compared to the same quarter in the previous financial year when the figure registered was Euro 369 thousand (equal to 2.8% of the value of production).

The interim management report was presented without calculating the income taxes for the period.

The profit for the period ascribed to CAD IT shareholders was Euro 378 thousand compared to Euro 430 thousand in the first quarter of the previous financial year; the third party share was positive for Euro 31 thousand, compared to a loss of Euro 61 thousand in the first quarter of 2013.

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.

Income from sales and services	1° Quarter 2014		1° Quarter 2013	
	€/000	%	€/000	%
Finance	12,485	96.79%	11,647	96.18%
Manufacturing	414	3.21%	462	3.82%
Total	12,899	100%	12,110	100%

11. Net financial position

The net financial position of the Group as at 31st March 2014 was positive for Euro 118 thousand, a significant improvement compared to the previous year, when the position showed an indebtedness of Euro 2,575 thousand.

In particular, cash-on-hand bank accounts and cash amounted to Euro 2,107 thousand and capitalization insurance policies (contractually available on 20-day prior request without any significant tax expenses) to Euro 2,570 thousand. Short-term debts towards banks of Euro 4,559 thousand regard overdrawn accounts and advances subject to final payment and decreased compared to Euro 6,382 thousand at 31/12/2013.

(in thousands of Euro)

<i>Net consolidated financial position</i>	<i>31/03/2014</i>	<i>31/12/2013</i>	<i>31/03/2013</i>
Cash-on-hand and at bank	2,107	1,253	3,570
Capitalization insurance policies	2,570	2,555	2,508
Payables due to banks current portion	(4,559)	(6,382)	(475)
Net short-term financial position/(indebtedness)	118	(2,575)	5,602
Long-term loans	(0)	(0)	(0)
Net long-term financial position/(indebtedness)	(0)	(0)	(0)
Net financial position/(indebtedness)	118	(2,575)	5,602

As shown in the financial report, operating activities, in the first quarter of 2014, generated a positive cash flow of Euro 3,465 thousand (increasing compared to Euro 2,369 thousand in the first quarter of 2013).

Investment activity management took Euro 771 thousand, increasing compared to Euro 652 thousand used in the same period of previous year. Specifically Euro 898 thousand were invested in intangible assets and Euro 25 thousand in tangible assets, while Euro 170 thousand were collected as dividends and Euro 17 thousand as interest income.

Please refer to Consolidated Cash Flow Statement for more cash flow details.

12. Research and development

In relation to activities aimed at consolidating traditional business, the realization of new modules to increase the functional and/or technological development of the considerable range of software installed is still underway within the Group.

The creation and use of new computer systems aimed at diversifying the Group's offer towards those sectors bordering on the ones in which it is already present and to new markets abroad, is still underway.

As regards new projects, development are continuing on the SIBAC GS platform. Development and innovation activities for the Finance Area Web 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). Investments are still being ploughed into the innovation and extension of specialised modules for financial insurance management whose area covers all processes relating to company investment management from front to back office.

CAD IT, in activities aimed at developing its own range of products, is also creating solutions linked to the new laws (for example, Solvency II, Target 2 Securities and FATCA).

Activity in the production of specialized modules for the business intelligence (Managerial Information System) area is also continuing, especially in regard to risks, fraud and long-distance control.

Investment to enrich the offer range of solutions and services for Public Administration and authorities for the management of local taxes is also continuing.

13. Investments and intangible and tangible fixed assets

The figures accumulated in investments in intangible and tangible assets, made during the quarter by companies of the Group included in the consolidation area amount to Euro 923 thousand, compared to Euro 965 thousand in the same period in 2013.

(in thousands of Euro)

Summary of investments	1° Quarter	1° Quarter	Year
	2014	2013	2013
Intangible fixed assets	29	24	134
Assets under development and payments on account	869	895	3,715
Property, Plant and equipment	25	47	154
Total investments in tangible and intangible fixed assets	923	965	4,002

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.

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

(in thousands of Euro)

Intangible fixed assets	Industrial patents and similar rights	Licences, trademarks	Assets under development and payments on account	Other intangible fixed assets	Total
Purchase or production cost	31,727	3,959	8,192	27	43,905
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(19,500)	(3,728)	-	(27)	(23,255)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	12,227	232	8,192	0	20,650
Variations in consolidation area	-	-	-	-	-
Purchases/increases	-	29	869	-	898
Transfers	2,327	-	(2,327)	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(1,060)	(33)	-	-	(1,093)
Adjustments to write-downs for the period	-	-	-	-	-
Total intangible fixed assets	13,494	227	6,734	0	20,455

During the quarter, significant 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 2,327 thousand.

(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	9,140	4,187	33	5,060	18,420
First time adoption revaluation	8,439	-	-	-	8,439
Previous years depreciation and write-downs	(1,585)	(3,155)	(29)	(4,644)	(9,414)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	15,993	1,032	4	416	17,445
Variations in consolidation area	-	-	-	-	-
Purchases	-	1	-	25	25
Transfers	-	-	-	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	10	10
Disposals	-	-	-	(10)	(10)
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(30)	(39)	(0)	(44)	(114)
Adjustments to write-downs for the period	-	-	-	-	-
Total tangible fixed assets	15,963	993	3	396	17,356

14. Personnel

The number of CAD IT Group staff, at the end of the quarter decreased by 2 units compared to the end of 2013 financial period. Information on the actual number employees at the end of each period is reported below:

<i>Category of Employees</i>	<i>Labour force at 31/03/2014</i>	<i>Labour force at 31/03/2013</i>	<i>Labour force at 31/12/2013</i>
Management	18	18	18
White-collars and cadres	578	575	580
Blue-collars	1	1	1
Apprentices	14	13	14
Total	611	607	613

The average number of employees in the quarter was 612 units, increasing compared to the same reference quarter of the 2013 financial period (605 units).

<i>Category of Employees</i>	<i>Average number I Quarter 2014</i>	<i>Average number I Quarter 2013</i>	<i>Average number year 2013</i>
Management	18	18	18
White-collars and cadres	579	576	578
Blue-collars	1	1	1
Apprentices	14	10	12
Total	612	605	609

The Group dedicates particular attention to professional staff training by means of internal training programmes and updating courses.

15. Significant events since 31st March 2014

On 29th April 2014, the Ordinary Shareholders' Meeting approved the Annual Financial Statements at 31st December 2013.

In order to replace the resigning director Enrique Sacau, the Shareholders' Meeting of CAD IT S.p.A. has confirmed the appointment of the co-opted non-executive and non-independent Director Thomas Burkhardt, who will be in charge until the expiry date for the entire Board of Directors, i.e. until the date of the Shareholders' Meeting that will be called for the approval of the financial statements for the year ending on 31st December 2014. The Shareholders' Meeting also approved the first section of the Remuneration Report pursuant to article 123-ter of Leg. Dec no. 58/1998 (available in the Company's website).

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

16. Other Information

CAD IT, in accordance with art. 3 of Consob Deliberation no. 18079 of 20th January 2012, has decided to comply with the simplification regime provided for in articles 70, paragraph 8, and 71, paragraph 1-bis of Consob Regulation no. 11971/1999 and subsequent modifications and integrations, therefore availing itself of the right to waiver the obligation to present the expected information documents on significant operations relating to mergers, splits, increases in capital by means of the transfer of assets, acquisitions and sales.

17. Foreseeable management developments

In response to the current general situation the Board of Directors has placed maximum attention on market needs in order to lead the Group's management and development strategies in the right direction and to maintain high levels of efficiency so that favourable economic results can be achieved in the future.

The success of the Group's activities will therefore depend on its ability to maintain and increase the shares it has in the markets in which it currently operates and/or to further expand into other markets and segments (like insurance, public administration, foreign financial institutions) through new and high standard, quality products that would guarantee adequate income levels.

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 local tax collection sectors, further distribute new products relating to business intelligence, promote its software for the industrial sector at medium/large-sized companies. The Group is also continuing to pursue its efforts to expand towards the European and international markets, which could be favoured by the optimal references it has obtained from its existing foreign customers and by the internationalisation procedures for which the large Italian 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 increase in the Group's activities resulting from expansion in to Europe and the acquisition of a greater market share could counterbalance the weakness of domestic demand.

The short-term economic situation remains difficult and uncertain, therefore, 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 is confident that positive results can still be achieved, considering activities and actions already developed and those planned.

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

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

The undersigned, Daniele Mozzo, 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 2014

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

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
www.caditgroup.com