



## Interim Management Report at 30<sup>th</sup> September 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.*



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## BOARD OF DIRECTOR AND AUDITORS

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

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 <sup>(2)</sup>  
*Director*

THOMAS BURKHART <sup>(3)</sup>  
*Director*

FRANCESCO ROSSI <sup>(2)</sup>  
*Director and lead independent director*

LAMBERTO LAMBERTINI <sup>(2)</sup>  
*Independent Director*

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

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.

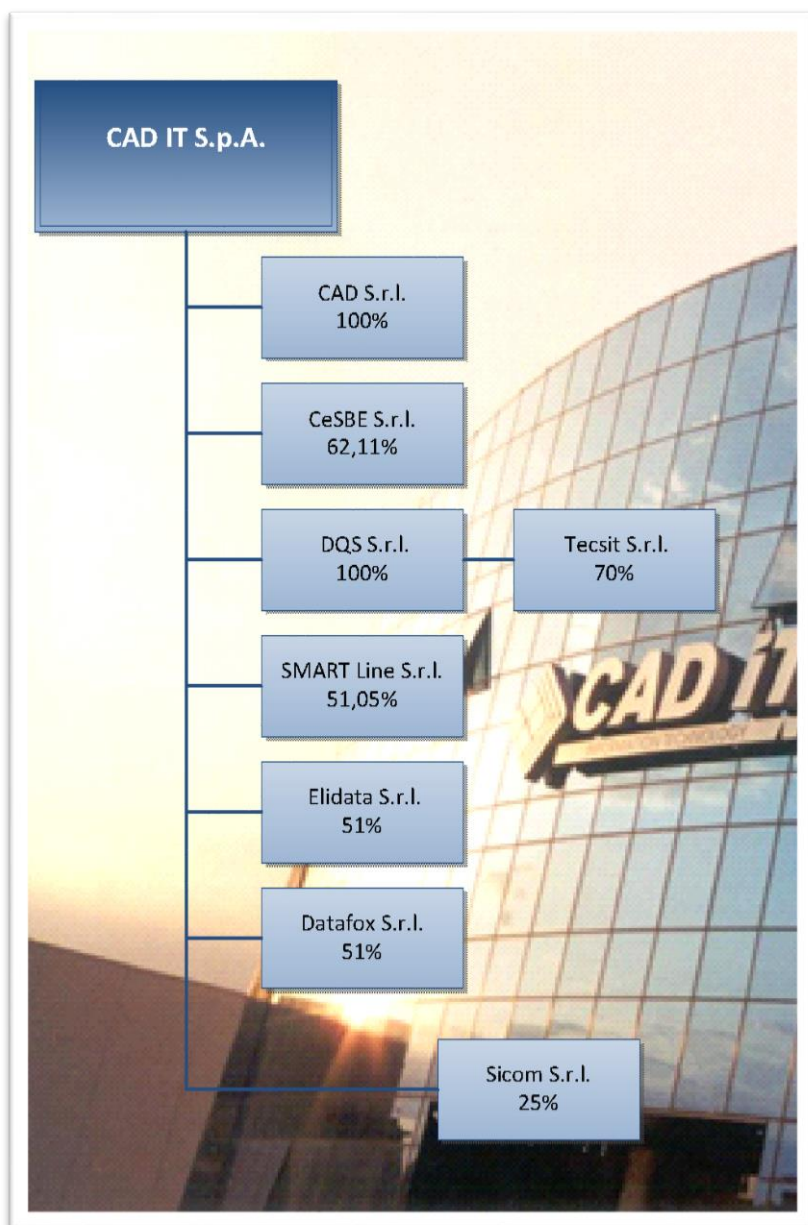
The main powers reserved in the statute to the Board of Directors are the examination and approval of the strategic, industrial and financial plans of the company; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of 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 the functions 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 as at 30/09/2014



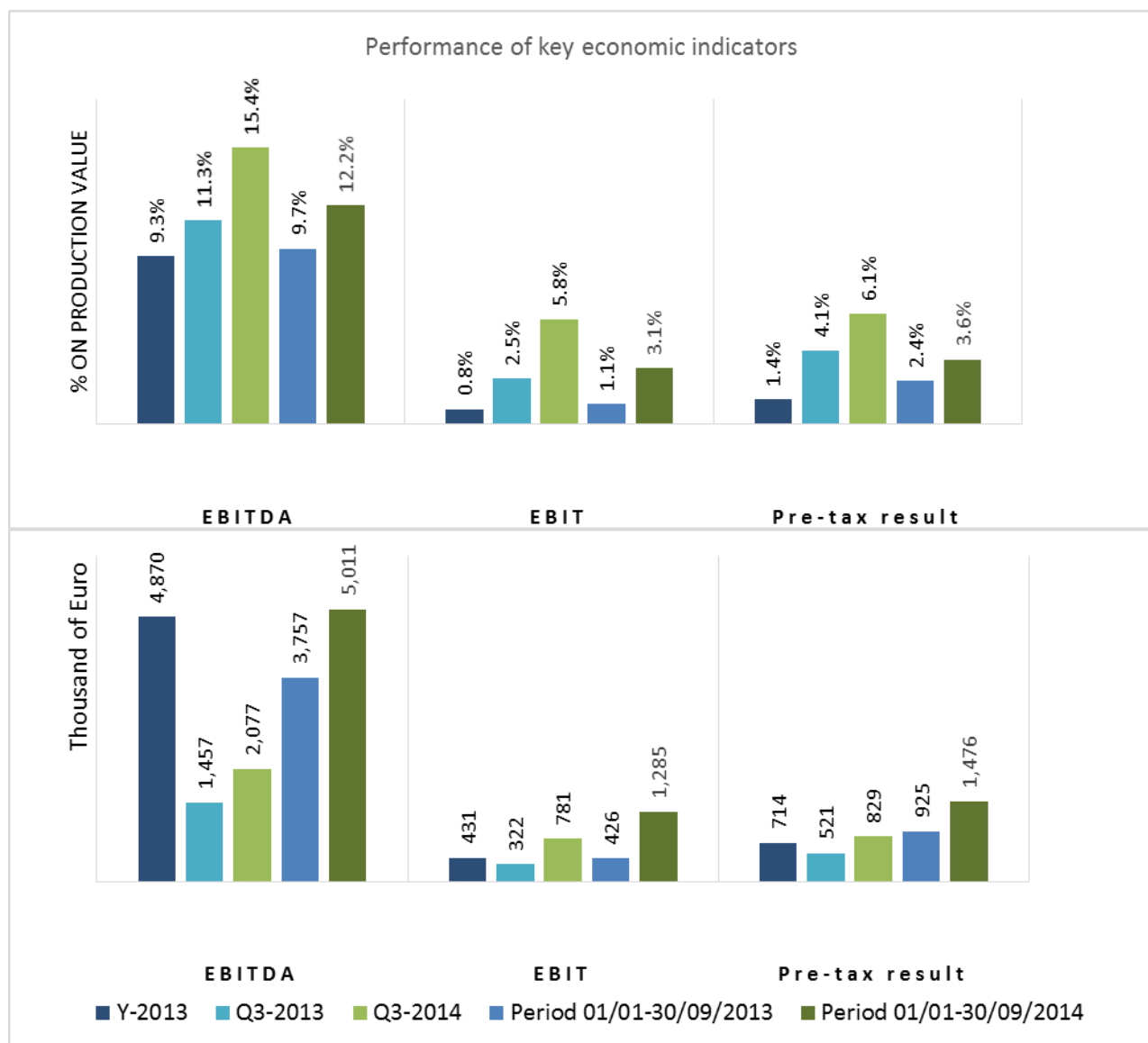
## SUMMARY OF THE GROUP'S RESULTS AND DATA

	30/09/2014		30/09/2013		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	41,227	100.0%	38,584	100.0%	2,643	6.9%
Added value	32,241	78.2%	30,912	80.1%	1,330	4.3%
Gross operational result (EBITDA)	5,011	12.2%	3,757	9.7%	1,254	33.4%
Operational result (EBIT)	1,285	3.1%	426	1.1%	859	201.6%
Ordinary result	1,276	3.1%	439	1.1%	837	190.7%
Pre-tax result	1,476	3.6%	925	2.4%	551	59.6%
<b>Pre-tax profit attributable to owners of the parent</b>	<b>1,232</b>	<b>3.0%</b>	<b>661</b>	<b>1.7%</b>	<b>571</b>	<b>86.5%</b>
Total comprehensive pre-tax income	686		967		(281)	(29.1%)
<b>Total comprehensive pre-tax income attributable to owners of the parent</b>	<b>511</b>		<b>690</b>		<b>(179)</b>	<b>(26.0%)</b>

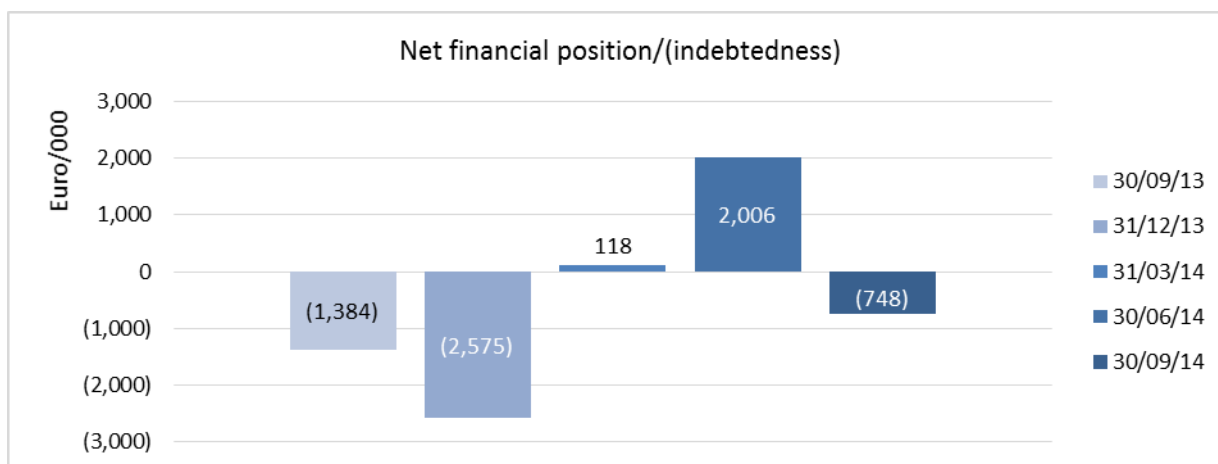
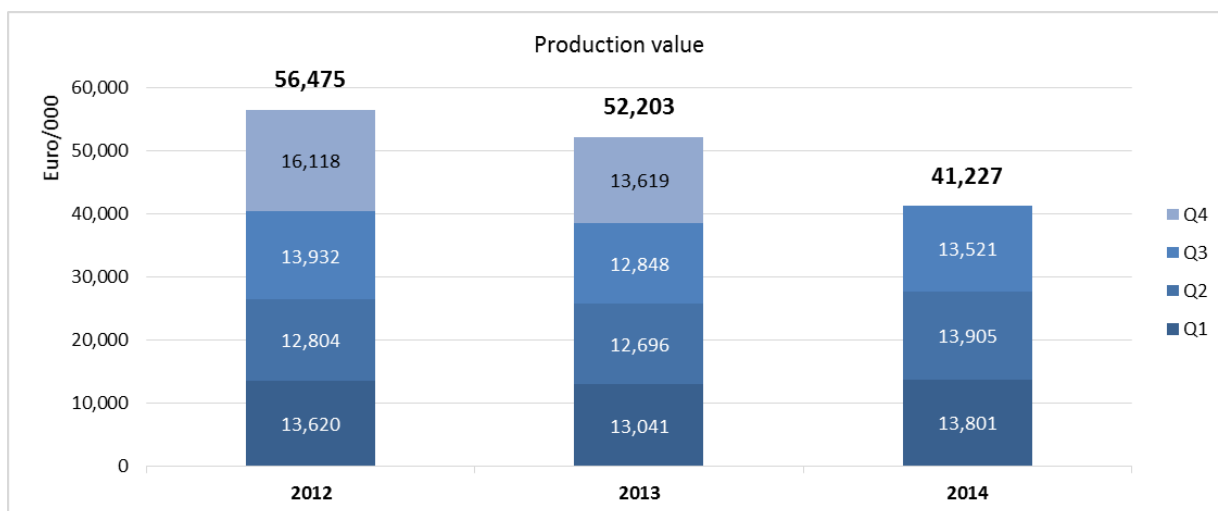
	III Quarter 2014		III Quarter 2013		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	13,521	100.0%	12,848	100.0%	674	+ 5.2%
Added value	10,564	78.1%	9,911	77.1%	653	+ 6.6%
Gross operational result (EBITDA)	2,077	15.4%	1,457	11.3%	620	+ 42.6%
Operational result (EBIT)	781	5.8%	322	2.5%	459	+ 142.6%
Ordinary result	782	5.8%	318	2.5%	463	+ 145.5%
Pre-tax result	829	6.1%	521	4.1%	307	+ 58.9%
<b>Pre-tax profit attributable to owners of the parent</b>	<b>745</b>	<b>5.5%</b>	<b>386</b>	<b>3.0%</b>	<b>358</b>	<b>+ 92.7%</b>
Total comprehensive pre-tax income	829		521		307	+ 58.9%
<b>Total comprehensive pre-tax income attributable to owners of the parent</b>	<b>745</b>		<b>386</b>		<b>358</b>	<b>+ 92.7%</b>

	30/09/2014	31/12/2013	30/09/2013
Total Assets	87,478	86,494	86,586
Total Equity	56,119	55,528	57,152
Equity attributable to Owners of the parent	53,861	53,350	54,405
Net short-term financial position/(indebtedness)	(748)	(2,575)	(1,384)
Net financial position / (indebtedness)	(748)	(2,575)	(1,384)
Employees at the end of the period (number)	612	613	611
Employees (average number in the period)	613	609	608











## SUMMARY SCHEDULES

### Consolidated income statement

	(in thousands of Euro)			
	III Quarter 2014	III Quarter 2013	Period 2014 01/01 – 30/09	Period 2013 01/01 – 30/09
Income from sales and services	12,788	11,857	38,566	35,675
Asset increases due to internal work	721	920	2,515	2,801
Other revenue and receipts	12	70	145	107
Purchase costs	(72)	(178)	(429)	(426)
Service costs	(2,709)	(2,619)	(7,768)	(6,781)
Other operational costs	(177)	(140)	(789)	(465)
Labour costs	(8,035)	(7,980)	(25,785)	(25,655)
Other administrative expenses	(452)	(474)	(1,445)	(1,500)
Allocation to fund and credit depreciation	(2)	0	(5)	(2)
Intangible fixed asset amortization	(1,183)	(1,011)	(3,383)	(2,963)
Tangible fixed asset amortization	(111)	(124)	(337)	(366)
Financial income	16	17	50	53
Financial expenses	(16)	(21)	(60)	(41)
Revaluations and depreciations	47	203	210	482
Income taxes <sup>1</sup>	0	0	(10)	3
<b>Pre-tax result</b>	<b>829</b>	<b>521</b>	<b>1,476</b>	<b>925</b>
<b>Pre-tax profit/ (loss) attributable to:</b>				
Non-controlling interests	84	135	244	264
<b>Owners of the parent</b>	<b>745</b>	<b>386</b>	<b>1,232</b>	<b>661</b>
Weighted average number of ordinary shares: 8,980,000				
Basic earnings per share (in €)	0.083	0.043	0.137	0.074

<sup>1</sup> The interim management report is presented without calculating the income taxes for the period; the amount shown is related to the tax variations calculated when drafting the annual balance and the punctual determination of said taxes that was calculated later when the income tax return was declared.



## Consolidated statement of comprehensive income

(in thousands of Euro)

	III Quarter 2014	III Quarter 2013	Period 2014 01/01–30/09	Period 2013 01/01–30/09
<b>Pre-tax profit (loss) for the period</b>	<b>829</b>	<b>521</b>	<b>1,476</b>	<b>925</b>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>				
Actuarial gains/(losses) on defined benefit liabilities	-	-	(789)	146
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>				
Gains/(Losses) on fair value of available-for-sale financial assets	-	-	-	-
Reclassification adjustments: gains realized on disposal of available-for-sale	-	-	-	(103)
<b>Total Pre-tax comprehensive income (loss)</b>	<b>829</b>	<b>521</b>	<b>686</b>	<b>967</b>
Comprehensive income (loss) attributable to:				
- Non- controlling interests	84	135	176	277
- <b>Owners of the parent</b>	<b>745</b>	<b>386</b>	<b>511</b>	<b>690</b>



## Consolidated Statement of financial position

(in thousands of Euro)

31/12/2013	ASSETS	30/09/2014	30/09/2013
	A) Non-Current Assets		
17,445	Property, plant and equipment	17,240	17,553
20,650	Intangible assets	19,859	20,624
8,309	Goodwill	8,309	8,309
353	Investments	393	563
-	Other financial assets available for sale	-	-
194	Other non-current credits	254	200
776	Credits due to deferred taxes	776	746
<b>47,727</b>	<b>TOTAL NON-CURRENT ASSETS</b>	<b>46,831</b>	<b>47,995</b>
	B) Current Assets		
62	Inventories	48	73
32,768	Trade receivables and other credits	33,662	32,937
2,128	Tax credits	2,215	2,024
3,808	Cash on hand and other equivalent assets	4,722	3,557
<b>38,767</b>	<b>TOTAL CURRENT ASSETS</b>	<b>40,647</b>	<b>38,591</b>
<b>86,494</b>	<b>TOTAL ASSETS</b>	<b>87,478</b>	<b>86,586</b>

31/12/2013	EQUITY AND LIABILITIES	30/09/2014	30/09/2013
	A) Equity		
4,670	Company capital	4,670	4,670
35,246	Reserves	35,246	35,246
13,434	Accumulated profits/losses	13,945	14,489
<b>53,350</b>	<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>53,861</b>	<b>54,405</b>
<b>2,177</b>	<b>Third party Equity</b>	<b>2,258</b>	<b>2,747</b>
<b>55,528</b>	<b>TOTAL EQUITY</b>	<b>56,119</b>	<b>57,152</b>
	B) Non-current liabilities		
-	Financing	-	-
2,957	Deferred tax liabilities	2,957	3,045
6,908	Employee benefits and quiescence provisions	7,749	6,811
120	Expense and risk provisions	395	137
<b>9,985</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>11,101</b>	<b>9,993</b>
	C) Current liabilities		
4,473	Trade payables	6,776	5,830
3,290	Current tax payables	2,067	1,572
6,382	Short-term financing	5,470	4,941
6,835	Other liabilities	5,944	7,097
<b>20,981</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>20,258</b>	<b>19,441</b>
<b>86,494</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,478</b>	<b>86,586</b>



## Consolidated Cash Flow Statement

(in thousands of Euro)

<i>Cash Flow Statement of CAD IT Group</i>	<i>Period 2014 01/01-30/09</i>	<i>Period 2013 01/01-30/09</i>
<b>A) OPERATING ACTIVITIES</b>		
Profit (loss) for the period	1,476	925
Amortisation, revaluation and depreciation:		
- Property, plant and equipment depreciation	337	366
- Intangible fixed asset amortisation	3,383	2,963
- Revaluation of investments and financial assets available for sale	(210)	(482)
Allocations (utilization) of provisions	327	159
Financial performance:		
- Net financial receipts (charges)	10	(13)
- Profit / (loss) on foreign exchange	-	-
Other working capital variations	(595)	(3,258)
Income taxes paid	(183)	(527)
Interest paid	(60)	(40)
<b>A) - Cash flows from (used in) operating activities</b>	<b>4,485</b>	<b>92</b>
<b>B) INVESTMENT ACTIVITIES</b>		
Investments in activities		
- purchase of property, plant and equipment	(134)	(138)
- purchase/production of intangible assets	(2,592)	(2,837)
- increase in other fixed assets	(70)	(45)
Disinvestment activities		
- transfers of property, plant and equipment		1
- transfers of assets available for sale		239
- decrease in other fixed assets	10	7
Cashed Interest	50	53
Cashed dividends	170	163
<b>(B) - Cash flows from (used in) investment activities</b>	<b>(2,564)</b>	<b>(2,557)</b>
<b>C) FINANCING ACTIVITIES</b>		
Medium/long term financing repayment	-	-
Allocation of profits to directors of subsidiary companies	-	(11)
Dividends paid	(95)	(2,793)
<b>(C) - Cash flows from (used in) financing activities</b>	<b>(95)</b>	<b>(2,804)</b>
<b>(A+B+C) - Total cash and other equivalent assets flows</b>	<b>1,826</b>	<b>(5,269)</b>
<b>Opening cash balances and equivalents</b>	<b>(2,575)</b>	<b>3,885</b>
<b>Closing cash balances and equivalents</b>	<b>(748)</b>	<b>(1,384)</b>



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

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

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

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

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

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

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



manages and coordinates its own subsidiaries.

The CAD IT Group operates in Italy with its own branches and companies in Verona, Milan, Rome, Prato, 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 resources through training and experiential courses.

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

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

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

## **FINANCE**

Area Finanza, flagship product, is viewed as the gold standard on the Italian market, with about a 90% share of the Italian securities processing market, according to the estimate of the company.



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

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

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

Within Europe, our application statistics for Area Finanza include:

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

### **PUBLIC ADMINISTRATION**

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

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

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

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

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

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

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

### **INDUSTRY**

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

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

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

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



## 4. Hot topics

### FINANCE DIVISION

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

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

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

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

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

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

#### *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 recalcitration;
- 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.

### **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.

### **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.
- In August Industrial Starter, a company operating in the fashion sector and dealing in the sale of protective industrial clothing, has chosen the ERP Infor M3 platform to improve support to company organisation systems at various levels and to adapt to changes in business needs. In particular: the use of an ERP application that is guaranteed to cover all company procedures; assurance of the best possible inter-operability towards customers, suppliers and partners; the decision to adopt a technologically advanced platform that is open to global company concepts; trust in a partner that is able to provide consultancy, training and assistance both during the system start-up phase and for maintenance while still safeguarding the wealth of experience gained over time.
- In August CALIFIN S.p.A., a company representing a group of companies operating in the retail fashion sector with the sale of leading clothing brands, in order to improve support to its own company procedures, has chosen CAD IT to implement Infor M3, thus introducing an integrated ERP solution, to cover its retail distribution procedures. The project particularly focuses on the implementation of the CALIFIN S.p.A.'s business model into the ERP Infor M3 in order to take advantage of the company's own standard functions as well as those of the connected products, thus minimising software personalisation.

## 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](http://www.caditgroup.com). Please refer to this document for further details on governance and the Internal Control System of CAD IT and of the Group.



## 6. Accounting standards and consolidation criteria

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

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

### 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 1<sup>st</sup> January 2014

Regulation (EU) No 1254/2012 adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, as well the amended IAS 27 Separate Financial Statements and IAS 28 Investment in Associates and Joint Ventures. Each company shall apply IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

The objective of IFRS 10 is to provide a single consolidation model that identifies control as the assumption for consolidation for all types of entities. IFRS 10 replaces *IAS 27 Consolidated and Separate Financial Statements* and Interpretation *SIC-12 Consolidation—Special Purpose Entities*.

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement, and replaces *IAS 31 Interests in Joint Ventures* and *SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

As a consequence of these new IFRSs, the IASB also issued the amended IAS 27 and IAS 28.

The adoption of the new standards had no impact on the consolidation of investments owned by the Group

There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1<sup>st</sup> 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 period 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. <sup>(1)</sup>	Roma	75,000	70.00%	70.00%
<sup>(1)</sup> 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	Profit 01/01-30/09	Percentage of investment	Investment value of the Group
Sicom S.r.l.	Viadana (MN)	30/09/2014	1,573	841	25.00%	393
Sicom S.r.l.	Viadana (MN)	30/09/2013	2,254	1,534	25.00%	563

## 8. The short-term situation <sup>2</sup>

The performance of the global economy and world trade in 2014 has fallen far short of expectations. Economic activity is gaining strength in the United States and the United Kingdom but has weakened in Japan and in the emerging economies. The risks of a further slowdown have increased, in part as a result of geopolitical tensions and the possible aggravation of structural imbalances in some emerging economies. Cyclical misalignment has led to a growing divergence of monetary policies in the advanced countries, with the stance becoming even more expansionary in the euro area while being gradually normalized in the United States.

The recovery in the euro area has faltered; economic activity in Germany contracted in the second quarter. The waning of the stimulus from foreign demand has not yet been offset by a sufficient recovery in domestic demand. The prospects for growth this year have been revised downwards both for the euro area as a whole and for the main economies. Inflation has fallen to exceptionally low levels; even medium-term expectations have fallen below the definition of price stability. The risk of further declines is increasing.

Italy's economy, After basically stabilizing in the second half of 2013, has begun to weaken again. In the first half of the year GDP was affected by the continuing fall in investment and, to a lesser extent, the effect on exports of the weakening performance of world trade. Household consumption instead improved, recording a small increase.

According to the quarterly economic accounts based on the new European System of Accounts (ESA 2010), Italy's GDP fell by 0.2 per cent in the second quarter of the year compared with the first; the contraction, which also showed up in the previous statistical release and surprised forecasters, involved all the main productive sectors. Domestic demand declined slightly, with a fresh drop in investment together with destocking outweighing a modest increase in consumption.

<sup>2</sup> Source: Banca D'Italia, Economic Bulletin no. 4, October 2014.



The indicators now available signal that GDP slipped again in the third quarter, as is suggested by the drop in industrial production. The outlook for foreign demand grew more uncertain as geopolitical tensions flared. The recovery in household and business confidence, under way since the end of last year, came to a halt during the summer.

Consumer price inflation, measured by the harmonized index of consumer prices, was negative in both August and September (twelve-month changes of -0.2 and -0.1 per cent respectively). Core inflation, excluding the more volatile energy and food components, remained positive but fell nevertheless, reaching an all-time low of 0.4 per cent in August. In October the professional analysts surveyed by Consensus Economics again lowered their consumer price inflation forecasts, to 0.2 per cent in 2014 and 0.6 per cent in 2015 from 1.1 and 1.3 per cent respectively in January. Forecasters expect inflation to increase only gradually over the next five years. There is still a substantial risk that a prolonged period of excessively low inflation, or even falling prices, could jeopardize the anchoring of expectations, with adverse repercussions on the level of real interest rates and on the debt-to-GDP ratio.

According to the consolidated quarterly financial statements, in the first half of 2014 the profitability of the five largest Italian banking groups was slightly better than a year earlier, thanks to the reduction in operating costs and in value adjustments to loans (-1.4 and -10.0 per cent respectively). Annualized ROE improved but was still modest (2.5 per cent, compared with 1.9 per cent a year earlier). The 1.2 per cent increase in net interest income was offset by a sharp fall in fee income (down by 36.1 per cent). Overall, gross income was down by 1.5 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 the conflicts of interest register.

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 Burkhart, 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).

On 27th August 2014 the Board of Directors, in consideration of the resignation for health reasons of Maria Rosa Mazzi, confirmed Daniele Mozzo in charge of this activity, already carried out to the interim, until 30/09/2014. Furthermore, the Board of Directors has appointed Michele Miazzi as Manager charged with preparing the company's financial reports, with effect as of 01/10/2014, following prior approval given by the Remuneration and Nomination Committee and after the necessary opinion of the Board of Auditors. Michele Miazzi, member of the Order of Chartered Accountants and Statutory Auditors, had previously held the position of head of the Company's Internal Auditing, where he gained significant experience and a thorough knowledge of the company. The Board of Directors has also appointed Mr. Donatello Marcolungo as new head of the Company's Internal Auditing, replacing Michele Miazzi, upon proposal of the director responsible for Internal Control and Risk Management and prior approval by Internal Control and Risks Committee, after asking the Board of Auditors.

In September 2014 CAD IT has signed with Iccrea Banca a contract for the supply of its Settlement and Corporate Actions solutions ("EasySet III" and "EasyAction") in order to adapt information technology systems of the banking group of cooperative credit in regard to Target 2 Securities. Target 2 Securities (T2S) is the new, standardised European platform for the settlement of Eurosystem securities, which will come into effect as of



June 2015, causing a profound impact on every subject involved in the market: Banks, Custodians and CSD. Within this particular scenario, Iccrea Banca has opted to adhere to T2S as a direct participant ("Full DCP" - Direct Connectivity Participant) in order to reap the benefits of being able to offer its Clientele new and more complete services.

CAD IT and Iccrea Banca have therefore set up a long-term project which will aim at:

- implementing a data processing platform, based on CAD IT's "EasySet III" and "EasyAction" systems, able to appropriately support Iccrea Banca as a "full DCP" within the new T2S settlement system;
- making Back Office, custody and collateral operative processes more efficient and adapting them to the international Systems;
- extending and improving post trade and collateral services towards the bank's customers.

The project foresees the on-license supply of the above-mentioned platform and relative specialist services required for its integration and start-up, as well as ordinary and developmental maintenance.

This project is a strategic reference in terms of international expansion as it will allow CAD IT to be one of the first companies in Europe to have a solution able to meet the financial system's new requirements deriving from Target 2 Securities.

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

	III Quarter 2014		III Quarter 2013		Period variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	12,788	94.6%	11,857	92.3%	931	7.9%
Asset increases due to internal work	721	5.3%	920	7.2%	(199)	(21.7%)
Other revenue and receipts	12	0.1%	70	0.5%	(58)	(82.9%)
<b>Production value</b>	<b>13,521</b>	<b>100.0%</b>	<b>12,848</b>	<b>100.0%</b>	<b>674</b>	<b>5.2%</b>
Purchase costs	(72)	(0.5%)	(178)	(1.4%)	106	(59.7%)
Service costs	(2,709)	(20.0%)	(2,619)	(20.4%)	(90)	3.4%
Other operational costs	(177)	(1.3%)	(140)	(1.1%)	(37)	26.7%
<b>Added value</b>	<b>10,564</b>	<b>78.1%</b>	<b>9,911</b>	<b>77.1%</b>	<b>653</b>	<b>6.6%</b>
Labour costs	(8,035)	(59.4%)	(7,980)	(62.1%)	(55)	0.7%
Other administrative expenses	(452)	(3.3%)	(474)	(3.7%)	22	(4.7%)
<b>Gross operational result - EBITDA</b>	<b>2,077</b>	<b>15.4%</b>	<b>1,457</b>	<b>11.3%</b>	<b>620</b>	<b>42.6%</b>
Allocation to fund and credit depreciation	(2)	(0.0%)	0	0.0%	(2)	(577.0%)
Intangible fixed asset amortization	(1,183)	(8.7%)	(1,011)	(7.9%)	(172)	17.0%
Tangible fixed asset amortization	(111)	(0.8%)	(124)	(1.0%)	12	(10.1%)
<b>Operational result - EBIT</b>	<b>781</b>	<b>5.8%</b>	<b>322</b>	<b>2.5%</b>	<b>459</b>	<b>142.6%</b>
Financial income	16	0.1%	17	0.1%	(1)	(3.2%)
Financial expenses	(16)	(0.1%)	(21)	(0.2%)	5	(22.3%)
<b>Ordinary result</b>	<b>782</b>	<b>5.8%</b>	<b>318</b>	<b>2.5%</b>	<b>463</b>	<b>145.5%</b>
Revaluations and depreciations	47	0.3%	203	1.6%	(156)	(76.8%)
<b>Pre-tax result</b>	<b>829</b>	<b>6.1%</b>	<b>521</b>	<b>4.1%</b>	<b>307</b>	<b>58.9%</b>

### Pre-tax result attributable to:

Non- controlling interests	84	0.6%	135	1.1%	(51)	(37.8%)
<b>Owners of the parent</b>	<b>745</b>	<b>5.5%</b>	<b>386</b>	<b>3.0%</b>	<b>358</b>	<b>92.7%</b>

The CAD IT Group closed the third quarter of 2014 with results and profit margins showing an improvement compared to the same period of previous year. The pre-tax profit for the quarter, of Euro 829 thousand, an increase of 58.9% compared to the same quarter of previous year (Euro 521 thousand).



The value of production in the third quarter, an increase over the previous year, mainly includes revenues from sales and services of Euro 12,788 thousand (+7.9% compared to Euro 11,857 thousand of the third quarter of 2013) as well as the increase in fixed assets for internal works of Euro 721 thousand (compared to Euro 920 thousand in the same period of 2013) for the use of resources in the development of new procedures and the Group's own software.

The added value of Euro 10,564 thousand, an increase by 6.6% compared to the same quarter of previous year (Euro 9,911 thousand) reaches a margin of 78.1% on the value of production (77.1% in the third quarter of 2013). Service costs of Euro 2,709 thousand, increased by 3.4% compared to the third quarter of 2013 (equal to Euro 2,619 thousand), mainly due to the increased use of external collaborations dedicated to the activities on customers.

Labour costs of Euro 8,035 thousand recorded a slight increase, compared to Euro 7,980 thousand in the third quarter of 2013. The average number of employees during the quarter was 614 employees (compared to 610 employees in the same quarter of 2013).

The other administrative expenses are down slightly in the third quarter and amounted to Euro 452 thousand, contributing to a rise in the EBITDA revenue margin which went from 11.3% of the value of production in the third quarter of 2013 to 15.4% in the third quarter of 2014.

The gross operational result rose to Euro 2,077 thousand compared to Euro 1,457 thousand in the third quarter of 2013.

Amortization contributions for the third quarter amounted to Euro 1,183 thousand for intangible assets and Euro 111 thousand for tangible assets, compared to Euro 1,011 thousand and Euro 124 thousand of the same quarter of 2013.

The EBIT operational result for the period was in credit by Euro 781 thousand, showing a clear improvement compared to the third quarter of 2013 (Euro 322 thousand).

On balance, the result of financial management, which records both revenue that financial expenses of Euro 16 thousand, compared to income of Euro 17 thousand and Euro 21 thousand financial expense for the third quarter of previous year.

The ordinary result was positive for Euro 782 thousand, a significant increase compared to Euro 318 thousand in the third quarter of 2013.

The revaluations of the period refer to the share of profit of associate company, calculated with the net patrimony method. In the third quarter of 2013 the revaluations were related to the share of profit of associate company, calculated with the net patrimony method, as well as to the capital gain from the sale of assets available for sale.

Income before taxes of third quarter was positive for Euro 829 thousand (equal to 6.1% of the value of production), compared to the same period of the previous year of Euro 521 thousand (4.1% of the value of production).

The pre-tax result of the quarter attributable to owners of CAD IT was of Euro 745 thousand compared to Euro 386 thousand in the third quarter of 2013; the result attributable to minority interest is positive for Euro 84 thousand, Euro 135 thousand in 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	3° Quarter 2014		3° Quarter 2013		Period 2014 01/01 – 30/09		Period 2013 01/01 – 30/09	
	€/000	%	€/000	%	€/000	%	€/000	%
Finance	12,532	98.0%	11,290	95.2%	37,392	96.9%	34,036	95.4%
Manufacturing	256	2.0%	568	4.8%	1,175	3.1%	1,639	4.6%
<b>Total</b>	<b>12,788</b>		<b>11,857</b>		<b>38,566</b>		<b>35,675</b>	



## 11. Management results and comments on the most significant components – first 9 months

	Period 01/01 - 30/09/2014		Period 01/01 - 30/09/2013		Period variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	38,566	93.5%	35,675	92.5%	2,891	8.1%
Asset increases due to internal work	2,515	6.1%	2,801	7.3%	(286)	(10.2%)
Other revenue and receipts	145	0.4%	107	0.3%	38	35.3%
<b>Production value</b>	<b>41,227</b>	<b>100.0%</b>	<b>38,584</b>	<b>100.0%</b>	<b>2,643</b>	<b>6.9%</b>
Purchase costs	(429)	(1.0%)	(426)	(1.1%)	(2)	0.5%
Service costs	(7,768)	(18.8%)	(6,781)	(17.6%)	(987)	14.5%
Other operational costs	(789)	(1.9%)	(465)	(1.2%)	(325)	69.9%
<b>Added value</b>	<b>32,241</b>	<b>78.2%</b>	<b>30,912</b>	<b>80.1%</b>	<b>1,330</b>	<b>4.3%</b>
Labour costs	(25,785)	(62.5%)	(25,655)	(66.5%)	(131)	0.5%
Other administrative expenses	(1,445)	(3.5%)	(1,500)	(3.9%)	55	(3.6%)
<b>Gross operational result - EBITDA</b>	<b>5,011</b>	<b>12.2%</b>	<b>3,757</b>	<b>9.7%</b>	<b>1,254</b>	<b>33.4%</b>
Allocation to fund and credit depreciation	(5)	(0.0%)	(2)	(0.0%)	(3)	200.4%
Intangible fixed asset amortization	(3,383)	(8.2%)	(2,963)	(7.7%)	(420)	14.2%
Tangible fixed asset amortization	(337)	(0.8%)	(366)	(0.9%)	29	(7.9%)
<b>Operational result - EBIT</b>	<b>1,285</b>	<b>3.1%</b>	<b>426</b>	<b>1.1%</b>	<b>859</b>	<b>201.6%</b>
Financial income	50	0.1%	53	0.1%	(3)	(6.1%)
Financial expenses	(60)	(0.1%)	(41)	(0.1%)	(19)	46.6%
<b>Ordinary result</b>	<b>1,276</b>	<b>3.1%</b>	<b>439</b>	<b>1.1%</b>	<b>837</b>	<b>190.7%</b>
Revaluations and depreciations	210	0.5%	482	1.3%	(272)	(56.4%)
Income taxes <sup>3</sup>	(10)	(0.0%)	3	0.0%	(13)	(420.6%)
<b>Pre-tax result</b>	<b>1,476</b>	<b>3.6%</b>	<b>925</b>	<b>2.4%</b>	<b>551</b>	<b>59.6%</b>
<b>Pre-tax result attributable to:</b>						
Non- controlling interests	244	0.6%	264	0.7%	(20)	(7.6%)
<b>Owners of the parent</b>	<b>1,232</b>	<b>3.0%</b>	<b>661</b>	<b>1.7%</b>	<b>571</b>	<b>86.5%</b>

The first nine months of 2014 showed results and profit margins improved compared to the same period of previous year. The pre-tax profit, of Euro 1,476 thousand, an increase of 59.6% compared to the same period of 2013 (Euro 925 thousand).

The value of production for the period, increasing (+6.9%) compared to the previous year, mainly includes revenues from sales and services to the amount of Euro 38,566 thousand (+8.1% compared to Euro 35,675 thousand in the first nine months of 2013) as well as by increases in fixed assets for internal works to Euro 2,515 thousand (decreased compared to Euro 2,801 thousand in the same period of 2013) for the use of resources in the development of new procedures and the Group's own software.

The added value of Euro 32,241 thousand showed an increase compared to Euro 30,912 thousand of previous period (+4.3%), with a 78.2% marginality on the value of production (80.1% in the first nine months of 2013).

Purchase costs of Euro 429 thousand are in line with Euro 426 thousand in the same period of 2013.

Service costs of Euro 7,768 thousand, increased by 14.5% compared to the first nine months of 2013 (equal to Euro 6,781 thousand), mainly due to the increased use of external collaborations dedicated to the activities on customers.

Other operating costs, an increase of Euro 325 thousand during the period, include the amount of Euro 275

<sup>3</sup> The interim management report is presented without calculating the income taxes for the period; the amount shown is related to the tax variations calculated when drafting the annual balance and the punctual determination of said taxes that was calculated later when the income tax return was declared.



thousand relating to tax litigation of a Group company. The item also includes municipal tax on real estate and other taxes and fees.

Labour costs of Euro 25,785 thousand recorded a slight increase compared to Euro 25,655 thousand in the first nine months of 2013. The increase in labour costs is due to the application of increases in national contractual remunerations.

The average number of employees during the period was 613 employees (compared to 609 employees in the same period of 2013).

The other administrative expenses are down slightly in the first nine months and amounted to Euro 1,445 thousand.

The gross operating margin (EBITDA) was positive for Euro 5,011 thousand (Euro 3,757 thousand in the same period of 2013), with a margin of 12.2% on Production Value (9.7% in the same period of 2013).

The depreciation for the period amounted to Euro 3,383 thousand for intangible assets and Euro 337 thousand for tangible assets, compared to Euro 2,963 thousand and Euro 366 thousand in the same period 2013. The 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 period was in credit by Euro 1,285 thousand showing a clear improvement compared to the first nine months of 2013 (Euro 426 thousand).

The result of the financial management recorded revenue of Euro 50 thousand and financial expense for Euro 60 thousand, compared to 53 and 41 thousand euro in the first nine months of last year.

The ordinary result was positive for Euro 1,276 thousand compared to Euro 439 thousand in the first nine months 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 210 thousand revaluation. In the first nine months of 2013 the revaluations were related for Euro 384 thousand to the share of profit of associate company, as well as for Euro 99 thousand to the capital gain from the sale of assets available for sale.

Income before taxes and minority interests was positive for Euro 1,476 thousand (equal to 3.6% of the value of production), compared to the same period of the previous year of Euro 925 thousand (2.4% of the value of production).

The pre-tax result for the period attributable to owners of CAD IT was of Euro 1,232 thousand compared to 661 thousand euro in the first nine months of 2013; the result attributable to minority interest is positive of Euro 244 thousand, Euro 264 thousand in 2013.

## **12. Net financial position**

The net financial position of the Group as at 30th September 2014 was negative by Euro 748 thousand, a decrease compared to the end of the previous quarter.

In particular, cash-on-hand bank accounts and cash amounted to Euro 2,120 thousand and capitalization insurance policies (contractually available on 20-day prior request without any significant tax expenses) came to Euro 2,602 thousand.

Short-term debts towards banks of Euro 5,470 thousand were made up of overdrawn accounts and advances subject to final payment.

The net short-term financial position coincides with the net financial position by the absence of long-term loans.

(in thousands of Euro)



<i>Net consolidated financial position</i>	<i>30/09/2014</i>	<i>30/06/2014</i>	<i>31/12/2013</i>	<i>30/09/2013</i>
Cash-on-hand and at bank	2,120	3,484	1,253	1,018
Capitalization insurance policies	2,602	2,586	2,555	2,539
Payables due to banks current portion	(5,470)	(4,064)	(6,382)	(4,941)
<b>Net short-term financial position/(indebtedness)</b>	<b>(748)</b>	<b>2,006</b>	<b>(2,575)</b>	<b>(1,384)</b>
Long-term loans	0	(0)	(0)	(0)
<b>Net long-term financial position/(indebtedness)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>Net financial position/(indebtedness)</b>	<b>(748)</b>	<b>2,006</b>	<b>(2,575)</b>	<b>(1,384)</b>

As shown in the financial report, operating activities, during the first nine months of 2014, generated a positive cash flow of Euro 4,485 thousand (a sharp increase compared to Euro 92 thousand in the first 9 months of 2013). Investment activity management took Euro 2,564 thousand, in line with Euro 2,557 thousand used in the same period of previous year. Specifically Euro 2,592 thousand were invested in intangible assets and Euro 134 thousand in tangible assets, while Euro 170 thousand were collected as dividends and Euro 50 thousand as interest income.

Lastly, Euro 95 thousand were used for financing purposes, compared to Euro 2,804 thousand in the previous period. Please refer to Consolidated Cash Flow Statement for more cash flow details.

### 13. 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.

An important development project concerns the evolution of the *Suite Area Finanza*, made up of independent and integrated modules that can each carry out their own specific activities and interface with others to ensure high standards of efficiency in the management of data, avoiding duplication, in perspective of simplifying the product and the method of release. The evolutions allow to make the Suite even more attractive for the international market. Development and innovation activities for the Suite is particularly intense with the aim to improve user experience and create new functions or modules required by the national and international markets (like, for example, Easy Action: a new generation, comprehensive platform for the controlled end-to-end management of corporate actions and income).

Also the following modules are evolving:

- Position Keeping: module dedicated to recording the events/movements and able to update the positions in real time, manage the process of completing tasks for each event (taking care to enable the modules of competence for settlement, taxation, corporate actions), make accounting records and prepare reports of supervision.
- Placing Funds: module dedicated to the integrated management of funds placement for which they are developing new features related to the standardization of management of flows and movements.

Investments are still being ploughed into the innovation and extension of specialized 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.



The product has been developed and enhanced with a new Dashboard, acquiring a new highly end-user connotation, characterized by a very timely look & feel, flexible and easy to use, while the editors dedicated to administrators and technicians are separated and specialized.

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

## 14. Investments

The figures accumulated in investments in intangible and tangible assets, made during the third quarter by companies of the Group included in the consolidation area amount to Euro 792 thousand, compared to Euro 953 thousand in the same period of 2013. Investments made in the first nine months conversely amount to Euro 2,725 thousand, compared to Euro 2,975 thousand in the same period of previous year.

(in thousands of Euro)

Summary of investments	3° Quarter 2014	3° Quarter 2013	Period 2014 01/01 - 30/09	Period 2013 01/01 - 30/09	Year 2013
Intangible fixed assets	4	9	51	36	134
Assets under development and payments on account	746	920	2,540	2,801	3,715
Property, Plant and equipment	42	24	134	138	154
<b>Total investments in tangible and intangible fixed assets</b>	<b>792</b>	<b>953</b>	<b>2,725</b>	<b>2,975</b>	<b>4,002</b>

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

During the first nine months of the financial 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 developme nt and payments on account	Other intangible fixed assets	Total
Purchase or production cost	31,568	3,959	8,192	27	43,746
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(19,341)	(3,728)	-	(27)	(23,096)
Adjustments to previous years write-downs	-	-	-	-	-
<b>Opening value</b>	<b>12,227</b>	<b>232</b>	<b>8,192</b>	<b>0</b>	<b>20,650</b>
Variations in consolidation area	-	-	-	-	-
Purchases/increases	-	51	2,540	-	2,592
Transfers	4,342	-	(4,342)	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(3,279)	(104)	-	-	(3,383)
Adjustments to write-downs for the period	-	-	-	-	-
<b>Total intangible fixed assets</b>	<b>13,290</b>	<b>179</b>	<b>6,390</b>	<b>0</b>	<b>19,859</b>

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 4,342 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	-	-	-	-	-
<b>Opening value</b>	<b>15,993</b>	<b>1,032</b>	<b>4</b>	<b>416</b>	<b>17,445</b>
Variations in consolidation area	-	-	-	-	-
Purchases	-	6	-	128	134
Transfers	-	-	-	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	24	24
Disposals	-	-	-	(24)	(24)
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(92)	(118)	(1)	(127)	(337)
Adjustments to write-downs for the period	-	-	-	-	-
<b>Total tangible fixed assets</b>	<b>15,901</b>	<b>919</b>	<b>3</b>	<b>417</b>	<b>17,240</b>

## 15. Personnel

The number of CAD IT Group staff, at the end of the quarter decreased by 1 units compared to the end of 2013 financial period. Information on the actual number employees is reported below:

<i>Category of Employees</i>	<i>Labour force at 30/09/2014</i>	<i>Labour force at 30/09/2013</i>	<i>Labour force at 31/12/2013</i>
Management	19	18	18
White-collars and cadres	577	579	580
Blue-collars	1	1	1
Apprentices	15	13	14
<b>Total</b>	<b>612</b>	<b>611</b>	<b>613</b>

The average number of employees in the quarter was 614 units, a slight increase compared to the same reference quarter of the year 2013 (610 units).

<i>Category of Employees</i>	<i>Average number III Quarter 2014</i>	<i>Average number III Quarter 2013</i>	<i>Average number period 01/01-30/09/14</i>	<i>Average number period 01/01-30/09/13</i>	<i>Average number year 2013</i>
Management	18	18	18	18	18
White-collars and cadres	580	578	579	577	578
Blue-collars	1	1	1	1	1
Apprentices	15	13	15	12	12
<b>Total</b>	<b>614</b>	<b>610</b>	<b>613</b>	<b>609</b>	<b>609</b>

The Group dedicates particular attention to professional staff training by means of internal training programmes



and updating courses.

## **16. Significant events since 30<sup>th</sup> September 2014**

On 30th October 2014 the companies DQS S.r.l. and CAD S.r.l., both entirely controlled by CAD IT S.p.A, with a view to simplifying and reorganising the group, decided to reduce administrative costs and generate financial and economic efficiency by drawing up a merger agreement to incorporate the first company into the second. Consequently "CAD S.r.l." increases its company capital from Euro 295,500 to Euro 350,000, attributing the entire increase to the exclusive ownership of CAD IT S.p.A.. The statutory effects of the merger will come into effect as of 31/12/2014, while, pursuant to the combined provisions of articles 2504-bis and 2501-ter, paragraph 1, no. 6, the accounting and tax effects of the merger will be retroactive at 01/01/2014.

## **17. Foreseeable development in the management**

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 internationalization 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, 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, 12 November 2014

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



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