



CAD IT S.p.A.

Statutory Financial Statements
at 31-12-2017

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

CAD IT S.p.A.

Registered office in Verona, Via Torricelli No. 44/a
 Share capital € 4,669,600 fully paid in.
 Tax code and Verona Company Register No. 01992770238
 Chamber of Commerce REA No. 210441

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Financial statements at 31 December 2017

Drawn up in accordance with CONSOB resolution no. 11971 of 14 May 1999 and subsequent changes and integrations

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BOARD OF DIRECTOR AND AUDITORS

BOARD OF DIRECTORS ⁽¹⁾

PAOLO DAL CORTIVO
Chairman ⁽²⁾ and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIULIA DAL CORTIVO
Managing Director

THOMAS BURKHART
Director

DEBORA CREMASCO ⁽³⁾
Independent Director

LAMBERTO LAMBERTINI ⁽⁴⁾
Director and lead independent director

ALESSANDRA PEDROLLO ⁽⁴⁾
Independent Director

MAURIZIO RIZZOLI ⁽⁴⁾
Director

CECILIA ROSSIGNOLI ⁽⁵⁾
Director

GIAN PAOLO TOSONI
Independent Director

STATUTORY AUDITORS ⁽¹⁾

CHIARA BENCIO LINI
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

AUDITORS: PKF ITALIA S.P.A .

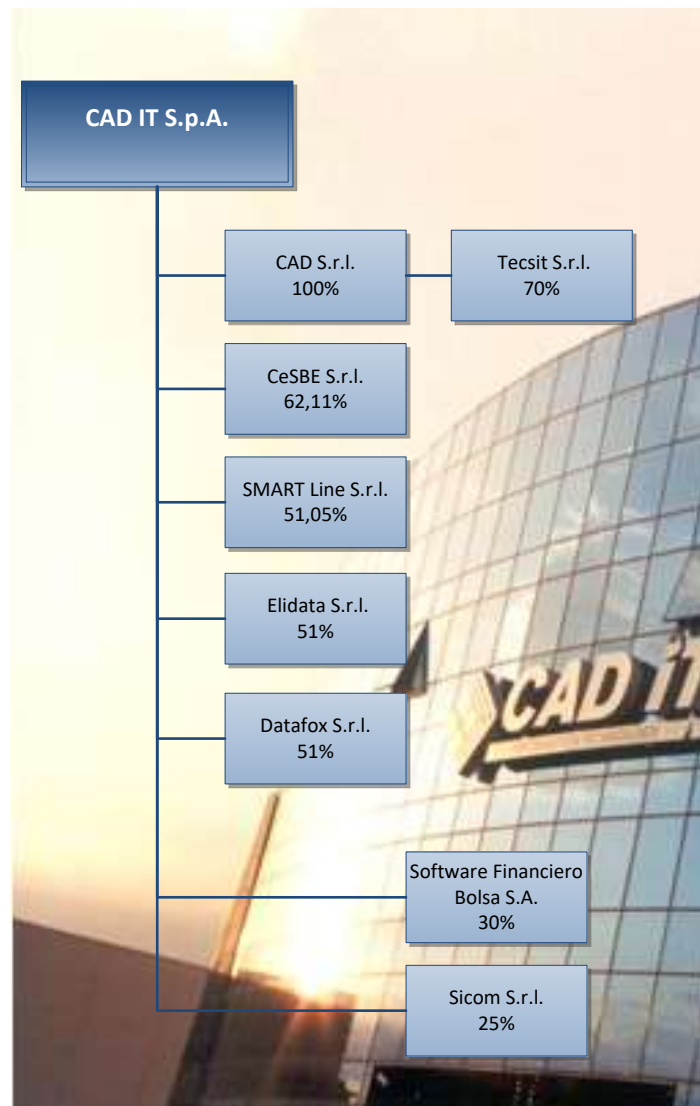
- (1) Appointed on 29 April 2015; office expires with the shareholders' meeting for the approval of the 2017 financial statements .
 (2) Appointed as President on 19 January 2018; office expires with the shareholders' meeting for the approval of the 2017 financial statements .
 (3) Appointed by co-option by the Board of Directors on 19 October 2016 and subsequently by the shareholders' meeting on 27 April 2017; office expires with the shareholders' meeting for the approval of the 2017 financial statements .
 (4) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee .
 (5) Appointed by co-option by the Board of Directors on 19 January 2018 until the next Shareholders' Meeting.

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 Paolo 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 said Managing Director will have ordinary administrative power to represent the Company in terms of relations with institutional investors and shareholders as well as with Borsa Italiana S.p.A. and Consob, by sending them communications and information, including anything required by the laws in force and/or the international best practice rules in respect of the laws and rules themselves and any internal regulations.

The Vice-Chairmen Luigi Zanella, pursuant to article 20 of the company by-laws, carries out vicarious functions to those of the President in case of his absence or impediment . The managing director Luigi Zanella, will has full ordinary administrative power including the faculty to prepare reports and to order banking transactions, within the limits of account availability and credit worthiness with the power to act alone for each individual transaction to the amount of Euro 2,000,000 (two million) and with the joint signature of another managing director for each individual transaction to the amount of Euro 4,000,000 (four million); furthermore, the aforementioned director will has 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 Giulia Dal Cortivo has 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 Managing Director Giulia Dal Cortivo has been delegated to matters concerning the management of the Company's employees as well as the employees of its subsidiaries CAD Srl, Cesbe Srl, Datafox Srl and Smart Line Srl; the Managing Director, Giulia Dal Cortivo, has also been entrusted with the management - as the person in charge - of CAD IT Group's legal and corporate affairs and company secretarial and administrative matters.



CAD IT Group as at 31/12/2017

DIRECTORS' REPORT ON OPERATION

This management report is an integral part of CAD IT S.p.A.'s annual financial report at 31/12/2017 and includes references to the important events which occurred during the financial year and their incidence on the balance sheet, together with a description of both CAD IT S.p.A.'s and the Group's primary risks and uncertainties.

The balance sheet at 31st December 2017 was drafted to conform with the applicable international accounting standards recognised in the European Community in accordance with EC regulation no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 and with the provisions laid down in art. 9 of Leg. Dec. no. 38/2005, as well as in observance of Consob regulation no. 11971 of 14th May 1999 and subsequent modifications and integrations.

CAD IT S.p.A. is obliged to draft a consolidated balance to which reference may be made for further information on the Group's result and economic-financial situation.

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.

Synthesis of CAD IT's results

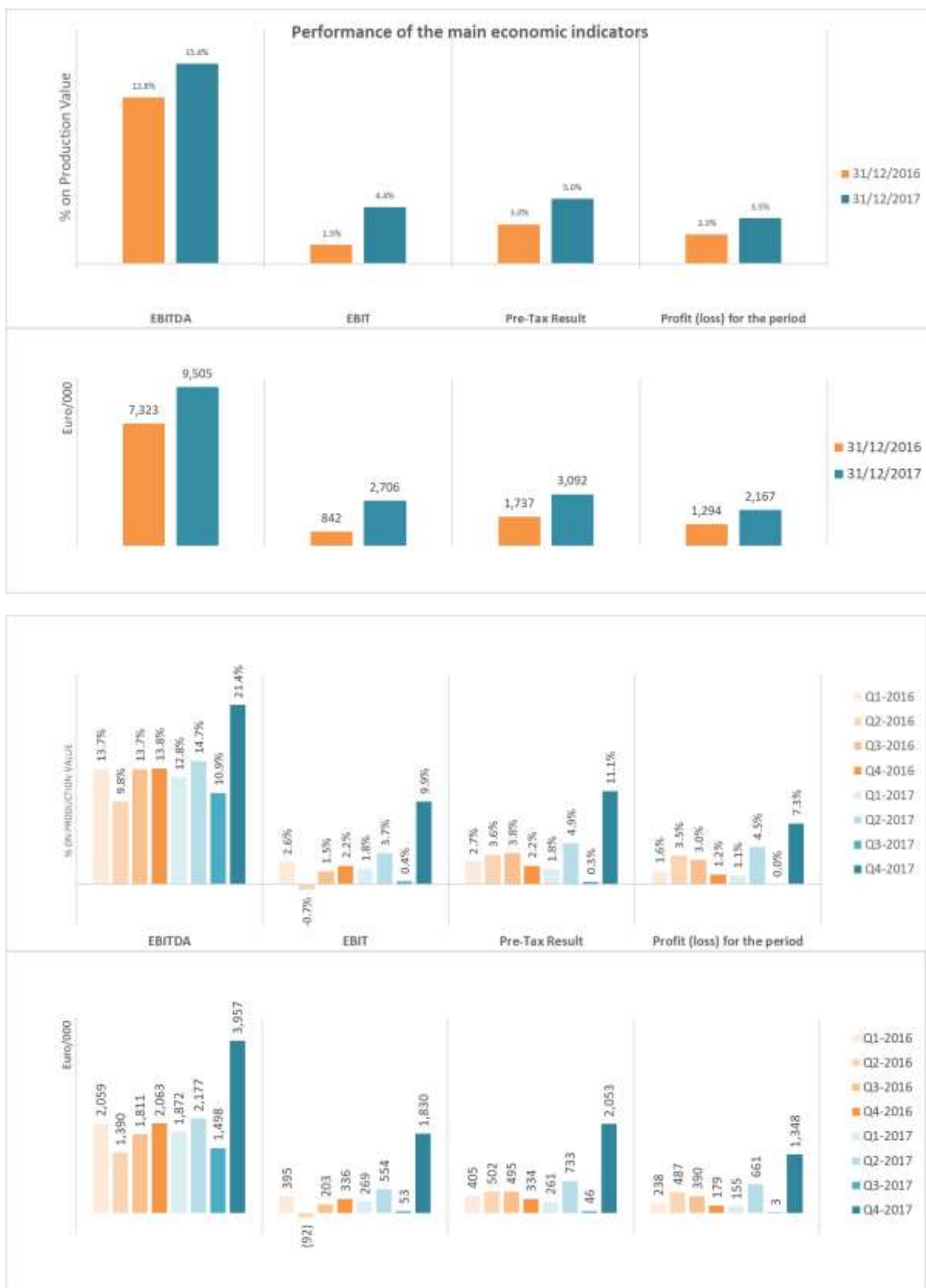
	Period 2017		Period 2016		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Production value	61,788	100.0%	57,236	100.0%	4,552	+ 8.0%
Gross operational result (EBITDA)	9,505	15.4%	7,323	12.8%	2,182	+ 29.8%
Operational result (EBIT)	2,706	4.4%	842	1.5%	1,863	+ 221.2%
Pre-tax result	3,092	5.0%	1,737	3.0%	1,355	+ 78.0%
Income taxes	(925)	(1.5%)	(443)	(0.8%)	(482)	- 108.8%
Profit for the period	2,167	3.5%	1,294	2.3%	873	+ 67.5%
Total Comprehensive income	2,178		1,177		1,001	+ 85.0%

	31/12/2017	31/12/2016
Total Assets	95,415	89,972
Total Equity	54,822	54,440

Net short-term financial position/(indebtedness)	8,104	1,327
Net financial position / (indebtedness)	7,263	566

Employees at the end of the period (number)	343	355
Employees (average number in the period)	350	356





Information on CAD IT and Group's activities

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 and Prato.

A dynamic and innovative company ...

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

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

... with a broad and impressive customer base

CAD IT serves demanding market-leading organisations across Europe.

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

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

... operating through a dedicated company network

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

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

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

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

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

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

... combining with a comprehensive set of services

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

- project management;
- system integration;
- consultancy and training;
- customisation and change management activities;
- application monitoring & support through agreed SLA;
- multi-lingual, 24x7 Help Desk;
- regulatory support;
- application development;
- application maintenance;
- private cloud;
- business processing.

... and a laser focus on customer service

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

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

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

Its main purpose is:

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

... innovating together with a wide network

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

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

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

... offering constant improvement

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

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

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

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

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

FINANCE

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

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

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

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

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

- 1.5 trillions of euro of AUM – Asset Under Management;
- 200,000 users;
- 25,000,000 security deposit accounts.

PUBLIC ADMINISTRATION

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

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

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

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

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

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

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

INDUSTRY

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

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

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

CAD IT, with the support of its strategic partners, 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.



HOT TOPICS

MiFID II – MiFIR

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

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

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

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

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

IFRS 9

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

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

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

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

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

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

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

At the end of 2016 the first parts of the software relating the Master Data Portfolios, Master Data Securities, the First Time Adoption, Assessments and Accounting, were already released. In 2017 the parts relating Impairment, Hedging, Controls on dispositive and administrative functions was released.

Master Data

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

Master Data is user-oriented thanks to an active graphic interface, fitted with dynamic module loading, real-time validation, self-completion, contextual help windows and timely messaging, that also supports the user during every data process phase, thus increasing concentration and zeroing error percentages.

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

- data acquisition processes through workflow definition and form design;

- data checking through data dictionary;
- proper usage of the data.

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

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

Cash & Liquidity Management - Basilea III compliant

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

Underestimating these scenarios can lead to high risk in terms of wasting resources in activities with poor added value, running into pointless expenses linked to interest rates and not achieving cash flow objectives. It is therefore necessary to find a solution that would offer the greatest number of benefits and advantages to the user. A solution that would be able to respond, at any moment, to the most important questions in terms of liquidity management. CAD IT aims at determining factors to achieve this objective, in other words: detailed collection and management (also in real-time if possible) of all the necessary information, check functions that guarantee the quality of the data used, product adaptation to all possible operative configurations, maximum usability in order to reduce errors and increase user action effectiveness.

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

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

KID per PRIIPs

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

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

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

According to the European Union, as of January 1st 2018, every issuer will be obliged to provide the KIDs relating to products of their own issue and supply the customers with a copy, in order to be able to sell the products. The information therein should be standardized and comparable and an average retail investor should be able to understand them easily.

Until now, issuers have paid little attention to this topic, convinced that the regulation's coming into force would be deferred and that they would be able to produce an "in-house" document since it seemed to be easy to create.

In reality, the activation times would still be very tight because the KIDs will not only have to be prepared for new products, but also for those of older issue. Each KID must then be constantly monitored and, if necessary, updated and published on multiple channels.

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



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

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

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

BitFinder

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

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

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

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

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

Anti-Money Laundering

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

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

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

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

SOS

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

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

CAD IT's SOS system aims at making it easier to collect and integrate the data required for executing an alert by providing access to external files such as General Data, the Single Computerised File and the "unexpected" lists in the "Gianos" procedure. An alert follows a route that generally starts from the branch in which the minimal data is collected, then goes to the central offices responsible for inserting other additional elements and ends with the production of files in the XBRL format, ready to be sent to the UIF.

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

TDOC@Web

In a world that is becoming increasingly submerged by information, constant attention to digitalisation issues is now necessary

with a view to a simple and effective re-organisation of know-how. It is therefore essential to have the tools that are able to favour data and information exchange in a structured yet flexible manner.

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

The instrument uses standard methods like MQ Series, Thema Spazio, Posta Elettronica Certificata, Web Services, etc. Specific additional modules manage functionalities connected to "Digital Signatures" for user identification through Smart Cards, to verify documents that have been signed digitally and to affix Digital Signatures.

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

Market Abuse Sensing

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

CAD IT has developed a tool for Market Abuse Sensing (compliant with Italian and European laws) that is able to identify suspect transactions of market manipulation and information abuse (insider trading). The application also manages a register of interest conflicts.

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

Local Authority Treasuries

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

INDUSTRY DIVISION

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



Analysis of CAD IT S.p.A. income results

	Period 2017		Period 2016		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	57,207	92.6%	51,750	90.4%	5,458	10.5%
Asset increases due to internal work	3,929	6.4%	5,144	9.0%	(1,216)	(23.6%)
Other revenue and receipts	652	1.1%	342	0.6%	310	90.6%
Production value	61,788	100.0%	57,236	100.0%	4,552	8.0%
Purchase costs	(295)	(0.5%)	(262)	(0.5%)	(33)	(12.5%)
Service costs	(27,847)	(45.1%)	(26,526)	(46.3%)	(1,321)	(5.0%)
Other operational costs	(444)	(0.7%)	(459)	(0.8%)	16	3.4%
Added value	33,203	53.7%	29,989	52.4%	3,213	10.7%
Labour costs	(22,668)	(36.7%)	(21,562)	(37.7%)	(1,106)	(5.1%)
Other administrative expenses	(1,031)	(1.7%)	(1,105)	(1.9%)	74	6.7%
Gross operational result - EBITDA	9,505	15.4%	7,323	12.8%	2,182	29.8%
Allocation to fund and credit depreciation	(135)	(0.2%)	(279)	(0.5%)	144	51.5%
Intangible fixed asset amortization	(6,029)	(9.8%)	(5,774)	(10.1%)	(255)	(4.4%)
Tangible fixed asset amortization	(474)	(0.8%)	(427)	(0.7%)	(47)	(11.0%)
Other allocation	(160)	(0.3%)	0	0.0%	(160)	-
Operational result - EBIT	2,706	4.4%	842	1.5%	1,863	221.2%
Financial income	416	0.7%	928	1.6%	(512)	(55.2%)
Financial expenses	(30)	(0.0%)	(34)	(0.1%)	4	11.4%
Ordinary result	3,092	5.0%	1,737	3.0%	1,355	78.0%
Revaluations and depreciations	0	0.0%	0	0.0%	0	-
Pre-tax result	3,092	5.0%	1,737	3.0%	1,355	78.0%
Income taxes	(925)	(1.5%)	(443)	(0.8%)	(482)	(108.8%)
Profit for the period	2,167	3.5%	1,294	2.3%	873	67.5%

The financial year 2017 closed with a profit of Euro 2,167 thousand, a significant improvement (+ 67.5%) compared to Euro 1,294 thousand profit of year 2016.

The value of production for the period, showing a 8.0% increase, mainly includes revenues from sales and services to the amount of Euro 57,207 thousand (+10.5% compared to Euro 51,750 thousand in 2016). The considerable increase in income from sales and services is mainly due to the concentration in the year of supplies for the updating and release of a new software on the main bank customers following the legislative and regulatory amendments related to MIFID II and to international accounting standard IFRS9.

Increases in internal work capitalized under fixed assets, for the use of resources dedicated to the development of new procedures and the company's own software park, amounted to Euro 3,929 thousand, showing a decrease compared to Euro 5,144 thousand in 2016 financial period.

The other revenues and equivalent earnings, which came to Euro 342 thousand in 2016, stood at Euro 652 thousand and included Euro 411 thousand relating to tax credit provided by law no. 190/2014 for research and development activities. In 2016 a non-recurring income of 139 thousand euro for damages was recorded.

Purchase costs of Euro 295 thousand increased compared to Euro 262 thousand of 2016.

Service costs of Euro 27,847 thousand increased by 5.0% (1,321 thousand euro) compared to 2016, due to the greater inter-group collaboration. Service costs, in fact, include costs towards subsidiaries of Euro 20,694 thousand, amount increasing compared to the previous year (Euro 18,642 thousand).

Other operational costs of Euro 444 thousand were substantially in line with the previous year (Euro 459 thousand).

The Euro 33,203 thousand added value increased by 10.7% compared to Euro 29,989 thousand in 2016 financial period, improving marginality on the value of production at 53.7% (52.4% in the previous year).

Labour costs of the year 2017 of Euro 22,668 thousand, increased compared to the previous year (Euro 21,562 thousand), mainly due to salary bonuses and extraordinary allowances paid to employees, as well as to the renewal of the national collective agreement applied, and a lesser extent to the lower use of vacation compared to 2016 financial period. The average number of employees in the year was 350 units, a slight decrease compared to 2016 (356 units).

Other administrative costs came to Euro 1,031 thousand compared to Euro 1,105 thousand in 2016 financial period.

The EBITDA Gross Operational Result stood at Euro 9,505 thousand (equal to 15.4% of the value of production) an improvement compared to Euro 7,323 thousand of 2016 (equal to 12.8% of the relative value of production).

Allocations to fund and credit depreciations amounted to Euro 135 thousand, compared to Euro 279 thousand of previous year. The amount of provisions made in the previous year was influenced by the devaluation of a foreign credit relating to activities carried out in previous years, following the failure of legal action to recover the same.

Amortization and devaluation of intangible and tangible assets contributions for the period stood at Euro 6,029 thousand in regard to intangible assets and Euro 474 thousand for tangible assets, compared to Euro 5,774 thousand and Euro 427 thousand in the same period 2016.

The EBIT operational result for the period was in credit by Euro 2,706 thousand, a net improvement compared to previous year (Euro 842 thousand).

The net financial management result was in credit and mainly refer to cashed dividends from subsidiaries and associates (Euro 415 thousand), as well as financial expenses (Euro 30 thousand).

The ordinary result was in credit by Euro 3,092 thousand compared to Euro 1,737 thousand in 2016.

The pre-tax result of 2017 was in credit by Euro 3,092 thousand, equal to 5.0% of the value of production an increase compared to the previous period when amounted to Euro 1,737 thousand, equal to 3.0% of the related value of production.

Income taxes amounted to Euro 925 thousand, equal to 29.9% of pre-tax result, compared to Euro 443 thousand in the 2016 financial period (25.5% of pre-tax result).

The Company's Net Financial Position was in credit by Euro 7,263 thousand, a significant increase compared to Euro 566 thousand at 31/12/2016.

Financial indicators

The following table shows some synthetic indicators that compare the last three financial periods of reference, expression to the conditions of patrimonial, economic and financial balance.

Patrimonial soundness analysis aims at estimating the company's ability to maintain financial equilibrium in the medium-to-long term. This ability depends on two types of factors: the financing structure for medium/long-term uses and the composition of financing sources.

In reference to the first aspect, on the assumption that the recovery time of these uses must logically be correlated to the recovery time of the sources, the chosen indicators to analyze these correlations are the following.

ASSET FINANCING INDICATORS		2017	2016	2015
Primary structure margin	<i>Shareholders' equity – Non-current assets</i>	3,216	683	2,062
Primary structure quotient	<i>Shareholders' equity / Non-current assets</i>	1.06	1.01	1.04
Secondary structure margin	<i>(Shareholders' equity + Non-current liabilities) – Non-current assets</i>	9,949	7,519	9,250
Secondary structure quotient	<i>(Shareholders' equity + Non-current liabilities) / Non-current assets</i>	1.19	1.14	1.18

In reference to the second aspect, regarding the composition of financing sources, the following indicators are given.

FINANCING STRUCTURE INDEXES		2017	2016	2015
Total debt quotient	$(\text{Non current Liabilities} + \text{Current liabilities}) / \text{Shareholders' equity}$	0.74	0.65	0.64
Financial debt quotient	$\text{Financing liabilities} / \text{Shareholders' equity}$	0.09	0.06	0.06

In reference to earning capacity analysis, the following indicators, which are frequently used in company practices, are shown below in order to monitor the remuneration of the invested capital over time.

EARNING CAPACITY INDEXES		2017	2016	2015
Net ROE	$\text{Net result} / \text{Average Shareholders' equity}$	8.13%	2.26%	2.61%
Gross ROE	$\text{Gross result} / \text{Average Shareholders' equity}$	11.57%	3.68%	3.77%
ROI	$\text{Operational result} / (\text{Invested operating capital} - \text{Average operational liabilities})$	14.30%	4.11%	4.27%
ROS	$\text{Operational result} / \text{Sales income}$	10.46%	3.23%	3.26%

The following solvency indicators are frequently used to study the company's ability to maintain financial equilibrium in the short term, i.e. to face short-term expenses (current liabilities) with existing liquid assets (immediate liquidity) and expected short-term receipts (deferred liquidity). Consequently, on the assumption that the recovery time for uses must "logically" be correlated to the recovery time for sources, the indicators for studying this correlation are the following.

SOLVENCY INDICATORS		2017	2016	2015
Availability margin	$\text{Current assets} - \text{Current liabilities}$	9,949	7,519	9,250
Availability quotient	$\text{Current assets} / \text{Current liabilities}$	1.29	1.26	1.33
Treasury margin	$(\text{Deferred liquidity} + \text{Immediate liquidity}) - \text{Current liabilities}$	9,319	7,019	8,775
Treasury quotient	$(\text{Deferred liquidity} + \text{Immediate liquidity}) / \text{Current liabilities}$	1.28	1.24	1.31

The economic situation ¹

According to the recent Banca D'Italia Economic Bulletin global economic growth remains strong and widespread and the short-term outlook is favourable.

In the euro area the outlook for growth improved further and based on the December Eurosystem staff projections, euro-area GDP is expected to grow by 2.3 per cent this year.

Deflation expectations have dissipated, but inflation remains low, standing at 1.4 percent in December; core inflation continues to be weak, curbed by still modest wage growth in many euro-area economies. The ECB Governing Council recalibrated its monetary policy instruments, however it expects monetary conditions to remain very accommodative into the future, as this is necessary to secure a sustained return of inflation rates towards levels that are below, but close to, 2 per cent.

In Italy, according to Banca D'Italia estimates, in the fourth quarter of last year Italian GDP rose by around 0.4 per cent, confirming the positive trend of recent quarters, although it is still below the euro-area average. The increase was seen in both services and industry excluding construction. Business surveys confirm that confidence is returning to the levels recorded before the recession, confirmed by the acceleration in investment expenditure observed in the second half of the year.

Exports expanded in the third quarter of 2017; firms' assessments of foreign orders are favourable. The current account surplus remains large, equal to 2.8 per cent of GDP over the four quarters ending in September; the surplus contributes to the improvement in Italy's debtor position, which fell to 7.8 per cent of GDP.

Employment continued to rise in the third quarter and, according to the most recent economic indicators, in the final months of

¹ Data source: Banca D'Italia, Economic Bulletin no. 1, January 2018.

the year. The number of hours worked also increased, although it remains below pre-crisis levels. According to the labour force survey, the unemployment rate stood at 11 per cent in November. Wage growth remains moderate but, based on the labour contracts renewed in the second half of the year, shows some signs of a recovery.

Credit quality continued to improve, bolstered by the firming economic recovery. The ratio of new non-performing loans to outstanding loans fell to 1.7 per cent, below the levels recorded before the global crisis. The share of non-performing loans to total loans declined (for the groups classified as significant for supervisory purposes, it fell from 8.2 per cent to 7.8 per cent net of loan loss provisions), largely on account of the completion of transactions for the sale of bad loans. Banks' capital ratios have strengthened.

In the first nine months of 2017, for groups classified as significant, operating profits net of extraordinary components grew by 5.9% compared with the same period of the previous year. Gross income increased by 1.1%: the positive performance of non-interest income (5.1%), which includes net fees and trading profits, more than offset the fall in interest income (-3.1%). The decline in personnel costs led to a reduction in operating costs (-1.2%). Loan loss provisions fell by 11.6%. Annualized return on equity (ROE) rose to 9.0% from 1.4% in the first nine months of 2016, thanks in part to the extraordinary income associated with the mergers and acquisitions carried out by some groups in the first half of 2017.

The projections of Banca D'Italia for the Italian economy for the three years 2018-2020, estimate a GDP increase by 1.4% in 2018 and by 1.2% in 2019-2020, compared to a 1.5% increase in 2017. Economic activity is expected to be mainly driven by domestic demand.

The main risks associated with these projections stem from global conditions and from the performance of the financial markets. An intensification of geopolitical tensions or greater uncertainty surrounding the future course of international economic policies could translate into higher volatility in the financial markets and in risk premiums, with adverse repercussions on the euro-area economy.

Among domestic risks, those connected with the weakness of the banking system and with the potential heightening of uncertainty on the part of households and firms over the strength of the recovery under way have abated compared with past quarters. This scenario, however, relies on the continuation of economic policies capable of fostering long-term economic growth by supporting investment and consumption choices, while also lending credibility to public debt reduction objectives by fully exploiting the upturn in the global economy.

Significant events of the period

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

Moreover, the Shareholders' Meeting has confirmed the appointment of the non-executive and independent director Debora Cremasco (previously co-opted by the Board of Directors on 19th October 2016 pursuant to art. 2386 of the Italian Civil Code and to art. 18 of the Company's by-laws), who will be in charge until the expiry date for the entire Board of Directors, i.e. until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31st December 2017. Moreover, Meeting approved the first section of the Remuneration Report pursuant to article 123-ter of Leg. Dec no. 58 of 24 February 1998 (available in the Company's website).

Activities regarding the development and sale of new products and new releases of already well-established products, for both traditional and new types of clients, continued throughout the period; in particular during the year, activities and sales relating MIFID II and IFRS9 rules and regulations were intense.

Human Resources

CAD IT takes maximum care of its own human resources, which it has always considered as a precious patrimony, a central and critical factor for a group that aims at innovation in a rapidly and constantly changing sector.

Continual training leads to the development of know-how and an ability to innovate, as well as a systematic transfer of skills, in a process of constant improvement based on attention to its own human resources, their motivation and their involvement in



company objectives.

Each year, therefore, a great deal of attention is paid to the development and training of staff through an analysis of their needs, the defining of plans and training courses, the carrying out of courses, both internally and on the premises of qualified external organizations, and the evaluation of training activities.

2017 saw 10.6 thousand hours taken up by training (11.5 in 2016) to support operational activities, professional development and safety and health at work, with the involvement of 335 resource units (355 in 2016) and an average of 30 hours of training per resource unit (compared to 32 hours in 2016). The main training areas were: IT and technical updating, safety and health at work, Organisation Model in accordance with Leg. Dec. no. 231/2001, foreign languages, company organization and managerial training.

CAD IT's and Group research and development

CAD IT Group dedicates a significant part of its activities and resources to conceive, create and develop their own software, which will either be licensed out to clients or directly used for product development and the provision of service to its customers. In particular, activities for the realization of new modules to increase the functional and/or technological development of the considerable range of software installed, with the purpose of consolidating traditional business, diversifying the Group's offer with new products and towards those sectors bordering on the ones in which it is already present and to new markets abroad, are still underway.

An important development project concerns the evolution of the *Suite Area Finanza*, made up of independent and integrated modules that can each carry out their own specific activities and interface with others to ensure high standards of efficiency in the management of data, avoiding duplication, in perspective of simplifying the product and the method of release. The development allows to make the Suite even more attractive for the international market. In particular, the aim of the development is to create a new generation platform, improved in user experience compared to traditional platform Area Finanza, equipped with functionalities and new innovative technical solutions, adapted to the demands of the national and international market.

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

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

During the period, the activities started in 2016 continued; these activities refer to developments and software updates were made and/or started in relation to sector or regulation evolutions that have had, and are set to have, considerable impact on customer systems in the financial sector. These include the new IFRS 9 accounting standard, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR), Classic Repo management, the adoption of the "rolling" method for dilutive increases in capital.

Further new software developments started during the period concern the management of ISP Individual Savings Plans (products established with the 2017 Budget Laws, which give access to taxation benefits by investing in certified financial instruments, in other words, those that mainly refer to Italian companies, including small and medium-sized enterprises, maintaining the plan for at least 5 years), adjustments to the FTT model and register in accordance with the Italian Revenue Office's recent measures, the evolution of SIOPE+, the new standardization and digitization system of the collection and payment orders of the Public Administrations, adjustments of supervisory reports and financial statements and notes to the financial statements for financial institutions, following the introduction of the new International Accounting Standard IFRS 9.

During the financial period, development activities were started to enrich the product for managing operability on trading on line (TOL).

Investments

Investments in tangible and intangible fixed assets came to a total of Euro 4,316 thousand in the 2017 financial period (Euro 5,690 thousand in the previous year).

Ongoing intangible asset costs, of Euro 3,929 thousand, decreased compare to previous year (Euro 5,144 thousand), mainly refer to the use of the Group's internal resources for the development of its own software which will be licensed out to clients or used for the Group's activities. The investment plans are defined and coherent with strategic decisions taken by the management, who approved the development of a large number of products, projects and new technologies in order to be ready for development lines in the sector and to be able to propose an updated range of products that can quickly satisfy market demand.

Investments in tangible fixed assets mainly refer to the purchase of IT equipment and infrastructures. Instead, during 2016 it was bought a new air conditioning system for Verona office for Euro 340 thousand.

Summary of investments	Period 2017	Period 2016	Variations
Intangible fixed assets	111	60	51
Intangible assets under development and payments on account	3,929	5,144	(1,216)
Property, Plant and equipment	276	485	(209)
Total investments in tangible and intangible fixed assets	4,316	5,690	(1,374)

Related parties transactions

Transactions made with third parties, including infra-group transactions, are neither atypical or unusual and are a normal procedure within the activities of the Group's companies. These transactions are governed by market conditions bearing in mind the characteristics of the supplied goods and services concerned.

Information on relations with third parties, including that required by the Consob Communication of 28th July 2006, is shown in the Consolidated Financial Statement and Financial Statement Sheet Notes.

Relationships with subsidiaries, associates and parent companies

As the head of a group of companies, CAD IT holds relations of a commercial and financial nature with its sister companies and subsidiaries. The relations entertained between the Group's companies are governed by competitive conditions compared to market conditions, taking into account the quality of the goods and services in question.

A summary of the revenues and costs, as well as the credit and debit position of CAD IT S.p.A. in respect of the subsidiaries, as at 31st December 2017, are shown in the table below:

Company	CAD IT costs	CAD IT revenues	CAD IT Financial expenses	CAD IT Financial income	CAD IT credits	CAD IT debts
CAD S.r.l.	12,417	857	-	-	868	7,812
CeSBE S.r.l.	3,018	466	3	-	340	4,165
SmartLine Line S.r.l.	1,392	52	-	-	285	1,292
Elidata S.r.l.	3,506	42	-	-	551	1,992
Datafox S.r.l.	362	9	-	-	39	365
Tecsit S.r.l.	-	1	-	-	3	-
Total	20,694	1,427	3	-	2,086	15,626

For further information on relations between the Group's companies, please refer to the management's report in the Consolidated Financial Statement at 31 December 2017.



Shares held by managerial and controlling organs and by the managers with strategic responsibilities

The shares held, both in CAD IT S.p.A. and the other companies it controls, by members of the administrative and controlling bodies, general managers and other managers with strategic responsibilities, as well as not legally separated spouses and children under 18, either directly or through controlled companies, trust companies or third parties, are outlined in the *Remuneration Report* in accordance with art. 84-quater, paragraph 4, of Consob Regulation no. 11971, along with the established criteria in Attachment 3A, Table 7-ter.

Information relative to payments for any security of the main company or its direct or indirect subsidiaries to Board members or auditors and to managers with strategic responsibilities are shown in the *Remuneration report*.

Corporate Governance and Internal Control System

CAD IT considers and defines its Internal Control System as “a set of rules, procedures and organisational structures aimed at achieving, by means of a suitable identification, measurement, management and monitoring process of the principle risks, the running of a healthy, correct and coherent business with pre-established objectives”. The internal system for managing risk and control in financial information technology is a constitutive part of a broader Internal Control System. This system also aims at guaranteeing trustworthiness, accuracy, reliability and timeliness of the company and the Group’s financial information technology.

The Internal Control System is the mainstay on which *Corporate Governance* stands and is the catalyzing element of all subjects and functions that, each in their own way, contribute to the healthy, correct and coherent running of the business in order to give maximum sustainable value to every activity within the organisation.

Essential parts of the Internal Control System are the Code of Ethics and the Management and Control Organisation Model adopted by the Board of Directors in accordance with the norms concerning “Company administrative responsibility rules” in Leg. Dec. no. 231/2001 and subsequent modifications. The Model adopted also includes the Health and Safety at Work System in accordance with the UNI/INAIL guidelines which represent a best practice standard of reference for compliance to the provisions in Leg. Dec. 81/08.

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.

More information about the corporate governance system adopted, information on property assets and adhesion to Corporate Governance regulations is provided on the *Corporate governance and property asset report*, in accordance with articles 123 bis and 124 ter TUF and 89 bis Consob Issuer Regulations, which the CAD IT S.p.A. Board of Directors annually approves.

The report is published at the same time as this financial reporting and is available for public viewing in the Investor Relations sector of the company’s Internet site: www.caditgroup.com.

Main risks and uncertainties to which CAD IT S.p.A and the Group are exposed

The Company has an internal control system made up of a set of rules, procedures and organisational structures aimed at achieving the healthy and correct running of the business also through a suitable process for identifying, managing and monitoring the principle risks that could present a threat to achieving company objectives.

This paragraph describes the risk factors and uncertainties relating to the economic-legal and market context and which can considerably influence the Company’s performance; the specific risks that can determine the generation of obligations within the Company and the Group are, however, the object of evaluation when determining the relative earmarking and are mentioned in the balance notes together with the potential liabilities found. Additional risks and uncertain events that cannot be foreseen, or are considered improbable at the moment, could still affect the activities, the economic and financial conditions and the prospects of the company and the Group.

CAD IT adopts specific risk factor management procedures aimed at maximising the value for its shareholders by activating the necessary measures to prevent any risks inherent to the Group’s activities.

CAD IT S.p.A., in its position as Parent Company, is exposed to the same risks and uncertainties described below to which the entire Group is exposed.

External Risks

Risks connected to the general conditions of the economy and sector

The information technology consultancy market is linked to the economic trend of industrialised countries where the demand for highly technological products is higher.

The main market outlet in which currently the Group deals is the banking and finance sector. As of 2008, global financial markets were subjected to strong turbulence which led to a marked slowdown of the economy and a long period of economic recession on all geographical areas and all economic sectors of the most developed countries, with a sharp contraction of demand. The latest periods showed weak signs of global recovery, but the economic projections are still uncertain.

Risks connected to the rapid evolution in technologies, customer needs and reference norms

The sector in which the Group operates is characterized by fast and complicated technological changes and a constant development in skills and professionalism. Furthermore, an increase in customer needs, together with any changes in the laws, means that the software for the banking sector and other financial institutions has to be constantly updated.

The Group makes substantial investments in the development of new projects and new technologies, not only in order to promptly satisfy market demand, but also to anticipate development lines by proposing a range of new products as a factor able to influence, in turn, the type of user demand. Therefore, a reduction in customer tendency towards buying the new technologies offered could expose the Group to the risk of not earning enough to cover the investments sustained.

These investments cannot, however, guarantee that the Group will always be able to recognise and use innovative technological instruments, exclude the risk of the obsolescence of existing products or ensure the Group's ability to develop and introduce new products or renew existing ones in good time for the customer and adequately for the market. The above-described situations are a significant potential risk for the Group's activities and its economic and financial results.

Risks connected to the high competition in the sector in which the Group operates

The Information Technology market is highly competitive. Some competitors could try to expand and damage the Group's market share. Moreover, the intensification of competition levels and the possible entry into the Group's reference sector of new subjects with good human resources, financial and technological backing that can offer more competitive prices, could influence the Group's activities and the possibility to consolidate or widen its own competitive position in the sector with consequent repercussions on the Group's activities and its economic, patrimonial and financial situation.

Risks connected to protecting technological property

The Group's procedures and software programmes are protected by Italian copyright laws. Furthermore, the Group owns the exclusive rights for the economic use of the programmes and procedures which it has registered in the Special Public Register for Processors as the SIAE – Italian Society for Authors and Editors.

The management also maintains that the technological level of the products the Group offers, together with the technical knowhow needed for their constant and progressive use and updating, are in themselves factors able to limit any risks connected to the appropriation of significant competitive advantages on the part of potential and current competitors. Nevertheless, it cannot be said that the protection recognised by Italian copyright laws excludes other operators in the sector from developing, entirely on their own, similar products or duplicating the Group's unregistered products or designing new ones able to copy the performances and functions without violating the Group's rights. Furthermore, the Group's technology could be exposed to acts of piracy by third parties.

Internal Risks

Risks relating to dependence on key personnel

The success of the Group depends appreciably on the ability of some key figures who have made a significant contribution to its

development i.e. its own executive managers and other management components with many years of experience in the sector. The loss of one of the aforementioned key figures' services without an adequate replacement could have negative effects on the Group's prospects, activities and economic and financial results.

Moreover, the Group's business is strongly characterised by the extremely high technical skills of its staff. Therefore, the future success of its activities largely depends on the continuity of the functions carried out by the currently employed specialized technicians and collaborators as well as the ability to attract and maintain highly qualified staff.

In the Information Technology sector, staff costs are a critical development factor. Any difficulties that the Group may face in managing staff could produce a negative effect on its activities, its financial conditions and its operative results.

Risks connected to sale times and implementation cycles

The management of sales activities for the Group's software products is normally rather lengthy, especially considering that the potential advantages of using the Group's products have to be illustrated and training activities at the customer's premises so that the products are used correctly have to be carried out. Negotiations and the consequential execution of product sale activities usually take a period of time that ranges from a few months to a whole year. Moreover, the implementation process for the Group's products often involves the customer's investment in terms of staff and money which can extend over time. Sales activities and adjustment cycles of the product to the customer's information technology system are subject to potential and determining delay such as the completion of the implementation process of the product itself, unexpected events that the Group cannot control, like sudden limitations in the customer's budget or company renovation operations or, more generally, the complexity of the customer's technical requirements. Any delays due to extended sales cycles or referable to the product's use on the part of the customer, could influence the Group's activities, financial situation and operative results.

Risks connected to customer dependence

The Group offers its products and services to small, medium and large companies operating in different markets.

A significant part of the Group's revenues is concentrated on a relatively small number of customers, the loss of which could therefore have a negative effect on the Group's future activities and economic, patrimonial and financial situation.

However, the management maintains that the Group's results do not significantly depend on any specific customer in particular because these customers update their information technology systems at different times and this operation takes rather a long time.

Risks connected to internationalization

The Group has made significant efforts in recent years in terms of its own internationalization strategy and expects that an increasingly large part of its revenues will be generated from foreign customers. The Group could therefore be exposed to the risks related to internationalization as those relating to changes in their economic, political, fiscal and local law conditions, as well as variations in the domestic currency trend, should the country concerned be outside the Euro area. The occurrence of unfavourable development in these areas could have a negative effect on the Group's prospects and activities.

Professional risks, risks connected to breaches of contract and potential liabilities towards customers

Highly complex software products like those offered by the Group can, even if duly tested, reveal some defects and anomalies during the installation phase and while integrating with the customer's information technology system. These circumstances can cause damage to the Company's image and its products and also expose the Company to claims for damages and the application of contractual penalties due to not respecting deadlines and/or the agreed qualitative standards.

Furthermore, the Group could find itself having to invest considerable resources to carry out corrective interventions and be obliged to interrupt, postpone or cease the supply of its services to the customer.

To date there have not been any significant events of this kind that have determined any remarkable controversy in customer relations, except for a lawsuit filed during the 2016 period by a customer in the industry area with claims for damages amounting to Euro 955 thousand; in order not to be held liable for any damages, CAD IT has brought in its own insurance company. Moreover, the company maintains that the request is totally unfounded and is taking legal action to support its defence, to reject opposing claims and to request counterclaims.



Financial Risks

Credit risks

Risk of potential losses deriving from default or in general from the counterparty customer's lack of solvency. The Group mainly operates with banks and service companies controlled by banks, financial institutions and insurance companies, tax collecting agencies and public administration offices, and, generally speaking, customers with proven soundness and solvency. For commercial reasons, specific policies aimed at monitoring times of collection of credits, also for important amounts, that, following previously revealed operative risks, could undergo delays, are adopted.

Liquidity risks

Liquidity risks are linked to the difficulty of finding funds to finance obligations. The availability of liquid assets and the ability to generate positive cash flows make the risk of not being able to find enough financial funding to satisfy the obligations and needs of Group operations highly unlikely. Cash flows, funding requirements and the liquid assets of the Group's companies are constantly monitored with the aim of guaranteeing an efficient and effective management of financial resources.

It cannot be excluded, however, that, due to a reduction of revenues or longer times of collection and significant losses on credits, a reduction in liquidity could arise with the consequent need to increase the use of external financial sources.

Exchange rate risks and interest rate risks

At the moment the Group operates almost entirely in the Euro area and is therefore not subject to exchange rate risks.

Exposure to interest rate risks is linked to the need to finance operative or investing activities as well as using available liquid assets. The Group uses available liquid assets in bank accounts and capitalization insurance policies and mainly uses financial resources in the form of bank deposit loans on commercial credits and bank account credit worthiness, as well as with short and medium term loans. Variations in market interest rates can affect revenues and the cost of financing influences the progress of financial returns and expenses.

It is not in the Group's policy to use derivative financial instruments that require cover and/or negotiation.

Other Information

Neither CAD IT S.p.A. nor its controlled companies own, and/or have purchased and/or sold during the financial period CAD IT or their own shares, not even through trust companies or third parties.

CAD IT S.p.A. is not subject to the management and coordination of companies or bodies and defines its own general and operative strategies in full autonomy.

In accordance with art. 2497 bis of the Civil Code, directly or indirectly affiliated companies, with the exception of particular cases, have identified CAD IT S.p.A. as an organization that exercises managerial and coordination activities. These activities mainly consist of indicating general and operative Group strategies and focus on defining and adjusting to internal control regulations, the issuing of a Code of Ethics to be adopted at a Group level, the processing of general policies for the management of human and financial resources, the provision of productive factors. Moreover, Group coordination for some companies means a centralization of administrative, corporate and financial management services. The affiliated companies that remain in full control of their managerial and operative autonomy, can then scale their economies by taking advantage of the professionalism and specialist services and concentrate their own resources in the management of their specific operational skills.

During this financial period, and the previous one, no atypical or unusual operations have been carried out as defined in the Consob communication no. DEM/6064293 of 28 July 2006.

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

- Production Value: 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 good purchases from production value, 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 labour costs and other administrative expenses. It highlights the result based on the traditional offer including depreciations, financial management, revaluations or devaluations and taxes.

- Operational Result (EBIT): this figure is obtained by subtracting the depreciation and funding amounts from the gross operational result.
- Ordinary Result: this includes the financial management result.
- Pre-tax result: obtained by including revaluations and devaluations in the ordinary Result.

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

CAD IT and some group companies adopt and maintain the following management systems:

- **Quality Management System**, in conformity with the UNI EN ISO 9001:2015 norm, for the design, production and sale of component-based software and its after-sale assistance and maintenance;
- **Information Security Management System**, in conformity with the UNI CEI ISO/IEC 27001:2014 norm, for the management activities of information and data relating to software solution development activities, maintenance, customisation, integration, application management, consultancy and training in the banking, finance, insurance, industry and public administration sectors;
- **Health and Safety Management System**, implemented according to the UNI/INAIL Guidelines (September 2001 edition).

During 2017, CAD IT S.p.A. and the other Group companies involved, passed the periodic surveillance checks for the renewal and maintenance of the certifications held with positive results.

The Company adopts an adequate system to protect information in accordance with Leg. Dec no. 196 of 30th June 2003 "Personal data protection code" to ensure the protection of personal data.

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.

With Leg. Dec. no. 254 of 30th December 2016, our organization of the EU 2014/95 directive relating to non-financial information and information on diversity began. The new standard obliges listed companies to draft and publish a statement that contains a series of information on environmental and social themes as well as questions concerning staff, human rights and the fight against active and passive corruption. The non-financial consolidated statement for 2017 is published together with this financial statement and is available to the public in the Investor Relations section on the company website: www.caditgroup.com.

Foreseeable development in the management

The development strategies adopted for 2017, aimed at meeting the priorities that the financial institutions (banks, insurance companies, funds) are now being obliged to face, are going to continue also in the current year. In fact, financial institutions are now finding themselves having to deal with the constant need to adjust their procedures and structures in order to quickly acknowledge new norms and regulations introduced at an international, European and national level as well as to try and improve results and margins in order to manage the current market context that is now beginning to show signs of recovery.

The principal norms and issues that the banks will have to face in the immediate future involve: the information to be furnished following the entry into force of IFRS 9 accounting standard, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR) integrated with directives and delegated regulations, the management of individual savings plans (PIR), EU Regulation 1286/2014 regarding the KID (Key Information Document) aimed at increasing the transparency of Packaged Retail and Insurance-based Investment Products (PRIIPs), Market Abuse, Data Quality, Alerts (Puma 2), Basel III, T2S, Solvency II.

In addition, the new regulations that will lead to adjustment and updating activities and software releases are the European GDPR regulation regarding new privacy protection and the Securities Financing Transactions Regulation (SFTR), which, as of 2019, will introduce new transparency measures for security loan activities.

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



areas.

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

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

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

The Group is also continuing to pursue its efforts to expand towards the European and international markets, which could also be supported by the Spanish associated company of the Group, at 30% , Software Financiero Bolsa S.A., acquired in April 2016, as well as by the optimal references it has obtained from its existing foreign customers and by the internationalization procedures for which the large Italian and European banking groups are advocating.

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

In the domestic banking sector the prospects are therefore positive, taking into account the numerous and significant developments in the regulations that the customers will have to adjust to; moreover, the Group's increase in activities on a European and international scale and the acquisition of new customers in sectors bordering on financial institution areas, may contribute to the good performance of the business also for future years.

However the overall economic situation in the medium/long term remains difficult and uncertain, at a national and international level, also due to the prospects of mergers and additions in the European financial sector, and the managerial trend would be subject to risks connected to factors outside the Group's control. Despite this, the Board of Directors expects that positive results can still be achieved, considering activities and actions already developed and those planned in the development plans of the company and of the Group.

Balance approval proposal and allocation of the 2017 financial period result

Dear Shareholders,

the year 2017 ended with a net profit of separate financial statements of Euro 2,166,810. In subjecting the balance at its closure date of 31st December 2017 for your approval, in its entirety and with all its items, together with the directors' management report, taking into account the result obtained, the financial position of the Company and the commitments planned for the acquisition strategy in Spain, the board of directors proposes to set aside the entire result for the year in the available reserves of undivided profits.

Verona, 15 March 2018

On behalf of the Board of Directors

The Chairman

/s/ Paolo Dal Cortivo

FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Income statement

(in thousands of Euro)

	Notes	31/12/2017		31/12/2016	
		Total	of which related parties	Total	of which related parties
Income from sales and services	2	57,207	1,582	51,750	1,594
Asset increases due to internal work	2 – 13	3,929		5,144	
Other revenue and receipts	2	652	79	342	55
Purchase costs	4	(295)		(262)	
Service costs	5	(27,847)	(22,406)	(26,526)	(19,450)
Other operational costs	6	(444)		(459)	
Labour costs	7	(22,668)	(563)	(21,562)	(544)
Other administrative expenses	8	(1,031)	(836)	(1,105)	(890)
Allocation to fund and credit depreciation	17	(135)		(279)	
Intangible fixed asset amortization	13	(6,029)		(5,774)	
Tangible fixed asset amortization	12	(474)		(427)	
Other allocation	27	(160)		-	
Financial income	9	416	415	928	870
Financial expenses	9	(30)		(34)	
Pre-tax result		3,092		1,737	
Income taxes	10	(925)		(443)	
Profit/(loss) for the period		2,167		1,294	

Weighted average number of ordinary shares outstanding		8,980,000		8,980,000	
Basic earnings per share (in €)	11	0.241		0.144	

Statement of comprehensive income

(in thousands of Euro)

	Period 2017	Period 2016
Profit (loss) for the period	2,167	1,294
Other comprehensive income that will not be reclassified subsequently to profit or (loss)		
Actuarial gains/(losses) on defined benefit liabilities net of tax effects	11	(117)
Other comprehensive income that will be reclassified subsequently to profit or (loss)		
Gains/(Losses) on fair value of available-for-sale financial assets	-	-
Reclassification adjustments: gains realized on disposal of available-for-sale	-	-
Total comprehensive income (loss)	2,178	1,177

(in Euro)

<i>Income statement</i>	<i>2017</i>	<i>2016</i>
Income from sales and services	57,207,051	51,749,504
Asset increases due to internal work	3,928,665	5,144,449
Other revenue and receipts	652,309	342,274
Production value	61,788,026	57,236,228
Purchase costs	(294,959)	(262,191)
Service costs	(27,846,859)	(26,525,708)
Other operational costs	(443,611)	(459,176)
Labour costs	(22,667,500)	(21,562,000)
Other administrative expenses	(1,030,559)	(1,104,603)
Allocation to fund and credit depreciation	(135,000)	(278,500)
Intangible fixed asset amortization	(6,029,205)	(5,774,327)
Tangible fixed asset amortization	(474,386)	(427,273)
Other allocation	(160,000)	-
Financial income	415,655	927,914
Financial expenses	(29,691)	(33,529)
Pre-tax result	3,091,909	1,736,836
Income taxes	(925,099)	(443,049)
Profit/(loss) for the period	2,166,810	1,293,787

<i>Statement of comprehensive income</i>	<i>2017</i>	<i>2016</i>
Profit (loss) for the period	2,166,810	1,293,787
Other comprehensive income that will not be reclassified subsequently to profit or (loss)		
Actuarial gains/(losses) on defined benefit liabilities net of tax effects	10,963	(116,757)
Total comprehensive income (loss)	2,177,773	1,177,030

Statement of financial position

(in thousands of Euro)

Notes	31/12/2017		31/12/2016	
	Total	of which related parties	Total	of which related parties
ASSETS				
A) Non-Current Assets				
Property, plant and equipment	12	16,364	16,562	
Intangible assets	13	18,233	20,223	
Investments	14	16,777	16,777	
Other non-current credits		25	22	
Credits due to deferred taxes	15	207	174	
TOTAL NON-CURRENT ASSETS		51,606	53,757	
B) Current Assets				
Inventories	16	43	4	
Trade receivables and other credits	17	30,633	31,231	2,630
Tax credits	18	1,092	1,153	
Cash on hand and other equivalent assets	19-31	12,041	3,827	
TOTAL CURRENT ASSETS		43,809	36,215	
TOTAL ASSETS		95,415	89,972	
EQUITY AND LIABILITIES				
A) Equity				
Company capital	20	4,670	4,670	
Reserves	21	35,246	35,246	
Accumulated profits/losses	22	14,906	14,524	
TOTAL EQUITY		54,822	54,440	
B) Non-current liabilities				
Financing	24	841	761	
Deferred tax liabilities	25	2,458	2,458	
Employee benefits and quiescence provisions	26	3,434	3,617	158
Expense and risk provisions		160		
TOTAL NON-CURRENT LIABILITIES		6,893	6,837	
C) Current liabilities				
Trade payables	28	21,027	19,175	15,977
Current tax payables	29	3,659	2,163	
Short-term financing	30	3,937	2,500	
Other liabilities	31	5,077	4,858	305
TOTAL CURRENT LIABILITIES		33,700	28,696	
TOTAL LIABILITIES AND EQUITY		95,415	89,972	

(in Euro)

ASSETS	31/12/2017	31/12/2016
A) Non-Current Assets		
Property, plant and equipment	16,363,547	16,562,093
Intangible assets	18,233,346	20,222,969
Investments	16,776,642	16,776,642
Other non-current credits	25,068	21,745
Credits due to deferred taxes	207,444	173,608
TOTAL NON-CURRENT ASSETS	51,606,047	53,757,057
B) Current Assets		
Inventories	43,357	3,973
Trade receivables and other credits	30,632,929	31,231,459
Tax credits	1,091,886	1,152,629
Cash on hand and other equivalent assets	12,040,691	3,827,088
TOTAL CURRENT ASSETS	43,808,862	36,215,149
C) Non-current assets for sale	-	-
TOTAL ASSETS	95,414,909	89,972,206

EQUITY AND LIABILITIES	31/12/2017	31/12/2016
A) Equity		
Company capital	4,669,600	4,669,600
Reserves	35,246,400	35,246,400
Accumulated profits/losses	14,905,719	14,523,946
TOTAL EQUITY	54,821,719	54,439,946
B) Non-current liabilities		
Financing	840,578	760,770
Deferred tax liabilities	2,458,407	2,458,407
Employee benefits and quiescence provisions	3,434,147	3,617,407
Expense and risk provisions	160,000	-
TOTAL NON-CURRENT LIABILITIES	6,893,132	6,836,584
C) Current liabilities		
Trade payables	21,027,455	19,175,130
Current tax payables	3,658,507	2,162,778
Short-term financing	3,937,152	2,500,005
Other liabilities	5,076,944	4,857,761
TOTAL CURRENT LIABILITIES	33,700,058	28,695,675
TOTAL LIABILITIES AND EQUITY	95,414,909	89,972,206



Statement of changes in equity

(in thousands of Euro)

Statement of changes in equity	Company capital	Reserves	Accumulated profit (loss)	Period result	Equity
Total 31/12/2014	4,670	35,246	14,125	504	54,545
Allocation of the period result	-	-	504	(504)	-
Dividend distribution	-	-	(1,167)	-	(1,167)
Total comprehensive profit/(loss)	-	-	315	917	1,232
Total 31/12/2015	4,670	35,246	13,777	917	54,610
Allocation of the period result	-	-	917	(917)	-
Dividend distribution	-	-	(1,347)	-	(1,347)
Total comprehensive profit/(loss)	-	-	(117)	1,294	1,177
Total 31/12/2016	4,670	35,246	13,230	1,294	54,440
Allocation of the period result	-	-	1,294	(1,294)	-
Dividend distribution	-	-	(1,796)	-	(1,796)
Total comprehensive profit/(loss)	-	-	11	2,167	2,178
Total 31/12/2017	4,670	35,246	12,739	2,167	54,822

Cash Flow Statement

(in thousands of Euro)

	NOTES	Period 2017	Period 2016
A) OPERATING ACTIVITIES			
Profit (loss) for the period		2,167	1,294
Amortisation, revaluation and depreciation:			
- Property, plant and equipment amortisation	12	474	427
- Intangible fixed asset amortisation	13	6,029	5,774
Allocations (utilization) of provisions		(8)	(13)
Financial performance:			
- Net financial (receipts) charges	9	(386)	(894)
- Profit / (losses) on exchanges		(2)	(4)
Other working capital variations		4,795	(1,646)
Income taxes paid		(646)	(633)
Interest paid	9	(27)	(30)
(A) - Cash flows from (used in) operating activities		12,396	4,275
B) INVESTMENT ACTIVITIES			
Investments in activities			
- purchase of property, plant and equipment	12	(276)	(485)
- purchase and increase in intangible assets	13	(4,040)	(5,205)
- purchase of investments and other assets available for sale		0	(250)
- increase in other fixed assets		(8)	(9)
Disinvestment activities			
- transfers of property, plant and equipment	12	0	5
- decrease in other fixed assets		5	3
Cashed Interest	9	0	59
Cashed dividends	9	415	869
(B) - Cash flows from (used in) investment activities		(3,903)	(5,014)
C) FINANCING ACTIVITIES			
Medium/long term financing repayment	24	(506)	(500)
Medium/long term financing opening	24	586	0
Dividends paid	23	(1,796)	(1,347)
(C) - Cash flows from (used in) financing activities		(1,716)	(1,847)
(A+B+C) - Total cash and other equivalent assets flows		6,776	(2,586)
Opening cash balances and equivalents	32	1,327	3,913
Closing cash balances and equivalents	32	8,104	1,327

For the liquid asset and equivalent means reconciliation, refer to note 32.

Notes to the financial statements

CAD IT S.p.A. is a joint stock company and is governed on the basis of Italian law and exercises its management and coordinated activities on its own controlled companies. CAD IT S.p.a. is not subject to other company control in accordance with art. 2359 of the civil code. The company is listed in the STAR market of the Italian stock exchange.

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.

Per informazioni e commenti sul risultato e la situazione economico-finanziaria del Gruppo CAD IT si rimanda al bilancio consolidato ed alla relativa relazione degli amministratori.

1 Accounting policies and evaluation criteria more important

This report has been drafted in accordance with the applicable IFRS International accounting standards issued by the International Accounting Standard Board (IASB) and recognized by the European Community in conformity with EC regulation no. 1606/2002. IFRS refers to the International Accounting Standards (IAS) presently in force as well as the interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

In the drawing up of this report, the same accounting standards have been applied as those adopted in the drafting of the Balance at 31st December 2016, with the exception of the items described in the paragraph below – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2017; there have been no modifications in the comparative information.

This document comprises financial statements, notes to the said financial statements, management observations.

The financial statement has been drafted using the evaluation criterion of past cost. Moreover, where some land and buildings have been included in First Time Adoption, the fair value has been used instead of the cost.

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.

This financial statement has been prepared in accordance with Consob regulation no. 11971 of 14th May 1999, and subsequent modification and integration.

Use of estimates

In accordance with the IFRS, when drafting the Financial Statement the company management formulates evaluations, estimates and hypotheses to apply the accounting standards which affect the amounts of credit and debit and the costs and revenues found in the Financial Statement. Estimates and their relative hypotheses are based on past experience and factors considered reasonable for the case concerned.

Since they are estimates, the results obtained are not necessarily the same as the results portrayed.

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

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

There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1st January 2017 approved by the IASB and IFRIC and published in the European Community's Official Gazette.

No standards approved by the European Union, the application of which will be compulsory in the future, have been adopted in advance.

Balance sheet layout

The balance layouts have been drafted according to IAS 1 specifications and opportunely integrated with the information required by the Consob deliberation no. 15519 of 2006.

The Company 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 Company 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.

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

The financial 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.

Each column in the statement of net patrimony variations reconciles the opening and closing balances for each net patrimony voice.

Each significant entry shown in the above-mentioned statements, is marked with references to notes which provide the relative information and details of the composition.

Subsidiaries and Associated companies

Shares in subsidiaries and associated companies, not classified as owned for sale in accordance with IFRS 5 or available for sale, have been accounted for at cost.

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 tax 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 loss or profit (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.

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 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 economic account 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 any expenses that can be directly attributable to the development of the product and any reasonable part of general production costs attributable to the preparation stages before putting the product to use. Development costs that cannot be capitalised, when sustained, are reported on the income statement.

The concessions and licences entry mainly includes software under licence purchased by third parties and used for programming activities, depreciated for their useful life-cycle, estimated at 3 years.

Impairment loss

The company 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 economic account among depreciation and devaluation costs. When subsequently an asset value loss, different from the beginning, 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 economic 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. Financial investments are classified as liquid assets only when they have a short expiry.

Non current assets held for sale

The voice includes non-cash assets, the value of which will mostly be recovered by their sale rather than through their continuous use. These assets are valued as the lesser value between the net accounting value and the cash value net of sales costs.

Employee benefits Post-employment

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.

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.

If the effect of updating the assumed cash value is significant, the allocations are calculated by updating the expected future financial flows at a pre-tax discount rate that reflects the current market evaluation of the cash value in relation to time. When updating has been done, the increase in the allocation caused by the passing of time is shown as a financial obligation.

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.

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.

Dividends

Dividends are accounted for in the financial period in which the distributing company decides to distribute them.

Income taxes

Current income taxes for the financial period are calculated on the basis of estimates of taxable income in accordance with the laws in vigour: Moreover, the effects deriving from the activation within the Group of the national tax consolidation are also taken into account. The debt for current taxes is accounted for in the patrimonial status, net of any taxes paid in advance.

Deferred and pre-paid income taxes are calculated on the temporary differences between the patrimonial values registered in accordance with the IFRS international accounting standards and the corresponding values realised for tax purposes. Deferred income tax are calculated applying the tax rate which will be in force at the year after the account reference dates.

In particular, assets due to pre-paid taxes are registered when their recovery is probable, that is, when it is expected that sufficient tax profits will be available in the future so that these assets may be used. The degree of recovery of pre-paid tax assets is re-examined at the end of every period. Deferred taxes are always calculated in compliance with the IAS 12.

The controlling company, CAD IT S.p.A., and some of the Group's companies, have exercised the option of Group taxation as stated in art. 117 of TUIR 917/1986, which concerns the determination of a global income that corresponds to the algebraic sum of all net comprehensive incomes of the companies in the group. The liquidation of this one tax allows the Group the contextual use of any tax losses in the period.

2 Revenues

The revenues gained in the period by the company are subdivided as follows:

	31/12/2017		31/12/2016		Period variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	57,207	92.6%	51,750	90.4%	5,458	10.5%
Asset increases due to internal work	3,929	6.4%	5,144	9.0%	(1,216)	(23.6%)
Other revenue and receipts	652	1.1%	342	0.6%	310	90.6%
Production value	61,788	100.0%	57,236	100.0%	4,552	8.0%

The supply of services and sales of goods includes any income from the sale of licensed out software, maintenance services and software updating, the *Application Management*, the use of personalised applicative packages, consultancy services and information technology system design, the sale of hardware.

The 2017 financial period showed an increase in revenues of Euro 5,458 thousand (+10.5%), to reach a value of Euro 57,207 thousand (compared to Euro 51,750 thousand in 2016 financial period). The increase in revenues is mainly due to the regulatory

adjustment needs of the banking sector relating to MIFID II and to IFRS9 international accounting standard which implied the release of new software and the updating of existing ones.

Revenues from sales and services include Euro 1,348 thousand (Euro 1,576 thousand in previous period) towards subsidiaries (see also in the Directors' management report and in the transactions with related parties note) of which Euro 1,237 thousand for logistic and administrative services and Euro 111 thousand for IT services.

Revenues from foreign customers during the year 2017 accounted for 4.1% of the total sales and services revenues (6.5% in the previous year).

Increases in internal work capitalized under fixed assets came to Euro 3,929 thousand, compared to Euro 5,144 thousand in the 2016 financial period and included activities carried out by CAD IT (Euro 2,458 thousand), as well as those commissioned by CAD IT to its subsidiaries CAD (Euro 1,119 thousand), CeSBE (Euro 352 thousand) for the development of new procedures for sale on licence or instrumental for traditional activities.

Other revenues and earnings amounted to Euro 652 thousand, showing an increase compared to 2016, and are mainly made up of Euro 411 thousand relating to tax credit provided by art. 1, paragraph 35, of the Law 23 December 2014, no.190, for research and development activities incurred in 2016, Euro 80 thousand for amounts recharged to companies of the group of costs sustained by the parent company (Euro 56 thousand in previous year), Euro 60 thousand for insurance refunds (Euro 15 thousand in previous year), of Euro 33 thousand relating to contributions allocated by interprofessional funds for financing of company training plans (Euro 62 thousand in previous year). In 2016 financial year other revenues and earnings included Euro 139 thousand non-recurring compensation for damages.

CAD IT's activities are not on the whole, affected by significant cyclical or seasonal variations in total sales during the financial period.

3 Sector Information

The company has modified the internal reporting method used by high management and aimed at planning and monitoring the business results of the entire Group. Said reporting does not foresee the allocation of operational costs, interests, amortizations and depreciations, taxes, assets and liabilities of operational sectors. As required by the IFRS 8, information relating to revenues attained by business line, as well as by product type and services and by geographical area is presented below.

Revenues by business line	Period 2017		Period 2016	
	€/000	%	€/000	%
Finance	54,528	95.3%	49,022	94.7%
Manufacturing	2,679	4.7%	2,727	5.3%
Total	57,207		51,750	

The main activities of each business line are as follows:

Finance: includes the computer applications aimed specifically at banks, insurances and other financial institutions. The main applications provide:

- the management of intermediary activities on securities, funds and derivate instruments;
- the management of the typical services in the credit sector, such as the collection, treasury and monitoring of credit procedures;
- the service allocation for trading on line;
- the management of integrated banking computer systems;
- the consultancy and training.

Manufacturing: includes the development and marketing of instruments and software applications and offers a series of services aimed at allowing the companies to effectively manage numerous company processes, including Outsourcing.



Revenues subdivided by geographic area of the customer are shown below.

Revenues by customer geographic area	Period 2017		Period 2016	
	€/000	%	€/000	%
Italy	54,888	95.9%	48,384	93.5%
Abroad	2,319	4.1%	3,366	6.5%
Total	57,207		51,750	

Revenues from foreign customers mainly refer customers of following countries: Switzerland, Germany, Spain, U.S.A., United Kingdom and China.

Revenues are subdivided by service/product type as follows:

Revenues by type of products and services	Period 2017		Period 2016	
	€/000	%	€/000	%
Licensing & support	48,061	84.0%	43,741	84.5%
Application Management & Outsourcing	7,802	13.6%	6,386	12.3%
Other revenues	1,345	2.4%	1,622	3.1%
Total	57,207		51,750	

4 Purchase Costs

The table below shows the details of CAD IT' purchase costs:

	31/12/2017	31/12/2016	Variations	%
Hardware-Software purchases for sale	131	63	69	109.7%
Maintenance and consumable hardware purchases	16	11	6	52.3%
Other purchases	187	186	0	0.1%
Variations in raw material stock	(39)	2	(42)	-
Total	295	262	33	12.5%

Costs for hardware and software purchases for commercialization refer to purchases made for orders that clients had already confirmed.

The item Other purchases includes mainly the costs of fuel for vehicles used in the business activity (Euro 119 thousand), as well as consumables, chancellery and advertising.

Inventories increased during the period of Euro 39 thousand.

5 Service costs

	31/12/2017	31/12/2016	Variations	%
External collaboration	24,188	23,058	1,130	4.9%
Travelling expenses and fee reimbursement	808	741	67	9.1%
Other service costs	2,851	2,727	124	4.5%
Total	27,847	26,526	1,321	5.0%

Service costs in 2017 came to Euro 27,847 thousand, and increased by Euro 1,321 thousand compared to previous year.

In particular costs for external collaboration increased due to the greater inter-group collaboration of Euro 20,291 thousand for

services from subsidiaries (previous period Euro 18,388 thousand). Moreover, costs for external collaboration include Euro 1,501 thousand toward associates (previous period Euro 568 thousand) and Euro 2,396 thousand for services from third parties (previous period Euro 4,102 thousand).

Expenses and transfer fees increased compared to 2016 settling at Euro 808 thousand, compared to Euro 741 thousand in the previous year.

Other service expenses to the amount of Euro 2,851 thousand registered an increase of 4.5% compared to previous year (Euro 2,727 thousand). This item mainly includes service costs and hardware and software assistance and maintenance charges, energy costs, administrative, legal and fiscal consultancy, maintenance and management costs for the offices and facilities, insurance costs, costs for training courses

6 Other operating costs

The table below shows the details of other operating costs:

	31/12/2017	31/12/2016	Variations	%
Leases and rentals	267	281	(15)	(5.2%)
Misc. operating costs	177	178	(1)	(0.5%)
Total	444	459	(16)	(3.4%)

Leases and rentals mainly refer to equipment and instrumental software rental and to lease of operational offices.

Other operating costs mainly include taxes and fees not related to the taxable income (such as municipal tax on real estate, tax on indivisible services, registration taxes, stamp duty and taxes on waste) for Euro 101 thousand, as well as expenses for periodicals and publications and donations (Euro 30 thousand).

7 Labour costs and Employees

Labour costs are as follows:

	31/12/2017	31/12/2016	Variations	%
Salaries and wages	16,120	15,677	443	2.8%
Social security contributions	4,558	4,507	50	1.1%
Severance indemnities	1,203	1,218	(16)	(1.3%)
Other costs	787	159	629	396.0%
Total	22,668	21,562	1,106	5.1%

Labour costs in 2017 financial period increased by Euro 1,106 thousand (5.1%) compared to the previous year.

The increase in labour costs is mainly due to salary bonuses and extraordinary allowances paid to employees for the objectives and positive results achieved in the 2017 financial year, as well as other extraordinary allowances (registered in *Other labour costs*), to the lower use of vacation compared to previous year and to the renewal of the national collective agreement applied.

The figures relating to the precise number of employees working in CAD IT at the end of the year are shown below:

Category of employees	labour force at 31/12/2017	labour force at 31/12/2016	labour force at 31/12/2015
Management	16	17	16
White-collars and cadres	297	295	306
Apprentices	30	43	33
Total	343	355	355

At the end of 2017, the number of CAD IT staff decreased by 12 units compared to the end of 2016. To be precise, during the

period were employed 4 people and dismissed 16 people, thus determining the following turnover rates:

<i>Employees turnover</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Negative turnover (Dismissed/employees at beginning of period)	4.51%	3.38%	1.81%
Positive turnover (Employed/employees at beginning of period)	1.13%	3.38%	9.37%
Total turnover (Σ turnover)	5.63%	6.76%	11.18%
Turnover compensation rate (Employed/Dismissed)	25.00%	100.00%	516.67%

The details relating to the average number of CAD IT employees are shown below; the average number of employees decreased by 6 units during the financial period.

<i>Category of employees</i>	<i>Average number 2017</i>	<i>Average number 2016</i>
Management	17	17
White-collars and cadres	294	295
Apprentices	40	43
Total	350	356

8 Other administrative costs

The table below shows the other administrative costs in detail.

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Variations</i>	<i>%</i>
Directors fees	783	824	(41)	(5.0%)
Directors' fee contributions	53	66	(13)	(20.0%)
Telephone charges	189	205	(16)	(7.6%)
Advertising fees	6	11	(4)	(41.6%)
Total	1,031	1,105	(74)	(6.7%)

The other administrative expenses of Euro 1,031 thousand decreased by 6.7% compared to the 2016 financial period and were mainly made up of directors remunerations for Euro 783 thousand (-5.0% compared to 2016) and the relative contributions of Euro 53 thousand, telephone charges of Euro 189 thousand (-7.6% compared to the 2016 financial period) and advertising costs to the amount of Euro 6 thousand.

Director remunerations in the 2017 financial period include the allocation of variable short-term remunerations (Euro 123 thousand), and the setting aside of the variable medium to long-term remuneration (Euro 39 thousand). Further information on fixed and variable components of directors' remuneration are outlined in the Remuneration Report.

The other administrative costs include remunerations to related parties (see note 33).

9 Financial performance

Returns are mainly made up of dividends from holdings in subsidiaries (Euro 237 thousand) and associates (Euro 178 thousand); in particular, dividends of the group companies were as follows: Euro 186 thousand from CeSBE, Euro 51 thousand from Smart Line and Euro 178 thousand from Sicom. The reduction in interest income is due to the redeeming of the capitalization insurance policy, which guaranteed returns higher than those of banks until 2016.

Financial expenses are substantially in line with the previous year and mainly refer to temporary overdrafts on current accounts and interest on bank loans (Euro 25 thousand, compared to Euro 27 thousand of previous year). The table below shows the details of financial performance.

	31/12/2017	31/12/2016	Variations	%
Dividends from investments in subsidiaries	237	690	(453)	(65.6%)
Dividends from investments in associates	178	179	(1)	(0.6%)
Interest on bank deposits and on late payments	0	58	(57)	(99.5%)
Other receipts and interest income	0	1	(1)	(100.0%)
Total financial income	416	928	(512)	(55.2%)
Interest on bank overdrafts and loans	(25)	(27)	2	6.3%
Other interest expense	(3)	(3)	1	17.7%
Foreign exchange losses	(2)	(4)	2	42.4%
Total financial charges	(30)	(34)	4	11.4%
Net financial income and (charges)	386	894	(508)	(56.8%)

10 Income taxes

	31/12/2017	31/12/2016	Variations	%
Current taxes	964	477	488	102.3%
Taxes relating to previous periods	(1)	(10)	8	86.6%
Tax pre-payments	(38)	(24)	(14)	(57.9%)
Deferred taxes	0	0	0	-
Total income taxes	925	443	482	108.8%
Incidence of total taxes on the gross pre-tax result	29.9%	25.5%		

The taxes ascribable to 2017 financial period were estimated taking the results of the period and the norms in force into account and they represent the best possible estimate of the tax expenses ascribable to the period in question.

The tax incidence for the period on the gross pre-tax result amounted to 29.9%, an increase compared to 2016, when it was 25.5%. The increased incidence of taxes is mainly due to the reduction in dividends collected by the Group (taxable at 5%) compared to the previous year.

The controlling company, CAD IT S.p.A., and some of the Group's companies, have exercised the option of Group taxation as stated in art. 117 of TUIR 917/1986, which concerns the determination of a global income in terms of IRES that corresponds to the algebraic sum of all net incomes of the companies in the group. The liquidation of the only tax due allows the Group to contextually use any tax losses during the year and determine, at a group level, the amount of interests allowed that can be deducted fiscally.

RECONCILIATION BETWEEN TAX EXPENSES IN THE BALANCE AND THEORETICAL TAX EXPENSES				
Theoretical rate	IRES	24.0%	IRAP	3.9%
	Taxable	Tax	Taxable	Tax
Pre-tax result / theoretical tax	3,092	742	3,092	121
<i>Temporary differences deductible in later financial periods</i>				
Unpaid directors' fees	162	39	0	0
Production bonuses to staff	22	54	225	9
Provisions for credit losses	0	0	0	0
<i>Total temporary fiscal increasing variations</i>	<i>387</i>	<i>93</i>	<i>225</i>	<i>9</i>
<i>Reversal of temporary differences from previous years</i>				
TFR discounting back	(4)	(1)	(4)	(0)
Payment of previous periods directors' fees	(123)	(30)	0	0
Use of provisions for credit losses	(137)	(33)	0	0
<i>Total temporary variations from previous periods</i>	<i>(264)</i>	<i>(63)</i>	<i>(4)</i>	<i>(0)</i>
<i>Permanent differences</i>				
To IRES / IRAP income increases	715	172	24,631	961
To IRES / IRAP income decreases	(635)	(152)	(23,360)	(911)
<i>Total permanent differences</i>	<i>80</i>	<i>19</i>	<i>1,270</i>	<i>50</i>
Taxable income / tax on the period's income	3,295		4,592	
Tax credits		(10)		0
Current taxes		781		179
Taxes's effective rate on the pre-tax result		25.3%		5.8%
Greater (lesser) taxes previous financial periods		(1)		(0)
Prepaid and deferred taxes		(29)		(9)
Prepaid and deferred taxes alignment for variations of rate		(0)		5
Income taxes		750		175
Income taxes's effective rate on the pre-tax result	IRES	24.3%	IRAP	5.7%

Summary comprehensive effective tax charge	current period		previous period	
IRES tax	781	25.3%	373	21.5%
IRAP tax	179	5.8%	104	6.0%
Total current taxes and effective rate	960	31.0%	477	27.4%

11 Earnings per share

The basic earnings per share is calculated by dividing the year's net profit ascribable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The number of ordinary shares outstanding does not change during the year of the period and no other types of share are admitted.

There are no options, contracts or convertible financial instruments or equivalent that give their owners the right to acquire ordinary shares, therefore, the basic profit per share and the dissolved profit per share agree.

Earnings per share	2017	2016
Net profit (loss) ascribable to ordinary shares in thousands of Euro	2,167	1,294
Weighted average number of ordinary shares outstanding	8,980,000	8,980,000
Net profit (loss) ascribable to ordinary shares for basic profit per share (Euro)	0.241	0.144

12 Property, plant and equipment

The caption "property, plant and equipment" is composed as follows:

	31/12/2017	31/12/2016	Variations	%
Land	1,527	1,527	0	-
Buildings	13,671	13,782	(111)	(0.8%)
Plant and equipment	755	914	(158)	(17.3%)
Other assets	410	323	87	26.9%
Assets under development and payments on account	0	16	(16)	(100.0%)
Total property, plant and equipment	16,364	16,562	(199)	(1.2%)

In the period, the item "property, plant and equipment" varied as follows:

	Land and buildings	Plant and machinery	Other tangible fixed assets	Assets under development	Total
Purchase or production cost	8,814	4,072	2,900	16	15,801
First time adoption revaluations	8,439	-	-	-	8,439
Previous years depreciation and write-downs	(1,944)	(3,158)	(2,576)	-	(7,678)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	15,309	914	323	16	16,562
Purchases	14	31	231	-	276
Transfers	16	-	-	(16)	-
Reduction in accumulated depreciation due to disposals	-	-	236	-	236
Disposals	-	-	(236)	-	(236)
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(141)	(190)	(143)	-	(474)
Adjustments to write-downs for the period	-	-	-	-	-
Total tangible fixed assets	15,198	755	410	-	16,364

Land and buildings include property and land, accounted for separately, belonging to the Group.

There are no restrictions on the legal ownership and possession of assets, systems and machinery to guarantee liabilities. There are no contractual restrictions for buying assets, systems or machinery.

Some land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert; during 2015 the recoverability of these assets, was verified on the basis of an external valuation drafted by the appointed expert. The valuation report showed current values of assets in excess of the net book values without, therefore, having to involve pointing out any impairment.

The purchasing of new tangible assets during the year came to a total of Euro 276 thousand, of which the greater part (Euro 231 thousand) was for "other tangible assets", voice that included the purchasing of information technology equipment, managerial instruments characteristic of the Company's activities, as well as Euro 31 thousand for "plant and machinery" and Euro 14 thousand for works of improvements on buildings owned.

During the year property, plant and equipment were not subject to any value reductions that required registration in the balance.



13 Intangible fixed assets

The caption "intangible fixed assets" is composed as follows:

	31/12/2017	31/12/2016	Variations	%
Industrial patents	8,681	11,260	(2,579)	(22.9%)
Licences, trademarks and similar rights	160	124	37	29.7%
Intangible fixed assets under development	9,392	8,839	553	6.3%
Total Intangible fixed assets	18,233	20,223	(1,990)	(9.8%)

In the period, "Intangible fixed assets" varied as follows:

	Industrial patents and similar rights	Licences, trademarks	Assets under development and payments on account	Total
Purchase or production cost	45,799	2,192	8,839	56,830
Previous years revaluations	-	-	-	-
Previous years depreciation and write-downs	(34,539)	(2,068)	-	(36,607)
Adjustments to previous years write-downs	-	-	-	-
Opening value	11,260	124	8,839	20,223
Purchases	-	111	3,929	4,040
Transfers	3,376	-	(3,376)	-
Reduction in accumulated depreciation due to disposals	-	674	-	674
Disposals	-	(674)	-	(674)
Revaluations for the period	-	-	-	-
Depreciation and write-downs for the period	(5,955)	(74)	-	(6,029)
Adjustments to write-downs for the period	-	-	-	-
Total intangible fixed assets	8,681	160	9,392	18,233

The voice "industrial patent rights and works of ingenuity" is almost entirely made up of software procedures developed by the CAD IT Group; the voice increased by Euro 3,376 thousand because procedures that previously were recognized as ongoing investments were ended and became available for sale and/or use in the course of the period and therefore the incurred costs were reclassified. The values are registered to the directly sustained cost, mainly related to the use of internal resources, as well as any possible additional accessory fees that may occur. In respect of the principle that correlates costs and revenues, such costs are amortized as of the moment in which they are available for use and in terms of the product's lifecycle, estimated at five years. The amortizations of this voice in the course of this financial period came to Euro 5,547 thousand, as well as Euro 483 thousand devaluation relating to a development project became not anymore capitalizable.

The caption "Licences, trademarks" principally includes the licensed out software bought by third parties used for programming activities. Purchasing during the period came to a total of Euro 11 thousand, while depreciation amounted to Euro 74 thousand. The voice assets under development refers to investments in the development of software procedures under construction both for sale and for in-company use. Most of these investments are aimed at new, advanced products, the use of which will be needed very shortly, even by law, in credit and financial institutions as well as in the field of public and industrial administration.

These assets are listed on the basis of the directly sustained cost related to the use of dedicated staff. The fundamental condition for their registration in patrimonial credit is that said costs concern clearly defined, distinguishable and measurable products or processes and that they relate to projects that are both technically feasible and economically recoverable through revenues that will develop in the future by application of the project itself.



14 Investments

	31/12/2017	31/12/2016
Investments in subsidiary companies	15,124	15,124
Investments in associated companies	1,653	1,653
Total Investments	16,777	16,777

Investments are shown at purchase cost. The value of holdings in subsidiary companies stands at Euro 15,124 thousand, while the value of holdings in associated companies is Euro 1,653 thousand.

Investments in subsidiaries

The balance values and the fraction of net patrimony concerning controlled companies, determined in accordance with international accounting standards, are shown below.

Company Name	Company Capital in Euro	Percentage of Investment	Net Profit or Loss (euro/000)	Shareholders' Equity (euro/000)	Quotaholders' Equity Held (euro/000)	Carrying Value (euro/000)
CAD S.r.l.	350,000	100.00%	222	3,432	3,432	12,938
CeSBE S.r.l.	10,400	62.11%	54	2,756	1,712	287
Elidata S.r.l.	20,000	51.00%	1,922	3,393	1,730	781
Datafox	99,999	51.00%	79	299	153	454
Smart Line S.r.l.	102,700	51.05%	(190)	408	208	664
Tecsit S.r.l. (*)	75,000	70.00%	(5)	98	69	53

(*) Controlled through CAD S.r.l.

The company annually verifies the holding values at least once a year or more often if there are indications of value losses.

The recoverable value of the CGU is verified by determining the value in use.

The evaluation of the CAD IT Group companies was made through a *Discounted Cash Flow* (DCF), the most common calculation method in financial markets. Operational cash flow forecasts are based on the most recent budget plans, relate to the period 2018-2020 which take into account the concrete company growth possibilities based on past data and on management forecasts. The financial flows that go over this period have been calculated with great care using a growth rate of nil. The putting into effect rate used is the weighted average of capital k_s .

The main assumptions used by the Directors for discounting back prospective financial flows in order to make an analysis of the holding value are reported below:

the equation used for estimating the weighted average cost of capital is the following

$$k = k_b(1 - TC) \left(\frac{B}{V} \right) + k_p \left(\frac{P}{V} \right) + k_s \left(\frac{S}{V} \right)$$

where:

k_b = interest rate in case of debt

TC = marginal tax rate of the economic bodies being evaluated

B = market value of the debt of a company

V = total market value of a company

k_p = advisability cost of risk capital

P = market value of the privileged shares

k_s = advisability cost of own capital determined by the market

S = market value of the net capital.

The cost of capital was identified as $k_s = 6.93\%$.

The permanent growth rate of the company being evaluated was chosen by taking it as 0% a year despite the CAGR of the income and profits of each being greater.

The value of the companies was determined as a summation of discounted back cash flows (Free Cash Flow), of the remaining value and the net financial position. In brief we can say:

$$\text{Company value} = \pm \text{net financial position} + \text{discounted back cash flows} + \text{remaining value}$$

Into mathematical terms, the value corresponds to the following formula:

$$NPV = \pm PFN + \sum_i^N FCF (1+k)^{-N} + \left(\frac{FCF_{N+1}}{k-g} \right) \left\{ \frac{1}{[1+(k-g)]^N} \right\}$$

where:

NPV = company value (Net Present Value)

PFN = Net Financial Position

FCF = cash flow

k = cost of capital

N = explicit period

g = growth rate of the implicit period

The evaluations confirmed the validity of the recorded values, whereby the recording of value adjustments was not necessary.

Investments in associated companies

Company Name	Company Capital in Euro	Percentage of Investment	Net Profit or Loss (euro/000)	Shareholders' Equity (euro/000)	Quotaholders' Equity Held (euro/000)	Carrying Value (euro/000)
Sicom S.r.l.	10,400	25.00%	1,121	2,130	533	3
Software Financiero Bolsa S.A.	529,000	30.00%	654	1,755	526	1,650

In April 2016 CAD IT acquired 30% of the capital of the Spanish company Software Financiero Bolsa and signed an agreement to increase to a majority share in 2019. For the 30% acquisition of SFB's capital were paid in cash Euro 250 thousand at the first closing to which will be added the payment of the definitive price will take place after the closure of the 2018 balance (second closing) and will be calculated on the basis of the results that the Spanish company achieves over the 2016-2018 financial periods, with a minimum value of Euro 1,650 thousand. At the second closing, CAD IT will have the option to acquire further shareholdings to a controlling share of 51%, or up to 100% of the capital depending on the right of SFB's current shareholders to exercise a PUT on the remaining 49%. CAD IT will have alternatively opportunity to exercise a PUT option to assign again the 30% share capital acquired to the sellers, renouncing to the amount of Euro 250 thousand already paid.

With this deal, CAD IT further strengthened its presence on the financial software market in Europe and confirms its active interest in expanding onto the Spanish market, offering with SFB highly innovative products already in use at Italian banks and at customers in Swiss, German, British and Czech Republic. This acquisition provides CAD IT with important opportunities to increase revenues due to SFB's commercial and technical presence in Spain and Portugal, being able to count on the SFB's existing customer portfolio (about 40 financial institutions) to whom CAD IT's products, complementary to those of SFB, could be offered.

15 Credits due to prepaid taxes

Credits due to prepaid taxes have been recorded as assets in the current and previous periods, as, on the basis of the business forecast plans, will be probably the realization of a taxable income for which they can be used. Credits for prepaid IRES and IRAP taxes are mainly in reference to time differences deductible over the next few financial periods.

Description of the temporary differences	Pre-paid taxes at 31.12.2016			Pre-paid taxes at 31.12.2017			Income statement and Statement of comprehensive income (a-b)
	Taxable	Rate	Tax (a)	Taxable	Rate	Tax (b)	
Non-deductible provision on credit depreciation fund	137	24.0%	33	0	24.0%	0	33
TFR discounting back	332	27.9%	93	312	27.9%	87	5
Directors' fees	201	24.0%	48	240	24.0%	58	(9)
Production bonuses	-	-	-	225	27.9%	63	(63)
Total			174			207	(34)

16 Inventories

Leftover stock includes finished products and goods for a total amount of Euro 43 thousand, an increase of Euro 39 thousand compared to the previous year.

17 Trade receivables and other credits

Commercial credits and other credits are made up as follows:

	31/12/2016	31/12/2016	Variations	%
Credits to clients	27,916	28,426	(511)	(1.8%)
Credit depreciation fund	(140)	(592)	452	76.4%
Credit towards subsidiaries	2,086	2,619	(532)	(20.3%)
Credits to associated companies	2	0	2	-
Accrued income and deferred expenses	586	497	90	18.0%
Other credits	183	282	(99)	(35.1%)
Total trade receivables and other credits	30,633	31,231	(599)	(1.9%)
% coverage credit depreciation fund	0.50%	2.08%		

Credits to clients are mainly in favour of banking, financial and insurance institutions and other group customers institutions; the accounting value of commercial credits and other credits is approximate to their fair value.

The high sum of credits towards clients is conditioned by the size of the value of the contracts, as well as the contractual terms of payment which may state that the payment of the amounts due are to be paid after the procedures supplied have been tested and the projects and provided services have been completed.

The company evaluated the credits to the probable break-up value. This evaluation is made analytically for expired credits and on expiry of a greater length of time than the average receipt time and on a lump-sum basis for the other credits, depending on the historical trend of the losses recorded and of the forecasts.

Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 140 thousand which ensures a cover of 0.5% of the total amount of credits towards clients. This fund was determined on the basis of past data regarding losses on credits and is considered proportionate. During the period, the fund was used for the loss on a foreign credit relating to activities carried out in the years 2011-2013, following the failure of legal action to recover the same.

Among the commercial credits and other credits, Euro 2,198 thousand were towards related parties (previous year Euro 2,630 thousand), mainly towards the Group's companies (see note 33).

The entry Accrued income and deferred expenses entirely refers to prepaid expenses made up of the following:

<i>Nature</i>	<i>31/12/2017</i>	<i>31/12/2016</i>
Software assistance	494	303
Expenses for leases and rentals	6	4
Telephone charges	4	57
Administrative services	4	4
Various insurances	19	16
Other various	17	81
Hardware assistance	42	31
Total prepaid expenses	586	497

The total sum of the point on other credits showed the following results:

<i>Credits towards other</i>	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Variations</i>	<i>%</i>
Receivables from social security institutions	15	13	2	15.8%
Receivables for advances on travel expenses	0	1	(1)	(100.0%)
Payments on account to suppliers	163	124	39	31.4%
Other	5	144	(139)	(96.3%)
Total credits towards other	183	282	(99)	(35.1%)

18 Tax credits

The entry of Euro 1,092 thousand, showing a decrease compared to the previous period (Euro 1,153 thousand), was made up of credit relating to the IRES reimbursement, according to Decree-Law 201/2011, deriving from not inferred IRAP relating staff costs and assimilated for periods 2007-2011 (Euro 1,092 thousand).

19 Cash and other equivalent assets

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Variations</i>	<i>%</i>
Bank and postal accounts	12,034	3,820	8,214	215.0%
Cash-on-hand and cheques	7	7	(0)	(2.9%)
Total Cash and other equivalent assets	12,041	3,827	8,214	214.6%

The bank and postal account deposits are made up of cash-on-hand in current bank accounts for Euro 12,034 thousand, significantly increasing (+8,214 thousand euro) compared to 31st December of previous financial period.

20 Company capital

The company capital, entirely registered, deposited and unchanged over the period, amounted to € 4,669,600. It was subdivided into 8,980,000 ordinary shares with a nominal value of € 0.52 each and all with equal rights.

The ordinary shares are registered and indivisible and each one gives the right to a vote at the ordinary and extraordinary shareholders' meetings, as well as to the faculty of carrying out other company and patrimonial rights in accordance with the law and the statute.

Neither CAD IT S.p.A. nor its controlled companies own CAD IT or their own shares, not even through trustee companies or third parties.

CAD IT's net patrimony at 31st December 2017, including the financial period result, came to Euro 54,822 thousand compared to Euro 54,440 thousand at 31st December 2016.

21 Reserves

The capital reserves are made up entirely of share premium reserve which amounts to Euro 35,246 thousand.

22 Accumulated profit/losses

	31/12/2017	31/12/2016	Variations	%
Previous profits/losses	585	585	0	-
Legal reserve	934	934	0	-
First Time Adoption transition reserve	2,119	2,119	0	-
Available reserve of undivided profits	9,329	9,832	(502)	(5.1%)
Revaluation liabilities reserve for defined benefit	(229)	(240)	11	4.6%
Period profits/losses	2,167	1,294	873	67.5%
Total accumulated profits/losses	14,906	14,524	382	2.6%

Previous period profit refers to the profit of Euro 585 thousand relating to the difference in profits for the 2004 period following to the application of IAS/IFRS accounting standards compared to the profit calculated with the national accounting standards.

The legal reserve has already reached one fifth of the share capital (article 2430 of the civil code).

The FTA transition reserve covers any differences that may have occurred when the international accounting standards were first adopted.

The revaluation reserve liabilities for defined benefit plan includes the actuarial differences recognized in the other comprehensive income.

The available reserve of undivided profits decreased by Euro 502 thousand due to the effect of payment of the dividend to shareholders.

There are no restrictions to the possibility of using deriving from the statutory arrangements.

The Stockholders' equity quotas that cannot be distributed amounted to Euro 18,073 thousand to cover for long-term costs that have not yet been amortized (art. 2426, no. 5 c.c.).

Nature/description	Amount at 31.12.2017	Use possibility (*)	Available Amount	Summary of the uses made in the three previous financial periods:	
				for loss coverage	for other reasons
Capital	4,670				
Capital reserves:					
Share premium reserve	35,246	a - b - c	35,246	-	-
Riserve di utili:					
Legal reserve	934	b	-	-	-
Available reserve of undivided profits	9,329	a - b - c	9,329		1,596
Revaluation liabilities reserve for defined benefit	(229)	-	-	-	-
IAS transition reserve	2,119	-	-	-	-
Profits of previous periods	585	-	-	-	-
Profit of current period	2,167	a - b - c	2,167		
Total	54,822		46,743	0	1,596
Amount that can not be distributed			18,073		
Remaining amount distributable			28,670		
(*) legend: a = company capital increase b = loss coverage c = shareholder distribution					

23 Dividends paid and decided

On 27th April 2017 the CAD IT S.p.A. ordinary shareholders' meeting decided to give shareholders a dividend of Euro 0.20 per share, for total amount to Euro 1,796,000 using the entire profit for the year 2016 of Euro 1,293,787 together with the amount of Euro 502,213 be taken from the available reserve of undivided profits. The dividend was paid on 10 May 2017.

24 Financing

The amount of Euro 841 thousand refers to a loan quota that goes beyond 12 months which involves repayment deadlines until 2019.

25 Liabilities due to deferred taxes

Deferred taxes amounted to Euro 2,458 thousand (unchanged compared to previous period) and took into account the taxable time differences resulting from taxable time differences resulting from time differences of the accounting value of an asset or liability compared to its recognized value for tax purposes. In particular they mainly referred to the fiscal effect of adjustments made at the FTA, the taxation of which was deferred to future periods after verifying the taxability conditions of the major values registered for the activities or the reduction of the liability value.

Description of the temporary differences	Deferred tax at 31.12.2016			Deferred tax at 31.12.2017			Income statement (a - b)
	Taxable	Rate	Tax (a)	Taxable	Rate	Tax (b)	
Land revaluation	388	27.90%	108	388	27.90%	108	-
Land depreciation	72	24.00%	17	72	24.00%	17	-
Building revaluation	8,051	27.90%	2,246	8,051	27.90%	2,246	-
Building depreciation	438	24.00%	105	438	24.00%	105	-
Systems depreciation	(66)	27.90%	(18)	(66)	27.90%	(18)	-
Total			2,458			2,458	0

26 Employees' leaving entitlement and quiescence reserves

The point concerning the Severance indemnities (TFR) fund shows the movements resulting from annual allocations made on the basis of the evaluations of external actuaries based on the IAS 19 and the uses carried out concerning end of working contract resolutions or advance payments.

Employees' leaving entitlement	31/12/2017	31/12/2016
at 1 January	3,617	3,469
Interest cost	50	56
Benefits paid	(218)	(69)
Actuarial (gains)/losses	(15)	162
Closing balance	3,434	3,617

In order to carry out the mathematical evaluation the database of each employee (salary, matured TFR net of any advance payments, age, sex, qualification, etc.) was given to the external actuaries by the companies' qualified offices. The hypothetical specifications on the employees in service regarding both their demographic evolution and their future economic characteristics

were calculated on the basis of some past company series, on similar experience and on market figures as well as on the basis of some indications supplied by the companies themselves in terms of their experience and sensitivity to company events.

The following table shows the actuarial assumptions used to determine the present value of the obligation.

	31/12/2017	31/12/2016
ECONOMIC ASSUMPTIONS		
Annual discount rate	1.30%	1.31%
Annual inflation rate	1.5%	1.5%
Annual rate of increase in severance pay	2.625%	2.625%
Annual rate of salary increase	0.50%	0.50%
DEMOGRAPHIC DATA		
Death	Mortality tables RG48 General Accounting Office	
Disability	Tables INPS	
Retirement	100% to the waging requirements AGO	
TECHNICAL BASES TURNOVER AND ADVANCES		
Frequency Advances	1.00%	1.00%
Turnover frequency	2.50%	2.50%

The annual discount rate used to determine the obligation was determined by reference to the average yield curve of that comes from the index *iBOXX Eurozone Corporates AA* with a duration of 10+ years in the month of evaluation. To this purpose, the yield having a duration similar to the workers' collective involved in the evaluation was selected.

The average maturity (*duration*) of debt is 11.8 years (compared to 12.1 years at 31/12/2016).

The following table shows the sensitivity analysis for the main evaluation parameters and the estimated future disbursements.

Sensitivity analysis		Estimated future disbursements	
Change in actuarial assumptions	Value of severance pay	Year	Estimated disbursement
Turnover rate +1%	3,372	1	124
Turnover rate -1%	3,421	2	122
Inflation rate +0.25%	3,454	3	141
Inflation rate -0.25%	3,337	4	144
Discount rate +0.25%	3,302	5	142
Discount rate -0.25%	3,491		

27 Expense funds and risks

During the year, Euro160 thousand was set aside to tax risk fund for assessment notices relating to IRES, IRAP and VAT for the tax periods 2010, 2012 and 2013.

28 Commercial debts

The entire point shows the following trend:

	31/12/2017	31/12/2016	Variations	%
Debts towards subsidiaries	15,626	15,759	(133)	(0.8%)
Debts towards associated companies	1,122	170	953	561.7%
Debts towards suppliers	1,797	2,336	(539)	(23.1%)
Payments on account received	1,875	368	1,507	409.5%
Accrued expenses and deferred income	607	543	64	11.7%
Total Commercial debts	21,027	19,175	1,852	9.7%

Debts towards subsidiaries and associated companies mainly regard collaborations and services carried out during CAD IT commissions. Debts towards associated companies have increased due to further commercial relations during the financial period.

Debts towards suppliers refer to current debts for goods and service supplies received, which dropped during the financial period by 539 thousand Euros mainly due to a reduction in external collaborator service costs.

Customer accounts consist of services that will be completed in the 2018 financial period but for which the customers have already been invoiced.

Among the sales debts, Euro 16,816 thousand are towards related parties, almost entirely towards the Group's companies (Euro 15,626 thousand) as also indicated in note 33.

The entry "Accrued expenses and deferred income" refers almost entirely to deferred income, for Euro 603 thousand, already invoiced regarding annual ordinary maintenance contracts on user licences and mainly pertaining to next financial period.

29 Tax debts

The entry of Euro 3,659 thousand (Euro 2,163 thousand in the previous period) is mainly made up of debt for value added tax (Euro 1,632 thousand), debt for the withholding taxes applied by the company for tax substitution activities towards employees and collaborators (Euro 1,045 thousand) and debts for income taxes (Euro 964 thousand) net of tax advances paid during the year.

30 Short-term financing

The voice of Euro 3,937 thousand is made up of short-term financing provided by banks and bank overdrafts and increased compared to the previous year when amounted to Euro 2,500 thousand.

31 Other debts

Details of other debts are as shown.

	31/12/2017	31/12/2016	Variations	%
Social security charges payable	1,436	1,496	(60)	(4.0%)
Towards directors	282	225	57	25.1%
Towards staff for deferred salaries and pay	1,920	1,737	183	10.5%
Other	1,439	1,400	39	2.8%
Total	5,077	4,858	219	4.5%

Debts towards welfare institutions included matured contributory debts on current monthly salaries as well as the quota for deferred maturing salaries.

The other debts are made up of Euro 1,400 thousand towards the partners who sold a 30% holding share of the Spanish company Software Financiero Bolsa S.A., purchased by CAD IT in April 2016, relating to the remaining sum to be paid in 2019 on acquisition closing, in respect of the already defined minimum price.

Staff debts refer to the current salaries for December 2017 and to accruals for deferred salaries that matured as at 31st December. During the year debts for holiday decreased of 55 thousand euro as a result of the use of leave by staff.

Details of debt towards staff are shown in the following table:

<i>Debt towards staff for wages and deferred pay</i>	31/12/2017	31/12/2016	Variations	%
For wages and expense accounts	740	714	26	3.7%
For production bonuses	225	0	225	-
For holidays	423	477	(55)	(11.4%)
For fourteenth month (summer bonus)	532	546	(14)	(2.5%)
Total	1,920	1,737	183	10.5%

32 Net financial position

The net financial position at the end of the period 2017 was in credit by Euro 7,263 thousand, compared to Euro 566 thousand at 31/12/2016.

In particular, the net short-term financial position amounted to Euro 8,104 thousand, while the net financial position is positive for Euro 7,263 thousand, due to the presence of long-term loans for Euro 841 thousand.

	31/12/2017	31/12/2016	Variations	%
Cash-on-hand and at bank	12,041	3,827	8,214	214.6%
Payables due to banks current portion	(3,937)	(2,500)	(1,437)	(57.5%)
Net short-term financial position/(indebtedness)	8,104	1,327	6,776	510.6%
Long-term loans	(841)	(761)	(80)	(10.5%)
Net long-term financial position/(indebtedness)	(841)	(761)	(80)	(10.5%)
Net financial position/(indebtedness)	7,263	566	6,697	1,182.5%

Cash-on-hand and in bank accounts came to Euro 12,041 thousand, significantly increasing compared to 31/12/2016.

Short-term debts towards banks amounted to Euro 3,937 thousand and regard overdrawn accounts and advances subject to final payment and the current portion of medium/long-term loans.

As a link between the data of the net financial position statement and the balance statement, it is hereby reported that: cash in bank accounts and capitalization insurance policies are registered in the patrimonial status as "Cash and other equivalent assets"; short-term financial debts are registered as "Payables due to banks current portion"; long-term financing is registered in the patrimonial status as "Long-term loans".

As shown in the financial report, financial assets were determined by the following management:

- the operational management activities generated a positive cash flow of Euro 12,396 thousand (compared to Euro 4,275 thousand in the previous year) due to self-financing (net profit plus depreciation and amortization), net of non-cash items;
- investing activities absorbed Euro 3,903 thousand (compared to Euro 5,014 thousand in 2016) for investments in intangible assets (Euro 4,040 thousand in the period 2017, compared to Euro 5,205 thousand in the period 2016), tangible assets (Euro 276 thousand in the period 2017, compared to Euro 485 thousand in the period 2016), holding companies (Euro 8 thousand in the period 2017, compared to Euro 9 thousand in the period 2016), partly offset by dividends received (Euro 415 thousand in the period 2017, compared to Euro 869 thousand in the period 2016);
- financing activities absorbed a cash flow of Euro 1,716 thousand (compared to Euro 1,847 thousand of previous year) mainly due to payment of dividends for Euro 1,796 thousand.

33 Related parties transactions

Any commercial relations between the Group's companies are governed by normal market conditions.

The summary of income and costs, as well as the credit and debit position at 31st December 2017 between the Group's subsidiaries, is shown in the specific note on management relations.

The following table shows the incidence of transactions with related parties on the respective balance entry.

Transaction incidence with related parties - Period 2017	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with related parties on entries of the Income statement			
Income from sales and services	57,207	1,582	2.8%
Other revenue and receipts	652	79	12.1%
Service costs	(27,847)	(22,406)	80.5%
Labour costs	(22,668)	(563)	2.5%
Other administrative expenses	(1,031)	(836)	81.1%
Financial income	416	415	99.9%
B) Transaction or position incidence with related parties on entries of the Statement of financial position			
Commercial credits and other credits	30,633	2,198	7.2%
TFR and pension funds	3,434	174	5.1%
Commercial debts	21,027	16,816	80.0%
Other debts	5,077	363	7.2%
C) Transaction or position incidence with related parties on financial flows			
Cashed dividends	415	415	100.0%

Income from sales and services with related parties mainly concern the services carried out towards subsidiaries (Euro 1,348 thousand) and associates (Euro 222 thousand).

Service costs towards related parties mainly include services carried out by subsidiaries companies (Euro 20,694 thousand) and associates (Euro 1,501 thousand) and language training services supplied by a company partly owned by the spouse of one of the CAD IT directors (Euro 144 thousand).

Labour costs to related parties regard remuneration to directors and managers with strategic responsibilities who are employees and remunerations to employees who have a family relationship or affinity with the CAD IT directors.

The other administrative expenses relating to related parties concern remunerations for their position paid to CAD IT directors.

Credits towards related parties are mainly made up of the parent company's credits towards subsidiaries (Euro 2,086 thousand) and associates (Euro 110 thousand).

Debts to related parties were mainly made up of commercial debts for services (Euro 16,748 thousand) towards subsidiaries and associates, debts towards employees for pay and pay accruals (Euro 80 thousand) and severance indemnities (Euro 174 thousand) and debts towards Board Members (Euro 282 thousand).

Apart from the above relations, no other relations of an economic-patrimonial nature of any significant substance with correlated parties have been undertaken.



The following table shows the incidence of transactions with related parties for the 2016 financial period.

Transaction incidence with related parties - Period 2016	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with related parties on entries of the Income statement			
Income from sales and services	51,750	1,594	3.1%
Other revenue and receipts	342	55	16.0%
Service costs	(26,526)	(19,450)	73.3%
Labour costs	(21,562)	(544)	2.5%
Other administrative expenses	(1,105)	(890)	80.5%
Financial income	928	870	93.8%
B) Transaction or position incidence with related parties on entries of the Statement of financial position			
Commercial credits and other credits	31,231	2,630	8.4%
TFR and pension funds	3,617	158	4.4%
Commercial debts	19,175	15,977	83.3%
Other debts	4,858	305	6.3%
C) Transaction or position incidence with related parties on financial flows			
Cashed dividends	869	869	100.0%

34 Fees paid to members of the Board of Directors, Statutory Auditors and executives with strategic responsibilities

All remunerations during the financial period, under any title and in any form, paid by the company and by its controlled and associated companies, to members of the administration and controlling bodies, and to those managers with strategic responsibilities, are outlined in the *Remuneration Report*.

35 Guarantees provided and received

In regard to credit lines granted to CAD IT by banking institutes, the company gave as collateral credits to the sum of Euro 1,500 thousand.

To guarantee the contractual fulfilments that CAD IT has taken, bank suretyships or insurances have been provided to the sum of Euro 4,291 thousand towards customers and public bodies.

36 Other information

There have been no transactions or any non recurrent significant events, as defined in the Consob DEM/6064293 communication, in the present financial period or the previous one.

CAD IT has not drawn up any contracts containing clauses that depend on continual financial funding (*covenant*) nor any agreements where a subject – to whom a loan has been granted – must behave accordingly (*negative pledge*).

In accordance with Consob Notification no. DEM/11070007 of 5th August 2011 (which in turn refers to document ESMA no. 2011/266 of 28th July 2011) on the information to be supplied in financial reports concerning sovereign debt statements kept by listed companies, it is hereby declared that the Group does not hold any bonds or loans issued by central or local governments or governmental bodies.

The present statutory financial statement was approved by the CAD IT S.p.A. Board of Directors on 15th March 2018 and will be an item for approval at the shareholders' meeting to be held on 27th April 2018.

37 Important events since 31/12/2017

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

On 19th January 2018 the board of directors appointed the managing director Paolo Dal Cortivo as chairman of the board, in replacement of former chairman Giampietro Magnani who passed away. As chairman, Paolo Dal Cortivo was given all the powers of ordinary and extraordinary administration, except those reserved by law to the shareholders' meeting or to the board of directors and those reserved to the exclusive jurisdiction of the board of directors, as listed in Article 19 of the by-laws.

At the same time, the Board of Directors nominated for co-option, pursuant to art. 18 of the company Statute and art. 2386 of the Italian Civil Code, Cecilia Rossignoli as Non-executive Director, on the favourable opinion of the Board of Auditors and the Remuneration and Nomination Proposal Committee. Cecilia Rossignoli is a Business Management professor at Verona University with experience in the financial and information technology sectors. Cecilia Rossignoli will remain in the position until the next Shareholders' Meeting and will cover the role of CAD IT Non-executive Director and will not be a member of any committee within the Board.

On 19th February 2018, the company Quarantacinque S.r.l. notified, pursuant to article 102, paragraph 1, of Legislative Decree no. 58 of 24th February 1998, as subsequently modified (the "Consolidated law on financial intermediation" or "TUF"), and in accordance with article 37, paragraph 1, of Consob Regulation no. 11971 of 14th May 1999, as subsequently modified (the "Issuer Regulation"), its decision to promote a public offer of voluntary acquisition, pursuant to articles 102 and 106, paragraph 4 of the TUF, concerning the entire amount of CAD IT S.p.A. company shares, less the overall number of shares, that is, 1,278,196, held by the subjects concerned in the offer (Paolo Dal Cortivo, Giulia Dal Cortivo and Liliana Lanza). The offer, therefore, is for about 85.766% of the CAD IT company capital.

The following shareholders of CAD IT undertook to accept the Offer:

- Marina Righi, spouse of Maurizio Rizzoli (Director of CAD IT), who holds no. 1,188,833 Shares, corresponding to approx. 13.239% of the corporate capital of the Issuer;
- Giuseppe Dal Cortivo, husband of Ms. Liliana Lanza and father of both Mr. Paolo Dal Cortivo and Ms. Giulia Dal Cortivo, who holds no. 63,649 Shares, currently corresponding to approx. 0.709% of the corporate capital of the Issuer;
- Luigi Zanella, Deputy Chairman and CEO of CAD IT, undertook to tender to the Offer approx. 49.97% of the CAD IT's shares he owns, and, therefore, no. 476,000 Shares, corresponding to approx. 5.301% of the corporate capital of the Issuer;
- Carmen Morbi, Luigi Zanella's spouse, undertook to tender to the Offer approx. 49.87% of the CAD IT's shares she owns, and, therefore, no. 190,000 Shares, corresponding to approx. 2.116% of the corporate capital of the Issuer.

The price that will be paid for each Share tendered to the Offer is equal to Euro 5.30.

The Offer aims at acquiring the whole corporate capital of CAD IT, in any case, at obtaining the delisting of the Issuer's ordinary Shares from the MTA, without restoring, should this be the case, a sufficient free float to ensure the normal trading.

Should the Shares not be delisted following the Offer, the Offeror may pursue the delisting through the merger by incorporation of the Issuer into the Offeror, non-listed company, or into another non-listed company which is a subsidiary of the Offeror itself or a subsidiary of CAD IT.

After completion of the Offer, the Offeror intends to ensure stability in the shareholders' structure and managerial continuity in order to enable the Issuer to exploit possible future opportunities of development and growth in Italy and abroad within the sectors in which the Issuer operates, as well as a strategic guideline aimed to achieve a business valorisation in the medium-long term. For this purpose, the Offeror does not exclude the possibility to assess in the future the opportunity to carry out extraordinary transactions as, for example but not limited to, acquisitions, divestitures, mergers, demergers concerning the Issuer or some of



its assets or going concerns, and/or capital increases whose implementation may have diluting effects on the Issuer's shareholders.

Furthermore, by making the Offer, the Offeror intends to give the Issuer's shareholders an opportunity to divest from a security whose trend has been characterized - compared to the average of companies listed on the STAR Segment of the MTA - by a low average daily trading volume on the stock exchange due to the limited free float rate.

On 5th March 2018, the CAD IT Board of Directors approved CAD IT and the Group's preliminary results and examined the reasoned opinion drafted by the independent directors, in accordance with art. 39-bis of the Regulation adopted with Consob deliberation no. 11971 of 14th May 1999 in relation to the public offer of acquisition promoted by Quarantacinque; the Board of Directors, with the abstention of Executive Directors Paolo Dal Cortivo, Giulia Dal Cortivo and Luigi Zanella and Non-Executive Director, Maurizio Rizzoli, agreeing with the opinion of the independent expert and the independent directors, maintained, from a financial point of view, that the offer was not appropriate.

Nevertheless, the Board of Directors points out that, for the purposes of deciding on adhering to the offer - which is the exclusive competence of the investor - the recipients of the offer should reflect on the economic convenience of the payment, also in consideration of the following:

- I. It is firstly pointed out that, the independent expert, in assessing the appropriateness of the offer, applied the multiples method and the overall income approach to CAD IT, not being able to apply the discount cash flow method due to the non-availability of the issuer's consolidated perspective financial statement.
- II. The result of applying the afore-mentioned multiple methods and overall income approach is that of a value which is, in truth, strongly influenced by waiting for the Company's long-term results. To this regard, it is hereby pointed out that the Italian banking market could be subject to a contraction following new consolidation and grouping operations between banking institutes which are forecast to occur in the next few years, with potentially negative repercussions on the Company's long-term results.
- III. It is also pointed out that the aim of the offer is to acquire the entire company capital of the issuer and, in any case, the issuer's delisting and that, should that not be achieved at the end of the offer, the offeror could pursue it by means of merger operations in the offeror's or in other non-listed companies, controlled by the offeror or issuer. In this hypothesis, the issuer's shareholders, that did not adhere to the offer, would have the right to withdraw in accordance with art. 2437quinquies of the Italian Civil Code, since they would receive in exchange shares that are not listed in a regulated market, with the consequent difficulty of future liquidation of their investment. The liquidation value of the shares concerned in the withdrawal would, in this case, be determined in accordance with art. 2437 ter, paragraph 3, of the Italian Civil Code and, therefore, on the basis of the arithmetic averages of the closure prices of the six months prior to the summoning of the shareholders' meeting that would deliberate the merger.
- IV. If, on offer result, the issuer's shares are withdrawn from listing by Borsa Italiana S.p.A. and a merger is proceeded to, the issuer's shareholders - those left in the issuer's body of shareholders in the hypothesis of achieving an offer result of between 90% and 95% of the issuer's company capital - that did not take part in the merger approval deliberation, would only have the right of withdrawal should one of the prerequisites in art. 2347 of the Italian Civil Code be drawn upon. In this case, the liquidation value of the shares involved in the withdrawal would be determined pursuant to article 2437-ter, paragraph 2, of the Italian Civil Code, taking into account the issuer's patrimonial consistency and its income prospects as well as any market value of the shares.
- V. Should the afore-mentioned merger be achieved between the offeror and the issuer, the issuer's assets would be the source of reimbursement of the debt taken on by the offeror to face the payment commitments deriving from the offer (in particular the bond loans) and the Company's debt resulting from the merger would be greater than that of the issuer's.
- VI. It is also pointed out that, should, following the offer, the remaining free float shares be greater than 10% but less than 20% of the issuer's company capital, even in consideration of any continuity of shareholders with relevant holdings in the issuer's capital in accordance with the applicable regulations, this free float could not be considered suitable for satisfying the requirements of sufficient diffusion required by the Stock Exchange Regulation to keep the issuer in the STAR segment of the MTA (screen-based stock exchange), with the consequent possible transfer of the issuer to the MTA.
- VII. Should the STAR classification be lost, the shares could have a lower level of liquidation than that registered at



the offer document date and the issuer could decide voluntarily not to respect the transparency and obligatory corporate governance requirements expected exclusively of companies listed in the STAR segment. Moreover, on offer result, where the prerequisites for delisting do not apply, it is not excluded that a scarcity of free float, enough to not ensure the regular progress of the issuer share trading, could occur.

- VIII. Lastly, it is observed that the increase in the stock market prices of the shares and the volumes of the exchanges observed after notification of the offer issued by Quarantacinque S.p.A. on 19th February, appear to be influenced by the extraordinary nature of the offer itself, which represents, for the shareholders, an opportunity to withdraw from an investment with a low historical liquidity level. If the offer is not perfected, it can therefore not be excluded that the price of the shares will return to their values prior to the offer and that the volume of exchanges will significantly be reduced.

On 7th March 2018, CONSOB approved the offer document relating to the public offer of acquisition: the period of offer adhesion began on 12th March 2018 and will end, unless extended, on 6th April 2018. The offer payment will be entirely paid, unless the period of adhesion is extended, on 13th April 2018.

ATTESTATION OF FINANCIAL STATEMENT IN ACCORDANCE WITH ART. 154 BIS OF LEGISLATIVE DECREE NO. 58/98

1. The undersigned Paolo Dal Cortivo, Chairman of the CAD IT S.p.A. Board of Directors, and Michele Miazzi, the manager responsible for drafting the CAD IT S.p.A. company accounting documents, hereby declare, bearing in mind the content of art. 154-bis, paragraphs 3 and 4 of legislative decree no. 58 of 24th February 1998 in terms of:
 - the adequacy in relation to the characteristics of the company and
 - the effective application, of the administrative and accounting procedures for drafting the financial statements during the 2017 financial period.

2. Moreover, it is hereby declared that the financial statements:
 - a) has been drafted in accordance with the international accounting standards (IFRS) – adopted by the European Union – in compliance with regulation (EC) no. 1606/2002 of the European Parliament and Council on 19th July 2002;
 - b) corresponds to the results in the accounting books and documents;
 - c) appropriately gives a true and correct representation of the Company's patrimonial, economic and financial situation.

3. The management report includes a reliable analysis of the management trend and result as well as the company's situation, together with a description of the main risks and uncertainties to which the company is exposed.

Verona, 15 March 2018

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

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



ATTACHMENT 1 - INFORMATION IN ACCORDANCE WITH ART. 149-DUODECIIES OF CONSOB ISSUER REGULATION

The following table, drafted in accordance with art. 149-duodecies of the Consob Issuer Regulation, shows the compensations regarding the 2017 financial period for auditing services and other non-audit services; no services were carried out by entities belonging to the network of the respective independent auditors.

<i>Type of service</i>	<i>Receiver</i>	<i>Subject that carried out the service</i>	<i>2017 financial period audit fees (in euro)</i>
Accounting audit	CAD IT S.p.A.	PKF ITALIA S.p.A.	34,000
Accounting audit	Subsidiaries	PKF ITALIA S.p.A.	20,000
Total			54,000

The above compensations are adjusted annually in accordance with the Istat index, as provided for in the contract and in compliance with decisions made at the Shareholders' Meeting on 29.4.2015, which appointed the audit company.

ATTACHMENT 2 - SUMMARY FINANCIAL STATEMENTS OF CAD IT GROUP COMPANIES ²

SUMMARY FINANCIAL STATEMENTS OF THE CONSOLIDATED SUBSIDIARY COMPANIES INCLUDED IN THE CONSOLIDATION AREA (article 2429 of the Italian Civil Code)

CAD SRL - QUOTA CAPITAL: € 350,000.00 fully paid in - % OF INVESTMENT OF CAD IT: 100%

REGISTERED OFFICE: Via Torricelli, 44/A - 37136 VERONA

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	12,577,354	12,264,155
GROSS OPERATING RESULT	395,177	242,541
NET OPERATING PROFIT	372,398	217,572
NET FINANCIAL INCOME AND CHARGES	(30,210)	(106,441)
PROFIT BEFORE TAXATION	342,188	111,131
NET PROFIT / (LOSS) FOR THE YEAR	219,792	22,770
NET TANGIBLE FIXED ASSETS	161,560	132,563
NET WORKING CAPITAL	5,107,031	5,069,195
NET INVESTED CAPITAL	3,137,832	3,021,349
EMPLOYEES' LEAVING ENTITLEMENT	2,130,759	2,180,409
EQUITY	3,604,245	3,384,449
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	132,427	23,320

CESBE SRL - QUOTA CAPITAL: € 10,400.00 fully paid in - % OF INVESTMENT OF CAD IT SPA: 62.11%

REGISTERED OFFICE: Via Torricelli, 44/A - 37136 VERONA

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	3,852,362	3,732,305
GROSS OPERATING RESULT	86,416	321,407
NET OPERATING PROFIT	85,563	320,407
NET FINANCIAL INCOME AND CHARGES	2,509	3,044
PROFIT BEFORE TAXATION	88,072	323,451
NET PROFIT / (LOSS) FOR THE YEAR	57,848	219,061
NET TANGIBLE FIXED ASSETS	1,390	2,242
NET WORKING CAPITAL	3,589,592	3,847,042
NET INVESTED CAPITAL	2,723,740	3,022,971
EMPLOYEES' LEAVING ENTITLEMENT	867,242	826,313
EQUITY	2,889,012	3,131,163
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	70,285	23,125

² Dati determinati secondo i rispettivi principi contabili nazionali

SMART LINE SRL - QUOTA CAPITAL: € 102,700.00 fully paid in - **% OF INVESTMENT OF CAD IT SPA:** 51.05%
REGISTERED OFFICE: Via Torricelli, 44/A - 37136 VERONA

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	1,467,751	1,549,109
GROSS OPERATING RESULT	(206,412)	(72,181)
NET OPERATING PROFIT	(244,595)	(110,985)
NET FINANCIAL INCOME AND CHARGES	1	3
PROFIT BEFORE TAXATION	(244,594)	(110,982)
NET PROFIT / (LOSS) FOR THE YEAR	(187,850)	(82,466)
NET TANGIBLE FIXED ASSETS	20,344	58,528
NET WORKING CAPITAL	631,140	981,167
NET INVESTED CAPITAL	269,583	616,596
EMPLOYEES' LEAVING ENTITLEMENT	381,901	423,099
EQUITY	430,437	718,290
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	61,703	27,917

ELIDATA SRL - QUOTA CAPITAL: € 20,000.00 fully paid in - **% OF INVESTMENT OF CAD IT:** 51%
REGISTERED OFFICE: Via Sanadolo, 19 - Castiglione d'Adda - LO

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	4,979,475	2,322,130
GROSS OPERATING RESULT	2,810,605	533,418
NET OPERATING PROFIT	2,704,937	427,167
NET FINANCIAL INCOME AND CHARGES	(13,728)	-17,345
PROFIT BEFORE TAXATION	2,691,209	409,822
NET PROFIT / (LOSS) FOR THE YEAR	1,918,016	264,192
NET TANGIBLE FIXED ASSETS	1,812,465	1,891,186
NET WORKING CAPITAL	1,115,112	435,446
NET INVESTED CAPITAL	2,618,336	2,076,402
EMPLOYEES' LEAVING ENTITLEMENT	309,241	250,230
EQUITY	3,298,119	1,380,103
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	1,618,880	319,072



DATAFOX SRL - **QUOTA CAPITAL:** € 99,999.00 fully paid in - **% OF INVESTMENT OF CAD IT:** 51%
REGISTERED OFFICE: Via Torricelli 44/A – 37136 VERONA

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	643,628	488,666
GROSS OPERATING RESULT	138,388	(27,879)
NET OPERATING PROFIT	134,799	(31,587)
NET FINANCIAL INCOME AND CHARGES	497	3
PROFIT BEFORE TAXATION	135,296	(31,584)
NET PROFIT / (LOSS) FOR THE YEAR	79,867	(22,060)
NET TANGIBLE FIXED ASSETS	9,369	9,457
NET WORKING CAPITAL	295,570	231,673
NET INVESTED CAPITAL	263,232	205,188
EMPLOYEES' LEAVING ENTITLEMENT	41,707	35,942
EQUITY	306,096	226,228
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	42,864	21,040

**SUMMARY FINANCIAL STATEMENTS OF THE CONSOLIDATED
INDIRECT SUBSIDIARY COMPANIES**
(article 2429 of the Italian Civil Code)

TECSIT SRL - **QUOTA CAPITAL:** € 75,000.00 fully paid in - **% OF INVESTMENT OF CAD IT:** 70%
REGISTERED OFFICE: Via Silvio D'Amico, 40 - 00145 ROMA

<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER	42,580	79,627
GROSS OPERATING RESULT	(2,714)	(122,451)
NET OPERATING PROFIT	(3,409)	(148,886)
NET FINANCIAL INCOME AND CHARGES	(1,549)	(2,961)
PROFIT BEFORE TAXATION	(4,958)	(151,847)
NET PROFIT / (LOSS) FOR THE YEAR	(4,958)	(151,847)
NET TANGIBLE FIXED ASSETS	682	1,377
NET WORKING CAPITAL	(75,514)	(104,508)
NET INVESTED CAPITAL	(74,832)	(103,131)
EMPLOYEES' LEAVING ENTITLEMENT	0	0
EQUITY	98,090	38,515
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)	172,922	141,646

SUMMARY FINANCIAL STATEMENTS OF THE ASSOCIATED COMPANIES
(article 2429 of the Italian Civil Code)

SOFTWARE FINANCIERO BOLSA S.A. QUOTA CAPITAL: € 529,000.00 fully paid in

%OF INVESTMENT OF CAD IT: 30%

REGISTERED OFFICE: Av. de la Albufera, 321, 28031 Madrid, Spagna

	<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER		4,309,946	3,743,411
GROSS OPERATING RESULT		890,620	647,867
NET OPERATING PROFIT		849,771	583,948
NET FINANCIAL INCOME AND CHARGES		11,693	38,418
PROFIT BEFORE TAXATION		861,464	621,257
NET PROFIT / (LOSS) FOR THE YEAR		645,881	465,943
NET TANGIBLE FIXED ASSETS		417,890	454,603
NET WORKING CAPITAL		(181,497)	(177,492)
NET INVESTED CAPITAL		236,393	277,111
EMPLOYEES' LEAVING ENTITLEMENT		0	0
EQUITY		1,754,542	1,100,743
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)		1,524,763	871,667

SICOM SRL - QUOTA CAPITAL: € 10,400.00 fully paid in - **% OF INVESTMENT OF CAD IT:** 25%

REGISTERED OFFICE: Via Verdi, 15/a - 46019 Viadana (MN)

	<i>(in euro)</i>	31/12/2017	31/12/2016
TURNOVER		6,283,928	5,525,200
GROSS OPERATING RESULT		1,631,044	1,465,516
NET OPERATING PROFIT		1,597,530	1,434,204
NET FINANCIAL INCOME AND CHARGES		(1,351)	7,481
PROFIT BEFORE TAXATION		1,596,179	1,441,685
NET PROFIT / (LOSS) FOR THE YEAR		1,120,674	955,090
NET TANGIBLE FIXED ASSETS		1,247,844	1,001,694
NET WORKING CAPITAL		(52,287)	(388,011)
NET INVESTED CAPITAL		656,998	144,582
EMPLOYEES' LEAVING ENTITLEMENT		538,559	469,101
EQUITY		2,130,379	1,721,706
NET SHORT-TERM FINANCIAL POSITION/(INDEBTEDNESS)		1,473,381	1,577,124



Revisione e organizzazione contabile

INDEPENDENT AUDITOR'S REPORT
pursuant to article 14 of Legislative Decree n. 39 of January 27, 2010
and article 10 of the EU Regulation n. 537/2014

To the Shareholders of
CAD IT S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CAD IT S.p.A. (the Company), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of comprehensive income, the cash flow and changes in shareholders' equity for the year the ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulation issued pursuant to art. 9 of Italian Legislative Decree n. 38/05

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA Italia"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

Impairment test on investments

The financial statements as at December 31, 2017 include investments in subsidiaries for an amount of Euro 15,1 million.

Shares in subsidiaries, not classified as owned for sale in accordance with IFRS 5, are accounted for at cost. The Company performs an impairment test at least once a year, and more often if there are indications of impairment. The test requires verification that the carrying amount of each cash generating unit (CGU), represented by the investments, do not exceed the recoverable amount.

The recoverable value of the CGU is verified by determining the value in use, evaluating the assets based on their capability of generating future cash flows.

The impairment process ends with a comparison of the carrying amount of the investments and the corresponding net equities, including the effects of the impairment test done.

The impairment process carried out by the Management is complex and based on assumptions regarding the forecasted future cash flows from CGUs, the definition of an appropriate discount rate (WACC) and of an appropriate long-term growth rate, assumptions influenced by future expectations and market conditions. Operational cash flow forecasts are based on the most recent budget plans approved by the Board of Directors and relate to the period 2018-2020 which take into account the concrete companies growth possibilities based on past data and on management forecasts. The financial flows that go over this period have been calculated with great care using a growth rate of nil.

Our audit procedures included the examination of how the Management determined the value in use of the CGUs, starting from the analysis of the criteria and the assumptions on which the impairment test is based. For this purpose we performed procedures of understanding of the implementation process of the test and of relevant controls set up by the Management; we assessed the reasonableness of main assumptions used to forecast future cash flows, performing also comparative analysis between actual values and original plans, as to evaluate the reliability of Company's budgeting process; we assessed the reasonableness of discount rate and long-term growth rate used; we checked the mathematical accuracy of the model used to determine the value in use of the investments in subsidiaries; we verified the correct determination of the carrying amount of the investments; we examined the compliance with applicable accounting standards of the impairment test procedures implemented by the Management.

The Company disclosed valuation procedures of the investments in subsidiaries an impairment procedures in Note 1 - Accounting policies and evaluation criteria more important and in Note 14 – Investments.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/05 and, within the terms established by law, for such internal control they determine as necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of CAD IT S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible, within the terms provided for by law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. Moreover:

- we identified and assessed the risk of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- we concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we informed them about any matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report.



Revisione e organizzazione contabile

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CAD IT S.p.A. has appointed us on April 29, 2015 as auditors of the Company's financial statements and consolidated financial statements for the years from December 31, 2015 to December 31, 2023.

We declare that we have not provided prohibited non-audit services referred to in art. 5, paragraph 1 of EU Regulation 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors, in its role of Audit Committee, prepared in accordance with art. 11 of the said Regulation.

Report on other legal and regulatory requirements

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CAD IT S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of CAD IT S.p.A. as at December 31, 2017, including their consistency with the related financial statements and its compliance with the law.

We have performed the procedures required under the auditing standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98 with the financial statements of CAD IT S.p.A. as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any eventual material misstatements.

In our opinion, the report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the financial statements of CAD IT S.p.A. as at December 31, 2017 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e) of the Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Company and of the related environment acquired during the audit, we have nothing to report.

Verona, March 27, 2018

PKF Italia S.p.A.
Signed on the original by
Umberto Giacometti
(Partner)

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

CAD IT S.p.A.
Sede in Verona (VR) – Via Torricelli 44/a
Capitale sociale € 4.669.600,00 i.v.
Codice fiscale e numero iscrizione Registro Imprese di Verona 01992770238

**Relazione del Collegio Sindacale all'assemblea degli azionisti
(ai sensi dell'articolo 153 D. Lgs. 58/1998 e dell'articolo 2429 del c.c.)**

All'Assemblea degli Azionisti della Società CAD IT S.p.A.

L'art. 153 del D.Lgs. 24.2.1998 n. 58 prevede l'obbligo per il Collegio Sindacale di riferire all'assemblea, convocata per l'approvazione del bilancio di esercizio, sull'attività di vigilanza svolta, sulle omissioni e sui fatti censurabili rilevati, nonché la facoltà di fare proposte in ordine al bilancio, alla sua approvazione ed alle materie di propria competenza.

A tale disposizione normativa adempiamo con la presente relazione, anche nel rispetto dell'art. 2429, comma 2, Codice Civile.

Il Collegio Sindacale in carica è stato nominato, in base alle disposizioni dello Statuto, dall'Assemblea del 29 aprile 2015 e cesserà il suo mandato con l'approvazione del bilancio chiuso al 31 dicembre 2017.

Nel corso dell'esercizio chiuso al 31.12.2017 abbiamo svolto l'attività di vigilanza prevista dalla legge, tenuto conto delle Norme di comportamento del Collegio Sindacale di società quotate raccomandate dal Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili, riscontrando l'osservanza delle norme di legge e dello statuto in ordine alla gestione nonché alla formazione e all'impostazione del bilancio d'esercizio, di quello consolidato e delle relative relazioni.

La società è capogruppo e sottopone quindi al controllo e coordinamento (art. 2497-bis del Codice Civile) altre società individuate nel bilancio d'esercizio chiuso al 31.12.2017.

Abbiamo avuto contatti con i sindaci delle società controllate, ove nominati, e ottenuto informazioni dai rappresentanti nei vari consigli di amministrazione delle controllate e non sono emersi dati ed informazioni rilevanti che debbano essere evidenziati nella presente relazione.

In particolare, anche in osservanza alle indicazioni fornite da Consob, con comunicazioni DEM n. 1025564 del 6 aprile 2001, n. 3021582 del 4 aprile 2003 e n. 6031329 del 7 aprile 2006, riferiamo quanto segue:

- abbiamo vigilato sull'osservanza della legge e dello statuto sociale;
- abbiamo partecipato alle riunioni dell'assemblea e del Consiglio di Amministrazione e ottenuto dagli amministratori, con periodicità almeno trimestrale, informazione sull'attività svolta, sull'andamento della gestione e sulla prevedibile evoluzione, sulle operazioni di maggior rilievo economico, finanziario e patrimoniale deliberate e poste in essere dalla Società e dalle sue controllate. Sulla base delle informazioni reseci disponibili ed acquisite nello svolgimento delle nostre verifiche, possiamo ragionevolmente affermare che le azioni deliberate e poste in essere sono conformi alla legge ed allo statuto sociale e non appaiono manifestamente imprudenti, azzardate, in potenziale conflitto di interesse o in contrasto con le delibere assunte dall'assemblea o tali da compromettere l'integrità del patrimonio sociale;
- abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza della struttura organizzativa della società e sul rispetto dei principi di corretta amministrazione, tramite raccolta di informazioni dai responsabili della funzione organizzativa e dal dirigente preposto alla redazione dei documenti contabili societari oltrechè tramite incontri con responsabili della società



di revisione ai fini del reciproco scambio di dati ed informazioni rilevanti e a tale riguardo non abbiamo osservazioni da riferire;

- con riferimento ai fatti rilevanti accaduti nell'esercizio rileviamo, come evidenziato nella Relazione degli Amministratori sulla gestione, che l'assemblea degli azionisti del 27 aprile 2017 ha confermato nella carica l'amministratore non esecutivo e indipendente Debora Cremasco precedentemente nominata per cooptazione dal Consiglio di Amministrazione in data 19 ottobre 2016, ai sensi dell'art. 18 dello statuto sociale e dell'art. 2386 del codice civile. L'amministratore Debora Cremasco durerà in carica fino alla data di scadenza prevista per l'intero Consiglio, ossia fino all'assemblea di approvazione del bilancio relativo all'esercizio chiuso al 31 dicembre 2017;
- abbiamo vigilato sull'adeguatezza delle disposizioni impartite dalla società alle società controllate, ai sensi dell'articolo 114, comma 2, del D. Lgs. 58/1998, affinché le stesse forniscano tutte le notizie necessarie per adempiere agli obblighi di comunicazione previsti dalla legge;
- abbiamo constatato che nel corso del 2017 non vi sono state significative variazioni organizzative aziendali nel Gruppo;
- diamo atto che i criteri di valutazione illustrati nelle Note al bilancio, tenuto conto di quanto indicato dagli amministratori nel paragrafo Principi contabili, emendamenti ed interpretazioni applicati dal 1° gennaio 2017, sono sostanzialmente omogenei con quelli utilizzati per la redazione del bilancio dell'esercizio precedente;
- l'iscrizione dei costi di sviluppo fra le attività immateriali è avvenuta con il nostro consenso ai sensi dell'art. 2426, comma 1, n. 5, codice civile;
- abbiamo valutato e vigilato sull'adeguatezza della struttura amministrativa e del sistema di controllo interno che riteniamo adeguato alle esigenze societarie. Nel corso dell'esercizio abbiamo avuto periodici incontri con i responsabili del controllo interno e con l'internal auditor che ci hanno informato sugli esiti degli accertamenti compiuti presso la capogruppo ed alcune controllate;
- abbiamo valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sulla sua affidabilità a rappresentare correttamente i fatti di gestione, sia mediante l'ottenimento di informazioni dal dirigente preposto alla redazione dei documenti contabili societari e dai responsabili delle rispettive funzioni, sia mediante l'esame dei documenti aziendali che mediante l'analisi dei risultati del lavoro svolto dalla società di revisione, nonché della funzione internal audit, e a tale riguardo non abbiamo informazioni particolari da riferire;
- non abbiamo rilevato l'esistenza di operazioni atipiche e/o inusuali anche infragruppo o con parti correlate;
- diamo atto che la società aderisce al sistema di tassazione del consolidato fiscale nazionale;
- in merito alle operazioni infragruppo o con parti correlate, le stesse sono state adeguatamente descritte sia nelle note di bilancio, nell'apposito prospetto, che nella relazione sulla gestione e ad esse Vi rimandiamo in ordine alle caratteristiche e alla rilevanza economica. Le suddette operazioni risultano eseguite a condizioni di mercato, condotte in termini di coerenza strategica, di affidabilità economica e di atteso ritorno per la Società. Gli effetti economici, patrimoniali e finanziari derivanti dai rapporti con parti correlate sono debitamente illustrati al punto 33 delle note di bilancio. Le stesse informazioni sono altresì contenute al punto 37 delle note di bilancio consolidato al netto delle elisioni effettuate dei rapporti infragruppo;

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- In data 27 marzo 2018 la società di revisione ha emesso le relazioni al Bilancio d'esercizio ed al Bilancio consolidato, esprimendo un giudizio senza rilievi;
 - l'adesione della Società al Codice di Autodisciplina, predisposto dal Comitato per la Corporate Governance e promosso da Borsa Italiana S.p.A., e le modalità di attuazione delle regole di governo societario, sono illustrate nell'apposita relazione annuale del consiglio di amministrazione.
In particolare abbiamo verificato i requisiti di indipendenza dei sindaci previsti dall'articolo 148, terzo comma, lettera c) del TUF, abbiamo accertato la corretta applicazione dei criteri di valutazione e delle procedure indicati dal Codice di Autodisciplina in merito all'indipendenza degli Amministratori non esecutivi;
 - diamo atto che la società adotta un adeguato sistema di protezione delle informazioni di cui al D.Lgs. del 30 giugno 2003 n. 196 "Codice in materia di protezione dei dati personali";
 - diamo atto che la società ha adottato il modello di organizzazione e gestione per la prevenzione dei reati previsti dal D. Lgs. 8.6.2001, n. 231 concernente la responsabilità amministrativa della società per reati commessi dai propri dipendenti e collaboratori. L'ultimo aggiornamento del Modello è stato effettuato in data 11 maggio 2017. La società ha perseguito, mediante l'Organismo di Vigilanza appositamente costituito, azioni ispettive sui processi e procedure per valutare la persistenza dei requisiti di prevenzione dei reati rilevanti ai fini del citato Decreto; nel corso dell'esercizio l'Organismo di Vigilanza non ha comunicato al Collegio fatti di rilievo;
 - per quanto attiene ai compiti di revisione legale, essi sono svolti dalla società PKF Italia Spa che cesserà il proprio mandato novennale con la revisione del bilancio al 31 dicembre 2023;
 - alla società di revisione risultano conferiti i seguente incarichi regolarmente eseguiti:
 - per la controllante CAD IT S.p.A.: revisione del bilancio d'esercizio e del bilancio consolidato ai sensi dell'art. 14 comma 1 lettera a) D.Lgs. 39/2010; revisione contabile limitata relativa al bilancio semestrale abbreviato predisposto ai sensi dell'art. 154-ter , comma 2 D.Lgs. 58/1998; controllo contabile ex art. 14 comma 1 lett. b) D.Lgs. 39/2010; verifica sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari con il bilancio di esercizio e il bilancio consolidato; revisione limitata della Dichiarazione consolidata di carattere non finanziario ai sensi del D. Lgs. 254/2016 per l'esercizio 2017;
 - per le tre società controllate CAD srl, CeSBE srl, Elidata srl: revisione del bilancio d'esercizio; controllo contabile; verifica sulla coerenza della relazione sulla gestione con il bilancio di esercizio;
 - sottoscrizione delle dichiarazioni fiscali per l'attività di propria competenza, per la capogruppo e le società controllate di cui sopra;
- La remunerazione per tutti gli incarichi di revisione legale è ricompresa nell'importo complessivo approvato in sede di delibera assembleare per il conferimento dell'incarico. La remunerazione per l'attività di revisione limitata della Dichiarazione consolidata di carattere non finanziario per l'esercizio 2017 è stata deliberata dal Consiglio di Amministrazione del 13 novembre 2017; l'importo deliberato è di Euro 10.000,00;
- abbiamo verificato la sussistenza dei requisiti di indipendenza della società di revisione ;
 - nel corso del 2017 il Consiglio di Amministrazione della Società si è riunito 5 (cinque) volte, il Comitato Controllo e Rischi 5 (cinque) volte e il Comitato per le Remunerazione e per le Proposte di Nomina 2 (due) volte. Nel corso del medesimo esercizio il Collegio Sindacale si è riunito nove (nove)

volte. Il Collegio ha partecipato alle riunioni consiliari e assembleari tenutesi nel corso dell'esercizio. Il Collegio ha inoltre partecipato, in persona del Presidente, a riunioni del Comitato Controllo e Rischi;

- nel corso del 2017 non sono pervenute denunce ex articolo 2408 codice civile o esposti da parte di azionisti;
- il Collegio Sindacale e la società di revisione, in applicazione di quanto previsto dall'articolo 150 del D. Lgs. 58/2008, hanno provveduto a scambiarsi dati ed informazioni rilevanti per l'espletamento dei rispettivi compiti;
- nel corso dell'attività di vigilanza svolta e sulla base delle informazioni da noi ottenute dalla società di revisione, non sono state rilevate omissioni, fatti censurabili, irregolarità o comunque fatti significativi tali da richiederne la segnalazione agli organi di controllo e vigilanza o la menzione nella presente relazione.

Alla data di redazione della presente relazione non risultano comunicati dalla società di revisione rilievi in ordine:

- all'adeguatezza dell'organizzazione presso la Capogruppo per quanto riguarda l'afflusso delle informazioni e le procedure di consolidamento;
- alla corretta applicazione dei principi contabili adottati.

Per quanto concerne il bilancio d'esercizio, che presenta un utile di Euro 2.167 migliaia, abbiamo verificato l'osservanza delle norme di legge regolanti la sua impostazione e formazione, mediante i controlli da noi esercitati, nei limiti della nostra competenza, di cui all'art. 149 D. Lgs. 24.02.1998 n. 58 e le informazioni forniteci dalla società di revisione.

In particolare abbiamo accertato che non sono state esercitate deroghe di cui all'art. 2423 comma 4 Codice Civile.

La relazione degli amministratori sulla gestione, illustra adeguatamente la situazione economica, patrimoniale, finanziaria, nonché l'andamento della gestione anche dopo la chiusura dell'esercizio della società.

In merito alla Dichiarazione consolidata di carattere non finanziario al 31.12.2017, abbiamo vigilato sui sistemi e sui processi di rendicontazione. I controlli sono stati finalizzati alla verifica del rispetto delle regole di corretta amministrazione.

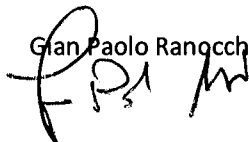
Tenuto conto di quanto evidenziato e per quanto di nostra competenza riteniamo il bilancio, unitamente alla proposta del Consiglio di amministrazione sulla destinazione dell'utile, suscettibile di approvazione, anche alla luce delle motivazioni illustrate nella Relazione sulla gestione.

Verona, li 28 marzo 2018

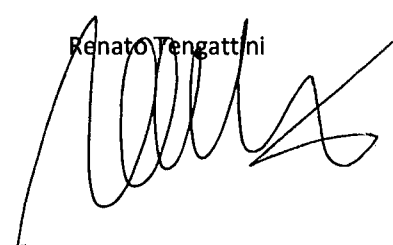
Chiara Benciolini



Gian Paolo Ranocchi



Renato Tengattini



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