



CAD IT S.p.A.

Consolidated Financial
Statements at
31 December 2013

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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Consolidated financial statements at 31/12/2013

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⁾

GIUSEPPE DAL CORTIVO
Chairman and Managing Director

LUIGI ZANELLA
Vice Chairman and Managing Director

GIAMPIETRO MAGNANI
Vice Chairman and Managing Director

PAOLO DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI ⁽²⁾
Director

FRANCESCO ROSSI ⁽²⁾
Director and lead independent director

LAMBERTO LAMBERTINI ⁽²⁾
Independent Director

STATUTORY AUDITORS ⁽¹⁾

RICCARDO FERRARI
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

AUDITORS: BDO S.p.A.



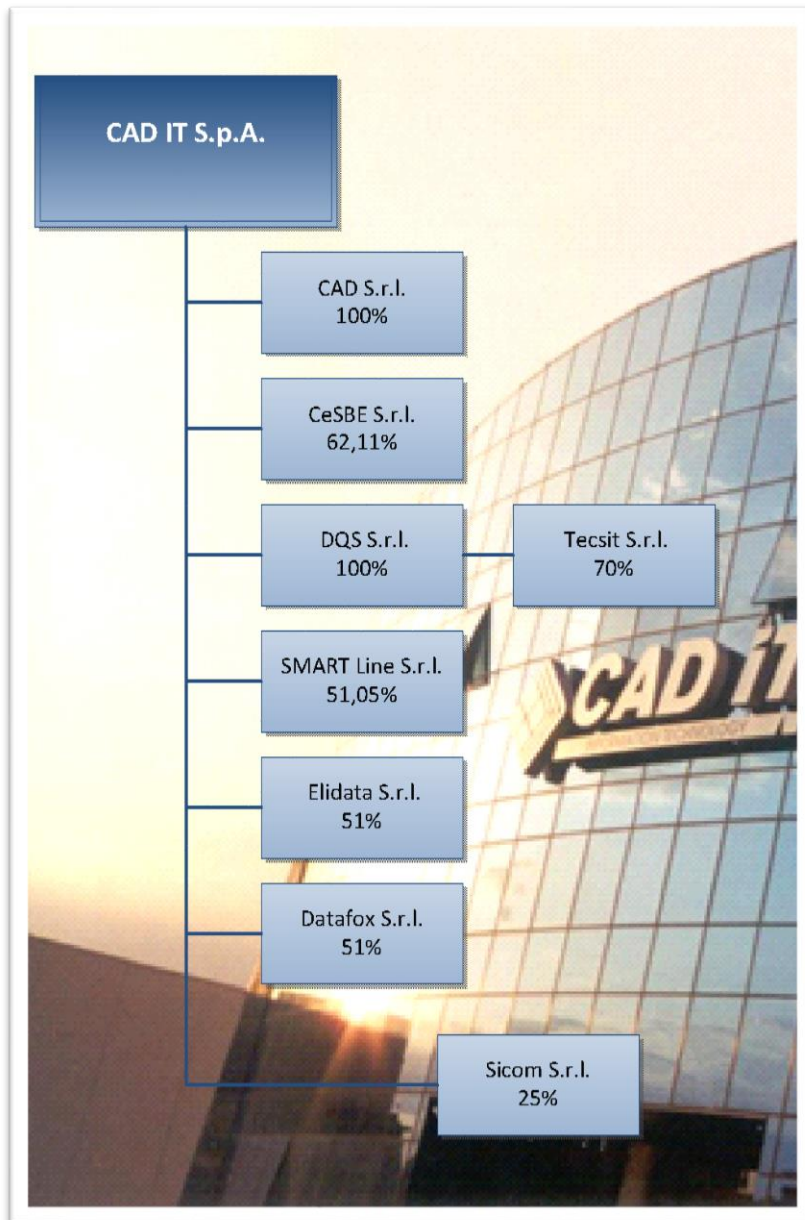
- (1) Appointed on 26 April 2012; office expires with the shareholders' meeting for the approval of the 2014 financial statements.
 (2) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.

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

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

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

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



CAD IT Group at 31/12/2013

DIRECTORS' REPORT ON OPERATION

This management report is an integral part of CAD IT S.p.A.'s consolidated financial report at 31st December 2013 and includes references to the important events which occurred during the financial year and their incidence on the balance and consolidated Financial Statement, together with a description of both CAD IT S.p.A.'s and the Group's primary risks and uncertainties.

The consolidated balance at 31st December 2013 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.

For further information on the result and CAD IT S.p.A.'s financial-economic situation, please refer to the Financial Statement.

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.

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 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 direct subsidiaries.

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

A dynamic and innovative company

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

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

... with a broad and impressive customer base

CAD IT serves demanding market-leading organisations across Europe.

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

Each day, its technology solutions support over 200,000 end-users in over 600 organisations with their essential tasks in Italy, Switzerland, Germany, UK and the Czech Republic.



... operating through a dedicated company network

During the years it has widened its product range through the continual increase in new skills, a careful strategy of acquisitions and partnerships, considerable investment in research and development and constant market trend monitoring, that has always favored the issue of products in line with the changing needs and anticipating needs. The founding of new companies and other strategic purchases have enabled the Group to improve synergies and to enter new markets, e.g. business intelligence and control and management systems for banks, insurance companies, private and public institutions, innovative solutions to interconnect financial markets, SIM (securities brokerage firm) and SGR (company asset management), ERP applications and solutions for local tax collection agencies.

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

CAD IT has proven and functionally-rich technology solutions and offers its customers true expertise in technology. With the gained experience and consistent R&D in technology design and application development, the group has the expertise to build reliable, user-friendly and highly scalable application architecture. Based on an independent model platform, service oriented its architectures offer customers the flexibility of phased implementation within a technology framework that is designed for today and can evolve around their changing needs. The “lego” methodology, coupled with a broad range of services, facilitates the tailoring of common technological solutions to the customer’s situation.

... combining with a comprehensive set of services

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

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

... and a laser focus on customer service

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

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

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

Its main purpose is:

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

... innovating together with a wide network

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

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

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

... offering constant improvement

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

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

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

We believe that innovation does not simply end with the supply of a state-of-the-art technological solution, but is a continual process of customer support to provide solutions that evolve and adapt to changing market conditions.

This is why the Group continues to provide support for all the releases and, although invites its customers to evolve, never obliges them to replace their software with updated versions.

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

FINANCE

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

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

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

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

Within Europe, our application statistics for Area Finanza include:

- 400 financial institutions;
- 25,000 bank branches;
- 14,000 post office branches;
- 150,000 users;
- 25,000,000 security deposit accounts.

PUBLIC ADMINISTRATION

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

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

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

Since 2006, in view of the ongoing decentralisation of local tax collection, CAD IT has made considerable



investments in developing its FE suite for managing Taxation for Public Authorities, capitalising on its experience in Tax Collection at a central level.

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

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

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

INDUSTRY

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

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

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

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

Hot topics

Finance division

PRIVACY

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

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

EMIR: Reporting Compliance for Derivative Trades

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

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

CAD IT's Trade Repository Reporting allows to introduce new reporting logic into your current applications. Trade Repository Reporting captures operations in real time from existing Front Office Systems (e.g. MUREX, Kondor+, Bloomberg, direct market connection, etc.) and from the Area Finanza Suite, elaborates the data and sends all necessary messages to the Trade Repository. The monitoring screen shows the status of all messages for all contracts.

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

FATCA

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

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

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

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

T2S

Target 2 Securities (T2S) is the new centralised platform for the settlement of Euro securities, which will be available as of June 2015 and which will have a great impact on all market subjects, such as Banks, Custodians and CSDs. T2S will eliminate the differences between domestic and cross-border settlements and will lead to a gradual removal of national specifications. In this way settlement activities will be limited to pure utility and will force a clean-cut separation from custody services.

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

Market Abuse Sensing

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

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

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

Flow Management

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

Local Authority Treasuries

Local Authority Treasuries: software procedure for the total automated management of Local Authority Treasury and Funds for which the law imposes the figure of Treasurer or Receiver (Local Authority, Balances, documental

and non-documental cash collection and payment management). The application can be integrated with Teso@Web, a product that, through Internet and by using special consultation functions, allows Local Authorities to swiftly access their own data. The SIOPE and UNIFIED TELEMATIC PUBLIC TREASURY procedures are available for Banca d'Italia reporting.

Public Administration division

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

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

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

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

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

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

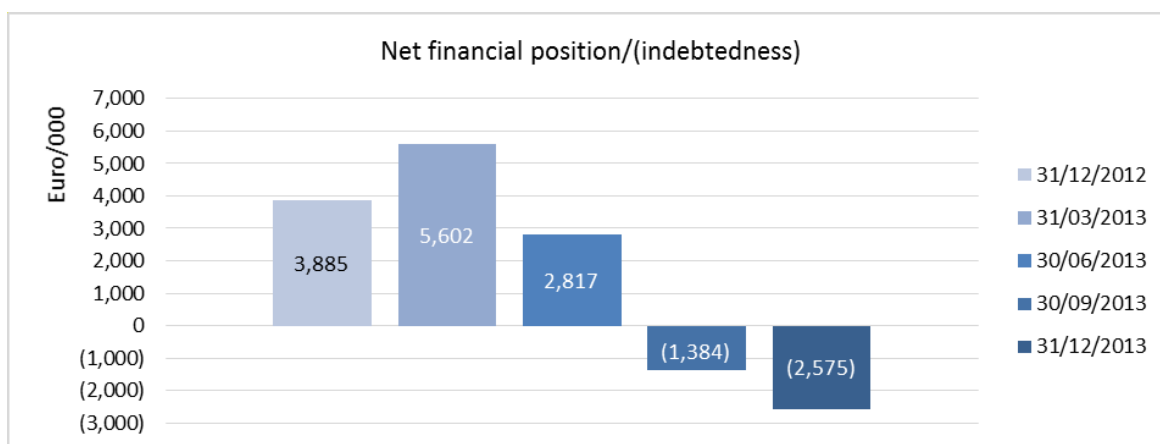
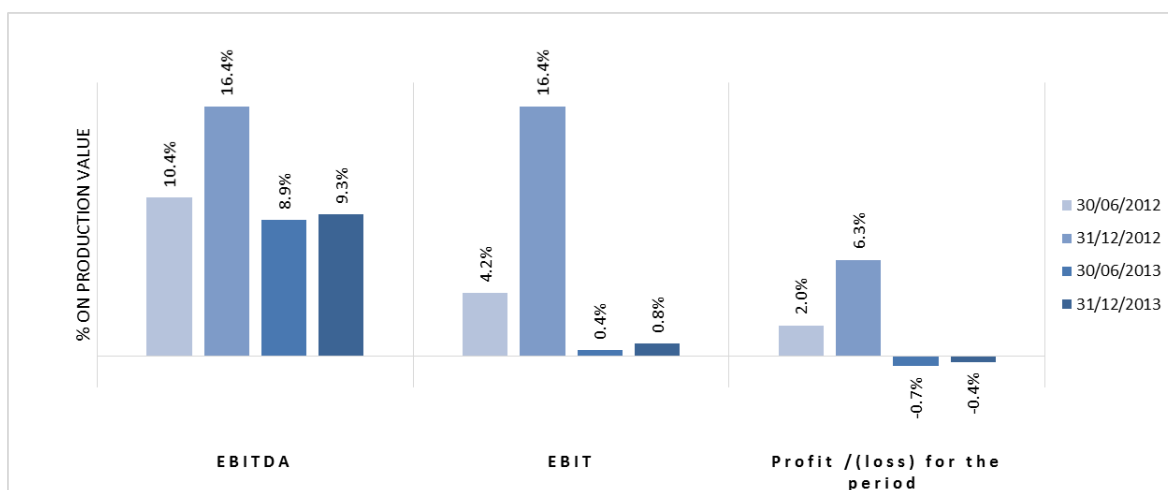
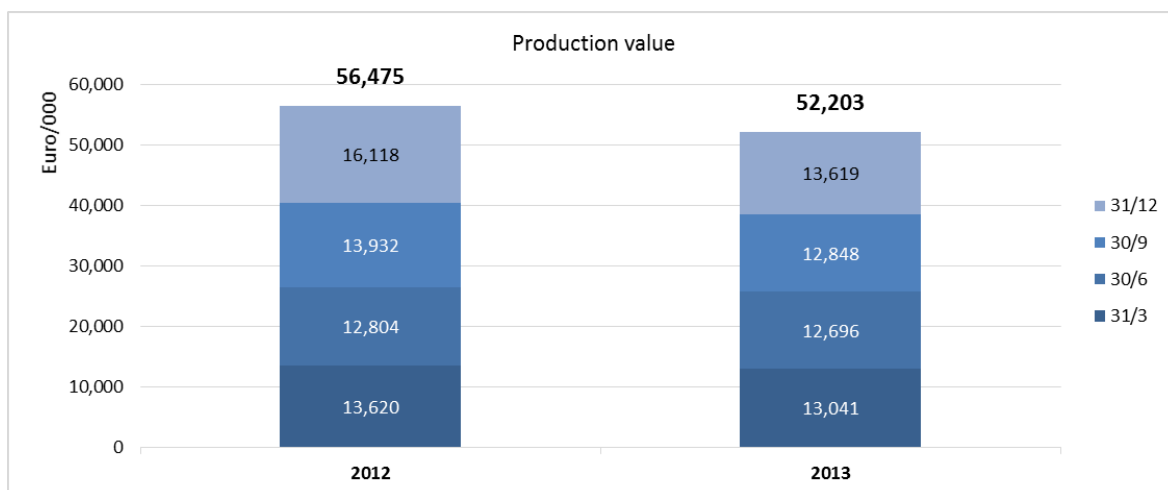


Summary of the Group results

	Period 2013		Period 2012 (*)		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Production value	52,203	100.0%	56,475	100.0%	(4,272)	(7.6%)
Added value	41,394	79.3%	45,536	80.6%	(4,143)	(9.1%)
Gross operational result (EBITDA)	4,870	9.3%	9,283	16.4%	(4,413)	(47.5%)
Operational result (EBIT)	431	0.8%	5,546	9.8%	(5,115)	(92.2%)
Ordinary result	441	0.8%	5,636	10.0%	(5,195)	(92.2%)
Pre-tax result	714	1.4%	5,842	10.3%	(5,128)	(87.8%)
Income taxes	(915)	(1.8%)	(2,274)	(4.0%)	1,358	(59.7%)
Profit/(loss) for the period	(202)	(0.4%)	3,568	6.3%	(3,770)	(105.7%)
Profit/(loss) for the period attributable to Owners of the parent	(300)	(0.6%)	3,247	5.7%	(3,547)	(109.2%)
Total comprehensive income	(265)		3,501		(3,766)	(107.6%)
Total Comprehensive income attributable to Owners of the parent	(365)		3,184		(3,549)	(111.5%)

* Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, figures of period 2012, reported for comparison, have been restated in accordance with the requirements of IAS 1. In particular, due to the reclassification of actuarial loss on liabilities for defined benefit in the consolidated statement of comprehensive income, labour costs decreased by 22 thousand Euro, resulting in increased profit for the period by the same amount.

	31/12/2013	31/12/2012
Total Assets	86,494	85,043
Total Equity	55,528	58,989
Equity attributable to Owners of the parent	53,350	56,414
Net short-term financial position/(indebtedness)	(2,575)	3,885
Net financial position / (indebtedness)	(2,575)	3,885
Employees at the end of the period (number)	613	604
Employees: average number in the period	609	603



Consolidated income results analysis

(in thousands of Euro)	Period 2013		Period 2012 (*)		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	48,286	92.5%	51,663	91.5%	(3,377)	(6.5%)
Changes in ongoing orders	0	0.0%	(17)	(0.0%)	17	0.0%
Asset increases due to internal work	3,715	7.1%	3,550	6.3%	164	4.6%
Other revenue and receipts	202	0.4%	1,278	2.3%	(1,076)	(84.2%)
Production value	52,203	100.0%	56,475	100.0%	(4,272)	(7.6%)
Purchase costs	(592)	(1.1%)	(470)	(0.8%)	(121)	25.8%
Service costs	(9,559)	(18.3%)	(9,526)	(16.9%)	(34)	0.4%
Other operational costs	(659)	(1.3%)	(943)	(1.7%)	284	(30.1%)
Added value	41,394	79.3%	45,536	80.6%	(4,143)	(9.1%)
Labour costs	(34,502)	(66.1%)	(33,991)	(60.2%)	(511)	1.5%
Other administrative expenses	(2,022)	(3.9%)	(2,262)	(4.0%)	241	(10.6%)
Gross operational result - EBITDA	4,870	9.3%	9,283	16.4%	(4,413)	(47.5%)
Allocation to fund and credit depreciation	(3)	(0.0%)	(136)	(0.2%)	133	(98.1%)
Amortizations :						
Intangible fixed asset amortization	(3,949)	(7.6%)	(3,007)	(5.3%)	(941)	31.3%
Tangible fixed asset amortization	(488)	(0.9%)	(594)	(1.1%)	106	(17.9%)
Operational result - EBIT	431	0.8%	5,546	9.8%	(5,115)	(92.2%)
Financial income	74	0.1%	171	0.3%	(97)	(56.5%)
Financial expenses	(64)	(0.1%)	(81)	(0.1%)	17	(20.7%)
Ordinary result	441	0.8%	5,636	10.0%	(5,195)	(92.2%)
Revaluations and depreciations	272	0.5%	206	0.4%	66	32.1%
Pre-tax result	714	1.4%	5,842	10.3%	(5,128)	(87.8%)
Income taxes	(915)	(1.8%)	(2,274)	(4.0%)	1,358	59.7%
Profit/(loss) for the period	(202)	(0.4%)	3,568	6.3%	(3,770)	(105.7%)
Profit /(loss) for the period attributable to:						
Non-controlling interests	98	(0.2%)	322	(0.6%)	(223)	(69.4%)
Owners of the parent	(300)	(0.6%)	3,247	5.7%	(3,547)	(109.2%)
Weighted average number of ordinary shares outstanding	8,980,000		8,980,000			
Basic earnings per share (in €)	(0.033)		0.362			

* Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, figures of period 2012, reported for comparison, have been restated in accordance with the requirements of IAS 1. In particular, due to the reclassification of actuarial loss on liabilities for defined benefit in the consolidated statement of comprehensive income, labour costs decreased by 22 thousand Euro, resulting in increased profit for the period by the same amount.

The CAD IT Group closed 2013 financial period showing a decrease in results and profitability margins compared to the previous year.

The pre-tax result for the period was in credit by Euro 714 thousand, while, due to the effect of taxes for Euro 915 thousand, the result for the period showed a loss of Euro 202 thousand (compared to the Euro 3,568 thousand profit of the previous year).

The negative result was primarily due to the decrease in service revenues. Following the prorogation of new regulations, some customers have postponed updating activities of their procedures, having a negative impact on revenues for the year 2013.

The value of production for the period was mainly due to revenues from sales and services reaching Euro 48,286 thousand (-6.5% compared to Euro 51,663 thousand in 2012).

Increases in internal work capitalized under fixed assets, due to the use of resources to develop new procedures and the Group's own software bank, came to Euro 3,715 thousand, a slight increase compared to the Euro 3,550 thousand of 2012.

The other revenues and equivalent earnings, which came to Euro 1,278 thousand in 2012, fell to Euro 202 thousand.

Last year this item included Euro 1,092 thousand revenues for IRES refund for not deducting IRAP on costs for employees and assimilated, art. 2, Legislative Decree 201/2011.

The Euro 41,394 thousand added value decreased by 9.1% compared to Euro 45,536 thousand of 2012, decreasing marginality at 79.3% on the value of production (80.6% in 2012).

Purchase costs to the value of Euro 592 thousand showed an increase compared to Euro 470 thousand of 2012.

Service costs amounted to Euro 9,559 thousand, in line compared to the Euro 9,526 thousand of 2012.

Labour costs of the year of Euro 34,502 thousand, recorded an increase compared to Euro 33,991 thousand of previous year (restated following the adoption of the amendment to IAS 19). The average number of employees of the year was 609 units, compared to 603 units in 2012.

Other administrative costs came to Euro 2,022 thousand, decreasing compared to Euro 2,262 thousand in 2012.

The EBITDA Gross Operational Result shows a 47.5% decrease and stood at Euro 4,870 thousand (equal to 9.3% of the value of production) compared to Euro 9,283 thousand of previous year (equal to 16.4% of the value of production), restated following the adoption of the amendment to IAS 19.

Amortization contributions for the period stood at Euro 3,949 thousand in regard to intangible assets and Euro 488 thousand for tangible assets, compared to Euro 3,007 thousand and Euro 594 thousand in the same period 2012. The amortization of intangible assets increased compared to the previous period due to the beginning of the amortization schedules of software procedures, concluded in previous years, which have become available for use and for sale.

The EBIT Operational Result of the period was in credit by Euro 431 thousand, decreasing compared to Euro 5,546 thousand in the previous year.

The result of the financial management recorded financial earnings and expenses at Euro 74 thousand and Euro 64 thousand respectively, compared to Euro 171 thousand and Euro 81 thousand of 2012.

The Ordinary Result was in credit by Euro 441 thousand compared to Euro 5,636 thousand in 2012.

The revaluation and devaluation result was in credit for Euro 272 thousand, compared to Euro 206 thousand in 2012. The item includes the positive result of the associated company Sicom S.r.l. (Euro 173 thousand) accounted for using the equity method, and the capital gain from assets available for sale sold during the period (Euro 99 thousand).

The consolidated pre-tax result of 2013 amounted to Euro 714 thousand equal to 1.4% of the value of production, compared to Euro 5,842 thousand of 2012 (restated following the adoption of the amendment to IAS 19), equal to 10.3% of the value of production.

Income taxes of Euro 915 thousand consequently were down compared to Euro 2,274 thousand of the period 2012.

The negative result attributable to CAD IT owners was Euro 300 thousand, compared to the positive result of Euro 3,247 thousand of previous year, net of the result for third party accruals of Euro 98 thousand (Euro 322 thousand in 2012).

The total result for the 2013 financial period was in deficit by Euro 265 thousand, of which Euro 365 thousand loss was attributable to CAD IT owners and a profit of Euro 99 thousand was attributable to third parties, compared to a total result in credit by Euro 3,501 thousand in 2012 financial period, of which Euro 3,184 thousand attributable to CAD IT owners and Euro 316 thousand attributable to third parties.

The total result includes the actuarial gain on liabilities for defined benefit for employees, of Euro 39 thousand, and the negative adjustment from reclassification of the reserve for assets available for sale of Euro 103 thousand.

The Groups' Net Financial Position at 31/12/2013 was in deficit by Euro 2,575 thousand, compared to a positive net financial position of Euro 3,885 thousand at 31/12/2012.



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 group'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		2013	2012	2011
Primary structure margin	<i>Shareholders' equity – Non current assets</i>	7,801	10,654	9,869
Primary structure quotient	<i>Shareholders' equity / Non current assets</i>	1.16	1.22	1.21
Secondary structure margin	<i>(Shareholders' equity + Non current liabilities) – Non current assets</i>	17,665	20,844	20,127
Secondary structure quotient	<i>(Shareholders' equity + Non current liabilities) / Non-current assets</i>	1.37	1.43	1.42

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

Financing structure indexes		2013	2012	2011
Total debt quotient	<i>(Non current Liabilities + Current liabilities) / Shareholders' equity</i>	0.56	0.44	0.49
Financial debt quotient	<i>Financing liabilities / Shareholders' equity</i>	0.11	0.04	0.03

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		2013	2012	2011
Net ROE	<i>Net result/Average Shareholders' equity</i>	-0.35%	6.07%	3.65%
Gross ROE	<i>Gross result/Average Shareholders' equity</i>	1.25%	9.96%	8.27%
ROI	<i>Operational result/(Invested operating capital – Average operational liabilities)</i>	0.70%	9.16%	7.91%
ROS	<i>Operational result/Sales income</i>	0.89%	10.69%	8.89%

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:

Solvency indicators		2013	2012	2011
Availability margin	<i>Current assets – Current liabilities</i>	17,665	20,844	20,127
Availability quotient	<i>Current assets / Current liabilities</i>	1.84	2.31	2.12
Treasury margin	<i>(Deferred liquidity + Immediate liquidity) – Current liabilities</i>	17,369	20,349	19,715
Treasury quotient	<i>(Deferred liquidity + Immediate liquidity) / Current liabilities</i>	1.82	2.28	2.10



The short-term situation ¹

After a 2012 already characterized by a weak economic activity, also in 2013 the expansion of global economic activity and world trade proceeded at a moderate pace.

However, the latest data currently available indicate that in the third quarter of 2013 the global economy strengthened. In the advanced countries GDP growth increased, while trends in the emerging economies were uneven. The pace of world trade benefited as a result.

The latest data indicate that world trade accelerated again in the fourth quarter of 2013, after already turned upwards in the third quarter and, according to the estimates of the leading forecasters, world GDP growth in 2014 would mark a recovery, though future developments in the world's economy are still subject to primarily downside risks.

Output rose slightly in the euro area in the third quarter of 2013, but less than in the second. The recovery apparently continued in the fourth quarter, and modest growth is expected in the months to come as well. Inflation has reached a four-year low. In November the Governing Council of the ECB lowered its main refinancing rate and in January firmly reiterated that it expected to keep official rates at or below the current level for an extended period. The construction of the European Banking Union is moving ahead. In December the Ecofin Council reached agreement on a single bank resolution mechanism and on its characteristics, with the creation of a single resolution fund.

In the third quarter of 2013 Italy's GDP stabilized, interrupting a contraction that had started in the summer of 2011 and consistent signs of moderate growth in economic activity have emerged in recent months.

According to the cyclical indicators GDP is likely to have grown slightly in the last quarter of 2013. The persistent slackness of domestic demand, which is adversely affected by the fragility of the labour market and the weakness of disposable income, contrasted with a more positive picture for industrial activity.

However, cyclical conditions vary substantially according to the type and the geographical location of firms.

Inflation has continued to fall in Italy, more sharply than had been forecast. According to the information available this year we expect there to be a moderate economic recovery, which should accelerate in 2015, albeit slightly.

Regarding Italian banking system, according to the latest consolidated quarterly reports, the average profitability of the five largest Italian banking groups remained very low. Their return on equity came to 1.8 per cent on an annual basis, against 2.3 per cent in the same period of 2012.

The capital strengthening of the five largest Italian banking groups continued in the third quarter of 2013.

Significant events of the period

On 29th April 2013, the Ordinary Shareholders' Meeting approved the Annual Financial Statements at 31st December 2012 and decided the distribution of an ordinary dividend of Euro 0.30 per share. The dividend will be paid from 9th May 2013. Dividend payment resulted in a cash outlay of Euro 2,694 thousand. The Shareholders' Meeting also approved the first section of the Remuneration Report ex article 123-ter of Leg. Dec. 58/1998 (available in the Company's website).

In April CAD IT won the tender for the supply of an application platform and the relative expert assistance for Poste Italiane S.p.A.'s remote control systems. CAD IT's "Remote Control" application is a dynamic system for monitoring the various risk categories originating in both peripheral and central company structures.

The tool implements a constant analysis and assessment model at a process and business unit level, quickly identifying any sign of anomaly. The system centralises the controls of hundreds of procedures on 14,000 Post Offices, deals with audit interventions, allows the planning of activities, prevents particular risk conditions from becoming more serious and guides actions for improvement. The project foresees the supply of the license to use the platform and the relative expert services required for its integration and start-up as well as the relative ordinary and perfective maintenance. The total value of the contract is Euro 1.1 million and the service will have a 32-month validity.

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

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

Moreover, the planning activities with Xchanging UK Ltd (a company that supplies security administration services for the German and British market and which holds a 10% share in CAD IT S.p.A.) through which the CAD IT Group aims at increasing its revenues in Italy and also to diversify its business in geographical terms, is continuing. With effect as of 1st October 2013, the non-executive director Jörg Karsten Brand, has resigned as a member of the Company's Board of Directors, following his earlier resignation from the Xchanging Group. Jörg Karsten Brand, the non-executive and non-independent director, did not belong to any internal committee.

On October 21, 2013 in replacement of the resigned director, the Board of Directors of CAD IT S.p.A., appointed, by co-option, in accordance with art. 18 of the Company's by-laws and with art. 2386 of the Civil Code, Enrique Sacau from the Xchanging Group as non-executive director with experience in the financial business sector.

Moreover, the Board of Directors, on the favorable opinion of the Board of Auditors and of the Nominating and Remuneration Committee, has also provisionally appointed Daniele Mozzo as Manager charged with preparing the Company's financial reports, to cover the entire period of temporary absence, due to health reasons, of Maria Rosa Mazzi, the officially appointed Manager charged with preparing the Company's financial reports.

The designation was considered appropriate in consideration of the closely connected role and activities that the same has constantly performed within the Company's administrative and financial area for many years.

In November CAD IT as won the tender for the supply of specialist support services for IT Service Improvement at Poste Italiane S.p.A. Financial Services - Investment Product area. The contract involves the supply of software development services, ad hoc extraordinary perfective maintenance, ordinary maintenance and support services for CAD IT S.p.A.'s application platforms relating to financial services and ensures that said supply provided to Poste Italiane S.p.A. since 2008 will be continued. The overall value of the contract is Euro 7 million and the service will be provided for 24 months. Although this new contract will not generate significant increases in CAD IT revenues, it will renew visibility for a further two years.

Human Resources

For the CAD IT Group, taking care of its own human resources, which it has always considered as a precious patrimony, is 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 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.

2013 saw 12.7 thousand hours taken up by training (12.3 in 2012) to support operational activities and professional development, with the involvement of 488 resource units (493 in 2012) and an average of 26 hours of training per resource unit (compared to 25 hours in 2012). The main training areas were: IT and technical updating, health and safety at work, foreign languages, company organization and managerial training.

CAD IT's and Group research and development

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

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

As regards new projects, development are continuing on the SIBAC GS platform. Development and innovation



activities for the Finance Area Web Suite is particularly intense with the aim to improve user experience and create new functions or modules required by the national and international markets (like, for example, Easy Match). Investments are still being ploughed into the innovation and extension of specialised modules for financial insurance management whose area covers all processes relating to company investment management from front to back office.

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

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

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

Investments

Investments in tangible and intangible fixed assets made by the consolidated companies during the period amount to Euro 4,002 thousand, compared to Euro 3,984 thousand during 2012 financial period.

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

<i>Summary of investments</i>	<i>Period 2013</i>	<i>Period 2012</i>	<i>Variations</i>
Intangible fixed assets	134	223	(89)
Intangible assets under development and payments on account	3,715	3,553	162
Property, Plant and equipment	154	208	(54)
Total investments in tangible and intangible fixed assets	4,002	3,984	18

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 Group companies

During the financial period concerned, the Group's companies carried out operations with the controlled companies and businesses subject to CAD IT control. The patrimonial and economic effects of the operations carried out between companies consolidated with the integral method have been omitted in the consolidated Financial Statement with the exception of:

- services concerning the development of software procedures to be sold or instruments for the traditional activities of the Group's companies that are registered among intangible fixed assets;
- other operations, of insignificant amount, regarding the assignment of instrumental assets for the purchaser.

Relationships between the Group's companies are governed on the basis of contractual relations drawn up by the



respective administration organs bearing in mind the quality of the assets and services involved and the competitive conditions of the market and adapting the interests of the Group.

The table below gives a summary of the income and service performances, as well as the credit and debit position of all the Group's consolidated companies.

<i>Company</i>	<i>Costs</i>	<i>Turnover</i>	<i>Financial expenses</i>	<i>Financial income</i>	<i>Receivable</i>	<i>Payable</i>
CAD IT S.p.a.	17,918	1,786	13	10	3,263	17,211
CAD S.r.l.	1,173	10,279	-	-	9,197	1,840
CeSBE S.r.l.	659	3,079	-	13	4,262	580
DQS S.r.l.	30	2,243	10	-	1,995	642
Smart Line S.r.l.	125	1,551	-	-	1,726	366
Elidata S.r.l.	14	783	-	-	537	112
Datafox S.r.l.	44	244	-	-	220	35
Tecsit S.r.l.	1	-	-	-	-	414
Total	19,964	19,964	24	24	21,202	21,202

Further information on CAD IT S.p.A.'s relations with its subsidiaries is shown in directors report on operation of the parent company, to which reference is made.

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.

Reconciliation report with the Head Company balance

The following table shows the reconciliation figures of the net patrimony and the consolidated financial result with those of CAD IT S.p.A.²

	<i>Net patrimony</i>	<i>Result of period</i>
Net patrimony and result of the controlling company for the period concerned	54,585	97
Difference between the entry value of the consolidated holdings and the pro quota value of the net patrimony	(8,740)	
Pro quota results of the subsidiary/associate holdings	406	406
Consolidation difference	8,309	
Subsidiary/associate dividend elimination		(732)
Infra-group margin elimination	(1,560)	(82)
Assessment of associate holdings with net patrimony method	351	11
Total net patrimony and consolidated result of period	53,350	(300)

² In accordance with Consob communication no. 6064293 of 28 July 2006.

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.

The 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. A continuation of the weak economic global situation at both a national and/or international level could reduce demand for the Group’s products with a consequent negative effect on the economic, patrimonial and financial situation of the Group itself.

The main market outlet in which currently the Group deals is the banking and finance sector, which historically has never been subject to significant criticality.

As of 2008, global financial markets were subjected to strong turbulence which led to a marked slowdown of the economy. The global economic recession of 2008 and 2009 which practically affected all geographical areas and all economic sectors of more developed countries, led to a sharp contraction of demand.

The latest periods showed weak signs of global recovery, but the economic projections are still uncertain.

A prolonged continuation of this notable weak situation, or an even further degeneration, could cause a negative effect on the economic, patrimonial and financial situation of the Group.

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. During the 2013 period, the orders involving the 3 and 10 customers who generated the largest revenues were 30.99% and 64.23% of revenues of the Group's service and sales performances (previous year: 38.5% and 70.1%). 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.

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.

Financial risks

Credit risks

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, which is the reason why, in past financial periods, the occurrence of losses on credits always has been relevantly insignificant. The Group does not have a significant concentration of customer solvency risk. 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, should the considerable weak and uncertain market situation continue or should collection times become longer or significant losses on credits occur, the risk of a reduction in liquidity could arise with the consequent need to resort to external financial sources.

Exchange rate risks and interest 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 capitalisation insurance policies and mainly uses financial resources in the form of bank deposit loans on commercial credits and bank account credit worthiness. Variations in market interest rates can affect revenues and the cost of financing influences the progress of financial returns and expenses.

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

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 organisation 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 centralisation 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.

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

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

- **Quality Management System**, in conformity with the UNI EN ISO 9001:2008 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 27001:2005 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**, in conformity with the UNI/INAIL Guidelines (September 2001 edition) implemented according to the “lavorosicuro” Guidelines (Confindustria Veneto/INAIL) and validated in November 2009.

During 2013, CAD IT S.p.A, and the other Group companies involved, passed the surveillance check for the renewal and maintenance of the certifications held with positive results.

The Group 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.

Foreseeable development in the management

According to the latest OECD estimates, after falling to 2.7 per cent in 2013, world GDP growth will rebound to 3.6 per cent in 2014.

In Italy, professional analysts project GDP to expand at a moderate average rate of 0.7 per cent in 2014; growth is then expected to accelerate to 1.0 per cent in 2015, driven by the expansion of world trade and an albeit modest upturn in investment.

This forecasting scenario is subject to considerable uncertainty; the risks, both for growth and for inflation, are mostly on the downside.³

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

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

The main strategic objectives of the company and the Group are to maintain and further develop its leadership position in the Italian banking sector, increase its customer portfolio in the insurance and local tax collection sectors, further distribute new products relating to business intelligence, promote its software for the industrial sector at medium/large-sized companies. The Group is also continuing to pursue its efforts to expand towards the European and international markets, which could be favoured by the optimal references it has obtained from its existing

³ Data source: Banca D’Italia, Economic Bulletin no. 1, January 2014

foreign customers and by the internationalisation procedures for which the large Italian banking groups are advocating.

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

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

In the course of the financial period, CAD IT continued to pursue its policy to expand abroad and has participated in a “software selection” in Europe for the sale of its own software applications and the relative supply of services for financial institutions

Activities in the development and sale of new products to existing customers and new types of customers continues, and moreover activities with Xchanging (a company listed on the London Stock Exchange) and which holds 10% share of CAD IT are also continuing. With these activities the CAD IT Group aims at increasing its revenues both in Italy and abroad and to geographically diversify its own business.

The increase in the Group’s activities resulting from expansion in to Europe and the acquisition of a greater market share could counterbalance the weakness of domestic demand.

On the date of drafting of this report, no relevant uncertainties are expected to arise in the current financial period.

The short-term economic situation remains difficult and uncertain, however, still a national and international level, and the managerial trend would be subject to risks connected to factors outside the Group’s control. Despite this, the Board of Directors is confident that positive results can still be achieved, considering activities and actions already developed and those planned.

On behalf of the Board of Directors

The Chairman

/s/ Giuseppe Dal Cortivo



CONSOLIDATED FINANCIAL STATEMENTS OF CAD IT GROUP

Consolidated income statement

(in thousands of Euro)

	Notes	31/12/2013		31/12/2012 (*)	
		Total	of which related parties	Total	of which related parties
Income from sales and services	3	48,286	277	51,663	290
Changes in ongoing orders		0		(17)	
Asset increases due to internal work	3 - 15	3,715		3,550	
Other revenue and receipts	3	202		1,278	
Purchase costs	5	(592)		(470)	
Service costs	6	(9,559)	(365)	(9,526)	(569)
Other operational costs	7	(659)		(943)	
Labour costs	8	(34,502)	(701)	(33,991)	(547)
Other administrative expenses	9	(2,022)	(1,122)	(2,262)	(1,283)
Allocation to fund and credit depreciation		(3)		(136)	
Intangible fixed asset amortization	15	(3,949)		(3,007)	
Tangible fixed asset amortization	14	(488)		(594)	
Financial income	10	74		171	
Financial expenses	10	(64)		(81)	
Revaluations and depreciations	11	272		206	
Pre-tax result		714		5,842	
Income taxes	12	(915)		(2,274)	
Profit/ (loss) for the period		(202)		3,568	
Profit/ (loss) for the period attributable to:					
Non-controlling interests		98		322	
Owners of the parent		(300)		3,247	
Weighted average number of ordinary shares outstanding		8,980,000		8,980,000	
Basic earnings per share (in €)	13	(0.033)		0.362	

(*) Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, figures of period 2012, reported for comparison, have been restated in accordance with the requirements of IAS 1. In particular, due to the reclassification of actuarial loss on liabilities for defined benefit in the consolidated statement of comprehensive income, labour costs decreased by 22 thousand Euro, resulting in increased profit for the period by the same amount.

Consolidated statement of comprehensive income

(in thousands of Euro)

	Period 2013	Period 2012 (*)
Profit (loss) for the period	(202)	3,568
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit liabilities	39	(22)
Other comprehensive income that will be reclassified subsequently to profit or loss		
Gains/(Losses) on fair value of available-for-sale financial assets	-	(19)
Reclassification adjustments: gains realized on disposal of available-for-sale	(103)	(27)
Total Comprehensive income (loss)	(265)	3,501
Comprehensive income (loss) attributable to:		
- Non-controlling interests	99	316
- Owners of the parent	(365)	3,184

(*) Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, figures of period 2012, reported for comparison, have been restated in accordance with the requirements of IAS 1. In particular the actuarial loss on liabilities for defined benefit was registered in the consolidated statement of comprehensive income for the amount of Euro 22 thousand.

Consolidated Statement of financial position

(in thousands of Euro)

	Notes	31/12/2013		31/12/2012 (*)	
		Total	of which related parties	Total	of which related parties
ASSETS					
A) Non-Current Assets					
Property, plant and equipment	14	17,445		17,783	
Intangible assets	15	20,650		20,750	
Goodwill	16	8,309		8,309	
Investments	17	353		342	
Other financial assets available for sale	18	0		243	
Other non-current credits		194		162	
Credits due to deferred taxes	19	776		746	
TOTAL NON-CURRENT ASSETS		47,727		48,335	
B) Current Assets					
Inventories	20	62		82	
Ongoing orders		-		-	
Trade receivables and other credits	21	32,768	2	28,687	100
Tax credits	22	2,128		1,962	
Cash on hand and other equivalent assets	23-36	3,808		5,977	
TOTAL CURRENT ASSETS		38,767		36,708	
TOTAL ASSETS		86,494		85,043	
EQUITY AND LIABILITIES					
A) Equity					
Company capital	24	4,670		4,670	
Reserves	25	35,246		35,349	
Accumulated profits/losses	26	13,434		16,395	
Issued capital and reserves attributable to owners of the parent		53,350		56,414	
Capital and reserves of third parties	24	2,079		2,253	
Profit (loss) of third parties		98		322	
Non- controlling interests		2,177		2,574	
TOTAL EQUITY		55,528		58,989	
B) Non-current liabilities					
Financing	28	0		0	
Deferred tax liabilities	29	2,957		3,374	
Employee benefits and quiescence provisions	30	6,908	173	6,784	140
Expense and risk provisions	31	120		151	
TOTAL NON-CURRENT LIABILITIES		9,985		10,309	
C) Current liabilities					
Trade payables	32	4,473	215	3,803	224
Current tax payables	33	3,290		2,543	
Short-term financing	34	6,382		2,092	
Other liabilities	35	6,835	221	7,307	317
TOTAL CURRENT LIABILITIES		20,981		15,745	
TOTAL LIABILITIES AND EQUITY		86,494		85,043	

(*) Following the application from 1 January 2013 (retrospectively) of the amendment to IAS 19, the data on 31 December 2012 reported for comparative purposes, have been restated as required by IAS 1. In particular, they have been reclassified 5 thousands of euro from Capital and reserves of third parties to Profit (loss) of third parties.

Statement of changes in equity

(in thousands of Euro)

	Attribution to the shareholders of the Main Company					Minority Interests	Total
	Company capital	Reserves	Accumulated profit (loss) net of period result	Period result	Group's net patrimony		
Total 31/12/2010	4,670	35,432	14,115	(623)	53,593	2,226	55,819
Allocation of the previous period result to reserves			(623)	623			-
Allocation of profits to directors of subsidiary companies			(6)		(6)	(6)	(12)
Effects due to profit-sharing variations in subsidiary companies			(53)		(53)	53	-
Total comprehensive profit/(loss)		(37)		1,858	1,821	217	2,038
Total 31/12/2011	4,670	35,395	13,433	1,858	55,356	2,489	57,845
Allocation of the previous period result to reserves			1,858	(1,858)	-		-
Dividend distribution			(2,155)		(2,155)	(82)	(2,237)
Effects due to profit-sharing variations in subsidiary companies			29		29	(149)	(120)
Total comprehensive profit/(loss)		(46)		3,230	3,184	316	3,501
Total 31/12/2012	4,670	35,349	13,165	3,230	56,414	2,574	58,989
Effect of the adoption of IAS 19			(17)	17			
at 01/01/2013	4,670	35,349	13,149	3,247	56,414	2,574	58,989
Allocation of the previous period result to reserves			3,247	(3,247)			
Dividend distribution			(2,694)		(2,694)	(490)	(3,184)
Allocation of profits to directors of subsidiary companies			(6)		(6)	(6)	(11)
Total comprehensive profit/(loss)		(103)	38	(300)	(365)	99	(265)
Total 31/12/2013	4,670	35,246	13,734	(300)	53,350	2,177	55,528



Consolidated Cash Flow Statement

(in thousands of Euro)

	NOTES	Period 2013	Period 2012 (*)
A) OPERATING ACTIVITIES			
Profit (loss) for the period		(202)	3,568
Amortisation, revaluation and depreciation:			
- Property, plant and equipment amortisation	14	488	594
- Intangible fixed asset amortisation	15	3,949	3,007
- revaluation of investments and financial assets available for sale	11	(272)	(206)
- depreciation of investments and financial assets available for sale	11-18	0	0
Allocations (utilization) of provisions		132	149
Financial performance:			
- Net financial receipts (charges)	10	(10)	(90)
- Profit / (losses) on exchanges		(1)	0
Other working capital variations		(2,149)	1,907
Income taxes paid		(1,581)	(4,412)
Interest paid	10	(63)	(81)
(A) - Cash flows from (used in) operating activities		291	4,437
B) INVESTMENT ACTIVITIES			
Investments in activities			
- purchase of property, plant and equipment	14	(154)	(208)
- purchase and increase in intangible assets	15	(3,849)	(3,776)
- increase in other fixed assets		(49)	(44)
Disinvestment activities			
- transfers of property, plant and equipment	14	4	2
- transfers of assets available for sale	18	239	206
- decrease in other fixed assets	15	17	14
Cashed Interest	10	74	171
Cashed dividends		163	159
(B) - Cash flows from (used in) investment activities		(3,555)	(3,477)
C) FINANCING ACTIVITIES			
Medium/long term financing repayment		0	(119)
Allocation of profits to directors of subsidiary companies		(11)	0
Distribution of profit reserves for withdrawal of a partner of a subsidiary		0	(120)
Dividends paid	27	(3,184)	(2,237)
(C) - Cash flows from (used in) financing activities		(3,196)	(2,476)
(A+B+C) - Total cash and other equivalent assets flows		(6,460)	(1,516)
Opening cash balances and equivalents	36	3,885	5,401
Closing cash balances and equivalents	36	(2,575)	3,885

(*) Following the application from 1 January 2013 (retrospectively) of the amendment to IAS 19, the data at 31 December 2012, reported for comparative purposes, have been restated as required by IAS 1. In particular, the profit for the period is higher by 22 thousand of euro, corresponding to the actuarial loss on liabilities of the defined benefit obligation, reclassified in the consolidated statement of comprehensive income, and the corresponding figure is increased by the item "Allocations (utilization) of provisions".

For the liquid asset and equivalent means reconciliation, refer to note 36.

Notes to the financial statements

1. Accounting policies and evaluation criteria more important

This Financial Statement 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).

This Financial Statement has been drafted in the consolidated form since CAD IT is obliged to draft a consolidated Financial Statement.

In the drawing up of this Financial Statement the same accounting standards have been applied as those adopted in the drafting of the consolidated Financial Statement at 31st December 2012, with the exception of the items described in the explanatory notes – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2013.

The accounting standards adopted have been applied in the same manner throughout the periods shown and for all the Group's companies, by adjusting their financial statements prepared in accordance with Italian GAAP for consolidation purposes.

The consolidated Financial Statement has been drafted using the evaluation criterion of past cost, except for financial instruments available for sale, which are assessed at fair value, and the holdings in subsidiaries, which are assessed in accordance with the equity method. Moreover, where some land and buildings have been included in First Time Adoption, the fair value has been used instead of the cost.

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.

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 2013

On 16th June 2011, the IASB issued an amendment to *IAS 1 – Balance presentation*, which requires companies to group together all the components presented between Other profits/(losses) depending on whether they can or cannot be reclassified later to the profit and loss account. The amendment must be applied from financial periods that began after or from 1st July 2012. The Group adopted this amendment as of 1st January 2013. The adoption of this amendment involves a new exhibition mode of the data, without cause variation in results.

On 16th June 2011, the IASB issued an amendment to *IAS 19 – Employee benefits* applicable retrospectively to the financial period that began on 1st January 2013. The main new item that regards the Group is the recognition of actuarial profits and losses in the *Other comprehensive income (losses)* with the elimination of the possibility to



show them immediately in the Profit and Loss Account as in the past. The Group applied the amendment to IAS 19 retrospectively as of 1st January 2013, rectifying the opening values of the patrimonial and financial situation at 1st January 2012 and at 31st December 2012 as well as the economic data for 2012.

In detail, the Group has determined the following retrospective effects resulting from the application of the amendment to IAS 19:

Impact on the income statement as at 31/12/2012	<i>Previously reported data</i>	<i>Effect of the adoption of the amendment to IAS 19</i>	<i>Restated amounts</i>
Labour costs	(34,013)	22	(33,991)
Profit before tax	5,820	22	5,842
Profit (loss) for the period	3,547	22	3,568
Non- controlling interests	316	5	322
Owners of the parent	3,230	17	3,247
Basic earnings per share (in €)	0.360	0.002	0.362

Effect on other comprehensive income to 31/12/2012	<i>Previously reported data</i>	<i>Effect of the adoption of the amendment to IAS 19</i>	<i>Restated amounts</i>
Profit (loss) for the period	3,547	22	3,568
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit liabilities	-	(22)	(22)

Effects on statement of financial position as at 31/12/2012	<i>Previously reported data</i>	<i>Effect of the adoption of the amendment to IAS 19</i>	<i>Restated amounts</i>
Equity attributable to owners of the parent			
Revaluation reserve liabilities for defined benefit	-	82	82
Consolidation reserve	21	(11)	10
Available reserve of undistributed earnings	10,711	(88)	10,623
Profit / loss for the year	3,230	17	3,247
Minority interests			
Capital and reserves of minority	2,258	(5)	2,253
Net income (loss) attributable to minority	316	5	322

Effects on Cash Flow statement as at 31/12/2012	<i>Previously reported data</i>	<i>Effect of the adoption of the amendment to IAS 19</i>	<i>Restated amounts</i>
Profit (loss) for the period	3,547	22	3,568
Provisions (utilization) of funds	171	(22)	149



There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1st January 2013 approved by the IASB and IFRIC and published in the European Community's Official Gazette. Have not been early adopted other principles endorsed by the European Union the application of which will be required in future.

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

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

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

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

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.

Subsidiary companies

The consolidation area includes the Parent company and the companies it controls, that is, where it has the power to determine financial and managerial policies of a business in order to reap benefits from said company's activities. Subsidiary companies are consolidated from the date in which control was effectively transferred to the Group and are no longer consolidated as from the date that control becomes external to the Group.

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

In drafting the consolidated balance all the balances and significant transactions between the Group's companies have been eliminated, as are all unrealised infra-group profit and loss transactions.



Associated companies

The share in associated companies, that is those companies in which the Group has significant influence, is evaluated using the net patrimony method, as defined in IAS 28 – Investments in Associates. The profits or losses relevant to the Group are included in the consolidated balance from the date in which this considerable influence began up to the moment it ceases.

Property, plant and equipment

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

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

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

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

The main economic-technical 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.

Financial leasing

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

Intangible fixed assets

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

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

Project development costs for the production of instrumental software, or those to be terminated, are registered on the credit side when they satisfy the following conditions: the costs can be feasibly 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. All other 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.

Goodwill

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

After the initial registration, goodwill is no longer amortised and is decremented of any losses in accumulated value, calculated according to the IAS 36 Asset value reduction.

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

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

The start-up relating to holdings in associated companies is included in the value of these companies.

Impairment loss

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

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

Assets available for sale

Share in non-consolidated companies are classified as assets financially available for sale and are valued at fair value. For any shares quoted the fair value is the market value as of the reference date. The profits and losses found due to the effect of evaluation at fair value at every balance date for these activities were determined at net patrimony except for the value losses registered to the economic account, until the financial activity has been eliminated, which is the moment when the total profit or loss found in the net patrimony is registered to the profit and loss account.

Other non-current credits

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

Stock

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

On-going orders

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

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

When the result of an order cannot be estimated reliably, the relative revenues are shown only within the limits of the order's sustained costs, which will probably be retrieved. Order costs are shown as expenses in the financial period in which they were sustained.

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

Commercial credits and other credits

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

Liquid asset availability and equivalent means

The availability of liquid assets and equivalent means is registered at nominal value and has the requirements to be immediately available or available at very short notice, without obstacles and with no significant expense for collection. 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;
- and (for companies with at least 50 employees) the re-proportioning, for each employee, of the probable and discounted back services based on the length of service at assessment date compared to the entire unpredictable amount at liquidation date.

Risk and obligation funds

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

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.

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. Subsidiary companies and Consolidation area

During 2013 there were no changes in the consolidation area. The fully consolidated companies included in the financial schedules of CAD IT Group are the following:

Company name	Registered office	Share/ Quota capital Euro	Percentage of investment at 31/12/2013	Percentage of investment of the Group at 31/12/2013
<i>Consolidated using the integral method</i>				
CAD IT S.p.A.	Verona	4,669,600	Parent company	
CAD S.r.l.	Verona	295,500	100.00%	100.00%
CeSBE S.r.l.	Verona	10,400	62.11%	62.11%
D.Q.S. S.r.l.	Roma	11,000	100.00%	100.00%
Elidata S.r.l.	Castiglione D'Adda (LO)	20,000	51.00%	51.00%
Smart Line S.r.l.	Verona	102,700	51.05%	51.05%
Datafox	Verona	99,999	51.00%	51.00%
Tecsit S.r.l. ⁽¹⁾	Roma	75,000	70.00%	70.00%
⁽¹⁾ Held through DQS S.r.l.				

3. Revenues

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

	Period 2013		Period 2012		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	48,286	92.5%	51,663	91.5%	(3,377)	(6.5%)
Changes in ongoing orders	0	0.0%	(17)	(0.0%)	17	0.0%
Asset increases due to internal work	3,715	7.1%	3,550	6.3%	164	4.6%
Other revenue and receipts	202	0.4%	1,278	2.3%	(1,076)	(84.2%)
Production value	52,203	100.0%	56,475	100.0%	(4,272)	(7.6%)

The supply of services and sales of goods includes earnings deriving from the sale of software under licence, maintenance and updating services, the use of personalised applicative packages, the sale of hardware goods, application management services, consultancy services and information system design.

During the 2013 financial period, earnings from sales and services decreased compared to 2012 by 6.5%, to reach a value of Euro 48,286 thousand (compared to Euro 51,663 thousand in 2012 financial period).

Increases in internal work capitalized under fixed assets came to Euro 3,715 thousand, compared to Euro 3,550

thousand in the 2012 financial period, and included activities carried out by CAD IT (Euro 2,351 thousand), as well as those commissioned by CAD IT to its subsidiaries CAD (Euro 1,093 thousand), CeSBE (Euro 255 thousand), Datafox (Euro 13 thousand), DQS (Euro 3 thousand) for the development of new procedures for sale on licence or instrumental for traditional activities.

The other revenues and equivalent earnings, which came to Euro 1,278 thousand in 2012, stood at Euro 202 thousand.

Last year the item included Euro 1,092 thousand relating an IRES tax rebate, presented following the issue of legal decree 201/2011 which established the retroactive application of the principle according to which the IRAP regional tax on derived and absorbed labour costs can be deducted from income taxes.

Other revenues and earnings include contributions allocated by interprofessional funds for financing of company training plans (Euro 19 thousand).

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

4. Segment reporting by sectors

The internal organizational and managerial structure and the internal reporting for the Board of Directors is presently grouped into two operative divisions: Finance and Manufacturing. These divisions are the basis on which the Group reports sector information according to the primary layout.

The main activities of each sector are as follows:

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

The main applications provide:

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

The data not allocated to the sectors mainly refer to income and costs for logistics and administration services given to the group's companies by the controlling party.

<i>Disclosures for business segments 31/12/2013</i>					
	<i>Finance</i>	<i>Manufacturing</i>	<i>Not allocated/General</i>	<i>Elisions</i>	<i>Consolidated</i>
External revenues	50,290	1,913			52,203
Intersegment revenues	2,821			(2,821)	
Total revenues	53,111	1,913		(2,821)	52,203
Costs	(51,148)	(1,841)	(1,603)	2,821	(51,772)
Gross Operating Result (EBITDA)	6,400	74	(1,603)		4,870
Operating Result (EBIT)	1,963	72	(1,603)		431
Net financial income (expenses)			10		10
Revaluations and devaluations	173		99		272
Result	2,136	72	(1,494)		714
Income taxes			(915)		(915)
Third party share (profit)/loss	(203)	(14)	119		(98)
Financial period profit (loss)	1,933	58	(2,291)		(300)
Assets	82,871	718	2,904		86,494
Liabilities	24,481	238	6,247		30,966



<i>Disclosures for business segments 31/12/2012</i>					
	<i>Finance</i>	<i>Manufacturing</i>	<i>Not allocated/General</i>	<i>Elisions</i>	<i>Consolidated</i>
External revenues	54,034	2,441	0	0	56,475
Intersegment revenues	3,364	0	0	(3,364)	0
Total revenues	57,398	2,441	0	(3,364)	56,475
Costs	(50,387)	(2,307)	(1,598)	3,364	(50,929)
Gross Operating Result (EBITDA)	10,746	135	(1,598)	0	9,283
Operating Result (EBIT)	7,011	133	(1,598)	0	5,546
Net financial income (expenses)	0	0	90	0	90
Revaluations and devaluations	171	0	35	0	206
Result	7,182	133	(1,473)	0	5,842
Income taxes	0	0	(2,274)	0	(2,274)
Third party share (profit)/loss	(503)	(13)	194	0	(321)
Financial period profit (loss)	6,679	121	(3,553)	0	3,247
Assets	81,434	901	2,708		85,043
Liabilities	19,729	409	5,917		26,054

Information on the sector according to the secondary layout by geographical area is not provided as the Group presently produces and carries out its activities mainly nationally and homogeneously. In fact, revenues from foreign customers amount to 1.7 % of the total sales and services revenues (1.4 % in 2012).

5. Purchase Costs

	31/12/2013	31/12/2012	Variations	%
Hardware-Software purchases for sale	295	204	90	44.1%
Maintenance and consumable hardware purchases	15	13	1	8.6%
Other purchases	263	264	(1)	(0.5%)
Variations in raw material stock	20	(12)	31	(271.1%)
Total	592	470	121	25.8%

Costs for hardware and software purchases for commercialization refer to purchases made for orders that clients had already confirmed and show an increase compared to 2012.

6. Service costs

	31/12/2013	31/12/2012	Variations	%
External collaboration	5,254	5,255	(1)	(0.0%)
Travelling expenses and fee reimbursement	1,469	1,425	44	3.1%
Other service costs	2,836	2,846	(10)	(0.4%)
Total	9,559	9,526	34	0.4%

Service costs in 2013 came to Euro 9,559 thousand, a slight increase compared to the previous year (Euro 9,526 thousand).

To be more precise, costs for external collaboration of Euro 5,254 thousand remained unchanged compared to 2012, compared with an increase by Euro 44 thousand (+3.1%) of travelling expenses and fee reimbursement which came to Euro 1,469 thousand.

The other service costs, decreased by Euro 10 thousand (-0.4%) mainly include assistance fees and hardware and software maintenance, energy costs, administrative, legal and fiscal consultancy, maintenance costs for office management and installed systems.



7. Other operating costs

The following chart shows and compared the details of other operating costs.

	31/12/2013	31/12/2012	Variations	%
Leases and rentals	524	548	(24)	(4.4%)
Misc. operating costs	135	395	(260)	(65.8%)
Total	659	943	(284)	(30.1%)

Leases and rentals in the financial period came to Euro 524 thousand, decreasing by Euro 24 thousand compared to the previous year, and mainly refer to equipment and instrumental software rental and to lease of operational offices.

Other operating costs, decreased by Euro 260 thousand, include municipal tax on real estate and other taxes not on income of the year.

8. Labour costs and Employees

Labour costs are as follows:

	31/12/2013	31/12/2012	Variations	%
Salaries and wages	24,732	24,461	272	1.1%
Social security contributions	7,434	7,330	104	1.4%
Severance pay	2,039	1,981	58	3.0%
Other costs	296	220	77	34.9%
Total	34,502	33,991	511	1.5%

Labour costs in 2013 financial period increased by Euro 511 thousand (+1.5%) compared to the previous year (Euro 33,991 thousand restated following the adoption of the amendment to IAS 19).

The increase in labour costs is due to the application of increases in contractual remunerations as well as to the increase in the average number of employees in the group.

Following the application from 1 January 2013 (retrospectively) the amendment to IAS 19, the actuarial gain or loss on liabilities for defined benefit plans is no longer included in the cost of labour but in the Other comprehensive income that will not be reclassified subsequently to profit or loss.

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

Category of employees	labour force at 31/12/2013	labour force at 31/12/2012
Management	18	18
White-collars and cadres	580	578
Blue-collars	1	2
Apprentices	14	6
Total	613	604

At the end of 2013, the number of CAD IT Group staff increased by 9 units with a total of 613 employees; to be precise, 15 people were employed during the financial period and 6 were dismissed, thus determining the following turnover rate:



<i>Employees turnover</i>	2013	2012
Negative turnover (Dismissed/employees at beginning of period)	2.5%	2.4%
Positive turnover (Employed/employees at beginning of period)	0.8%	4.0%
Total turnover (Σ turnover)	3.3%	6.4%
Turnover compensation rate (Employed/Dismissed)	300.0%	171.4%

The following table shows data regarding the CAD IT Group average number of employees:

<i>Category of employees</i>	<i>Average number 2013</i>	<i>Average number 2012</i>
Management	18	18
White-collars and cadres	578	578
Blue-collars	1	2
Apprentices	12	5
Total	609	603

The average number of employees increased by 6 units compared to the previous period.

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

9. Other administrative costs

The entry of the total amount of Euro 2,022 thousand, shows a Euro 241 thousand decrease compared to the 2012 financial period (-10.6%) and includes costs relating to director and manager fees and their relative contributory costs. Highlighted among the rest are mainly telephone expenses of Euro 349 thousand and advertising expenses to the amount of Euro 51 thousand.

The entry 'other administrative expenses' include fees paid to related parties (see note 37).

The table below shows the other administrative costs in detail:

	31/12/2013	31/12/2012	Variations	%
Director and legal representative fees	1,477	1,600	(123)	(7.7%)
Director retirement	15	15	0	-
Director and legal representative fee contributions	120	155	(35)	(22.7%)
Telephone charges	349	387	(38)	(9.8%)
Commissions	9	1	8	n.s.
Advertising fees	51	104	(52)	(50.5%)
Total	2,022	2,262	(241)	(10.6%)

10. Financial performance

The net financial management result was in credit by Euro 10 thousand, compared to Euro 90 thousand of the period 2012, as the following detailed table shows:

	31/12/2013	31/12/2012	Variations	%
Interest on bank deposits and equivalent	74	171	(97)	(56.5%)
Total financial income	74	171	(97)	(56.5%)
Interest on bank overdrafts and loans	(63)	(78)	14	(18.6%)
Interest on debts for financial leasing	0	(3)	3	(100.0%)
Foreign exchange losses	(1)	(0)	(0)	-
Total financial charges	(64)	(81)	17	(20.7%)
Net financial income and (charges)	10	90	(80)	(88.7%)

Financial earnings are made up of interest received from liquid assets in current bank accounts and capitalization insurance policies classified as liquid assets.

Financial expenses amounting to Euro 64 thousand (-20.7% compared to 2012) mainly refer to current account overdrafts.

11. Revaluations and depreciations

	31/12/2013	31/12/2012	Variations	%
Revaluation of holding in associate companies	173	171	2	1.3%
Revaluation of assets available for sale	99	35	64	182.8%
Total revaluations and depreciations	272	206	66	32.1%

The revaluation of holdings calculated with the net patrimony method concern the associate company Sicom S.r.l., which was revaluated of Euro 173 thousand in 2013 period, compared to Euro 171 thousand in the previous year. Between revaluations are also recorded 99 thousand euro from the alienation during the year of assets available for sale (35 thousand euro in the previous year).

12. Income taxes

	31/12/2013	31/12/2012	Variations	%
Tax pre-payments	124	35	89	253.9%
Deferred taxes	(573)	(188)	(386)	205.5%
Current taxes	1,365	2,427	(1,061)	(43.7%)
Total income taxes	915	2,274	(1,358)	(59.7%)
Tax incidence on the gross pre-tax result	128.3%	38.9%		

The taxes ascribable to 2013 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 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, for the three years 2013-2015, 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	27.5%	IRAP	3.9%
		Taxable	Tax	Taxable	Tax
Pre-tax result and theoretical tax		714	196	714	28
<i>Temporary differences</i>					
Deductible in later financial periods		616		496	
Taxation of temporary differences of previous financial periods		1,242		1,705	
Deduction of temporary differences of previous financial periods		(520)		(376)	
Variations for application IAS		40		(1)	
<i>Total temporary variations from previous periods</i>		<i>1,377</i>	<i>379</i>	<i>1,824</i>	<i>71</i>



<i>Permanent differences</i>				
To IRES / IRAP income increases	1,214		36,479	
To IRES / IRAP income decreases	(2,964)		(13,988)	
Variations for application IAS	(61)		(21)	
<i>Total permanent differences</i>	<i>(1,812)</i>	<i>(498)</i>	<i>22,470</i>	<i>876</i>
Taxable fiscal income	279		25,007	
Use of tax losses / variation due to regional IRAP rates	(89)			11
Taxable income / current tax on the period's income	190	52	25,007	987
Current taxes's effective rate on the pre-tax result	IRES	7.3%	IRAP	138.3%
Greater (lesser) taxes relating to previous financial periods		326		0
Current taxes		378		987
Prepaid and deferred taxes		(379)		(71)
Income taxes		(1)		916
Income taxes's effective rate on the pre-tax result	IRES	(0.1%)	IRAP	128.4%

SUMMARY OF THEORETICAL AND EFFECTIVE TOTAL TAX EXPENSES				
	period 2013		period 2012	
Current IRES tax	52	7.3%	1,240	21.3%
Current IRAP tax	987	138.3%	1,187	20.4%
Total current taxes and effective rate	1,039	145.6%	2,427	41.7%
Greater (lesser) taxes relating to previous financial periods	326			
Total current taxes	1,365			

13. Earnings per share

The basic earnings per share is calculated by dividing the year's profit ascribable to the ordinary shareholders of the Head 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	Period 2013	Period 2012
Net profit (loss) ascribable to ordinary shares in thousands of Euro	(300)	3,247
Weighted average number of ordinary shares outstanding	8,980,000	8,980,000
Basic earnings per share (in €)	(0.033)	0.362

14. Property, plant and equipment

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

	31/12/2013	31/12/2012	Variations	%
Land	1,527	1,527	0	-
Buildings	14,466	14,589	(123)	(0.8%)
Plant and equipment	1,032	1,197	(165)	(13.8%)
Other assets	420	470	(50)	(10.7%)
Total property, plant and equipment	17,445	17,783	(338)	(1.9%)

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, as indicated in the attached document on transition to the international accounting standards to the financial statement at 31st December 2005.

Purchases of new tangible assets during the year came to a total of Euro 154 thousand of which Euro 149 thousand were for "other tangible assets" which mainly include purchases of information technology equipment, necessary for managing the Group's traditional activities.

In the financial period, property, plant and equipment were not subject to any decrease in value that needed to be recorded in the balance.

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

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Total
Purchase or production cost	9,140	4,185	33	5,028	18,385
First time adoption revaluations	8,439	-	-	-	8,439
Previous years depreciation and write-downs	(1,463)	(2,988)	(28)	(4,563)	(9,041)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	16,116	1,197	5	465	17,783
Variations in consolidation area	0	0	0	0	0
Purchases	0	4	0	149	154
Transfers	0	0	0	0	0
Reduction in accumulated depreciation due to disposals	0	2	0	114	115
Disposals	0	(2)	0	(117)	(119)
Revaluations for the period	0	0	0	0	0
Depreciation and write-downs for the period	(123)	(169)	(2)	(194)	(488)
Adjustments to write-downs for the period	0	0	0	0	0
Total tangible fixed assets	15,993	1,032	4	416	17,445

15. Intangible fixed assets

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

	31/12/2013	31/12/2012	Variations	%
Industrial patents and similar rights	12,227	8,491	3,736	44.0%
Licences, trademarks and similar rights	232	225	7	2.9%
Assets under development	8,192	12,034	(3,842)	(31.9%)
Total Intangible fixed assets	20,650	20,750	(100)	(0.5%)



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

	<i>Industrial patents and similar rights</i>	<i>Licences, trademarks</i>	<i>Assets under development and payments on account</i>	<i>Other</i>	<i>Total</i>
Purchase or production cost	24,170	3,825	12,034	27	40,056
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(15,679)	(3,600)	-	(27)	(19,306)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	8,491	225	12,034	0	20,750
Variations in consolidation area	0	0	0	0	0
Purchases/ Increases	0	134	3,715	0	3,849
Transfers	7,557	0	(7,557)	0	0
Reduction in accumulated depreciation due to disposals	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations for the period	0	0	0	0	0
Depreciation and write-downs for the period	(3,821)	(127)	0	0	(3,949)
Adjustments to write-downs for the period	0	0	0	0	0
Total intangible fixed assets	12,227	232	8,192	0	20,650

The voice "industrial patent rights and works of ingenuity" is almost entirely made up of software procedures developed by the CAD IT Group; the entry has increased by Euro 7,557 thousand due to the reclassification of procedures, previously registered in intangible assets under development, which were completed and become available for sale or for use during the financial period. The values are registered to credit to the directly sustained cost, mainly inherent to the use of internal resources used, as well as the extra expenses that may have been added to the original cost. 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 period came to Euro 3,821 thousand.

The caption "Licences, trademarks and similar rights" principally includes the licensed out software bought by third parties used by the Group for programming activities. During the period were made purchases for Euro 134 thousand, while the amortization of this voice came to Euro 127 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, for which is expected the need of use by credit and financial institutions as well as in the field of public and industrial administration.

These assets are registered to credit on the basis of the directly sustained cost, mainly relating to the use of internal resources used.

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.

These assets have not undergone reduction in value during the year that need to be registered in the Financial Statement.

16. Goodwill

The Group verifies the recovery of goodwill at least once a year or more often if there are indications of a value loss. During the six month period, situations indicating that assets may be impaired and may need a formal estimation of their recoverable value have not been found.

The goodwill acquired in an aggregation of companies is allocated, at the time of purchase, to the Cash Generating



Unit (CGU) from which benefits connected to the aggregation are expected. In particular, with regard to the CGU of the Group, these concern the controlled companies that represent the smallest identifiable group of activities that generate in-coming financial flows and which are largely independent of the in-coming financial flows from other activities or groups of activities.

The accounting value of goodwill has been allocated to the CGU as follows at the date of First Time Adoption:

Company	Accounting value of goodwill
CAD S.r.l.	4,725
D.Q.S. S.r.l.	2,279
Elidata S.r.l.	617
Smart Line S.r.l.	443
Datafox	217
CeSBE S.r.l.	28
Total	8,309

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 approved by the Board of Directors and relate to the period 2014-2016 which take into account the concrete company 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.

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 $k_s = 10.14\%$.

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:

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

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

17. Investments in associates

The only holding in Sicom S.r.l. was evaluated with the equity method. The reference values used for evaluating this holding with the equity method and the relative reference data on the patrimonial situation are shown in the following table:

Company name	Date of reference	Quotaholders' equity including profit for the period	Profit for the period	Percentage of investment	Investment value of the Group
Sicom S.r.l.	31/12/2012	1,370	685	25.00%	342
Sicom S.r.l.	31/12/2013	1,413	693	25.00%	353

18. Financial assets available for sale

This point involved CIA S.p.A. shares, company listed on MTA segment market of the Italian stock exchange. During the first half of 2013 the same were entirely alienated; the sale generated a capital gain of Euro 99 thousand recorded in the income statement and the reclassification in the statement of comprehensive income of realized profits, previously recognized in the valuation reserve for financial assets available for sale. At the end of the year the group does not hold any financial assets available for sale.

19. Credits due to prepaid taxes

Credits due to prepaid taxes, of Euro 776 thousand, have been recorded as assets in the current and previous periods, as will be probably the realization of a taxable income for which they can be used. Credits for pre-paid IRES and IRAP taxes are mainly in reference to time differences deductible over the next few financial periods.

20. Inventories

The unsold stock entry includes finished products and goods to a total of Euro 62 thousand. The voice decreased by Euro 20 thousand compared to previous year.

21. Trade receivables and other credits

Commercial credits and other credits are made up as follows:

	31/12/2013	31/12/2012	Variations	%
Credits to clients	32,375	28,209	4,166	14.8%
Credit depreciation fund	(167)	(165)	(1)	0.7%
Credits to associated companies	2	0	2	-
Accrued income and deferred expenses	235	413	(178)	(43.1%)
Other credits	323	231	93	40.2%
Total trade receivables and other credits	32,768	28,687	4,081	14.2%
% coverage credit depreciation fund	0.51%	0.59%		



Credits to clients are entirely due within 12 months; the accounting value of commercial credits and other credits is approximate to their *fair value* and are mainly in favour of government, banking institutions, financial and insurance institutions.

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 usually state that the payment of the amounts due are to be paid after the procedures supplied have been tested and the services have been completed.

The Group 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 past incidence of losses that the Group finds for sales during the invoicing year.

Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 167 thousand (Euro 165 thousand at 31 December 2012) which ensures a cover of 0.51% 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.

The entry Accrued income and deferred expenses refers to accrued income for Euro 1 thousand and for the difference to prepaid expenses made up as follows:

<i>Nature</i>	<i>31/12/2013</i>	<i>31/12/2012</i>
Software assistance	100	302
Advertising expenses	-	7
Expenses for leases and rentals	24	20
Telephone charges	27	3
Administrative services	5	11
Various insurances	13	9
Hardware assistance	20	46
Other various	45	13
Total prepaid expenses	234	413

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

<i>Credits towards other</i>	<i>31/12/2013</i>	<i>31/12/2012</i>	<i>Variations</i>
Receivables from social security institutions	21	17	3
Receivables for advances on travel expenses	0	1	(1)
Payments on account to suppliers	290	199	90
Other	12	12	1
Guarantee deposits	1	1	0
Total credits towards other	323	231	93

22. Tax credits

The entry of Euro 2,128 thousand (Euro 1,962 thousand in the previous year) was made up of:

- excess down payments in direct taxes (IRES and IRAP) of the period;
- 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);
- credit relating to the reimbursement, according to Article 6 of Decree-Law 185/2009, deriving from IRAP deductibility at 10% for periods 2004-2007 (Euro 192 thousand).

23. Cash and other equivalent assets

	31/12/2013	31/12/2012	Variations	%
Bank and postal accounts	1,246	3,479	(2,233)	(64.2%)
Cash-on-hand and cheques	7	8	(1)	(8.4%)
Insurance policies capitalized	2,555	2,490	64	2.6%
Total Cash and other equivalent assets	3,808	5,977	(2,169)	(36.3%)

The bank and postal account deposits are made up of cash-on-hand in current bank accounts.

It is possible to redeem the capitalization insurance policy at any time with reimbursement made within 20 days with no particular significant expense. The returns are variable in relation to the annually calculated revaluation rate. The guaranteed minimum annual rate is 2.50%.

24. 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.

Net patrimony attributable to owners of the parent

Net patrimony attributable to owners of the parent came to Euro 53,350 thousand compared to Euro 56,414 thousand at 31 December 2012.

Third party net patrimony

This point refers to the patrimony quota of the controlled companies that, on the basis of the 'Equity ratios', belongs to third parties. It was made up of:

Minority interests	31/12/2013	31/12/2012
Minority quotaholders of CeSBE S.r.l.	1,281	1,323
Minority quotaholders of Datafox S.r.l.	80	104
Minority quotaholders of Tecsit S.r.l.	16	16
Minority quotaholders of Elidata srl	441	600
Minority quotaholders of Smart Line S.r.l.	360	531
Total third party net patrimony	2,177	2,574

25. Reserves

	31/12/2013	31/12/2012	Variations	%
Share premium reserve	35,246	35,246	0	-
Valuation reserve for fin. assets available for sale	0	103	(103)	(100.0%)
Total Reserves	35,246	35,349	(103)	(0.3%)

The change in the fair value reserve for available-for-sale is related to the reversal of the reserve to the income statement, following the sale of the shareholding in the listed company CIA SpA (see also note 18).



26. Accumulated profit/losses

	31/12/2013	31/12/2012	Variations	%
Previous profits/losses	(892)	(620)	(273)	44.0%
Legal reserve	934	934	0	-
First Time Adoption transition reserve	2,119	2,119	0	-
Consolidation reserve	641	10	631	n.s.
Available reserve of undivided profits	10,828	10,623	204	1.9%
Revaluation liabilities reserve for defined benefit	105	82	23	27.5%
Period profits/losses	(300)	3,247	(3,547)	(109.2%)
Total accumulated profits/losses	13,434	16,395	(2,961)	(18.1%)

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

The available reserve of undivided profits increased due to the effect of allocation to reserve part of the profit for the year 2012.

Following the application of the amendment to IAS 19, has recorded the revaluation reserve liabilities for defined benefit plan which includes the actuarial differences recognized in the other comprehensive income.

27. Dividends paid

On 29th April 2013, the Ordinary Shareholders' Meeting approved the financial statement for the year ending at 31/12/2012 and agreed to distribute a dividend of Euro 0.30 per share. Dividend payment resulted in a cash outlay of Euro 2,694 thousand.

28. Financing

At the end of the period the Group does not hold any medium and long-term financing debts towards banks or other lenders.

29. Liabilities due to deferred taxes

Deferred taxes amounted to Euro 2,957 thousand (compared to Euro 3,374 thousand at 31st December 2012) and took into account the 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.

30. Employees' leaving entitlement and quiescence reserves

	31/12/2013	31/12/2012	Variations	%
Employees' leaving entitlement (TFR)	6,853	6,744	109	1.6%
Fund for indemnity of end of term	55	40	15	37.4%
Total	6,908	6,784	124	1.8%

The point concerning the TFR Fund shows the movements resulting from annual allocations made on the basis of the evaluations of external actuaries and the uses carried out concerning end of working contract resolutions or advance payments.

<i>Employees' leaving entitlement</i>	<i>31/12/2013</i>	<i>31/12/2012</i>
<i>Opening balance</i>	6,744	6,699
Service cost	131	117
Interest cost	217	215
Benefits paid	(200)	(309)
Actuarial (gains)/losses	(39)	22
<i>Closing balance</i>	6,853	6,744

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.

	<i>31/12/2013</i>	<i>31/12/2012</i>
ECONOMIC ASSUMPTIONS		
Annual discount rate	3.17%	3.20%
Annual inflation rate	2.00%	2.00%
Annual rate of increase in severance pay	3.00%	3.00%
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.

At 31/12/2012 the discounting back rate was determined by reference to *IBOXX Eurozone Corporates A* index, on duration 10+ years. For information purposes, the value of the bond at 31/12/2013, determined on the basis of the annual discounting back rate deduced from the *IBOXX Corporate A* index, on duration 10+, which, at the date of assessment, was 3.39%, would have been Euro 6,665 thousand.

The average maturity (*duration*) of debt is 15.9 years. The expected *service cost* for the financial year 2014 of Euro 134 thousand.

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

<i>Change in actuarial assumptions</i>	<i>Value of severance pay</i>	<i>Year</i>	<i>Estimated disbursement</i>
Turnover rate +1%	6,891	2014	300
Inflation rate +0.25%	7,008	2015	282
Inflation rate -0.25%	6,703	2016	305
Discount rate +0.25%	6,640	2017	308
Discount rate -0.25%	7,076	2018	301



31. Expense funds and risks

The voice, of a total of Euro 120 thousand, entirely refers to provisions made in previous years to cover tax litigation of the subsidiary DQS Srl for the year 2006. In December 2011, the Revenue Agency notified to the subsidiary an investigation based on the results of field studies. The investigation involves a recovery in taxation on further taxable income of Euro 443 thousand. In 2012, the assessment was challenged because it was considered illegal and unfounded by directors and professionals in charge of the defense. Following the unfavorable decision by the Provincial Tax Commission was appealed to the Regional Commission. The directors of the company, taking into account the views expressed by the professionals in charge of the defense, despite the uncertainties related to any litigation, are confident on the acceptance of the company's reasons.

32. Commercial debts

The entire point amount of Euro 4,473 thousand shows the following trend:

	31/12/2013	31/12/2012	Variations	%
Debts towards associated companies	105	108	(2)	(2.3%)
Debts towards suppliers	3,781	3,208	572	17.8%
Payments on account received	1	1	0	-
Accrued expenses and deferred income	586	486	100	20.7%
Total Commercial debts	4,473	3,803	670	17.6%

Debts towards suppliers are referred to as current debts for supplies of goods and services received.

The entry "Accrued expenses and deferred income" refers almost entirely to deferred income that was already invoiced regarding annual ordinary maintenance contracts on user licences and mainly pertaining to 2014 financial period.

33. Tax debts

The entry for fiscal debts, of the total amount of Euro 3,290 thousand, is made up of debts that the companies within the Group, and included in the consolidation area, have accumulated towards the inland revenue. The entry consists of debts for added value tax and for withholding agent activities carried out by the different companies in respect of employees and collaborators. Income tax debts in the financial period are compensated by tax credits for down payments paid during the year.

34. Short-term financing

At 31 December 2013 this point amounted to Euro 6,382 thousand and is made up from short-term financing carried out by banking institutes and overdrawn and increased by Euro 4,290 thousand compared to previous year.

35. Other debts

Details of other debts are as shown:

	31/12/2013	31/12/2012	Variations	%
Social security charges payable	2,666	2,690	(24)	(0.9%)
Towards directors	103	229	(126)	(55.1%)
Dividends to be distributed to shareholders (third parties)	196	27	169	624.4%
Towards staff for deferred salaries and pay	3,816	4,283	(467)	(10.9%)
Other	54	78	(24)	(31.1%)
Total	6,835	7,307	(472)	(6.5%)



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

Staff debts refer to the current salaries for December and to accruals for deferred salaries that matured at 31 December. Details of debts towards staff are shown in the following table:

<i>Debt towards staff for wages and deferred pay</i>	<i>31/12/2013</i>	<i>31/12/2012</i>	<i>Variations</i>	<i>%</i>
For wages and expense accounts	1,196	1,144	52	4.5%
For production incentives	20	406	(386)	(95.0%)
For holidays	1,766	1,905	(139)	(7.3%)
For thirteenth month (year-end bonus)	0	3	(3)	(100.0%)
For fourteenth month (summer bonus)	834	824	10	1.2%
Total	3,816	4,283	(467)	(10.9)%

36. Consolidated net financial position

The consolidated net financial position at 31st December 2013 was in deficit by Euro 2,575 thousand, compared to a positive net financial position of Euro 3,885 thousand at 31/12/2012.

In particular, since there is no long-term financing, the net financial indebtedness shortly coincides with the total financial indebtedness.

Immediate availability on current accounts and in hand came to Euro 1,253 thousand. Capitalization insurance policies amounting to Euro 2,555 thousand, were contractually available within 20 days of request with no significant collection costs.

Short-term debts towards banks were made up of current account overdrafts and subject to final advances.

<i>Net consolidated financial position</i>	<i>31/12/2013</i>	<i>31/12/2012</i>	<i>Variations</i>	<i>%</i>
Cash-on-hand and at bank	1,253	3,487	(2,234)	(64.1%)
Capitalization insurance policies	2,555	2,490	64	2.6%
Payables due to banks current portion	(6,382)	(2,092)	(4,290)	205.1%
Net short-term financial position/(indebtedness)	(2,575)	3,885	(6,460)	(166.3%)
Long-term loans	(0)	(0)	0	-
Net long-term financial position/(indebtedness)	(0)	(0)	0	-
Net financial position/(indebtedness)	(2,575)	3,885	(6,460)	(166.3%)

The net financial position balance sheet agrees with the balance sheets; it is hereby reported that: cash in bank accounts and capitalisation 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, the contraction in financial assets was determined by the following management:

- operational management activities generated a positive flow of Euro 291 thousand (compared to Euro 4,437 thousand in the previous year) due to self-financing (net result plus depreciations) net of non-monetary items;
- investment activities absorbed Euro 3,555 thousand (compared to Euro 3,477 thousand in 2012) for investments in intangible assets (Euro 3,849 thousand), tangible assets (Euro 154 thousand) and holding companies (Euro 49 thousand), partly compensated by the sale of assets available for sale and by cashed-in interests and dividends;
- financing activities absorbed Euro 3,196 thousand (compared to Euro 2,476 thousand in the period 2012), mainly due to the dividend payments to CAD IT shareholders (Euro 2,694 thousand).



37. Related parties transactions

Relations between the Group's companies are administered on the basis of contractual relations drawn up by the respective administrative organs bearing in mind the quality of the assets and services involved and the competitive conditions of the market, adapting the interests of the Group.

The following table shows the incidence of transactions with correlated parties on the respective balance entry at 31/12/2013:

Transaction incidence with Related parties – Period 2013	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with correlated parties on entries in the Profit and Loss account			
Income from sales and services	48,286	277	0.6%
Service costs	(9,559)	(365)	3.8%
Labour costs	(34,502)	(701)	2.0%
Other administrative expenses	(2,022)	(1,122)	55.5%
B) Transaction or position incidence with correlated parties on entries in the Patrimonial situation			
Commercial credits and other credits	32,768	2	0.0%
TFR and pension funds	6,720	173	2.6%
Commercial debts	4,473	215	4.8%
Other debts	6,835	221	3.2%
C) Transaction or position incidence with correlated parties on financial flows			
Cashed dividends	163	163	100.0%

Returns with related parties mainly regarded the supply of services carried out for the company Xchanging (Euro 273 thousand), for the subsidiary Sicom S.r.l. (Euro 1.5 thousand) and for other related parties for the residual (Euro 3 thousand).

Service costs to related parties included the supply of services carried out by the subsidiary Sicom to the controlling company (Euro 107 thousand), remunerations to the members of the CAD IT Statutory Auditors (Euro 61 thousand) and those relating to translation and language training services supplied by a company partly owned by a CAD IT manager (Euro 154 thousand).

Labour costs with related parties include the remunerations (including contributions that are the responsibility of the company and accruals matured for deferred retributions) of company employees who are related or linked to Board Members of CAD IT and the remunerations of managers with strategic responsibilities.

The other administrative expenses relating to related parties concerned remunerations of directors of CAD IT and of directors of the other companies within the Group who are related or linked to them.

Credits to related parties were mainly made up of the controlling company's credits towards Sicom.

Debts to related parties were mainly made up of commercial debts, for services (Euro 215 thousand), debts towards employees for salaries and wages accrued (Euro 122 thousand) and severance pay (Euro 173 thousand), debts towards Board Members (Euro 96 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 table below shows the amounts and the incidence of relations with related parties in 2012.

Transaction incidence with Related parties – Period 2012	Total	Related Parties	
		Valore assoluto	% on Tot.
A) Transaction or position incidence with correlated parties on entries in the Profit and Loss account			
Income from sales and services	51,663	290	0.6%
Service costs	(9,526)	(569)	6.0%
Labour costs	(34,013)	(547)	1.6%
Other administrative expenses	(2,262)	(1,283)	56.7%
B) Transaction or position incidence with correlated parties on entries in the Patrimonial situation			
Commercial credits and other credits	28,687	100	0.3%
TFR and pension funds	6,784	140	2.1%
Commercial debts	3,803	224	5.9%
Other debts	7,307	317	4.3%
C) Transaction or position incidence with correlated parties on financial flows			
Cashed dividends	159	159	100.0%

38. Relations with administrative and auditing organs

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*.

39. Guarantees provided

In regard to credit lines granted to CAD IT by banking institutes and not used at 31/12/2013, the company has set up a capitalization warranty policy to the sum of Euro 2,305 thousand.

To guarantee the contractual fulfilments that the company has taken, bank suretyships or insurances have been provided to the sum of Euro 3,370 thousand towards customers and to Euro 262 thousand towards suppliers.

CAD IT has issued a comfort letter to the banking institute in reference to credit worthiness granted to the controlled company DQS S.r.l. amounting to Euro 2,250 thousand. To ensure the contractual fulfilments that the company and the Group have taken on for on going orders, have been given guarantees by CAD IT to Euro 4,225 thousand.

40. 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 and the Group's companies have 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 annual consolidated report was approved by the CAD IT S.p.A. Board of Directors on 13th March 2014.

41. Important events since 31/12/2013

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

For further information on the foreseeable development of company management, please refer to the specific paragraph in the management report.

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

1. The undersigned, Giuseppe Dal Cortivo, Chairman of the CAD IT S.p.A. Board of Directors, and Daniele Mozzo, 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 consolidated Financial Statement during the 2013 financial period.

2. Moreover, it is hereby declared that the Consolidated Financial Statement sheet:
 - a) has been drafted in accordance with the International accounting standards (IFRS) adopted and recognized by the European Union in conformity with EC regulation no. 1606/2002 of the European Parliament and Council of 19th July 2002;
 - b) corresponds to the results in the company books and accounting documents;
 - c) appropriately gives a true and correct representation of the patrimonial, economic and financial situation of the Company and the companies included in the consolidation.
3. The management report includes a reliable analysis of the management trend and result as well as the situation of the Company and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which the company is exposed.

Verona, 13 March 2014

/f/ Giuseppe Dal Cortivo
On behalf of the Board of Director
The Chairman

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



ATTACHMENT – INFORMATION IN ACCORDANCE WITH ART. 149-DUODECIES OF CONSOB ISSUER REGULATION

The following table, drafted in accordance with art. 149-duodecies of the Consob Issuer Regulation, shows the compensations regarding the 2013 financial period for auditing services and other services carried out by BDO S.p.A.; no services were carried out by entities belonging to its network.

<i>Type of service</i>	<i>Receiver</i>	<i>Subject that carried out the service</i>	<i>2013 financial period audit fees (in euro)</i>
Accounting audit	CAD IT S.p.A.	BDO S.p.A.	12,870
Accounting audit	Subsidiaries	BDO S.p.A.	49,393
Total			62,263

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 28.4.2006, which charged the audit company with the work.

**Auditor's report on the consolidated financial statements
in accordance with articles 14 and 16 of legislative decree n. 39 of 27 January 2010**
(This report has been translated from the original Italian text
which was issued in accordance with the Italian legislation)

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

1. We have audited the consolidated financial statements including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes, of CAD IT S.p.A. and its subsidiaries (the "CAD IT Group") as of and for the year ended December 31, 2013. These consolidated financial statements prepared 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. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present for comparative purposes prior year data. As explained in the explanatory notes to the consolidated financial statements, the Directors have re-presented comparative figures related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued an auditor's report dated March 18, 2013. These changes in comparative figures and related disclosures included in the explanatory notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion of the consolidated financial statements as of and for the year ended December 31, 2013.

3. In our opinion, the consolidated financial statements of CAD IT Group as of December 31, 2013 comply with International Financial Reporting Standards as adopted by European Union and the requirements of national regulations issued pursuant to art. 9 of legislative decree n. 38/2005; therefore, they are clearly stated and give a true and fair view of the financial position, the results of the operations and the cash flows of the CAD IT Group for the year then ended.
4. The Directors of CAD IT S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance and ownership structures, published in the investor relations section of CAD IT S.p.A. web site, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information provided by paragraph

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Roma, Torino, Verona

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Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 01795620150 - R.E.A. Milano 779346 - Iscritta all'Albo Speciale CONSOB delle Società di Revisione

BDO S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

1, letters c), d), f), l), m) and paragraph 2, letter b) of art. 123-bis of legislative decree n. 58/1998 included in the annual report on corporate governance and ownership structures, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information provided by paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of art. 123-bis of legislative decree n. 58/1998, included in the annual report on corporate governance and ownership structures, are consistent with the consolidated financial statements of CAD IT Group as of December 31, 2013.

Verona, March 21, 2014

BDO S.p.A.

Signed by:
Alfonso Iorio
(Partner)

CAD IT S.p.A.

Sede in Verona (VR) Via Torricelli, 44/a

Capitale sociale Euro 4.669.600,00 i.v.

Codice fiscale e numero iscrizione Registro Imprese di Verona 01992770238

Relazione del Collegio Sindacale all'assemblea degli azionisti

Signori Azionisti,

il bilancio consolidato di CAD IT S.p.A. dell'esercizio 2013, messo a vostra disposizione, rileva una perdita di periodo di 300 migliaia di euro attribuibile ai soci della controllante e un utile di pertinenza di terzi di 98 migliaia di euro. Il bilancio consolidato è composto dal Conto economico, dal Conto economico complessivo, dalla Situazione patrimoniale-finanziaria, dal Prospetto delle variazioni di patrimonio netto, dal Rendiconto Finanziario e dalle Note al bilancio.

Esso ci è stato comunicato nei termini di legge, unitamente alla relazione sulla gestione, e risulta redatto in conformità agli International Financial Reporting Standard (IFRS) e i provvedimenti emanati in attuazione dell'art. 9 D.Lgs. n. 38/2005.

I controlli sul bilancio sono stati effettuati dalla società incaricata della revisione BDO S.p.a., il cui giudizio senza rilievi è espresso nella relazione datata 21 marzo 2014.

Da parte nostra riferiamo quanto segue:

- a) il nostro esame è stato svolto tenendo conto dei principi di comportamento del Collegio Sindacale raccomandati dal Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili;
- b) l'area di consolidamento è invariata rispetto all'anno precedente;
- c) è stata accertata l'adeguatezza dell'organizzazione presso la capogruppo per quanto riguarda l'afflusso delle informazioni e le procedure di consolidamento;
- d) è stato accertato il rispetto dei principi di consolidamento e delle altre disposizioni previste dalle norme di legge ed in particolare per quanto riguarda la formazione dell'area di consolidamento e la data di riferimento dei dati;
- e) è stata accertata la corretta applicazione delle prescrizioni di cui ai principi contabili internazionali;
- f) l'iscrizione dei costi di sviluppo nell'attivo alla voce attività immateriali è avvenuta con il nostro consenso ai sensi dell'art. 2426 comma 1, n. 5, del codice civile;
- g) è stato accertato il rispetto degli obblighi di informativa sia in ordine al bilancio che in merito all'andamento della gestione. In particolare la relazione sulla gestione illustra in modo adeguato la situazione economica, patrimoniale e finan-

ziaria, l'andamento della gestione nel corso del 2013 e l'evoluzione dopo la chiusura dell'esercizio dell'insieme delle imprese oggetto di consolidamento; il Collegio Sindacale ritiene che la relazione sulla gestione del Gruppo sia coerente con il contenuto del bilancio consolidato .

Ciò premesso, a nostro giudizio, il bilancio consolidato esprime in modo corretto la situazione patrimoniale e finanziaria ed il risultato economico del Gruppo CAD IT per l'esercizio chiuso al 31 dicembre 2013, in conformità alla norme che disciplinano il bilancio consolidato.

Verona, li 21 marzo 2014

Il Collegio Sindacale

Riccardo Ferrari

Gian Paolo Ranocchi

Renato Tengattini



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