



CAD IT S.p.A.

Consolidated Financial
Statements at
31 December 2015

*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 31/12/2015

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

GIULIA DAL CORTIVO
Managing Director

MAURIZIO RIZZOLI ⁽²⁾
Director

THOMAS BURKHART
Director

LAMBERTO LAMBERTINI ⁽²⁾
Director and lead independent director

ALESSANDRA PEDROLLO ⁽²⁾
Independent Director

GIAN PAOLO TOSONI
Independent Director

STATUTORY AUDITORS ⁽¹⁾

CHIARA BENCIOLINI
Chairman

GIAN PAOLO RANOCCHI
Statutory Auditor

RENATO TENGATTINI
Statutory Auditor

AUDITORS: PKF ITALIA S.p.A.

- (1) Appointed on 29 April 2015; office expires with the shareholders' meeting for the approval of the 2017 financial statements.
 (2) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.

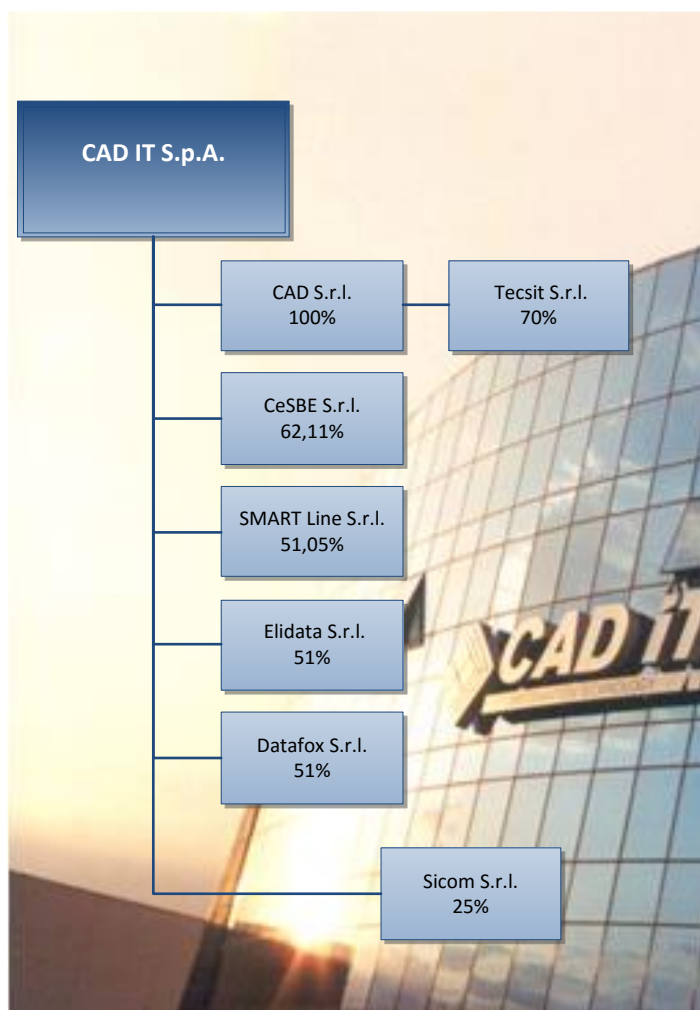
The main powers reserved in the statute to the Board of Directors are the examination and approval of the strategic, industrial and financial plans of the company; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of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

The Managing Director Giulia Dal Cortivo has been delegated to matters concerning the management of the Company's employees as well as the employees of its subsidiaries CAD Srl, Cesbe Srl, Datafox Srl and Smart Line Srl; the Managing Director, Giulia Dal Cortivo, has also been entrusted with the management - as the person in charge - of CAD IT Group's legal and corporate affairs and company secretarial and administrative matters.



CAD IT Group at 31/12/2015

DIRECTORS' REPORT ON OPERATION

This management report is an integral part of CAD IT S.p.A.'s consolidated financial report at 31st December 2015 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 2015 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 main operating offices are in Via Torricelli 44/a, Verona. The company is registered in the Verona Company Register under no. 01992770238. Share capital amounts to € 4,669,600, fully subscribed and paid-in, and comprises 8,980,000 ordinary shares. There are no other action categories. These shares are nominal and cannot be divided. Each of them entitles to one vote in the ordinary and extraordinary meetings of the company and to the execution of all other corporate and property rights in accordance with the law and the company's by-laws.

The company is listed in the STAR segment of MTA market of the Italian stock exchange, segment conceived for mid size companies that voluntarily comply with requirements of excellence in terms of information transparency, communication, liquidity of free float and Corporate Governance, in line with best international standards.

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

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

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 1,000 organisations with their essential

tasks in Italy, Switzerland, Germany, UK and the Czech Republic.

... operating through a dedicated company network

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

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

CAD IT has proven and functionally-rich technology solutions and offers its customers true expertise in technology. With the gained experience and consistent R&D in technology design and application development, the group has the expertise to build reliable, user-friendly and highly scalable application architecture.

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

... combining with a comprehensive set of services

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

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

... and a laser focus on customer service

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

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

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

Its main purpose is:

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

... innovating together with a wide network

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

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

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

... offering constant improvement

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

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

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

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

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

FINANCE

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

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

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

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

Within Europe, our application statistics for Area Finanza include:

- 1,000 financial institutions;
- 25,000 bank branches;
- 14,000 post office branches;
- 200,000 users;
- 25,000,000 security deposit accounts.

PUBLIC ADMINISTRATION

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

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

Activity in this sector began in the 1980s and has been developed by constantly keeping up with the legal and

functional evolutions in the management of both "voluntary" and "compulsory" tax collection.

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

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

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

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

INDUSTRY

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

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

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

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

Hot topics

FINANCE DIVISION

EMIR: Reporting Compliance for Derivative Trades

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

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

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

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

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

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.

SOS

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

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

CAD IT's SOS system aims at making it easier to collect and integrate the data required for executing an alert by providing access to external files such as General Data, the Single Computerised File and the "unexpected" lists in the "Gianos" procedure.

An alert follows a route that generally starts from the branch in which the minimal data is collected, then goes to the central offices responsible for inserting other additional elements and ends with the production of files in the XBRL format, ready to be sent to the UIF.

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

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.

BitFinder

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

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

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

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

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

Intelligo

Intelligo is a massively multi-lingual CMS (Content Management System), designed to provide total separation between the contents and their typographic or multi-media presentation. In order to manage structural and graphic aspects, it can operate in combination with the most common open source CMSs (WordPress, Drupal, Joomla). Moreover, it allows the contents themselves to be further enriched with semantic tags and micro-data according to Schema.org and RDF standards.

The content in Intelligo is pure in that it is free of font, colour or capital letters, as is its translation in one or more languages, and is a value since it can be re-used and given significance. This characteristic will provide the basis for publishing and websites in the future (multi-media publishing and semantic web), but it is now already possible to take advantage of the potential in SEO terms with Google, thus obtaining better search positioning and more effective snippets for our own web pages. Furthermore, being able to re-use "meaningful sentences" can lead to significant savings in translation costs.

Viewing the contents in Intelligo is controlled by rules that allow articles to be personalised according to user profiles, business policy management, regulations and laws, by means of an interpretation engine applied to user questionnaires.

Local Authority Treasuries

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

PUBLIC ADMINISTRATION DIVISION

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

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

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

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

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

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

INDUSTRY DIVISION

In the period collaboration activities with INFOR were continued.

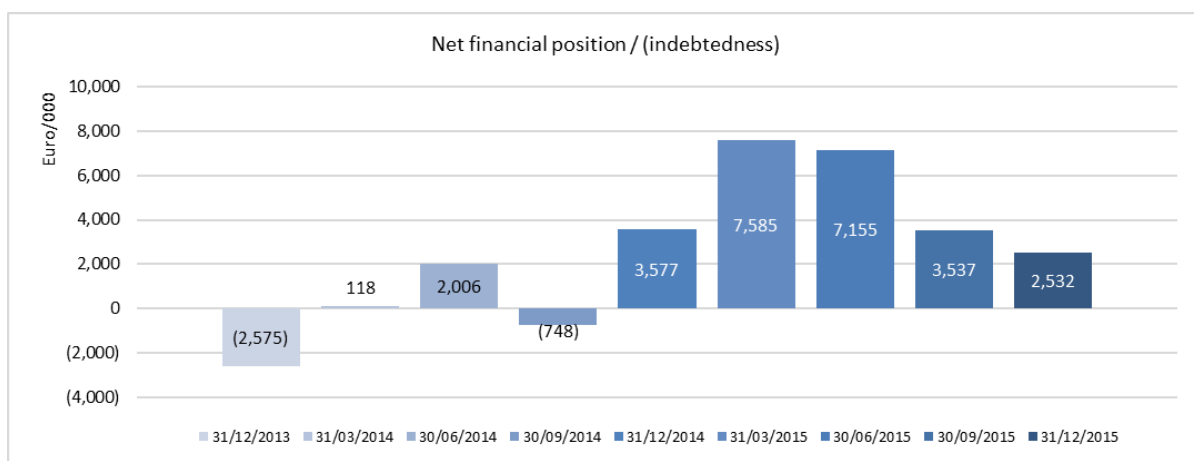
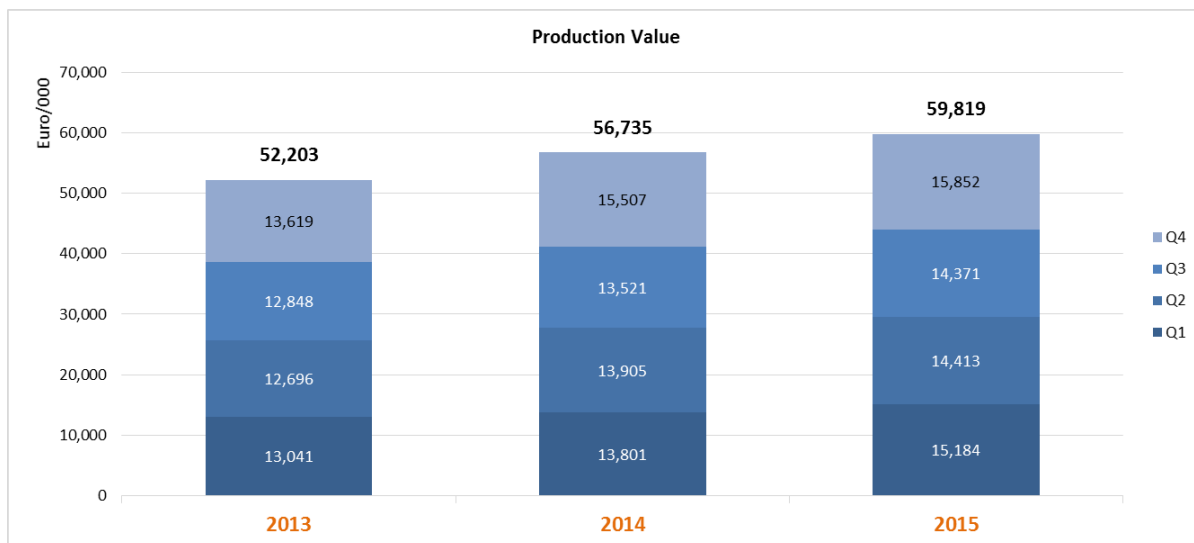
This year once again saw CAD IT alongside VENISTAR in sponsoring the "FashionAble World 2015" event that was held in Padua from March 31st to April 1st 2015: the theme chosen for the event was "Digital transformation: from the sociality of art to digital culture". In an increasingly more competitive and highly changing environment, FashionAble World 2015 represented a great opportunity for CEOs, CIOs, Marketing Managers, eCommerce Managers and those in charge of Innovation and Digital to speak and compare opinions on the theme of digital transformation, a topic that has now become imperative for every organisation and company that intends to expand its business.

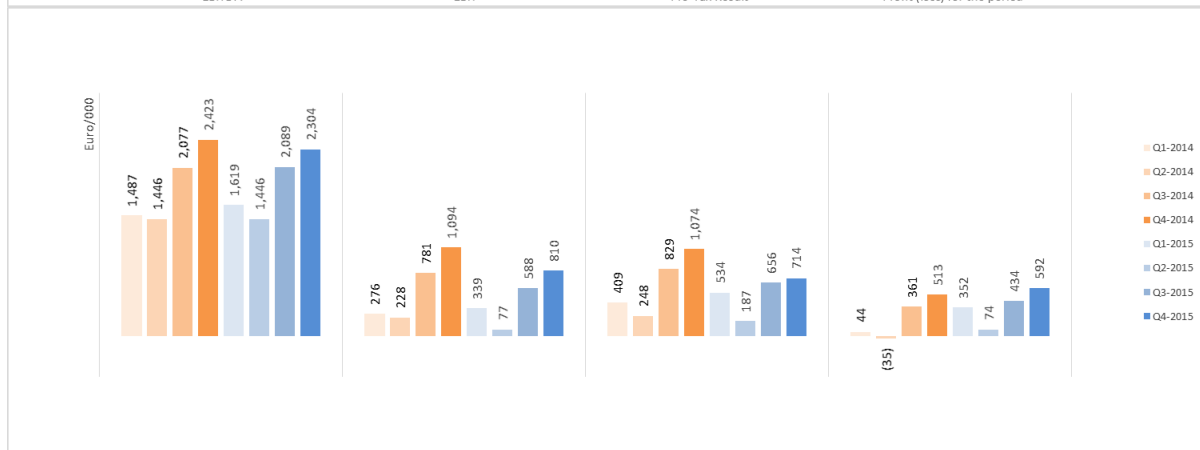
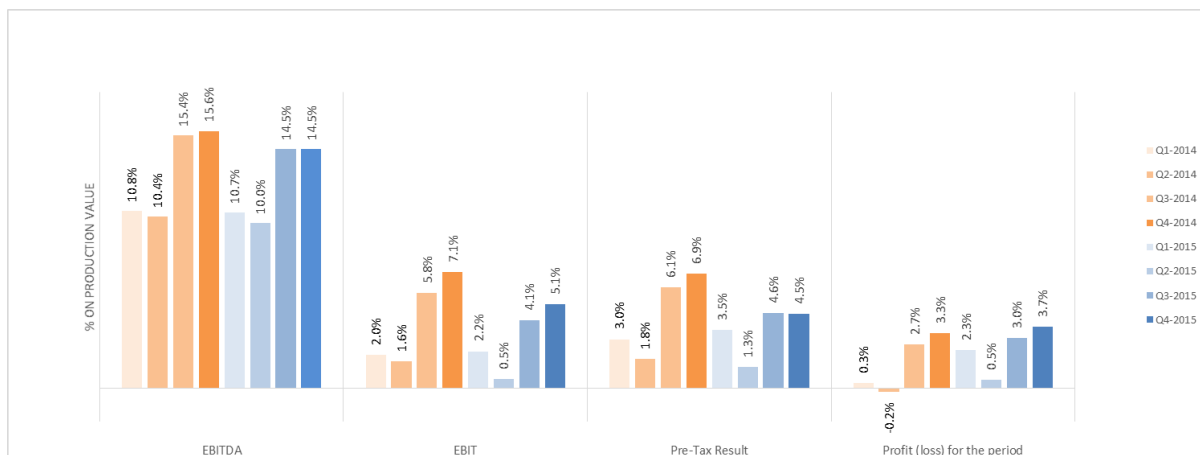
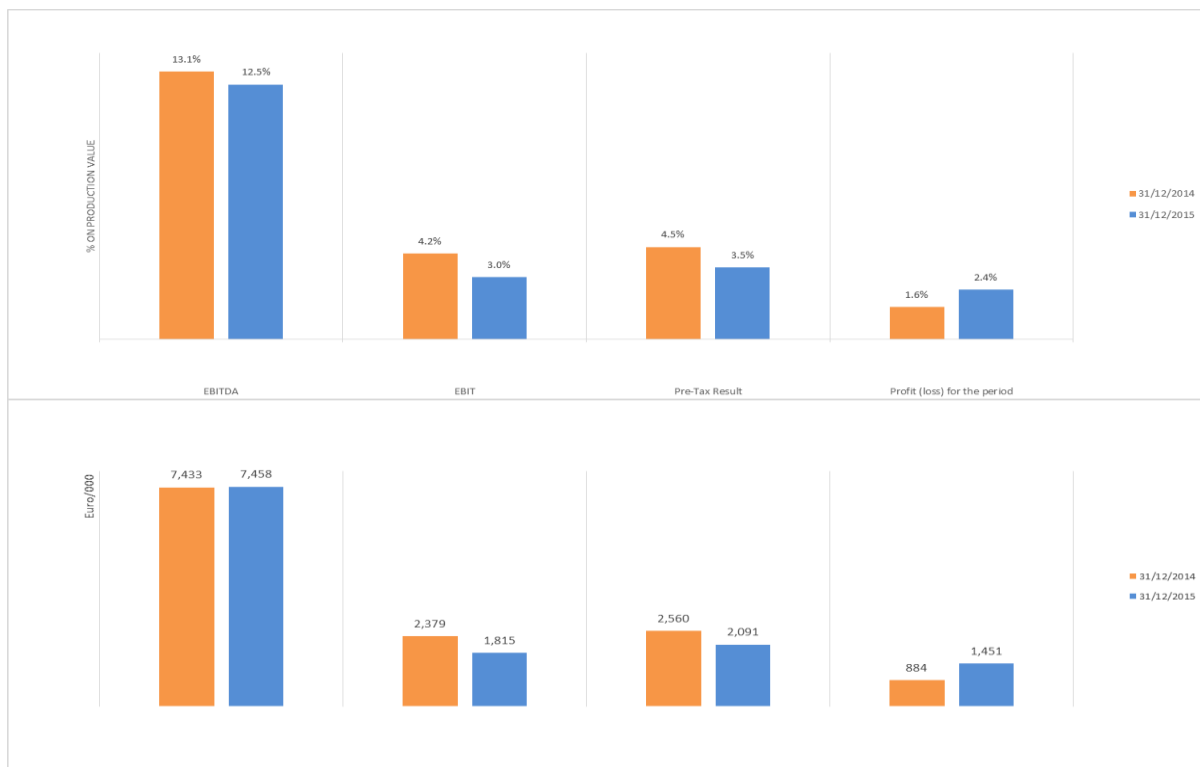


Summary of the Group results

	Period 2015		Period 2014		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Production value	59,819	100.0%	56,735	100.0%	3,084	+ 5.4%
Added value	45,978	76.9%	44,395	78.3%	1,583	+ 3.6%
Gross operational result (EBITDA)	7,458	12.5%	7,433	13.1%	25	+ 0.3%
Operational result (EBIT)	1,815	3.0%	2,379	4.2%	(564)	- 23.7%
Pre-tax result	2,091	3.5%	2,560	4.5%	(469)	- 18.3%
Income taxes	(640)	(1.1%)	(1,676)	(3.0%)	1,036	+ 61.8%
Profit /(loss) for the period	1,451	2.4%	884	1.6%	568	+ 64.2%
Profit/(loss) for the period attributable to Owners of the parent	1,123	1.9%	641	1.1%	482	+ 75.1%
Total comprehensive income	2,253		(392)		2,645	+ 674.8%
Total Comprehensive income attributable to Owners of the parent	1,832		(519)		2,350	+ 453.1%

	31/12/2015	31/12/2014
Total Assets	83,849	83,671
Total Equity	56,023	55,041
Equity attributable to Owners of the parent	53,491	52,831
Net short-term financial position/(indebtedness)	4,792	3,577
Net financial position/(indebtedness)	2,532	3,577
Employees at the end of the period (number)	644	621
Employees: average number in the period	630	614





Consolidated income results analysis

	Period 2015		Period 2014		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	55,728	93.2%	52,973	93.4%	2,755	5.2%
Asset increases due to internal work	3,856	6.4%	3,493	6.2%	362	10.4%
Other revenue and receipts	235	0.4%	268	0.5%	(33)	(12.2%)
Production value	59,819	100.0%	56,735	100.0%	3,084	5.4%
Purchase costs	(389)	(0.7%)	(538)	(0.9%)	149	27.7%
Service costs	(12,437)	(20.8%)	(10,819)	(19.1%)	(1,618)	(15.0%)
Other operational costs	(1,015)	(1.7%)	(983)	(1.7%)	(32)	(3.3%)
Added value	45,978	76.9%	44,395	78.3%	1,583	3.6%
Labour costs	(36,206)	(60.5%)	(35,004)	(61.7%)	(1,202)	(3.4%)
Other administrative expenses	(2,314)	(3.9%)	(1,957)	(3.5%)	(357)	(18.2%)
Gross operational result - EBITDA	7,458	12.5%	7,433	13.1%	25	0.3%
Allocation to fund and credit depreciation	(169)	(0.3%)	(87)	(0.2%)	(81)	(93.1%)
Intangible fixed asset amortization	(4,981)	(8.3%)	(4,517)	(8.0%)	(464)	(10.3%)
Tangible fixed asset amortization	(494)	(0.8%)	(450)	(0.8%)	(44)	(9.7%)
Operational result - EBIT	1,815	3.0%	2,379	4.2%	(564)	(23.7%)
Financial income	130	0.2%	67	0.1%	63	94.4%
Financial expenses	(33)	(0.1%)	(66)	(0.1%)	33	50.5%
Ordinary result	1,912	3.2%	2,380	4.2%	(468)	(19.7%)
Revaluations and depreciations	179	0.3%	180	0.3%	(1)	(0.5%)
Pre-tax result	2,091	3.5%	2,560	4.5%	(469)	(18.3%)
Income taxes	(640)	(1.1%)	(1,676)	(3.0%)	1,036	61.8%
Profit/(loss) for the period	1,451	2.4%	884	1.6%	568	64.2%
Profit/(loss) for the period attributable to:						
Non-controlling interests	329	0.5%	243	0.4%	86	35.4%
Owners of the parent	1,123	1.9%	641	1.1%	482	75.1%
Weighted average number of ordinary shares outstanding	8,980,000		8,980,000			
Basic earnings per share (in €)	0.125		0.071			

The CAD IT Group closed 2015 financial period with a profit attributable to owners of the parent of Euro 1,123 thousand, a significant improvement (+75.1%) compared to Euro 641 thousand of the period 2014. The improvement in net income is mainly due to the profitability margins maintenance and to the reduction in the incidence of taxes.

The value of production for the period was mainly due to revenues from sales and services reaching Euro 55,728 thousand (+5.2% compared to Euro 52,973 thousand in 2014).

Increases in internal work capitalized under fixed assets, for the use of resources to develop new procedures and the Group's own software park, amounted to Euro 3,856 thousand, increasing compared to the Euro 3,493 thousand in 2014.

The other revenues and equivalent earnings, which came to Euro 268 thousand in 2014, stood at Euro 235 thousand.

The added value of Euro 45,978 thousand increased by 3.6% compared to Euro 44,395 thousand of 2014, with a marginality of 76.9% on the value of production (78.3% in 2014).

Purchase costs to the value of Euro 389 thousand showed a decrease compared to Euro 538 thousand of 2014. Service costs amounted to Euro 12,437 thousand increased by 15.0% compared to Euro 10,819 thousand of 2014, mainly due to the increased use of external collaborations dedicated to the activities on customers.

Labour costs of the year of Euro 36,206 thousand, recorded an increase compared to Euro 35,004 thousand of previous year. The average number of employees of the year was 630 units, compared to 614 units in 2014. The increase in labour costs compared to the previous year, is mainly due to the increase in the average number of employees and to the application of increases in contractual remunerations, and to a lesser extent to the increase of working overtime and the reduction of use vacation.

Other administrative costs came to Euro 2,314 thousand, increasing compared to Euro 1,957 thousand in 2014. The EBITDA Gross Operational Result stood at Euro 7,458 thousand (equal to 12.5% of the value of production) compared to Euro 7,433 thousand of previous year (equal to 13.1% of the value of production).

Amortization contributions for the period stood at Euro 4,981 thousand in regard to intangible assets and Euro 494 thousand for tangible assets, compared to Euro 4,517 thousand and Euro 450 thousand in the same period 2014. 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 1,815 thousand, decreasing compared to Euro 2,379 thousand in the previous year.

The result of the financial management recorded financial earnings and expenses for Euro 130 thousand and Euro 33 thousand respectively, compared to Euro 67 thousand and Euro 66 thousand of 2014.

The Ordinary Result was in credit by Euro 1,912 thousand compared to Euro 2,380 thousand in 2014.

The revaluation and devaluation result was in credit for Euro 179 thousand, substantially unchanged compared to 2014 (Euro 180 thousand). The revaluations of the period refer to the share of profit of associate company, calculated with the net patrimony method, which generated a Euro 179 thousand revaluation.

The consolidated pre-tax result of 2015 amounted to Euro 2,091 thousand equal to 3.5% of the value of production, showing a decrease of Euro 469 thousand compared to Euro 2,560 thousand of 2014, equal to 4.5% of the related value of production.

Income taxes amounted to Euro 640 thousand, equal to 30.6% of pre-tax result, compared to Euro 1,676 thousand in the 2014 financial period (65.5% of pre-tax result).

The significant reduction in taxes is due to the reduction in the incidence of the IRAP, starting from the 2015 period, as a result of regulatory changes introduced by Law 190/2014 (Stability Law 2015) which provide for the deductibility of labor costs related to employees with permanent contracts, which represent the majority of employment contracts of the Group and to the decrease of deferred taxes as a result of the IRES rate reduction from 27.5% to 24% as provided for by the Stability Law 2016 (measure operating with effect from the tax year 2017).

The result attributable to CAD IT owners was positive for Euro 1,123 thousand, compared to Euro 641 thousand in the previous year, net of the result for third party accruals of Euro 329 thousand (Euro 243 thousand in 2014).

The total result for the 2015 financial period was positive for Euro 2,253 thousand, of which Euro 1,832 thousand attributable to CAD IT owners and Euro 422 thousand attributable to third parties, compared to a total loss of Euro 392 thousand in 2014 financial period, of which Euro 519 thousand attributable to CAD IT owners and a profit of Euro 127 thousand attributable to third parties.

The total result includes the actuarial gain on liabilities for defined benefit for employees, of Euro 802 thousand.

The Group's Net Financial Position at 31/12/2015 was in credit by Euro 2,532 thousand, a decrease compared to Euro 3,577 thousand at 31/12/2014.

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		2015	2014	2013
Primary structure margin	<i>Shareholders' equity – Non current assets</i>	9,099	8,456	7,801
Primary structure quotient	<i>Shareholders' equity / Non current assets</i>	1.19	1.18	1.16
Secondary structure margin	<i>(Shareholders' equity + Non current liabilities) – Non current assets</i>	21,324	19,614	17,665
Secondary structure quotient	<i>(Shareholders' equity + Non current liabilities) / Non-current assets</i>	1.45	1.42	1.37

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

Financing structure indexes		2015	2014	2013
Total debt quotient	<i>(Non current Liabilities + Current liabilities) / Shareholders' equity</i>	0.50	0.52	0.56
Financial debt quotient	<i>Financing liabilities / Shareholders' equity</i>	0.07	0.04	0.11

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		2015	2014	2013
Net ROE	<i>Net result/Average Shareholders' equity</i>	2.61%	1.60%	-0.35%
Gross ROE	<i>Gross result/Average Shareholders' equity</i>	3.77%	4.63%	1.25%
ROI	<i>Operational result/(Invested operating capital – Average operational liabilities)</i>	3.05%	4.22%	0.70%
ROS	<i>Operational result/Sales income</i>	3.26%	4.49%	0.89%

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		2015	2014	2013
Availability margin	<i>Current assets – Current liabilities</i>	21,324	19,614	17,665
Availability quotient	<i>Current assets / Current liabilities</i>	2.37	2.12	1.84
Treasury margin	<i>(Deferred liquidity + Immediate liquidity) – Current liabilities</i>	20,954	18,997	17,369
Treasury quotient	<i>(Deferred liquidity + Immediate liquidity) / Current liabilities</i>	2.34	2.09	1.82

The short-term situation

Overall the 2015 World trade growth has weakened and the global outlook remains subject to downside risks: in fact, prospects are improving slightly in the advanced economies, however, they remain uncertain in China and in

the other emerging economies, curbing the growth of global trade. In the third quarter economic activity in the main advanced countries outside the euro area was stronger than expected in the United States (2.0 per cent on an annualized basis) and in Japan (1.0 per cent), and somewhat below expectations in the United Kingdom (1.8 per cent). The latest indicators suggest that the expansion continued in the fourth quarter, despite signs of a slowdown in manufacturing in the United States. The economic situation in the main emerging economies remains weak overall, with highly disparate trends across countries. In China, at the beginning of the year, the disappointing performance posted by the manufacturing PMIs helped reignite fears from last summer of a sharper slowdown in the economy over the coming months.

Oil prices turned weaker in December; by the end of the first ten days of January they had fallen below the lowest level seen since 2008, to around \$32 a barrel. Consumer price inflation remained very low in all the main advanced economies.

Growth in the euro area continues but remains frail. The rapid weakening of the impetus from exports has been gradually compensated so far by the positive contribution of internal demand, but risks to economic activity stem from the uncertainty concerning developments in the world economy and the geopolitical situation. In the third quarter of 2015 the GDP of the euro area increased by 0.3 per cent compared with the previous quarter, driven by internal demand. Inflation remains very low, owing in part to the fall in oil prices.

In Italy the recovery is proceeding gradually. The boost from exports has weakened; after supporting activity in the last four years, foreign sales are now being curbed, as in the rest of the euro area, by the drop in demand outside Europe. Exports are being gradually replaced by domestic demand, especially consumption and inventory restocking. The favourable conditions in manufacturing are being flanked by signs of an expansion in services and, following a protracted recession, of stabilization in the construction sector. Investment prospects remain uncertain, however. The latest available data suggest that in the fourth quarter GDP recorded a further increase of 0.2 per cent, similar to that of the third.

The leading indicators suggest that the recovery will strengthen in the early part of the year.

The unemployment rate fell in the third quarter to 11.7 per cent, the lowest level reported since the end of 2012. The rate declined even further in October-November.

Regarding Italian banking system, according to consolidated quarterly reports, in the first nine months of 2015 the profitability of the five largest banking groups, while continuing to be low, improved with respect to the same period of the previous year. ROE, calculated on an annual basis, rose to 5.5 per cent, compared with 2.5 per cent in the year-earlier period. The improvement stemmed mainly from the 7.5 per cent growth in fee income, mostly in connection with asset management, and from the 24.0 per cent decrease in loan loss provisions. Gross income rose slightly by 1.8 per cent, while operating costs remained basically stable; as a result, the cost-income ratio came down from 63.0 to 62.2 per cent. Operating profit rose by 4.1 per cent.¹

After years of crisis, the Italian digital market (IT, telecommunications and digital content) has at last taken a growth upturn. Within the space of one year, it increased from -1.4% in 2014 to +1.5% in the first six months of 2015 and the forecast for the entire year of 2015 is for a recovery from 1.1% to 1.3%. This change of route can be highlighted by comparing the six-monthly figures: the current +1.5% against last year's -3.1%. This growth, although contained, not only marks a break in the negative trend that has been ongoing for years, it also contributes to adjusting the recovery estimated for the entire year of 2015: from 1.1% in spring last year to 1.3%, to a value of 65,100 million. Even from a first level analysis, the figures indicate that every division has contributed to the recovery, including network services, which fell by 9.2% in the first six months of 2014 due to the tendency to drop fees, thus dragging the entire market towards cost lowering. However, the stabilisation of this component, which counts for one third of the entire digital market (11,980 million) has not halted the growth of the others: ICT Services at 5,096 million (+0.3% compared to -2.4 in the previous year); Software and ICT Solutions at 2,732 million (+4.5%), Devices and Systems at 8,275 million (+0.5%), Digital Content and Digital Advertising at 3,500 million (+9.3%).

On the whole, the software and ICT solutions division, which was already recovering last year, has shown even greater vivacity by reaching 2,732 million (+4.5%) at the half-year stage. Here too, the signs of ongoing transformation are evident. In fact, application software assets have grown (1,900 million, +5.8%) and more so in

¹ Data source: Banca D'Italia, Economic Bulletin no. 1, January 2016.



the area of the most innovative components: web management platforms (138 million, +15%,) and IoT (for manufacturing, energy management, the automobile industry, etc., +16.7% to 700 million), which have more than compensated for the drop in traditional application solutions (-1.2% to 1,062 million, whose dynamics are, nevertheless, still improving compared to the first six months of last year). System software has slowed down slightly (-1.2% to 247 million due to the effect of a slackening in hardware sales). Middleware, on the other hand, is going well (585 million, +2.6% compared to +1.1% in the first 6 months of 2014), confirming the constant and growing demand for innovative solutions for the integration, security and optimal use of IT resources.

A highly encouraging note comes from ICT services, in second place behind network services in terms of overall digital market weight. The resulting growth, although contained (+0.3% at 5,096 million), marks the end of a negative trend that had lasted for years and that shows all the signs of an emergence of new and more evolved spending and investment trends. In fact, the division is being towed along by data centre and cloud computing services (+12.3% at 869 million) which compensate the slight inclination towards a fall in all the other segments (outsourcing -1.2%, training -3.6%, consultancy -1.6%, technical assistance -1.7%, application development and system integration -1.9%), which are more exposed on the traditional ICT front although still involved in the ongoing transformation.²

Significant events of the period

In April was signed a contract with Banca Mediolanum for the development of the new "Commission" application. Developed on a highly innovative, cutting-edge technological platform, the product will calculate the remuneration of the Bank's Sales Network promoters. The project follows CAD IT's activities in creating the "Raccolta Netta Unificata" (Unified Net Collection) application. The contract, which includes design services for application development and the relative Application Management services, implies a total value of over 2 million Euros. The expected duration is until the end of 2017. CAD IT thus consolidates its position as a leading player in a rapidly expanding market segment such as "Commissioning" for promoter networks and adds Banca Mediolanum to its list of other important references, like Banca Fideuram.

On 29th April 2015, the Ordinary Shareholders' Meeting approved the Annual Financial Statements at 31st December 2014 and decided the distribution of an ordinary dividend of Euro 0.13 per share. The dividend will be paid from 13th May 2015. Dividend payment resulted in a cash outlay of Euro 1,167 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), has nominated the Board of Directors and the Board of Auditors, whose office will expire with the shareholders' meeting for the approval of the 2017 financial statements, determining their remuneration and has appointed accounts auditor for the years 2015-2023 the company PKF Italy SpA, determining their remuneration.

In June CAD IT signed a contract with Cornèr Banca SA, a Swiss private bank, for the sale of its "Finance Area web 2.0" software platform, thus entering into the Swiss market. Cornèr Banca has decided to purchase the entire "Finance Area web 2.0" front-to-back suite. In fact, the new release offers total automation, cross asset and cross business, of every process relating to the management of financial instruments, from front office (cash-desk functions, trading desk, order management, know your customer) to back office (position keeping, settlement, custody, corporate actions, repo and collateral). "Finance Area web 2.0" will provide Cornèr Banca with the total management of large volumes of data in real time, supporting multi-channel, multi-browser, multi-language, multi-currency and multi-bank configuration. This high level of complexity is typical of a banking group like Cornèr Banca, which includes extremely variable and articulate needs. The project, which will terminate on 31st December 2016, foresees the user-licence supply of the afore-mentioned platform and the relative specialised services required for its integration and start-up, as well as the relative maintenance service. The importance of this contract goes beyond the impact on revenues as it represents CAD IT's entry in a new market. Following Italy, Germany, England, Czech Republic and Luxembourg, "Finance Area" will be also used in Switzerland, opening up further growth opportunities for CAD IT Group.

² Assinform: ICT Data 2015 and Data Preview 2016

In the course of 2015 were intense activities related to projects TARGET2-Securities (T2S), the new technical platform for settlement of securities transactions whose launch in Europe will be made gradually over the course of about two years, and started from 31 August 2015 in Italy; CAD IT launched onto market its new release EasySET platform for the total management of the settlement process. Target 2 Securities (T2S) is causing a profound change within the financial market institutions such as Banks, Custodians and CSDs (Central Securities Depositories). T2S will eliminate the differences between domestic and cross-border settlement and will lead to the progressive removal of national specifications, thus reducing settlement activities to a mere utility, forcing a clear separation from custody activities. This extraordinary development in the Old Continent's financial system means that the various domestic financial markets will need to adapt their information technology systems. CAD IT, with the new release of "EasySET", its own settlement platform, supports Financial Institutions in adjusting to the changes deriving from T2S, both as a DCP (directly connected participant) and an ICP (indirectly connected participant), as well as through Global Custodians.

Moreover, Monte Titoli has awarded EasySET conformity certification to the MT-A2A protocol for access to the Monte Titoli X-TRM service in the Target 2 Securities (T2S) version.

In its new release for "T2S", EasySET originates from CAD IT's decades-long experience in settlement management for the Banks' back office and is a modern platform for managing the administration of the entire settlement process that is able to support the management of all the market, counterparty, custodian, ICSD (International Central Securities Depository) and CSD (Central Securities Depository) regulations.

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

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.

2015 saw 15 thousand hours taken up by training (12 in 2014) to support operational activities and professional development, with the involvement of 607 resource units (469 in 2014) and an average of 24 hours of training per resource unit (compared to 25.5 hours in 2014). 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

CAD IT Group dedicates a significant part of its activities and resources to develop and create their own software, which will either be licensed out to clients or directly used for product development and the provision of service to its customers.

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

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

An important development project concerns the evolution of the *Suite Area Finanza*, made up of independent and



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

Also the following modules are evolving:

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

Investments are still being ploughed into the innovation and extension of specialized modules for financial insurance management whose area covers all processes relating to company investment management from front to back office.

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

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

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

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

Investments

Investments in tangible and intangible fixed assets made by the consolidated companies during the period amount to Euro 5,729 thousand, compared to Euro 3,769 thousand during 2014 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 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.

Summary of investments	Period 2015	Period 2014	Variations
Intangible fixed assets	165	56	109
Intangible assets under development and payments on account	3,856	3,493	362
Property, Plant and equipment	1,708	220	1,488
Total investments in tangible and intangible fixed assets	5,729	3,769	1,960



The increase in property, plant and equipment is primarily related to the purchase of an instrumental property (offices used for the activity) by a subsidiary.

Related parties transaction

Transactions made with third parties, including infra-group transactions, are neither atypical or unusual since these transactions are a normal procedure within the activities of the Group's companies. The same 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 and subsequent integrations, 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.	18,762	1,884	3	-	2,849	16,102
CAD S.r.l.	1,185	12,339	-	-	9,961	2,403
CeSBE S.r.l.	778	3,244	-	3	4,674	727
Smart Line S.r.l.	118	1,574	-	-	1,272	-8
Elidata S.r.l.	55	1,498	-	-	649	35
Datafox S.r.l.	45	405	-	-	346	48
Tecsit S.r.l.	1	-	-	-	-	445
Total	20,944	20,944	3	3	19,751	19,751

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.³

	<i>Net patrimony</i>	<i>Result of period</i>
Net patrimony and result of the controlling company for the period concerned	54,610	917
Difference between the entry value of the consolidated holdings and the pro quota value of the net patrimony	(8,811)	
Pro quota results of the subsidiary/associate holdings	576	576
Goodwill/Consolidation difference	8,309	
Subsidiary/associate dividend elimination		(327)
Infra-group margin elimination	(1,561)	(51)
Assessment of associate holdings with net patrimony method	368	8
Total net patrimony and consolidated result of period	53,491	1,123

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.

³ In accordance with Consob communication no. 6064293 of 28 July 2006.

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. 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.

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 capitalization 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.

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.

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 27001:2014 norm, for the management activities of information and data relating to software solution development activities, maintenance, customisation, integration, application management, consultancy and training in the banking, finance, insurance, industry and public administration sectors;
- **Health and Safety Management System**, in conformity with the UNI/INAIL Guidelines (September 2001

edition) implemented according to the “lavorosicuro” Guidelines (Confindustria Veneto/INAIL) and validated in November 2009 and confirmed in April 2014.

During 2015, 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

The projections released in November by the OECD forecast a gradual acceleration in global economic activity this year and next. However, the growth projections for 2016 were revised downwards compared with previous figures, particularly for Japan, Russia and Brazil. The professional forecasters predict a strengthening of the economic recovery in Italy, based on the assumption that the weaker stimulus provided by foreign trade as a result of the global economic slowdown will be replaced by a greater contribution on the part of domestic and euro-area demand. GDP growth was moderate in 2015 and will strengthen in 2016-17; overall, GDP should expand by 1.5 per cent in 2016 and continue to grow at a similar pace in 2017. Inflation forecasts have been revised down by about 0.8 percentage points for 2016, mainly owing to the drop in the prices of energy raw materials. The risks for growth are predominantly on the downside. A larger than expected slowdown in world trade could have repercussions on domestic demand as well if increased uncertainty about export growth were to lead to more cautious decision-making regarding investment.⁴

In response to the current general situation the Board of Directors has placed maximum attention on market needs in order to lead the Group’s management and development strategies in the right direction and to maintain high levels of efficiency so that favourable economic results can be achieved in the future. The success of the Group’s activities will therefore depend on its ability to maintain and increase the shares it has in the markets in which it currently operates and/or to further expand into other markets and segments (like insurance, public administration, foreign financial institutions) through new and high standard, quality products that would guarantee adequate income levels.

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

The Group is also continuing to pursue its efforts to expand towards the European and international markets, which could be favoured by the optimal references it has obtained from its existing foreign customers and by the internationalization procedures for which the large Italian banking groups are advocating.

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

The increase in the Group’s activities resulting from expansion in to Europe and the acquisition of a greater market share in Italy 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 expects that positive results can still be achieved, considering activities and actions already developed and those planned in

⁴ Data source: Banca D’Italia, Economic Bulletin no. 1, January 2016



the development plans of the company and of the Group.

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	31/12/2015		31/12/2014	
		Total	of which related parties	Total	of which related parties
Income from sales and services	3	55,728	14	52,973	15
Asset increases due to internal work	3 - 15	3,856		3,493	
Other revenue and receipts	3	235		268	
Purchase costs	5	(389)		(538)	
Service costs	6	(12,437)	(1,512)	(10,819)	(873)
Other operational costs	7	(1,015)		(983)	
Labour costs	8	(36,206)	(660)	(35,004)	(828)
Other administrative expenses	9	(2,314)	(1,405)	(1,957)	(1,230)
Allocation to fund and credit depreciation		(169)		(87)	
Intangible fixed asset amortization	15	(4,981)		(4,517)	
Tangible fixed asset amortization	14	(494)		(450)	
Financial income	10	130		67	
Financial expenses	10	(33)		(66)	
Revaluations and depreciations	11	179		180	
Pre-tax result		2,091		2,560	
Income taxes	12	(640)		(1,676)	
Profit/(loss) for the period		1,451		884	

Profit/ (loss) for the period attributable to:

Non-controlling interests		329		243	
Owners of the parent		1,123		641	

Weighted average number of ordinary shares outstanding		8,980,000		8,980,000	
Basic earnings per share (in €)	13	0.125		0.071	

Consolidated statement of comprehensive income

(in thousands of Euro)

	Period 2015	Period 2014
Profit (loss) for the period	1,451	884
Other comprehensive income that will not be reclassified subsequently to profit or (loss)		
Actuarial gains/(losses) on defined benefit liabilities net of tax effects	802	(1,276)
Other comprehensive income that will be reclassified subsequently to profit or (loss)		
Gains/(Losses) on fair value of available-for-sale financial assets	-	-
Reclassification adjustments: gains realized on disposal of available-for-sale	-	-
Total comprehensive income (loss)	2,253	(392)
Comprehensive income (loss) attributable to:		
- Non-controlling interests	422	127
- Owners of the parent	1,832	(519)

Consolidated Statement of financial position

(in thousands of Euro)

	Notes	31/12/2015		31/12/2014	
		Total	of which related parties	Total	of which related parties
ASSETS					
A) Non-Current Assets					
Property, plant and equipment	14	18,426		17,213	
Intangible assets	15	18,723		19,683	
Goodwill	16	8,309		8,309	
Investments	17	371		363	
Other non-current credits		291		251	
Credits due to deferred taxes	18	804		766	
TOTAL NON-CURRENT ASSETS		46,923		46,585	
B) Current Assets					
Inventories	19	16		49	
Ongoing orders		-		-	
Trade receivables and other credits	20	28,859	0	29,616	14
Tax credits	21	1,440		1,835	
Cash on hand and other equivalent assets	22-35	6,610		5,586	
TOTAL CURRENT ASSETS		36,925		37,086	
TOTAL ASSETS		83,849		83,671	
EQUITY AND LIABILITIES					
A) Equity					
Company capital	23	4,670		4,670	
Reserves	24	35,246		35,246	
Accumulated profits/losses	25	13,575		12,915	
Issued capital and reserves attributable to owners of the parent		53,491		52,831	
Capital and reserves of third parties	23	2,203		1,967	
Profit (loss) of third parties		329		243	
Non- controlling interests		2,532		2,210	
TOTAL EQUITY		56,023		55,041	
B) Non-current liabilities					
Financing		2,261		-	
Deferred tax liabilities	28	2,520		2,933	
Employee benefits and quiescence provisions	29	7,444	155	8,225	142
Expense and risk provisions	30	-		-	
TOTAL NON-CURRENT LIABILITIES		12,225		11,158	
C) Current liabilities					
Trade payables	31	4,474	511	5,697	336
Current tax payables	32	3,319		3,566	
Short-term financing	33	1,818		2,009	
Other liabilities	34	5,991	324	6,200	238
TOTAL CURRENT LIABILITIES		15,601		17,472	
TOTAL LIABILITIES AND EQUITY		83,849		83,671	



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 31/12/2012	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
Allocation of the previous period result to reserves			(300)	300			
Dividend distribution						(95)	(95)
Total comprehensive profit/(loss)			(1,160)	641	(519)	127	(392)
Total 31/12/2014	4,670	35,246	12,274	641	52,831	2,210	55,041
Allocation of the previous period result to reserves			641	(641)			
Dividend distribution			(1,167)		(1,167)	(95)	(1,262)
Allocation of profits to directors of subsidiary companies			(5)		(5)	(4)	(9)
Total comprehensive profit/(loss)			709	1,123	1,832	422	2,253
Total 31/12/2015	4,670	35,246	12,452	1,123	53,491	2,532	56,023



Consolidated Cash Flow Statement

(in thousands of Euro)

	NOTES	Period 2015	Period 2014
<u>A) OPERATING ACTIVITIES</u>			
Profit (loss) for the period		1,451	884
Amortisation, revaluation and depreciation:			
- Property, plant and equipment amortisation	14	494	450
- Intangible fixed asset amortisation	15	4,981	4,517
- revaluation of investments and financial assets available for sale	11	(179)	(180)
- depreciation of investments and financial assets available for sale		0	0
Allocations (utilization) of provisions		(179)	(79)
Financial performance:			
- Net financial (receipts) charges	10	(97)	(1)
- Profit / (loss) on foreign exchange		(1)	(0)
Other working capital variations		575	5,042
Income taxes paid		(1,320)	(733)
Interest paid	10	(31)	(66)
(A) - Cash flows from (used in) operating activities		5,692	9,833
<u>B) INVESTMENT ACTIVITIES</u>			
Investments in activities			
- purchase of property, plant and equipment	14	(1,708)	(220)
- purchase and increase in intangible assets	15	(4,021)	(3,549)
- increase in other fixed assets		(45)	(68)
Disinvestment activities			
- transfers of property, plant and equipment	14	1	2
- transfers of assets available for sale		0	0
- decrease in other fixed assets	15	5	11
Cashed Interest	10	130	67
Cashed dividends		172	170
(B) - Cash flows from (used in) investment activities		(5,466)	(3,587)
<u>C) FINANCING ACTIVITIES</u>			
Medium/long term financing repayment		(245)	0
Medium/long term financing opening		2,506	0
Allocation of profits to directors of subsidiary companies		(9)	0
Dividends paid	26	(1,262)	(95)
(C) - Cash flows from (used in) financing activities		990	(95)
(A+B+C) - Total cash and other equivalent assets flows		1,216	6,151
Opening cash balances and equivalents	35	3,577	(2,575)
Closing cash balances and equivalents	35	4,792	3,577

For the liquid asset and equivalent means reconciliation, refer to note 35

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 2014, with the exception of the items described in the explanatory notes – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2015.

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 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 2015

There are no, or no significant, other matters and cases governed by standards, amendments and interpretations effective from 1st January 2015 approved by the IASB and IFRIC and published in the European Community's Official Gazette. No standards approved by the European Union, the application of which will be compulsory in the future, have been adopted in advance.

Balance sheet layout

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

The 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.

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 at the same time: power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

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, drawn up in accordance national accounting principles and approved by the respective boards of directors, opportunistically reclassified and amended to reflect the application of the homogeneous international accounting standards adopted by the Group.

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 depreciation rates used are the following:

- industrial buildings: 3%
- electrical equipment: from 5 to 10%
- air conditioning equipment: from 6 to 15%

- telephone systems: 20%
- alarm systems: from 10 to 30%
- furniture and fittings: 12%
- electrical machinery: 15%
- electronic machines and computers: 20%
- vehicles: 25%

Land, both without buildings or next to civil and industrial constructions, is accounted for separately and not amortized 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.

Research costs are charged to the income statement in the period in which they are incurred.

The development costs of projects for the production of instrumental software, or those to be sold, are registered on the assets when they satisfy the following conditions: the costs can be reliably determined, the product is technically feasible, the expected use and/or sale of the product indicate that the sustained costs will generate future economic benefits. In respect of the standard that correlates costs and returns, these costs are amortized as from the moment in which the activity becomes available for use, in permanent amortisation amounts for the entire duration of the product's lifecycle, estimated at five years. The costs of internally generated intangible assets include any expenses that can be directly attributable to the development of the product and any reasonable part of general production costs attributable to the preparation stages before putting the product to use. Development costs that cannot be capitalised, when sustained, are reported on the income statement.

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

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.

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 2015 there were no changes in the consolidation area.

In the previous year, the companies DQS S.r.l. and CAD S.r.l., both entirely controlled by CAD IT S.p.A, with a view to simplifying and reorganising the group, decided to reduce administrative costs and generate financial and economic efficiency by drawing up a merger agreement to incorporate the first company into the second. Consequently "CAD S.r.l." increases its share capital from Euro 295,500 to Euro 350,000, attributing the entire increase to the exclusive owner CAD IT S.p.A..

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 31/12/2015	Percentage of investment of the Group at 31/12/2015
<i>Consolidated using the integral method</i>				
CAD IT S.p.A.	Verona	4,669,600	Parent company	
CAD S.r.l.	Verona	350,000	100.00%	100.00%
CeSBE S.r.l.	Verona	10,400	62.11%	62.11%
Elidata S.r.l.	Castiglione D'Adda (LO)	20,000	51.00%	51.00%
Smart Line S.r.l.	Verona	102,700	51.05%	51.05%
Datafox	Verona	99,999	51.00%	51.00%
Tecsit S.r.l. ⁽¹⁾	Roma	75,000	70.00%	70.00%

⁽¹⁾ Held through CAD S.r.l.

3. Revenues

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

	Period 2015		Period 2014		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	55,728	93.2%	52,973	93.4%	2,755	5.2%
Asset increases due to internal work	3,856	6.4%	3,493	6.2%	362	10.4%
Other revenue and receipts	235	0.4%	268	0.5%	(33)	(12.2%)
Production value	59,819	100.0%	56,735	100.0%	3,084	5.4%

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

During the 2015 financial period, earnings from sales and services increased compared to 2014 by 5.2%, to reach a value of Euro 55,728 thousand (compared to Euro 52,973 thousand in 2014 financial period).

Revenues from foreign customers increased during the year 2015 and amount to 6.4% of the total sales and services revenues (1.5% in the previous year); the increase in foreign revenues is a result of the internationalization strategy pursued in recent years by the company and the group aimed at looking for new customers and markets in Europe and abroad.

Increases in internal work capitalized under fixed assets came to Euro 3,856 thousand, compared to Euro 3,493 thousand in the 2014 financial period, and included activities carried out by CAD IT (Euro 2,414 thousand), as well as those commissioned by CAD IT to its subsidiaries CAD (Euro 1,081 thousand), CeSBE (Euro 361 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 268 thousand in 2014, stood at Euro 235 thousand and include contributions allocated by interprofessional funds for financing of company training plans (Euro 18 thousand) and recruitment incentives (Euro 6 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 31/12/2015</i>					
	<i>Finance</i>	<i>Manufacturing</i>	<i>Not allocated/General</i>	<i>Elisions</i>	<i>Consolidated</i>
External revenues	58,178	1,359	282		59,819
Intersegment revenues	2,795			(2,795)	
Total revenues	60,973	1,359	282	(2,795)	59,819
Costs	(57,802)	(1,347)	(1,650)	2,795	(58,004)
Gross Operating Result (EBITDA)	8,811	15	(1,368)	0	7,458
Operating Result (EBIT)	3,171	12	(1,368)	0	1,815
Net financial income (expenses)			97		97
Revaluations and devaluations	179				179
Result	3,350	12	(1,271)	0	2,091
Income taxes			(640)		(640)
Third party share (profit)/loss	(509)	(2)	182		(329)
Financial period profit (loss)	2,841	10	(1,728)	0	1,123
Assets	81,001	604	2,244		83,849
Liabilities	21,882	106	5,839		27,826

<i>Disclosures for business segments 31/12/2014</i>					
	<i>Finance</i>	<i>Manufacturing</i>	<i>Not allocated/General</i>	<i>Elisions</i>	<i>Consolidated</i>
External revenues	54,677	1,778	279		56,735
Intersegment revenues	2,877			(2,877)	
Total revenues	57,554	1,778	279	(2,877)	56,735
Costs	(53,872)	(1,730)	(1,630)	2,877	(54,355)
Gross Operating Result (EBITDA)	8,734	50	(1,350)	0	7,433
Operating Result (EBIT)	3,681	48	(1,350)	0	2,379
Net financial income (expenses)			1		1
Revaluations and devaluations	180		(0)		180
Result	3,861	48	(1,350)	0	2,560
Income taxes			(1,676)		(1,676)
Third party share (profit)/loss	(426)	(4)	187		(243)
Financial period profit (loss)	3,436	45	(2,839)	0	641
Assets	80,446	624	2,601		83,671
Liabilities	22,018	113	6,499		28,630

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. Revenues from foreign customers amount to 6.4% of total sales and services revenues (1.5% in the previous year) and mainly relate to customers of the following countries: Switzerland, Germany, United Kingdom, U.S.A..

5. Purchase Costs

	31/12/2015	31/12/2014	Variations	%
Hardware-Software purchases for sale	92	260	(168)	(64.5%)
Maintenance and consumable hardware purchases	8	15	(7)	(47.8%)
Other purchases	256	250	6	2.4%
Variations in raw material stock	33	13	20	147.0%
Total	389	538	(149)	(27.7%)

Costs for hardware and software purchases for commercialization refer to purchases made for orders that clients had already confirmed and show a decrease compared to 2014.

The item Other purchases includes mainly the costs of fuel for vehicles used in the business activity (Euro 153 thousand), as well as consumables, chancellery and advertising.

Inventories decreased during the period of Euro 20 thousand.

6. Service costs

	31/12/2015	31/12/2014	Variations	%
External collaboration	8,061	6,625	1,436	21.7%
Travelling expenses and fee reimbursement	1,275	1,371	(96)	(7.0%)
Other service costs	3,100	2,822	278	9.9%
Total	12,437	10,819	1,618	15.0%

Service costs in 2015 came to Euro 12,437 thousand, an increase compared to the previous year (Euro 10,819 thousand).

In particular, costs for external collaborations of Euro 8,061 thousand (Euro 6,625 thousand in 2014) increased by 21.7%, and other service costs by 9.9% for a total amount of Euro 3,100 thousand (Euro 2,822 thousand in 2014) against a decrease of Euro 96 thousand (-7.0%) of travelling expenses and fee reimbursement which came to Euro 1,275 thousand, costs correlated to the productive activities in terms of the need to carry out work on customer premises.

The increase in costs for external collaborations in the year 2015 is mainly due to the greater use of external service providers dedicated to activities and projects for clients and is therefore related to the increase in revenues.

Among the service costs the amount of Euro 1,512 thousand is towards related parties (see note 36).

The other service costs mainly include service costs and assistance fees and hardware and software maintenance, energy costs, administrative, legal and fiscal consultancy, maintenance costs for office management and installed systems, insurance costs, costs for training courses.

7. Other operating costs

The following table shows and compares the other operating costs.

	31/12/2015	31/12/2014	Variations	%
Leases and rentals	664	549	115	21.0%
Misc. operating costs	351	434	(83)	(19.2%)
Total	1,015	983	32	3.3%



Leases and rentals in the financial period came to Euro 664 thousand, increasing by Euro 115 thousand compared to the previous year, and mainly refer to equipment and instrumental software rental and to lease of operational offices.

Other operating costs amounting to Euro 351 thousand, a decrease of Euro 83 thousand, mainly refer to municipal tax on real estate and other taxes and fees. Moreover the item includes the non-recurring amount of Euro 192 thousand relating to tax litigation of a Group company (Euro 275 thousand in 2014).

8. Labour costs and Employees

Labour costs are as follows:

	31/12/2015	31/12/2014	Variations	%
Salaries and wages	26,170	25,304	866	3.4%
Social security contributions	7,727	7,511	216	2.9%
Severance pay	2,030	2,029	1	0.0%
Other costs	279	160	120	74.8%
Total	36,206	35,004	1,202	3.4%

Labour costs in 2015 financial period increased by Euro 1,202 thousand (+3.4%) compared to the previous year (Euro 35,004 thousand).

The increase in labour costs is mainly due to the increase in the average number of employees in the group (630 in 2015 compared to 614 in 2014 financial year) and to the application of increases in contractual remunerations, and to a lesser extent to the increase of working overtime and the reduction of use vacation.

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 31/12/2015	labour force at 31/12/2014
Management	19	20
White-collars and cadres	584	575
Blue-collars	1	1
Apprentices	40	25
Total	644	621

At the end of 2015, the number of CAD IT Group staff increased by 23 units with a total of 644 employees; to be precise, 53 people were employed during the financial period and 30 were dismissed, thus determining the following turnover rate:

Employees turnover	2015	2014
Negative turnover (Dismissed/employees at beginning of period)	4.8%	8.0%
Positive turnover (Employed/employees at beginning of period)	8.5%	9.3%
Total turnover (Σ turnover)	13.4%	17.3%
Turnover compensation rate (Employed/Dismissed)	176.7%	116.3%

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

Category of employees	Average number 2015	Average number 2014
Management	19	19
White-collars and cadres	580	579
Blue-collars	1	1
Apprentices	30	16
Total	630	614

The average number of employees increased by 16 units compared to the previous period.

The Group dedicates particular attention to professional staff training by means of internal training and updating courses. The main training areas were: updating in new programming languages and systems management, health and safety at work, foreign languages (English), company organization and managerial training.

9. Other administrative costs

The entry of the total amount of Euro 2,314 thousand, shows a Euro 357 thousand increase compared to the 2014 financial period (+18.2%) and includes costs relating to director and manager fees and their relative contributory costs. The end of mandate indemnity for directors is related to one of the subsidiaries. Highlighted among the rest are telephone expenses (Euro 318 thousand), commissions (Euro 27 thousand) and advertising expenses (Euro 8 thousand).

Director remunerations in the 2015 financial period include the allocation of variable short-term remunerations for the parent company directors (Euro 163 thousand), and the setting aside of the variable medium to long-term remuneration (Euro 51 thousand) which may be distributed at the end of the three-year mandate depending on the achievement of objectives defined. Director remunerations in the 2014 financial period included the offsetting of medium to long-term bonuses that were no longer earmarked (- 96 thousand Euros).

The entry 'other administrative expenses' include fees paid to related parties (see note 36).

The table below shows the other administrative costs in detail:

	31/12/2015	31/12/2014	Variations	%
Director and legal representative fees	1,781	1,459	322	22.1%
Director retirement	15	15	0	-
Director and legal representative fee contributions	164	131	34	25.6%
Telephone charges	318	340	(22)	(6.5%)
Commissions	27	0	27	-
Advertising fees	8	13	(4)	(32.8%)
Total	2,314	1,957	357	18.2%

10. Financial performance

The net financial management result was in credit by Euro 97 thousand, compared to Euro 1 thousand of the previous period, as the following detailed table shows:

	31/12/2015	31/12/2014	Variations	%
Interest on bank deposits and on late payments	130	67	63	94.3%
Total financial income	130	67	63	94.3%
Interest on bank overdrafts and loans	(31)	(66)	35	52.6%
Interest on debts for financial leasing	0	0	0	-



Foreign exchange losses	(1)	(0)	(1)	(970.9%)
Total financial charges	(33)	(66)	33	50.5%
Net financial income and (charges)	97	1	97	-

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 33 thousand (-50.5% compared to 2014) entirely refer to current account overdrafts and bank loans.

11. Revaluations and depreciations

	31/12/2015	31/12/2014	Variations	%
Revaluation of holding in associate companies	179	180	(1)	(0.5%)
Total revaluations and depreciations	179	180	(1)	(0.5%)

The revaluation of holdings calculated with the net patrimony method concern the associate company Sicom S.r.l., which was revaluated of Euro 179 thousand (Euro 180 thousand in the previous year).

12. Income taxes

	31/12/2015	31/12/2014	Variations	%
Tax pre-payments	156	10	146	1,445.7%
Deferred taxes	(413)	(24)	(389)	(1,630.2%)
Current taxes	897	1,690	(793)	(46.9%)
Total income taxes	640	1,676	(1,036)	(61.8%)
Tax incidence on the gross pre-tax result	30.6%	65.5%		

The taxes ascribable to 2015 financial period were estimated taking the results of the period and the norms in force into account and they represent the best possible estimate of the tax expenses ascribable to the period in question. The tax incidence for the period on the gross pre-tax result amounted to 30.6%, while in 2014 it was 65.5%.

The significant reduction in incidence of taxes is due to the reduction in the incidence of the IRAP, starting from the current year, as a result of regulatory changes introduced by Law 190/2014 (Stability Law 2015) which provide for the deductibility of labor costs related to employees with permanent contracts, which represent the majority of employment contracts of the Group, and to the decrease of deferred taxes as a result of the IRES rate reduction from 27.5% to 24%, disposed by art. 1 paragraph 61 of Law no. 208 of 28 December 2015 (Stability Law 2016), measure operating with effect from the tax year 2017. This second effect which contributed to the determination of taxes is non-recurring.

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		2,091	575	2,091	82
<i>Temporary differences</i>					
Deductible in later financial periods		649		425	
Deduction of temporary differences of previous financial periods		(604)		(460)	
Variations for application IAS		24		24	
<i>Total temporary variations from previous periods</i>		<i>68</i>	<i>19</i>	<i>(12)</i>	<i>(0)</i>
<i>Permanent differences</i>					
To IRES / IRAP income increases		1,175		3,948	
To IRES / IRAP income decreases		(775)		(758)	
Variations for application IAS		0		0	
<i>Total permanent differences</i>		<i>400</i>	<i>110</i>	<i>3,189</i>	<i>124</i>
Taxable fiscal income		2,559		5,269	
Use of tax losses / variation due to regional IRAP rates		(61)			4
Taxable income / current tax on the period's income		2,498	687	5,269	210
Current taxes's effective rate on the pre-tax result		IRES	32.8%	IRAP	10.0%
Greater (lesser) taxes relating to previous financial periods			(8)		9
Current taxes			679		219
Prepaid and deferred taxes			(19)		0
Prepaid and deferred taxes alignment for variations of rate			240		(1)
Income taxes			900		218
Income taxes's effective rate on the pre-tax result		IRES	43.0%	IRAP	10.4%

SUMMARY OF THEORETICAL AND EFFECTIVE TOTAL TAX EXPENSES				
	period 2014		period 2015	
Current IRES tax	651	25.4%	687	32.8%
Current IRAP tax	1,030	40.2%	210	10.0%
Total current taxes and effective rate	1,681	65.6%	896	42.9%
Greater (lesser) taxes relating to previous financial periods	9		1	
Total current taxes	1,690		897	

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.

<i>Earnings per share</i>	<i>Period 2015</i>	<i>Period 2014</i>
Net profit (loss) ascribable to ordinary shares in thousands of Euro	1,123	641
Weighted average number of ordinary shares outstanding	8,980,000	8,980,000
Basic earnings per share (in €)	0.125	0.071

14. Property, plant and equipment

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

	<i>31/12/2015</i>	<i>31/12/2014</i>	<i>Variations</i>	<i>%</i>
Land	1,767	1,527	241	15.8%
Buildings	15,212	14,344	868	6.1%
Plant and equipment	883	921	(39)	(4.2%)
Other assets	564	421	143	33.9%
Total property, plant and equipment	18,426	17,213	1,213	7.0%

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

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

Some land and buildings have been revaluated at FTA at fair value as a substitute of cost and is calculated by an external expert.

During the year the recoverability of the tangible asset book value, re-valued at the FTA, was verified on the basis of an external valuation as of 30/06/2015 and drafted by the appointed expert. The valuation report indicates current values of assets in excess of the net book value without, therefore, having to involve pointing out any impairment of assets. The realizable value of a property at the end of the amortization period was also revised to a lower amount (Euro -416 thousand) compared to the previous estimate; the update of the estimated realizable value implies a higher depreciation of Euro 20 thousand in the period compared to previous assumptions.

Purchases of new tangible assets during the year came to a total of Euro 1,708 thousand of which Euro 1,249 thousand were for "land and buildings" and Euro 322 thousand for "other tangible assets"; increases are primarily related to the purchase of an instrumental property used as offices of a subsidiary and other 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:

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Industrial and commercial equipment</i>	<i>Other tangible fixed assets</i>	<i>Assets under development</i>	<i>Total</i>
Purchase or production cost	9,140	4,140	33	5,088		18,400
First time adoption revaluations	8,439	-	-	-		8,439
Previous years depreciation and write-downs	(1,708)	(3,218)	(31)	(4,669)		(9,626)
Adjustments to previous years write-downs	-	-	-	-		-
Opening value	15,871	921	3	419	-	17,213
Variations in consolidation area	-	-	-	-		-
Purchases	1,249	119	1	322	17	1,708



Transfers	17	-	-	-	(17)	-
Reduction in accumulated depreciation due to disposals	-	160	1	341		502
Disposals	-	(160)	(1)	(343)		(503)
Revaluations for the period	-	-	-	-		-
Depreciation and write-downs for the period	(157)	(158)	(1)	(178)		(494)
Adjustments to write-downs for the period	-	-	-	-		-
Total tangible fixed assets	16,979	883	3	561	-	18,426

15. Intangible fixed assets

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

	31/12/2015	31/12/2014	Variations	%
Industrial patents and similar rights	10,866	12,193	(1,327)	(10.9%)
Licences, trademarks and similar rights	178	147	31	20.8%
Assets under development	7,679	7,343	337	4.6%
Total Intangible fixed assets	18,723	19,683	(960)	(4.9%)

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

	Industrial patents and similar rights	Licences, trademarks	Assets under development and payments on account	Other	Total
Purchase or production cost	35,843	3,899	7,343	15	47,099
Previous years revaluations	-	-	-	-	-
Previous years depreciation and write-downs	(23,650)	(3,752)	-	(15)	(27,417)
Adjustments to previous years write-downs	-	-	-	-	-
Opening value	12,193	147	7,343	0	19,683
Variations in consolidation area	-	-	-	-	-
Purchases/ Increases	-	165	3,856	-	4,021
Transfers	3,519	-	(3,519)	-	-
Reduction in accumulated depreciation due to disposals	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations for the period	-	-	-	-	-
Depreciation and write-downs for the period	(4,846)	(135)	-	-	(4,981)
Adjustments to write-downs for the period	-	-	-	-	-
Total intangible fixed assets	10,866	178	7,679	0	18,723

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 3,519 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 4,846 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 165 thousand, while the amortization of this voice came to Euro 135 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, related to the use of dedicated staff. The fundamental condition for their registration in patrimonial credit is that said costs concern clearly defined, distinguishable and measurable products or processes and that they relate to projects that are both technically feasible and economically recoverable through revenues that will develop in the future by application of the project itself.

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.	7,004
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 2016-2018 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 $k_s = 8.05\%$.

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

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

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.	31/12/2014	1,452	721	25.00%	363
Sicom S.r.l.	31/12/2015	1,483	717	25.00%	371

18. Credits due to prepaid taxes

Credits due to prepaid taxes, of Euro 804 thousand, have been recorded as assets in the current and previous periods, as, on the basis of the forecast plans for the 2016-2018 period approved by the Management Board, 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 the elimination of intercompany margins that generated temporary differences in taxable income in previous years and that will be deductible in future.

19. Inventories

The unsold stock entry includes finished products and goods to a total of Euro 16 thousand. The voice decreased

by Euro 33 thousand compared to previous year.

20. Trade receivables and other credits

Commercial credits and other credits are made up as follows:

	31/12/2015	31/12/2014	Variations	%
Credits to clients	28,762	29,096	(334)	(1.1%)
Credit depreciation fund	(416)	(250)	(166)	(66.2%)
Credits to associated companies	0	2	(2)	(100.0%)
Accrued income and deferred expenses	355	571	(216)	(37.8%)
Other credits	158	198	(40)	(20.1%)
Total trade receivables and other credits	28,859	29,616	(757)	(2.6%)
% coverage credit depreciation fund	1.45%	0.86%		

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

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

The 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 416 thousand (Euro 250 thousand at 31 December 2014) which ensures a cover of 1.45% 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 entirely refers to deferred charges made up of the following:

Nature	31/12/2015	31/12/2014
Software assistance	161	325
Expenses for leases and rentals	11	34
Telephone charges	14	22
Administrative services	6	4
Various insurances	12	12
Hardware assistance	24	41
Other various	127	131
Total prepaid expenses	355	568

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

Credits towards other	31/12/2015	31/12/2014	Variations
Receivables from social security institutions	20	22	(3)
Payments on account to suppliers	127	164	(37)
Other	11	11	(0)
Guarantee deposits	0	1	(1)
Total credits towards other	158	198	(40)



21. Tax credits

The entry of Euro 1,440 thousand (Euro 1,835 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 1,151 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 12 thousand).

During the year, 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 167 thousand), was collected.

22. Cash and other equivalent assets

	31/12/2015	31/12/2014	Variations	%
Bank and postal accounts	3,918	2,957	962	32.5%
Cash-on-hand and cheques	8	11	(3)	(26.7%)
Insurance policies capitalized	2,684	2,618	65	2.5%
Total Cash and other equivalent assets	6,610	5,586	1,024	18.3%

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%.

23. 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 53,491 thousand compared to Euro 52,831 thousand at 31 December 2014.

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	31/12/2015	31/12/2014
Minority quotaholders of CeSBE S.r.l.	1,185	1,157
Minority quotaholders of Datafox S.r.l.	130	90
Minority quotaholders of Tecsit S.r.l.	16	16
Minority quotaholders of Elidata srl	816	590
Minority quotaholders of Smart Line S.r.l.	385	356
Total third party net patrimony	2,532	2,210



24. Reserves

	31/12/2015	31/12/2014	Variations	%
Share premium reserve	35,246	35,246	0	-
Total Reserves	35,246	35,246	0	-

The item Reserves refers entirely to the share premium reserve.

25. Accumulated profit/losses

	31/12/2015	31/12/2014	Variations	%
Previous profits/losses	(925)	(974)	50	5.1%
Legal reserve	934	934	0	-
First Time Adoption transition reserve	2,119	2,119	0	-
Consolidation reserve	185	(292)	477	163.6%
Available reserve of undivided profits	10,262	10,925	(664)	(6.1%)
Revaluation liabilities reserve for defined benefit	(123)	(438)	315	71.9%
Period profits/(losses)	1,123	641	482	75.1%
Total accumulated profits/(losses)	13,575	12,915	660	5.1%

Previous period profit refers to the difference between the profits for the 2004 period calculated with the IAS/IFRS accounting standards compared to calculation with the national accounting standards.

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

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

The available reserve of undivided profits decreased due to the effect of payment of the dividend to shareholders of CAD IT (Euro 664 thousand).

26. Dividends paid

On 29th April 2015 the CAD IT S.p.A. ordinary shareholders' meeting decided to give shareholders a dividend of Euro 0.13 per share, for total amount to Euro 1,167,400, using the entire profit for the year 2014 of Euro 503,697 together with the amount of Euro 663,703 be taken from the available reserve of undivided profits.

The dividend was paid on 13 May 2015.

27. Financing

The amount of Euro 2,261 thousand refers for Euro 1,261 thousand to a loan quota that goes beyond 12 months, which began during the period, and which involves half-yearly repayment deadlines until January 2019, as well as a ten-year loan for 1,000 thousand Euros.

28. Liabilities due to deferred taxes

Deferred taxes amounted to Euro 2,520 thousand (compared to Euro 2,933 thousand at 31st December 2014) 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.

The reduction of deferred taxes is mainly due to the IRES rate reduction from 27.5% to 24%, disposed by art. 1 paragraph 61 of Law no. 208 of 28 December 2015 (Stability Law 2016), measure operating with effect from the tax year 2017.

29. Employees' leaving entitlement and quiescence reserves

	31/12/2015	31/12/2014	Variations	%
Employees' leaving entitlement (TFR)	7,360	8,155	(795)	(9.7%)
Fund for indemnity of end of term	84	69	15	21.3%
Total	7,444	8,225	(780)	(9.5%)

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.

Employees' leaving entitlement	31/12/2015	31/12/2014
Opening balance	8,155	6,853
Service cost	150	140
Interest cost	134	194
Benefits paid	(478)	(307)
Actuarial (gains)/losses	(601)	1,276
Closing balance	7,360	8,155

In order to carry out the mathematical evaluation the database of each employee (salary, matured TFR net of any advance payments, age, sex, qualification, etc.) was given to the external actuaries by the companies' qualified offices. The hypothetical specifications on the employees in service regarding both their demographic evolution and their future economic characteristics were calculated on the basis of some past company series, on similar experience and on market figures as well as on the basis of some indications supplied by the companies themselves in terms of their experience and sensitivity to company events.

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

	31/12/2015	31/12/2014
ECONOMIC ASSUMPTIONS		
Annual discount rate	2.03%	1.49%
Annual inflation rate	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 onwards	2.00%
Annual rate of increase in severance pay	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.000% from 2020 onwards	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 wagering requirements AGO	

TECHNICAL BASES TURNOVER AND ADVANCES

Frequency Advances	1.00%	1.00%
Turnover frequency	2.50%	2.50%

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

The average maturity (*duration*) of debt is 15.9 years. The expected *service cost* for the period 2016 is Euro 144 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%	7,257	1	310
Turnover rate -1%	7,342	2	270
Inflation rate +0.25%	7,452	3	283
Inflation rate -0.25%	7,145	4	278
Discount rate +0.25%	7,067	5	300
Discount rate -0.25%	7,537		

30. Expense funds and risks

During 2015 no funds for expenses and risks have been set aside.

31. Commercial debts

The entire point amount of Euro 4,474 thousand shows the following trend:

	31/12/2015	31/12/2014	Variations	%
Debts towards associated companies	356	450	(94)	(20.9%)
Debts towards suppliers	3,493	4,138	(645)	(15.6%)
Payments on account received	0	-	0	-
Accrued expenses and deferred income	625	1,109	(483)	(43.6%)
Total Commercial debts	4,474	5,697	(1,223)	(21.5%)

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 2016 financial period.

32. Tax debts

The entry for fiscal debts, of the total amount of Euro 3,319 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.

33. Short-term financing

At 31 December 2015 this point amounted to Euro 1,818 thousand and is made up from short-term financing carried out by banking institutes and overdrawn and decreased by Euro 192 thousand compared to previous year.

34. Other debts

Details of other debts are as shown:

	31/12/2015	31/12/2014	Variations	%
Social security charges payable	2,530	2,508	21	0.8%
Towards directors	236	144	92	63.9%
Towards staff for deferred salaries and pay	3,211	3,544	(333)	(9.4%)
Other	13	3	10	322.7%
Total	5,991	6,200	(209)	(3.4%)

Debts towards welfare institutions included matured contributory debts on current monthly salaries as well as the set aside 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>	31/12/2015	31/12/2014	Variations	%
For wages and expense accounts	1,218	1,370	(152)	(11.1%)
For production incentives	2	14	(11)	(83.7%)
For holidays	1,101	1,318	(217)	(16.5%)
For thirteenth month (year-end bonus)	-	-	-	-
For fourteenth month (summer bonus)	890	842	48	5.8%
Total	3,211	3,544	(333)	-9.4%

35. Consolidated net financial position

The consolidated net financial position at 31st December 2015 was in credit by Euro 2,532 thousand, compared to Euro 3,577 thousand at 31/12/2014.

In particular, the net short-term financial position, an increase of Euro 1,216 thousand compared to December 31, 2014 (Euro 3,577 thousand), amounted to Euro 4,792 thousand, while the net financial position is positive for Euro 2,532 thousand, due to the presence of long-term loans for Euro 2,261 thousand.

Immediate availability on current accounts and in hand came to Euro 3,926 thousand. Capitalization insurance policies of Euro 2,684 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>	31/12/2015	31/12/2014	Variations	%
Cash-on-hand and at bank	3,926	2,968	959	32.3%
Capitalization insurance policies	2,684	2,618	65	2.5%
Payables due to banks current portion	(1,818)	(2,009)	192	9.5%
Net short-term financial position/(indebtedness)	4,792	3,577	1,216	34.0%



Long-term loans	(2,261)	0	(2,261)	-
Net long-term financial position/(indebtedness)	(2,261)	0	(2,261)	-
Net financial position/(indebtedness)	2,532	3,577	(1,045)	(29.2%)

The net financial position balance sheet agrees with the balance sheets; it is hereby reported that: cash in bank accounts and capitalization insurance policies are registered in the patrimonial status as "Cash and other equivalent assets"; short-term financial debts are registered as "Payables due to banks current portion"; long-term financing is registered in the patrimonial status as "Long-term loans".

As shown in the consolidated cash flow statement, increasing in financial assets was determined by the following management:

- operational management activities generated a positive flow of Euro 5,692 thousand (compared to Euro 9,833 thousand in the previous year) due to self-financing (net result plus depreciations) net of non-monetary items;
- investment activities absorbed Euro 5,466 thousand (compared to Euro 3,587 thousand in 2014) for investments in intangible assets (Euro 4,021 thousand), tangible assets (Euro 1,708 thousand) and holding companies (Euro 45 thousand), partly offset by interests and dividends received (Euro 130 and 172 thousand respectively);
- financing activities generated a positive cash flow of Euro 990 thousand (compared to a negative cash flow of Euro 95 thousand in the previous year) due to the opening of medium/long term financing for Euro 2,506 thousand, partly offset by the repayment of portions of financing of Euro 245 thousand and the payment of dividends which absorbed Euro 1,262 thousand and by the allocation of profits to directors (Euro 9 thousand).

36. 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 31/12/2015:

Transaction incidence with Related parties – Period 2015	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with related parties on entries in the Profit and Loss account			
Income from sales and services	55,728	14	0.0%
Service costs	(12,437)	(1,512)	12.2%
Labour costs	(36,206)	(660)	1.8%
Other administrative expenses	(2,314)	(1,405)	60.7%
B) Transaction or position incidence with related parties on entries in the Patrimonial situation			
TFR and pension funds	7,444	155	2.1%
Commercial debts	4,474	511	11.4%
Other debts	5,991	324	5.4%
C) Transaction or position incidence with related parties on financial flows			
Cashed dividends	172	172	100.0%



Returns with related parties mainly regarded the supply of services carried out for the company Xchanging and for the subsidiary Sicom S.r.l..

Service costs to related parties included the supply of services carried out by the subsidiary Sicom to the controlling company (Euro 1,154 thousand), remunerations to the members of the CAD IT Statutory Auditors (Euro 68 thousand) and those relating to translation and language training services supplied by a company partly owned by a CAD IT manager (Euro 254 thousand).

Labour costs towards related parties include the remunerations (including contributions to be paid by the company and matured accruals for deferred pay) of CAD IT or its subsidiaries employees who are related to, or have an affinity with, CAD IT directors and those 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.

Debts to related parties were mainly made up of commercial debts, for services (Euro 511 thousand), debts towards employees for salaries and wages accrued (Euro 95 thousand) and severance pay (Euro 155 thousand), debts towards Board Members (Euro 226 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 2014.

Transaction incidence with Related parties – Period 2014	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with related parties on entries in the Profit and Loss account			
Income from sales and services	52,973	15	0.0%
Service costs	(10,819)	(873)	8.1%
Labour costs	(35,004)	(828)	2.4%
Other administrative expenses	(1,957)	(1,230)	62.8%
B) Transaction or position incidence with related parties on entries in the Patrimonial situation			
Commercial credits and other credits	29,616	14	0.0%
TFR and pension funds	8,225	142	1.7%
Commercial debts	5,697	336	5.9%
Other debts	6,200	238	3.8%
C) Transaction or position incidence with related parties on financial flows			
Cashed dividends	170	170	100.0%

37. 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*.

38. Guarantees provided

In regard to credit lines granted to CAD IT by banking institutes, the Group has set up a capitalization warranty



policy to the sum of Euro 2,305 thousand, availability for 1,000 thousand Euros and first mortgage on property of Euro 1,500 thousand.

To guarantee the contractual fulfilments that the Group companies have taken, bank suretyships or insurances have been provided for Euro 3,253 thousand towards customers and public administrations and Euro 103 thousand towards suppliers.

39. 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 14th March 2016.

40. Important events since 31/12/2015

In February 2016, CAD IT signed a strategic agreement with Spafid Connect, a company within the Mediobanca Group which provides application development activities and solutions with high technological content in the shareholder and corporate service sector on behalf of listed Issuers. With this ten-year agreement, Spafid Connect and CAD IT intend to promote their respective commercial relations with bank and insurance company clients, in order to offer a unique and innovative service also by integrating CAD IT's Finance Area product with Spafid Connect's Issuers platform. The agreement is of strategic importance to CAD IT since, besides strengthening its own positioning on the banking and insurance market, it also creates synergies in research and development costs. 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 Michele Miazzi, the manager responsible for drafting the CAD IT S.p.A. company accounting documents, hereby declare, bearing in mind the content of art. 154-bis, paragraphs 3 and 4 of legislative decree no. 58 of 24th February 1998 in terms of:

- the adequacy in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures for drafting the consolidated Financial Statement during the 2015 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, 14 March 2016

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

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



ATTACHMENT – 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 2015 financial period for auditing services and other non-audit services; no services were carried out by entities belonging to the network of the respective independent auditors.

<i>Type of service</i>	<i>Receiver</i>	<i>Subject that carried out the service</i>	<i>Period of competence</i>	<i>Audit fees (in euro)</i>
Accounting audit	CAD IT S.p.A.	BDO S.p.A.	01/01/2015 – 29/04/2015	6,868
Accounting audit	Subsidiaries	BDO S.p.A.	01/01/2015 – 29/04/2015	17,408
Accounting audit	CAD IT S.p.A.	PKF ITALIA S.p.A.	29/04/2015 – 31/12/2015	25,500
Accounting audit	Subsidiaries	PKF ITALIA S.p.A.	29/04/2015 – 31/12/2015	13,025
Total				62,801

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



**Independent auditor's report in accordance with art. 14 and 16 of Legislative Decree n. 39,
dated 27 January 2010 (Translation from the original Italian text)**

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

Report on the financial statements

We have audited the consolidated financial statements of CAD IT S.p.A. and its subsidiaries (the CAD IT Group), which comprise the statement of financial position as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of CAD IT S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with international standards on auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of CAD IT Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on corporate governance and shareholding structure

We have performed the procedures required under auditing standard (SA Italia) n. 720B in order to express, as required by the law, an opinion on the consistency of the Report on Operations and of specific information of the Report on corporate governance and shareholding structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements of CAD IT Group as at December 31, 2015. The Directors of CAD IT S.p.A. are responsible for the preparation of the Report on Operations and of the Report on corporate governance and shareholding structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on corporate governance and shareholding structure are consistent with the consolidated financial statements of CAD IT Group as at December 31, 2015.

Verona, March 24, 2016

PKF Italia S.p.A.
Signed by: Umberto Giacometti,
partner

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

CAD IT S.p.A.

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

Capitale sociale € 4.669.600,00 i.v.

Codice fiscale e numero iscrizione Registro Imprese di Verona 01992770238

Relazione del Collegio Sindacale all'assemblea degli azionisti

Signori Azionisti,

il bilancio consolidato di CAD IT S.p.A. dell'esercizio 2015, messo a vostra disposizione, rileva un utile di periodo di 1.123 migliaia di euro attribuibile ai soci della controllante e un utile di pertinenza di terzi di 329 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 di bilancio.

Esso è stato comunicato ai sensi dell'art. 41 n. 3 D.Lgs. 127/1991, unitamente alla relazione sulla gestione, e risulta redatto in conformità agli International Financial Reporting Standard (IFRS) e ai provvedimenti emanati in attuazione dell'art. 9 D. Lgs. N. 38/2005.

I controlli sul bilancio sono stati effettuati dalla società incaricata alla revisione PKF Italia spa, il cui giudizio senza rilievi è espresso nella relazione datata 24 marzo 2016.

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 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 finanziaria, l'andamento della gestione nel corso del 2015 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 2015, in conformità alla norme che disciplinano il bilancio consolidato.

Verona, li 24 marzo 2016

Il Collegio Sindacale

Chiara Benciolini



Gian Paolo Ranocchi



Renato Tengattini



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