



CAD IT S.p.A.
Half-yearly Financial Report
at 30th June 2018

*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 N. 44/a
 Share capital € 4,669,600 fully paid in
 Tax code and Verona Company Register N. 01992770238
 Chamber of Commerce REA N. 210441

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Half-Yearly Financial Report at 30/06/2018

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

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BOARD OF DIRECTOR AND AUDITORS

BOARD OF DIRECTORS ⁽¹⁾

PAOLO DAL CORTIVO
Chairman and Managing Director

GIULIA DAL CORTIVO
Vice Chairman and Managing Director

DEBORA CREMASCO ⁽²⁾
Director and lead independent director

FLAVIO PIVA ⁽²⁾
Independent Director

LAMBERTO LAMBERTINI ⁽²⁾
Director

CECILIA ROSSIGNOLI
Director

LUIGI MARCO LIBROIA
Independent Director

STATUTORY AUDITORS ⁽³⁾

MARIATERESA DIANA SALERNO
Chairman of the Statutory Auditor

CHIARA BENCIOLINI
Statutory Auditor

BRUNO ANTI
Statutory Auditor

AUDITORS: PKF ITALIA S.p.A.

- (1) Appointed on 27 April 2018; office expires with the shareholders' meeting for the approval of the 2018 financial statements.
- (2) Member of the Control and Risk Committee; member of the Nominating and Compensation Committee.
- (3) Appointed on 27 April 2018; office expires with the shareholders' meeting for the approval of the 2020 financial statements.

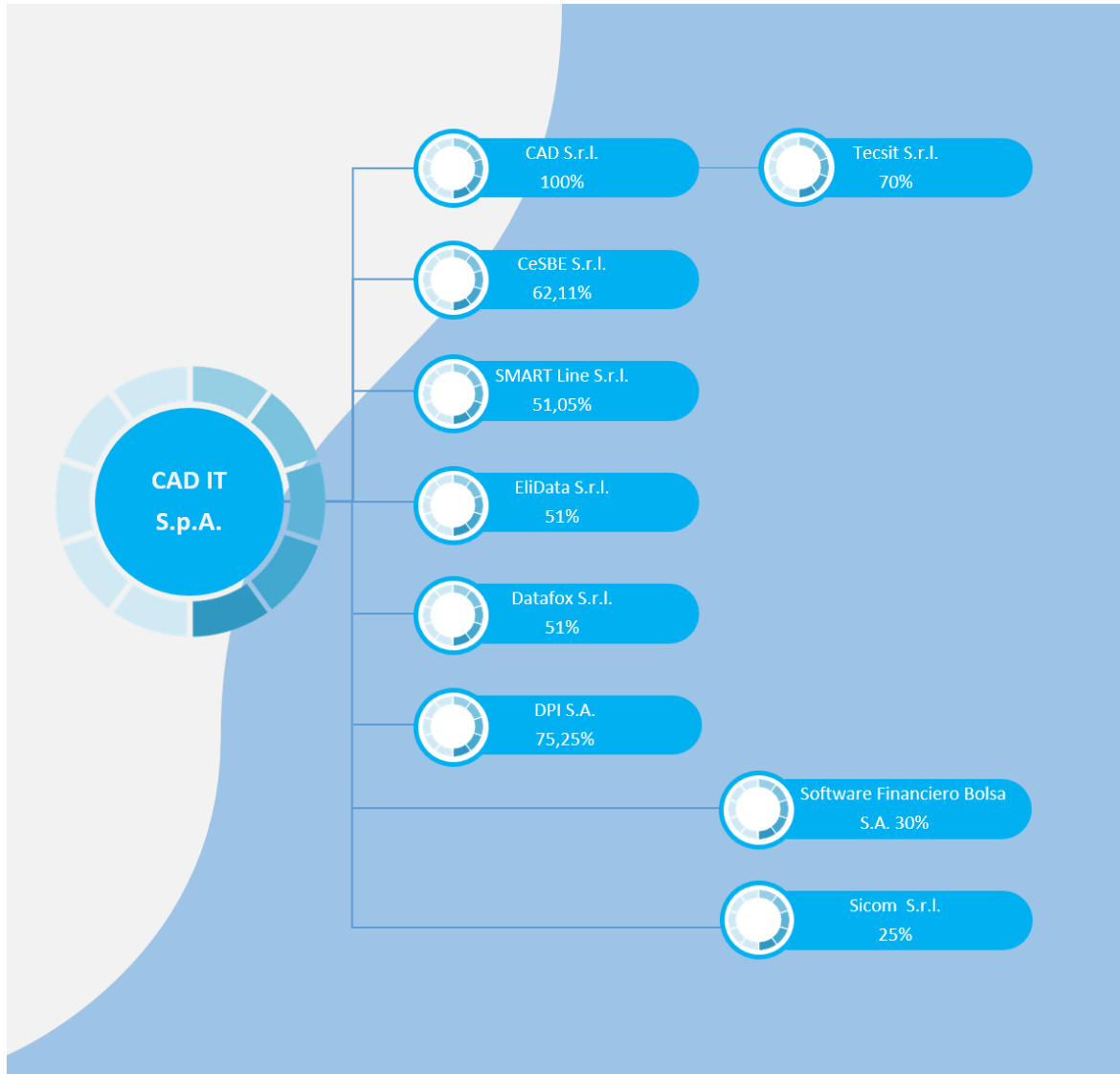
The main powers reserved in the statute to the Board of Directors are the examination and approval of the strategic, industrial and financial plans of the company; the purchase, sale, exchange or transfer of fixed assets and real estate rights; the granting of collateral on fixed assets; the set up of new subsidiaries and the take-over, acquisition or sale of corporate investments; the acquisition, sale, exchange or transfer of the whole company or of business lines; the underwriting of obligations, commitments and responsibilities which, either singularly or jointly with other connected negotiations, come to more than Euro 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 Euro 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.

As foreseen by art. 22 of the Company Statute, the President is responsible for the Company's legal representation and has signing authority on behalf of the Company, either towards third parties or in legal matters, with the faculty to promote legal and administrative actions and disputes at all levels of jurisdiction, including appeals to the Supreme Court and appeals to overturn sentences.

The Managing Director Paolo Dal Cortivo, has full ordinary and extraordinary administrative power, excluding only those which can not be delegated by law and/or by the company bylaws, with the power to act alone, for the amount of Euro 4,000,000 (four million).

The Vice-Chairmen, pursuant to article 20 of the company by-laws, carries out vicarious functions to those of the President in case of his absence or impediment.

The Managing Director Giulia Dal Cortivo has full ordinary administrative power, excluding only those which can not be delegated by law and/or by the company bylaws, with the power to act alone, for each individual transaction to the amount of Euro 4,000,000 (four million).



CAD IT Group at 30/06/2018

PRELIMINARY REMARKS

This six-monthly financial report has been drafted in accordance with Leg. Dec. 58/1998 and subsequent modifications and laid out to conform to the provisions issued in art. 9 of Leg. Dec. no. 38/2005, as well as observing Consob regulation no. 11971 of 14th May 1999 and subsequent modifications and integrations.

The six-monthly financial report laid out to conform with the applicable International accounting standards recognised by the European Community as in accordance with the EC regulation no. 1606/2002 of the European Parliament and Council on 19th July 2002 and in particular with IAS 34 – Interim Financial Reporting. The report was drafted by applying the same accounting standards used for drafting the Consolidated Balance at 31st December 2017, with the exception of the items described in the explanatory notes – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2018.

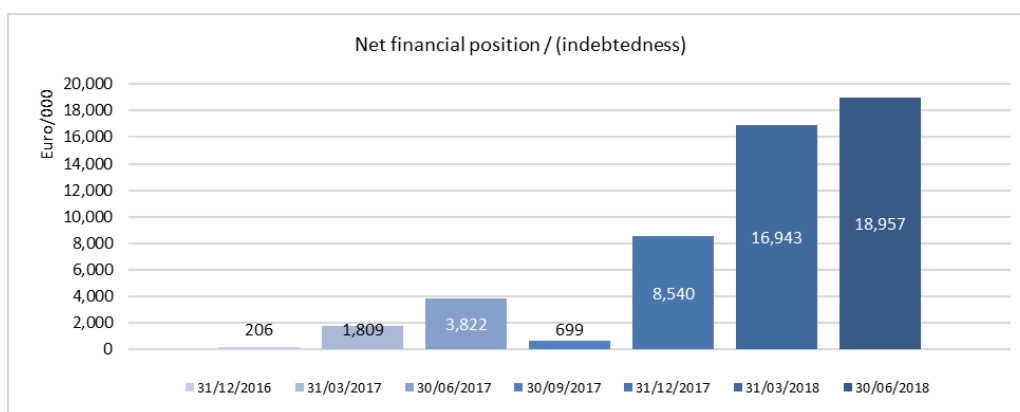
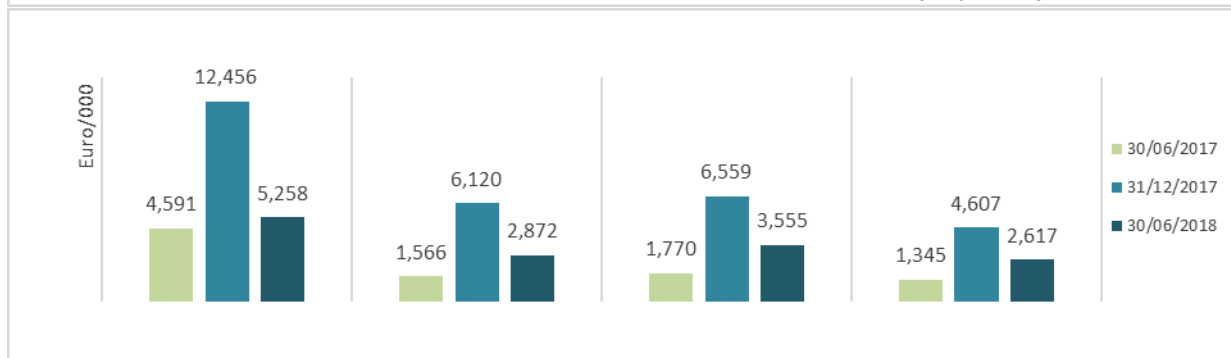
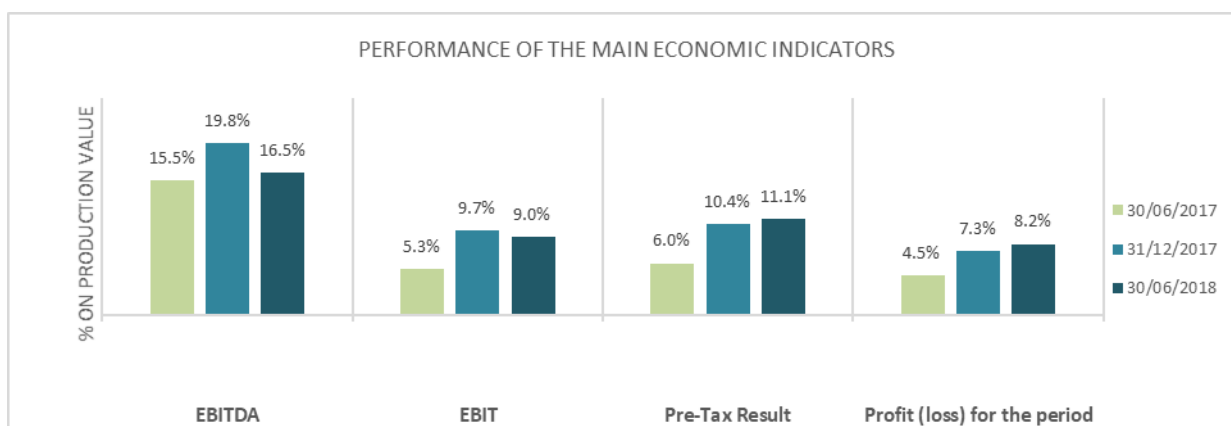
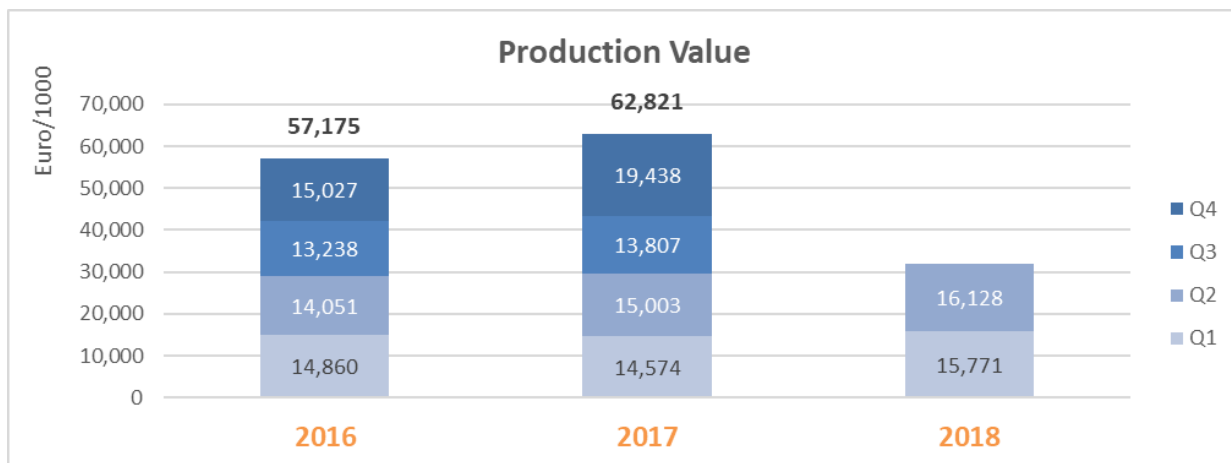
The six-monthly financial report includes the summarised six-monthly balance, an intermediary report on the management, the declarations provided for in article 154-bis, paragraph 5 and the auditing company's report on the aforementioned summarised balance.

Unless otherwise indicated, the monetary quantities in the accounting tables and those in the notes, are shown rounded off to the nearest thousand euro. The totals and subtotals of the statements presented are determined by rounding the sum of the point data. The percentage figures shown are calculated using the non-rounded off figures.

SUMMARY OF THE GROUP'S RESULTS AND DATA

	First Half 2018		First Half 2017		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Production value	31,899	100.0%	29,577	100.0%	2,322	+ 7.9%
Gross operational result (EBITDA)	5,258	16.5%	4,591	15.5%	667	+ 14.5%
Operational result (EBIT)	2,872	9.0%	1,566	5.3%	1,306	+ 83.4%
Pre-tax result	3,555	11.1%	1,770	6.0%	1,785	+ 100.9%
Income taxes	(938)	(2.9%)	(425)	(1.4%)	(513)	- 120.7%
Profit (loss) for the period	2,617	8.2%	1,345	4.5%	1,272	+ 94.6%
Profit/(loss) for the period attributable to owners of the parent	2,432	7.6%	1,182	4.0%	1,250	+ 105.8%
Total comprehensive income	2,767		1,579		1,189	+ 75.3%
Total comprehensive income attributable to owners of the parent	2,518		1,386		1,132	+ 81.7%

	30/06/2018	31/12/2017	30/06/2017
Total Assets	100,637	91,838	88,449
Total Equity	60,324	58,021	55,038
Equity attributable to owners of the parent	57,468	54,939	52,624
Net short-term financial position/(indebtedness)	21,993	10,203	5,200
Net financial position / (indebtedness)	18,957	8,540	3,822
Employees at the end of the period (number)	664	624	644
Employees (average number in the period)	639	642	645



INTERIM MANAGEMENT REPORT

This intermediary report on management accompanies CAD IT Group's summarised six-monthly balance at 30th June 2018 and contains references to important events that have occurred during the first six months of the financial period and their incidence on the summarised six-monthly balance, together with a description of the main risks and uncertainties that may occur in the remaining six months to come. The interim management report also contains information on the relevant and correlated party transactions as well as an indication of significant (or relevant) transactions that occurred up to the moment of drafting the report.

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.

CAD IT S.p.A. is subject to the control of Quarantacinque S.p.A., as provided by article 2359 of the Italian Civil Code.

CAD IT S.p.A. manages and coordinates its own subsidiaries.

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

A dynamic and innovative company ...

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

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

... with a broad and impressive customer base

CAD IT serves demanding market-leading organisations across Europe.

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

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

... operating through a dedicated company network

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

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

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

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

... combining with a comprehensive set of services

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

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

... and a laser focus on customer service

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

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

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

Its main purpose is:

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

... innovating together with a wide network

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

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

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

... offering constant improvement

The CAD IT Group offers solutions based on the know-how of a vast community of users and supports customers

in achieving their own specific objectives with a personalised approach based on granular software components and tailor-made modular services.

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

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

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

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

FINANCE

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

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

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

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

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

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

PUBLIC ADMINISTRATION

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

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

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

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

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

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

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, as INFOR, is able to provide the customers with a complete range of solutions so that they can make the decisions that lead to creating advanced systems supported by the very best specific skills available on the market.

Hot topics

MiFID II – MiFIR

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

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

The banks and investment companies need a comprehensive and modular MiFID II/MiFIR compliant solution that has a lesser impact on processes and which allows large volumes of data to be managed efficiently and centrally. CAD IT's solution for managing MiFID II and MiFIR obligations is flexible and covers all the regulatory areas: "customer protection", "markets" and "compliance".

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

IFRS 9

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

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

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

These new entries in IFRS 9 have a significant impact on Financial Institute Balances and, above all, have many consequences on organisational procedures and company information technology systems.

In this context, CAD IT, thanks to its consolidated experience in developing IT solutions for financial instrument management, evolved Finance Area in order for it to be IFRS 9 compliant, also through sharing with a work group made with leading Italian financial institutions that had the purpose of sharing the impacts of the new regulation as well as the relative solutions.

Today, Finance Area offers compliant solutions relating the Master Data Portfolios, Master Data Securities, the First Time Adoption, Assessments and Accounting, Impairment, Hedging and Controls on dispositive and administrative functions.



Master Data

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

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

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

- data acquisition processes through workflow definition and form design;
- data checking through data dictionary;
- proper usage of the data.

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

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

Cash & Liquidity Management - Basilea III compliant

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

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

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

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

KID per PRIIPs

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

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

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

Every issuer is obliged to provide the KIDs relating to products of their own issue and supply the customers with a copy, in order to be able to sell the products. The information therein should be standardized and comparable and an average retail investor should be able to understand them easily.

The KID has not only be prepared for new products, but also for those of older issue and moreover must be constantly monitored and, if necessary, updated and published on multiple channels.

Issuers are now realizing that the KIDs are not just simple reports but do, in fact, contain quantitative and qualitative information that is hard to assemble, implying an in-depth knowledge of the regulation and the technical standards to be applied.

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

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

Finally, the solution provides the possibility of simulating scenarios to test the final result of the KID for the new products created by the issuer.

BitFinder

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

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

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

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

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

Anti-Money Laundering

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

The regulation involves a large number of subjects, especially bank and financial intermediaries in general and imposes the setting up of a Single Electronic Archive in which to record:

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

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

CAD IT's Anti-money laundering solution allows the customer to comply with all these obligations through easy-to-learn functions that not only make loading data and their subsequent management simple, but also data inquiries,

should the controlling authorities need to carry out investigations. The solution is available in both the mainframe and departmental versions.

SOS

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

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

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

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

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

TDOC@Web

In a world that is becoming increasingly submerged by information, constant attention to digitalisation issues is now necessary with a view to a simple and effective re-organisation of know-how. It is therefore essential to have the tools that are able to favour data and information exchange in a structured yet flexible manner.

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

The instrument uses standard methods like MQ Series, Thema Spazio, Posta Elettronica Certificata, Web Services, etc.

Specific additional modules manage functionalities connected to "Digital Signatures" for user identification through Smart Cards, to verify documents that have been signed digitally and to affix Digital Signatures.

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

Market Abuse Sensing

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

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

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

Local Authority Treasuries

Local Authority Treasuries: software procedure for the total automated management of Local Authority Treasury and Funds for which the law imposes the figure of Treasurer or Receiver (Local Authority, Balances, documental and non-documental cash collection and payment management). The application can be integrated with

Teso@Web, a product that, through Internet and by using special consultation functions, allows Local Authorities to swiftly access their own data. The SIOPE and Unified Telematic Public Treasury procedures are available for Banca d'Italia reporting.

Analysis of the consolidated income results

	First Half 2018		First Half 2017		Variations	
	€/000	% PV	€/000	% PV	€/000	%
Income from sales and services	30,485	95.6%	26,933	91.1%	3,552	13.2%
Asset increases due to internal work	1,154	3.6%	2,166	7.3%	(1,012)	(46.7%)
Other revenue and receipts	260	0.8%	478	1.6%	(218)	(45.6%)
Production value	31,899	100.0%	29,577	100.0%	2,322	7.9%
Purchase costs	(180)	(0.6%)	(143)	(0.5%)	(36)	(25.2%)
Service costs	(5,777)	(18.1%)	(3,971)	(13.4%)	(1,806)	(45.5%)
Other operational costs	(395)	(1.2%)	(450)	(1.5%)	54	12.1%
Added value	25,547	80.1%	25,013	84.6%	534	2.1%
Labour costs	(19,310)	(60.5%)	(19,348)	(65.4%)	38	0.2%
Other administrative expenses	(979)	(3.1%)	(1,074)	(3.6%)	95	8.8%
Gross operational result (EBITDA)	5,258	16.5%	4,591	15.5%	667	14.5%
Allocation to fund and credit depreciation	(66)	(0.2%)	(49)	(0.2%)	(17)	(35.3%)
Intangible fixed asset amortization	(1,971)	(6.2%)	(2,689)	(9.1%)	718	26.7%
Tangible fixed asset amortization and depreciation	(349)	(1.1%)	(287)	(1.0%)	(62)	(21.8%)
Operational result (EBIT)	2,872	9.0%	1,566	5.3%	1,306	83.4%
Financial income	3	0.0%	2	0.0%	2	108.1%
Financial expenses	(35)	(0.1%)	(24)	(0.1%)	(11)	(46.0%)
Ordinary result	2,840	8.9%	1,544	5.2%	1,296	84.0%
Revaluations and depreciations	715	2.2%	226	0.8%	489	215.8%
Pre-tax result	3,555	11.1%	1,770	6.0%	1,785	100.9%
Income taxes	(938)	(2.9%)	(425)	(1.4%)	(513)	(120.7%)
Profit (loss) for the period	2,617	8.2%	1,345	4.5%	1,272	94.6%

Profit/(loss) for the period attributable to:

Non-controlling interests	185	0.6%	163	0.6%	22	13.4%
Owners of the parent	2,432	7.6%	1,182	4.0%	1,250	105.8%
Weighted average number of ordinary shares outstanding	8,980,000		8,980,000			
Basic earnings per share (in €)	0.271		0.132			

The CAD IT group closed the first half of 2018 with results and profit margins showing an improvement compared to the same six months of 2017. Net profit was Euro 2,617 thousand, increasing compared to Euro 1,345 thousand of previous period (+94.6%).

The value of production for the period, an increase (+7.9%) compared to the previous year, was mainly due to revenues from sales and services of Euro 30,485 thousand (a 13.2% increase compared to Euro 26,933 thousand in the first half of 2017) as well as by increases in fixed assets for internal works of Euro 1,154 thousand (decreasing compared to Euro 2,166 thousand in the first half of 2017) relating to the development of new procedures and the CAD IT's own software park. The other revenues and equivalent earnings of the first half of 2018 came to Euro 260 thousand, compared to Euro 478 thousand of the same period of previous year. Revenues from sales and services of the first half of 2018 include Euro 663 thousand of the subsidiary company DPI which entered in April 2018 in the consolidation area.

The added value, of Euro 25,547 thousand, an increase by 2.1% compared to the previous period (Euro 25,013 thousand), reached a margin of 80.1% on the value of production (84.6% in the first half of 2017).

Purchase costs to the value of Euro 180 thousand recorded a slight increase compared to Euro 143 thousand of first half of 2017.

Service costs of Euro 5,777 thousand (equal to 18.1% of the value of production) increased by 1,806 thousand of Euro compared to Euro 3,971 thousand in the first half of 2017 (equal to 13.4% of the value of production of the related period). In particular, costs for external collaborations increased (+1,189 thousand euro) mainly due to the increase in activities and services provided by the associated company Sicom on customer projects and other service expenses also increased (+617 thousand euro).

Labour costs of Euro 19,310 thousand are substantially in line with Euro 19,348 thousand of the first half of 2017, as a result of the decline in the cost of the companies already included in the consolidation area (-494 thousand euro) and the entry of the Spanish subsidiary DPI (+456 thousand euro). The average number of employees during the first half year was 639 employees, slightly lower compared to the same six months of 2017 when the figure was 645 employees.

Other administrative costs came in the first half to Euro 979 thousand, decreasing compared to Euro 1,074 thousand in first half 2017.

The EBITDA Gross Operational Result of Euro 5,258 thousand (equal to 16.5% of the value of production) showed an improvement (+14.5%) compared to Euro 4,591 thousand of the first half 2017 (equal to 15.5% of the value of production).

Amortization and devaluation contributions for the period amounted to Euro 1,971 thousand in regard to intangible assets and Euro 349 thousand for tangible assets, compared to Euro 2,689 thousand and Euro 287 thousand in the same period 2017. The decrease in intangible assets amortization is mainly due to the completion of amortization plans on investment projects capitalized in previous years.

The EBIT operational result for the six month period was positive by Euro 2,872 thousand, a sharp increase compared to Euro 1,566 thousand of the first half of 2017.

The result of the financial management was negative and recorded income of Euro 3 thousand and financial expense for Euro 35 thousand, compared to 2 and 24 thousand Euro in the first half of last year.

The ordinary result was positive for Euro 2,840 thousand compared to Euro 1,544 thousand in the first half of 2017.

The revaluations and depreciations of the period refer to the share of profit of associates, calculated with the equity method, amounting to Euro 715 thousand (Euro 226 thousand in the first half of 2017).

Earning before taxes was positive for Euro 3,555 thousand (equal to 11.1% of the value of production), in clear improvement (+100.9%) compared to Euro 1,770 thousand (equal to 6.0% of the value of production) of the same half period of the previous year.

Taxes impact on income for Euro 938 thousand, with an incidence of 26.4% on the gross pre-tax result, compared to Euro 425 thousand in the first half of 2017, resulting in a profit for the period of Euro 2,617 thousand, a substantial improvement compared to Euro 1,345 thousand in the first half of 2017.

The result for the period attributable to owners of CAD IT was positive for Euro 2,432 thousand compared to Euro 1,182 thousand in the first half of 2017; the result attributable to minority interest was positive for Euro 185 thousand

(Euro 163 thousand in the first half 2017).

The short-term situation and trend of ICT market

After the slowdown observed in the first quarter, the short-term outlook for the global economy remains positive overall, though world trade slowed. Significant risk factors stem from the intensification of trade tensions connected to the protectionist stance of the US government which, in addition to having a direct effect on commerce, could dent business confidence and affect the investment plans of firms operating on international markets.

Growth continues in the euro area despite the slowdown recorded in recent months.

The Italian economy continued to grow despite the signs of a slowdown that emerged in the second quarter. GDP growth also continued in the second quarter, around 0.2 per cent, with mainly downside risks in relation to manufacturing. In the first three months of this year GDP rose by 0.3 per cent, slowing slightly compared with the final quarter of 2017.

In the first three months of 2018, operating profits for the banking groups classified as significant grew by 18.9 per cent compared with the same period of the previous year. Gross income rose by 2.9 per cent owing both to the increase of 2.0 per cent in interest income and in other fees, which benefited from the positive trend in net fee income (3.9 per cent), and to lower staff expenditure, which led to a contraction of 4.1 per cent in operating costs. Loan loss provisions fell by almost one fourth. Net of extraordinary components, the annualized return on equity rose to 8.4 per cent (from 5.1 per cent in the first three months of 2017). In the first quarter of 2018 the ratio of the stock of NPLs to total outstanding loans continued to fall, both gross and net of loan loss provisions. The capital ratios of Italy's significant banks were practically unchanged in the first quarter: in March 2018, common equity tier 1 (CET1) averaged 13.2 per cent of risk-weighted assets.¹

In 2017, the Italian Information Technology market grew by +3.1%, thus confirming its positive course, and has continued its sprint in 2018 with an estimate of +1.9%, driven by new technologies and an increasingly more digital economy. The company's expenditure shift towards Digital Transformation projects widens the gap between "new" and "old" ICT: the expansive effect of Third Platform technologies and Innovation Accelerators compensates for the decrease in traditional ICT products and services or those that cannot be attributed to new business drivers. In Italy, Third Platform technologies have experienced an overall growth of +16.4%, for a total of over 14 billion Euros: IoT +16.4%, Cognitive +20.5%, Cloud +27.8%, Big Data & Analytics +20.9%, Augmented and Virtual Reality +335.6%, Wearable +155.7%.

The outlook for 2018 is positive: 48% of budgeted ICT expenditure will be transmitted by the large companies, confirming that the cultural digital sensitization procedure is mainly being carried out in the micro and small company segment. Almost a quarter of investments – 7 billion Euros – will come from the Manufacturing sector, also driven by the 4.0 optical industry, followed by the Finance sector at 6.2 billion Euros.²

Significant events of the period

On 3rd January 2018, the chairman and executive director, Giampietro Magnani, passed away suddenly. The chairman's position was taken on, in accordance with Article 20 of the company's by-laws and board deliberation of 29th April 2015, by vice-chairman and executive director Luigi Zanella until 19th January 2018.

On 19th January 2018 the board of directors appointed the managing director Paolo Dal Cortivo as chairman of the board. At the same time, the Board of Directors nominated for co-option, pursuant to art. 18 of the company Statute and art. 2386 of the Italian Civil Code and on the favourable opinion of the Board of Auditors and the Remuneration and Nomination Proposal Committee, Cecilia Rossignoli as Non-executive Director, who then was

¹ Source: Banca d'Italia, Economic Bulletin no. 3, July 2018.

² Source: Assintel Report 2018.

confirmed to the office by the shareholders' meeting of 27 April 2018.

On February 2018, the company Quarantacinque S.p.A. (formerly Quarantacinque S.r.l.) notified its decision to promote a public offer of voluntary acquisition, pursuant to articles 102 and 106, paragraph 4 of the TUF, concerning the entire amount of CAD IT S.p.A. company shares, less the overall number of shares held by the subjects concerned in the offer (Paolo Dal Cortivo, Giulia Dal Cortivo and Liliana Lanza) equal to about 85.766% of the CAD IT company capital. The offer was promoted with the aim of acquiring the whole corporate capital of CAD IT, in any case, at obtaining the delisting of the Issuer's ordinary Shares from the MTA, without restoring, should this be the case, a sufficient free float to ensure the normal trading. On 20th April 2018, the offer was completed and Quarantacinque S.p.A. has reached 66.292% of the capital of CAD IT .

On 24th April 2018 acquired 74.5% of the capital of the Spanish company Desarrollo de Productos Informaticos S.A. (DPI).

Founded in 1991, with registered offices in Madrid, DPI is the market leader in Spain for the supply of software solutions to about 60 Financial Company customers. DPI closed its 2017 financial period with revenues equal to 3.45 million euros, a net profit of 0.37 million euros and a Net Financial Position in credit for 1.54 million euros.

The cost of acquiring 74.5% of the DPI capital comes to about 3.8 million Euros of which 80% (Euro 3,040 thousand) was provided at the date of acquired, while payment for the remaining 20% (Euro 760 thousand) will be made on 30th April 2020. In order to meet the investment, CAD IT opened a specific bank financing for the duration of five years.

On 27th April 2018, the Ordinary Shareholders' Meeting of CAD IT S.p.A. approved the Annual Financial Statements at 31st December 2017 and resolved to set aside the year's net profit in the available reserves of undivided profits. 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, whose office will expire with the shareholders' meeting for the approval of the 2018 financial statements and the Board of Auditors, whose office will expire with the shareholders' meeting for the approval of the 2020 financial statements, determining their remuneration.

On 2nd May 2018 the Board of Directors granted powers to the directors, setting the executive directors' remuneration and has set up the Control and Risks Committee and the Nominating and Remuneration Committee. On the same date, the Board of Directors also started the merger process between CAD IT S.p.A. and its controlling company Quarantacinque S.p.A., convening for July 13th, 2018 the extraordinary shareholders' meeting to approve the merger project.

On 29th June 2018 the CAD IT Board of Directors, having read the report issued by PricewaterhouseCoopers S.p.A. on 12th June 2018 and having, in any case, received confirmation from its own advisor, Deloitte Financial Advisory, regarding the reasonableness of the substantial conclusion to which Deloitte Financial Advisory came in the context of the analysis and assessments it carried out and endorsed by the Company in order to prepare the merger documentation, has decided to suspend the merger procedure to incorporate CAD IT into the controlling company, in order to make further technical investigations, even with the aid of an independent advisor. Therefore, the single convocation of the extraordinary CAD IT shareholders' meeting, scheduled for 13th July 2018 at 9.30 am, was cancelled. Subsequently, the procedure for the merger of CAD IT into Quarantacinque was also revoked as illustrated in the note to the financial statements "Events since 30th June 2018".

Research and development

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

In particular, activities for the realization of new modules to increase the functional and/or technological

development of the considerable range of software installed, with the purpose of consolidating traditional business, diversifying the Group's offer with new products and towards those sectors bordering on the ones in which it is already present and to new markets abroad, are still underway.

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

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

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

Moreover, during the period, the activities started in previous years continued; these activities refer to developments and software updates were made and/or started in relation to sector or regulation evolutions that are having considerable impact on customer systems in the financial sector. These include the new IFRS 9 accounting standard, including adjustments of supervisory reports and financial statements and notes to the financial statements for financial institutions, the 2014/65/EU European Directive (MiFID II) and Regulation no. 600/2014 (MiFIR), the management of ISP Individual Savings Plans (products established with the 2017 Budget Laws, which give access to taxation benefits by investing in certified financial instruments, in other words, those that mainly refer to Italian companies, including small and medium-sized enterprises, maintaining the plan for at least 5 years).

Development activities, started in 2017 financial period, to enrich the product for managing operability on trading on line (TOL), continued during the period.

Investments

Summary of investments	First Half 2018	First Half 2017	Variations	Year 2017
Intangible fixed assets	141	31	110	111
Intangible assets under development	1,154	2,166	(1,012)	3,658
Property, Plant and equipment	140	225	(85)	313
Total investments in tangible and intangible fixed assets	1,435	2,422	(987)	4,082

Investments in tangible and intangible fixed assets made by the consolidated companies in the first half 2018 amount to Euro 1,435 thousand, compared to Euro 2,422 thousand in the first half 2017.

The decrease in investments is mainly referred to the item "Intangible fixed assets under development" related to investments in development of software procedures. Most of these costs refer to the use of the Group's internal resources for the development of its own software which will either be licensed out to clients or used for the Group's activities. Investments derive from strategic decisions taken by the management, aimed at 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.

Related parties transactions

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 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 Half year 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, as of 30/06/2018:

<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.	10,131	676	1	-	2,563	15,542
CAD S.r.l.	450	6,477	-	-	8,969	1,104
CeSBE S.r.l.	231	1,662	-	1	4,546	780
Smart Line S.r.l.	41	614	-	-	917	99
Elidata S.r.l.	13	1,327	-	-	1,301	778
Datafox S.r.l.	18	128	-	-	379	28
Tecsit S.r.l.	0	-	-	-	-	343
Total	10,885	10,885	1	1	18,676	18,676

There have been no abnormal or unusual transactions between the CAD IT Group's companies in this financial period. CAD IT S.p.A.'s relations with its subsidiaries are shown in the separate CAD IT S.p.A. Financial Statements attached to this report.

Reconciliation of equity and profit of the parent company

The following table shows the reconciliation figures of the equity and the consolidated financial result with those of CAD IT S.p.A.³

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

	Equity	Result of period
Equity and result of the controlling company for the period concerned	57,056	2,202
- difference between the entry value of the consolidated holdings and the pro quota value of equity	(11,615)	-
- pro quota results of the subsidiary/associate holdings	588	588
- consolidation difference: Goodwill	11,088	-
- subsidiary/associate dividend elimination	-	(1,177)
- infra-group margin elimination	(1,061)	104
- assessment of associate holdings with equity method	1,413	715
Total equity and consolidated result of period attributable to owners of the parent	57,468	2,432

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.

In compliance to the legal obligations, the Board of Directors annually approves the Corporate governance and property asset report, in accordance with articles 123 bis and 124 ter TUF and 89 bis Consob Issuer Regulations, in order to provide an adequate description of the corporate governance system adopted, information on property assets and adhesion to Corporate Governance regulations. The report is published and is available for public viewing in the Investor Relations sector of the company’s Internet site: www.caditgroup.com. Please refer to this document for further details on governance and the Internal Control System of CAD IT and of the Group.

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

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

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

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

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



to which the entire Group is exposed.

External Risks

Risks connected to the general conditions of the economy and sector

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

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

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

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

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

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

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

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

Risks connected to protecting technological property

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

The management also maintains that the complexity and 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, except for a lawsuit filed during the 2016 period by a customer in the industry area with claims for damages amounting to Euro 955 thousand; in order not to be held liable for any damages, CAD IT has brought in its own insurance company. Moreover, the company maintains that the request is totally unfounded and is taking legal action to support its defence.

Financial Risks

Rischio di credito

The Group mainly operates with banks and service companies controlled by banks, financial institutions and insurance companies, tax collecting agencies and public administration offices, and, generally speaking, customers with proven soundness and solvency. For commercial reasons, specific policies aimed at monitoring times of collection of credits, also for important amounts, that, following previously revealed operative risks, could undergo delays, are adopted.

Liquidity risks

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

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

Exchange rate risks and interest rate risks

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

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

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

Other Information

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

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

In accordance with art. 2497 bis of the Civil Code, directly or indirectly affiliated companies, with the exception of particular cases, have identified CAD IT S.p.A. as an organization that exercises managerial and coordination activities. These activities mainly consist of indicating general and operative Group strategies and focus on defining and adjusting to internal control regulations, the issuing of a Code of Ethics to be adopted at a Group level, the

processing of general policies for the management of human and financial resources, the provision of productive factors. Moreover, Group coordination for some companies means a centralization of administrative, corporate and financial management services. The affiliated companies that remain in full control of their managerial and operative autonomy, can then scale their economies by taking advantage of the professionalism and specialist services and concentrate their own resources in the management of their specific operational skills.

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

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

- **Production 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 results/margins described above and the net financial position, shown in the Financial Statement notes, for which no reclassifications have been made in terms of Financial Statement figures and relative explanations are supplied and linked to the patrimonial status entries concerned, as defined in the CESR Recommendations.

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

- **Quality Management System**, in conformity with the UNI EN ISO 9001:2008 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**, implemented according to the UNI/INAIL Guidelines (September 2001 edition).

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

CAD IT has also adopted a Privacy Management Manual which governs the activities that CAD IT Group has implemented and maintains in order to conform to the New European Regulation on Personal Data Protection issued on May 25th 2016 and which came fully into force on May 25th 2018.

The Group, 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 waive 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 development strategies adopted during last year, aimed at meeting the priorities that the financial institutions (banks, insurance companies, funds) are now being obliged to face, are going to continue also in the current year. In fact, financial institutions are now finding themselves having to deal with the constant need to adjust their

procedures and structures in order to quickly acknowledge new norms and regulations introduced at an international, European and national level as well as to try and improve results and margins in order to manage the current market context that is now beginning to show signs of recovery.

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

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

As regards pursuing improved margins, the financial institutions are constantly trying to contain costs and extend their business areas. CAD IT puts itself forward as a strategic partner for its customers on these fronts with innovative software like the new Oder Hub and General Data systems which are able to take advantage of new technologies that lead to achieving high standards of efficiency in terms of data and process management, with significant reductions in processing times and costs.

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

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

The Group is also continuing to pursue its efforts to expand towards the European and international markets, especially the Spanish one, whose expansion could be encouraged by the recent acquisitions of Spanish companies Desarrollo de Productos Informaticos S.A. in April 2018 and Software Financiero Bolsa S.A. in July 2018, as well as by the optimal references it has obtained from its existing foreign customers and by the internationalization procedures for which the large Italian and European banking groups are advocating.

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

In the domestic banking sector the prospects are therefore positive, taking into account the numerous and significant developments in the regulations that the customers will have to adjust to; moreover, the Group's increase in activities on a European and international scale and the acquisition of new customers in sectors bordering on financial institution areas, may contribute to the good performance of the business also for 2018 financial year.

On behalf of the Board of Directors

The Chairman

/s/ Paolo Dal Cortivo

HALF-YEAR CONDENSED FINANCIAL STATEMENTS OF THE CAD IT GROUP

Consolidated income statement

	Notes	First Half 2018		First Half 2017	
		Total	of which related parties	Total	of which related parties
Income from sales and services	3	30,485	88	26,933	22
Asset increases due to internal work	3 - 15	1,154		2,166	
Other revenue and receipts	3	260		478	
Purchase costs	5	(180)		(143)	
Service costs	6	(5,777)	(2,081)	(3,971)	(609)
Other operational costs	7	(395)		(450)	
Labour costs	8	(19,310)	(231)	(19,348)	(378)
Other administrative expenses	9	(979)	(540)	(1,074)	(656)
Allocation to fund and credit depreciation		(66)		(49)	
Intangible fixed asset amortization	15	(1,971)		(2,689)	
Tangible fixed asset amortization and depreciation	14	(349)		(287)	
Financial income	10	3		2	
Financial expenses	10	(35)		(24)	
Revaluations and depreciations	11	715		226	
Pre-tax result		3,555		1,770	
Income taxes	12	(938)		(425)	
Profit (loss) for the period		2,617		1,345	
Profit (loss) for the period attributable to:					
Non-controlling interests		185		163	
Owners of the parent		2,432		1,182	
Weighted average number of ordinary shares outstanding					
		8,980,000		8,980,000	
Basic earnings per share (in €)					
	13	0.271		0.132	

Consolidated statement of comprehensive income

	First Half 2018	First Half 2017
Profit (loss) for the period	2,617	1,345
Other comprehensive income that will not be reclassified subsequently to profit or (loss)		
Actuarial gains/(losses) on defined benefit liabilities net of tax effects	150	233
Total comprehensive income (loss)	2,767	1,579
Comprehensive income (loss) attributable to:		
• Non-controlling interests	249	193
• Owners of the parent	2,518	1,386

Consolidated Statement of financial position

ASSETS	Notes	30/06/2018		31/12/2017	
		Total	of which related parties	Total	of which related parties
A) Non-Current Assets					
Property, plant and equipment	14	18,173		18,139	
Intangible assets	15	15,263		16,625	
Goodwill	16	11,088		8,309	
Investments	17	3,606		2,500	
Investments at fair value recorded in the income		89		89	
Other non-current financial assets	18	490		326	
Credits due to deferred taxes	19	678		825	
TOTAL NON-CURRENT ASSETS		49,387		46,813	
B) Current Assets					
Inventories	20	37		53	
Trade receivables and other credits	21	24,461	82	29,606	112
Tax credits	22	2,069		1,216	
Other current financial assets	18	1,085		-	
Cash on hand and other equivalent assets	23	23,598		14,150	
TOTAL CURRENT ASSETS		51,251		45,025	
TOTAL ASSETS		100,637		91,838	

EQUITY AND LIABILITIES

A) Equity					
Share capital	24	4,670		4,670	
Reserves	25	35,246		35,246	
Accumulated profits/(losses)	26	17,552		15,023	
Issued capital and reserves attributable to owners of the parent		57,468		54,939	
Capital and reserves of third parties	24	2,671		2,175	
Profit (loss) of third parties		185		907	
Non-controlling interests		2,856		3,082	
TOTAL EQUITY		60,324		58,021	
B) Non-current liabilities					
Financing	28	3,036		1,663	
Deferred tax liabilities	29	2,521		2,520	
Employee benefits and quiescence provisions	30	7,616	70	7,837	193
Expense and risk provisions	31	-		160	
TOTAL NON-CURRENT LIABILITIES		13,172		12,180	
C) Current liabilities					
Trade payables	32	9,375	1,015	5,800	1,196
Current tax payables	33	5,151		4,540	
Short-term financing	34	2,690		3,948	
Other liabilities	35	9,925	158	7,350	392
TOTAL CURRENT LIABILITIES		27,141		21,637	
TOTAL LIABILITIES AND EQUITY		100,637		91,838	



Statement of changes in equity

	Attribution to the shareholders of the Parent Company					Minority Interests	Total
	Share capital	Reserves	Accumulated profit (loss) net of period result	Period result	Shareholder s' equity		
at 31/12/2017	4,670	35,246	11,322	3,700	54,939	3,082	58,021
Allocation of the period result to reserves			3,700	(3,700)			
Dividend distribution						(773)	(773)
Allocation of profits to directors of subsidiary companies			(14)		(14)	(13)	(27)
Effects due to variations in interests/reserves in subsidiaries						336	336
Total comprehensive Profit/(loss)			111	2,432	2,543	224	2,767
at 30 June 2018	4,670	35,246	15,120	2,432	57,468	2,856	60,324

	Attribution to the shareholders of the Parent Company					Minority Interests	Total
	Share capital	Reserves	Accumulated profit (loss) net of period result	Period result	Shareholder s' equity		
at 31/12/2016	4,670	35,246	11,950	1,147	53,013	2,327	55,339
Allocation of the period result to reserves			1,147	(1,147)			
Dividend distribution			(1,796)		(1,796)	(114)	(1,910)
Effects due to variations in interests/reserves in subsidiaries			21		21	9	30
Total comprehensive Profit/(loss)			204	1,182	1,386	193	1,579
at 30 June 2017	4,670	35,246	11,526	1,182	52,624	2,414	55,038

Consolidated Cash Flow Statement

	NOTES	First Half 2018	First Half 2017
A) OPERATING ACTIVITIES			
Profit (loss) for the period		2,617	1,345
Amortisation, revaluation and depreciation:			
- Property, plant and equipment amortisation and depreciation	14	349	287
- Intangible fixed asset amortisation	15	1,971	2,689
- revaluation of investments and other financial assets	11	(715)	(250)
- depreciation of investments and other financial assets	11	5	23
Allocations (utilization) of provisions	30-31	(173)	(40)
Financial performance:			
- Net financial receipts (charges)	10	32	22
- Profit / (loss) on foreign exchange	10	(2)	(2)
Working capital variations		8,377	4,085
Income taxes paid		0	(226)
Interest paid	10	(33)	(22)
(A) - Cash flows from (used in) operating activities		12,427	7,912
B) INVESTMENT ACTIVITIES			
Investments in activities			
- purchase of property, plant and equipment	14	(140)	(225)
- purchase and increase in intangible assets	15	(1,294)	(2,197)
- purchase of investments in subsidiaries net of cash availability	2	(1,604)	-
- increase in other non-current financial assets		(159)	(16)
Disinvestment activities			
- transfers of property, plant and equipment	14	22	-
- transfers of intangible fixed asset	15	724	-
- decrease in other non-current financial assets		3	20
Cashed Interest	10	3	2
Cashed dividends		150	0
(B) - Cash flows from (used in) investment activities		(2,295)	(2,416)
C) FINANCING ACTIVITIES			
Medium/long term financing repayment		(1,036)	(299)
Medium/long term financing opening	28	2,409	-
Allocation of profits to directors of subsidiary companies		(27)	-
Minority owners payments in subsidiary companies		0	30
Dividends paid		(773)	(1,910)
(C) - Cash flows from (used in) financing activities		573	(2,178)
(A+B+C) - Total cash and other equivalent assets flows	36	10,706	3,317
Opening cash balances and equivalents		10,203	1,883
Closing cash balances and equivalents		20,908	5,200

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

Notes

CAD IT S.p.A. is a joint stock company and is governed on the basis of Italian law and exercises its management and coordinated activities on its own direct controlled companies. CAD IT S.p.A. is subject to the control of Quarantacinque S.p.A., as provided by article 2359 of the Italian Civil Code.

CAD IT S.p.A. is not subject to the control of companies or bodies and it is fully responsible for defining its own general and operational strategic policies.

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.

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.

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.

1. Accounting policies and evaluation criteria more important

This half-year condensed financial statement has been drafted in accordance with the applicable IRFS 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). The half-year condensed financial statement has been drafted in the consolidated form since CAD IT is obliged to draft a consolidated balance.

The half-year condensed financial statement has been drafted in accordance with IAS 34 – Interim Financial Reports, bearing in mind the contest of art. 154-ter of legislative decree no. 58 of 24th February 1998 (TUF).

In the drawing up of this summarised six-monthly Balance, the same accounting standards have been applied as those adopted in the drafting of the consolidated Balance at 31st December 2017, with the exception of the items described in the paragraph below – Accounting Standards paragraph, amendments and interpretations applied since 1st January 2018.

The accounting standards adopted have been applied in the same manner throughout the periods shown and for all the Group's companies, amending the respective Financial Statement drafted in accordance with Italian accounting standards to consolidate.

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

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 2018

The accounting standards and evaluation criteria applied are consistent with those used for drafting the Consolidated Financial Statements as at 31st December 2017 with the exception of the two new international accounting standards applicable from 1st January 2018:

- IFRS 9 "Financial instruments", which replaces IAS 39 and
- IFRS 15 "Revenue from contracts with customers", which replaces IAS 18.

The application of the new accounting standards did not entail adjustments to data and results of previous years and therefore it was not necessary to recalculate comparative information. It should be noted that as from 1 January 2018, as a result of the first application, the items in the consolidated statement of financial position have been modified according to the following schedule:

<i>Items of assets from 1st January 2018</i>	<i>Items of assets as of 31st December 2017</i>
Investments at fair value recorded in the income statement	Other financial assets available for sale
Other non-current financial assets	Other non-current credits

The "Other financial assets available for sale", entirely formed by investments in other companies at 31st December 2017, had not undergone changes in *fair value* and therefore the reclassification in the item "Investments at fair value recorded in the income statement" did not entail adjustments to assets.

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 deferrals 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 intra-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: from 2 to 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: from 20 to 25%
- vehicles: from 10 to 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.

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 financial assets

Financial activities held by the group are evaluated at amortized cost if they are held with the aim of collecting contractual financial flows or, in the other cases, at fair value to profit and loss account.



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.

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

The fully consolidated companies included in the financial schedules of CAD IT Group are the following :

Company name	Registered office	Share/ Quota capital Euro	Percentage of investment	Percentage of investment of the Group
<i>Consolidated using the integral method</i>				
CAD IT S.p.A.	Verona	4,669,600	Parent company	
CAD S.r.l.	Verona	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%
Desarrollo de Productos Informaticos S.A. ⁽²⁾	Madrid	60,101	75.25%	75.25%
⁽¹⁾ Held through CAD S.r.l.				
⁽²⁾ The percentage of investment is calculated net of own shares held by DPI (1% of the share capital)				

On 24th April 2018, CAD IT S.p.A. acquired 74.5% of the capital of the Spanish company, Desarrollo de Productos Informaticos S.A. (DPI). Since that date, the Spanish company has been included in the balance of the entire business area and therefore the profit and loss account values and financial report include the operations carried out since the acquisition date to 30th June 2018, while the patrimonial and financial situation values include the payments at 30th June 2018.

The following tables summarize the values relating to the acquisition of the subsidiary company DPI .

a) Total amount of payments for the acquisition	3,040
b) of which paid with available liquid assets	3,040
c) Cash and cash equivalents	1,435
b) – c) payment net of acquired availability	1,604
d1) Other acquired assets	1,874
d2) Acquired liabilities	1,953

3. Revenues

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

	30/06/2018		30/06/2017		Variations	
	€/000	% PV	€/000	% PV	absolute	%
Income from sales and services	30,485	95.6%	26,933	91.1%	3,552	13.2%
Asset increases due to internal work	1,154	3.6%	2,166	7.3%	(1,012)	(46.7%)
Other revenue and receipts	260	0.8%	478	1.6%	(218)	(45.6%)
Production value	31,899	100.0%	29,577	100.0%	2,322	7.9%

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.

In the first half of 2018, revenues from sales and services increased compared to the first half of 2017 by 13.2%, recording the value of Euro 30,485 thousand (compared to Euro 26,933 thousand). Revenues from sales and services of the first half of 2018 include Euro 663 thousand of the subsidiary company DPI which entered in April 2018 in the consolidation area.

Revenues from foreign customers during the first half of 2018 amounted to 6.6% of the total sales and services revenues (4.7% in the first half 2017) and mainly concern customers from the following countries: Spain, Switzerland, Germany, United Kingdom.

Increases in internal work capitalized under fixed assets of Euro 1,154 thousand, decreased compared to Euro 2,166 thousand in the first half of 2017, and include the activities carried out by the staff of CAD IT and the Group's companies concerning the development of new procedures aimed at the sale of licensed products or instrumental goods for the company's traditional business.

The other revenues and equivalent earnings of the first half of 2018 came to Euro 260 thousand, compared to Euro 478 thousand of the same period of previous year.

4. Sector Information

Management reporting does not foresee the allocation of operational costs, interests, amortizations and depreciations, taxes, assets and liabilities of operational sectors. Information relating to the net revenues towards third parties attained by the Group by business line, product type and services and by geographical area is presented below.

Revenues by business line	First Half 2018		First Half 2017	
	€/000	%	€/000	%
Finance	29,902	98.1%	26,107	96.9%
Manufacturing	583	1.9%	826	3.1%
Total	30,485		26,933	

The main activities of each business line are as follows:

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

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

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

Revenues towards third party customers attained by the Group are subdivided as follows:

Revenues by customer geographic area	First Half 2018		First Half 2017	
	€/000	%	€/000	%
Italy	28,472	93.4%	25,672	95.3%
Abroad	2,013	6.6%	1,261	4.7%
Total	30,485		26,933	

The revenues towards third party customers attained by the Group are subdivided by service/product type as follows :

Revenues by type of products and services	First Half 2018		First Half 2017	
	€/000	%	€/000	%
Licensing & support	25,592	83.9%	22,997	85.4%
Application Management & Outsourcing	4,785	15.7%	3,854	14.3%
Other revenues	108	0.4%	82	0.3%
Total	30,485		26,933	

5. Purchase Costs

	30/06/2018	30/06/2017	Variations	%
Hardware-Software purchases for sale	41	40	0	0.9%
Maintenance and consumable hardware purchases	7	9	(2)	(23.6%)
Other purchases	104	102	3	2.6%
Variations in raw material stock	28	(8)	35	451.2%
Total	180	143	36	25.2%

Costs for hardware and software purchases for commercialization refer to purchases made for orders that clients had already confirmed and are substantially in line compared to the first half of 2017.

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

6. Service costs

	30/06/2018	30/06/2017	Variations	%
External collaboration	3,128	1,939	1,189	61.3%
Travelling expenses and fee reimbursement	519	520	(0)	(0.0%)
Other service costs	2,129	1,512	617	40.8%
Total	5,777	3,971	1,806	45.5%

Service costs during the first half of 2018 came to Euro 5,777 thousand, an increase compared to the same period of previous year (Euro 3,971 thousand). In particular the increase involved external collaboration costs (+1,189 thousands of euro) and other service costs (+617 thousands of euro), while travelling expenses and fee reimbursement remained constant, cost, the latter, correlated to the productive activities in terms of the need to carry out work on customer premises. The increase in costs for external collaborations is mainly due to the increase in the activities of the associated Sicom for product development, service delivery and participation in activities on projects for customers.

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. Other service expenses for the first half of 2018 include consultancy and services relating to extraordinary corporate transactions occurred in the period.

7. Other operating costs

The following table shows and compares the other operating costs, which have undergone a decrease of 12.1%.

	30/06/2018	30/06/2017	Variations	%
Leases and rentals	303	329	(25)	(7.7%)
Misc. operating costs	92	121	(29)	(23.9%)
Total	395	450	(54)	(12.1%)

Leases and rentals in 2018 first half year, came to Euro 303 thousand, compared to Euro 329 thousand in the first six months of 2017 and mainly refer to lease of operational offices, as well as to equipment and instrumental software rental.

Other operating costs amounting to Euro 92 thousand, a decrease of Euro 29 thousand, mainly refer to taxes and fees not related to taxable income (such as IMU, Tasi - municipal taxes on real estate, registration taxes, stamp duty and taxes on waste), as well as expenses for magazines and publications.

8. Labour costs and Employees

Labour costs in the first half of 2018, of Euro 19,310 thousand, are substantially in line compared to the same six months in 2017 (Euro 19,348 thousand). Labour costs at 30th June 2018 include Euro 456 thousand related to the subsidiary Spanish Company DPI.

	30/06/2018	30/06/2017	Variations	%
Salaries and wages	13,871	13,898	(27)	(0.2%)
Social security costs	4,069	4,020	49	1.2%
Severance pay	999	1,009	(10)	(1.0%)
Other costs	371	421	(50)	(11.9%)
Total	19,310	19,348	(38)	(0.2%)

The following table shows the data for the precise number of employees at the Group CAD IT:

Category of employees	labour force at 30/06/2018	labour force at 30/06/2017	Variations	labour force at 31/12/2017
Management	20	20	0	19
White-collars and cadres	612	573	39	569
Blue-collars	1	1	0	1
Apprentices	31	50	-19	35
Total	664	644	20	624

The number of CAD IT Group staff, at 30th June 2018 was 664 employees, compared to 644 at 30th June 2017. The employees of DPI at 30th June 2018 were 43.

The average number of employees during half year in question was 639 persons, a decrease of 6 units compared to the previous first half year. The following table shows data regarding the Group's average number of employees.



Category of employees	Average number 1 st half 2018	Average number 1 st half 2017	Variations	Average number year 2017
Management	20	20	0	20
White-collars and cadres	584	574	10	573
Blue-collars	1	1	0	1
Apprentices	34	50	-16	48
Total	639	645	-6	642

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, skills development in the thematic areas relating to the company's core business, health and safety at work, foreign languages (English), company organization and managerial training.

9. Other administrative costs

The table below shows the other administrative costs in detail.

	30/06/2018	30/06/2017	Variations	%
Director and legal representative fees	701	798	(97)	(12.1%)
Director retirement	8	8	0	-
Director and legal representative fee contributions	123	114	9	8.2%
Telephone charges	135	154	(19)	(12.2%)
Advertising fees	13	1	11	888.5%
Total	979	1,074	(95)	(8.8%)

The entry of the total amount of Euro 979 thousand, shows a Euro 95 thousand decrease compared to the first half of previous financial period (-8.8%) 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.

Other administrative costs include remunerations paid to related parties of Euro 540 thousand, previous period Euro 656 thousand (as shown in note 37).

10. Financial performance

The net financial management result was negative for Euro 32 thousand, compared to Euro 22 thousand in the first half of 2017, as the following detailed table shows.

	30/06/2018	30/06/2017	Variations
Interest on bank deposits and equivalent	3	2	2
Total financial income	3	2	2
Interest on bank overdrafts and loans	(28)	(22)	(7)
Financial charges on current financial assets	(5)	0	(5)
Foreign exchange losses	(2)	(2)	0
Total financial charges	(35)	(24)	(11)
Net financial income and (charges)	(32)	(22)	(9)

Financial earnings entirely refer to interest received from liquid assets in current bank accounts .



Financial expenses almost entirely refer to current account overdrafts and bank loans.

11. Revaluations and depreciations

Revaluations and depreciations concern the associated companies Sicom S.r.l. and Software Financiero Bolsa S.a. accounted for with the net patrimony method.

<i>Revaluations and depreciations</i>	<i>30/06/2018</i>	<i>30/06/2017</i>	<i>Variations</i>	<i>%</i>
Revaluation of holding in associate companies	715	250	466	186.4%
Depreciation of holding in associate companies	0	(23)	23	100.0%
Total revaluations and depreciations	715	226	489	215.8%

12. Income taxes

The taxes ascribable to first half of 2018 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.

	<i>30/06/2018</i>	<i>30/06/2017</i>	<i>Variations</i>	<i>%</i>
Current taxes	829	323	507	157.1%
Taxes relating to previous periods	(1)	2	(2)	(154.5%)
Tax pre-payments	110	101	9	8.6%
Deferred taxes	0	0	0	-
Total income taxes	938	425	513	120.7%
Tax incidence on the gross pre-tax result	26.4%	24.0%		

The tax incidence for the period on the gross pre-tax result amounted to 26.4%, while in the first six months of 2017 it was 24.0%.

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

13. Earnings per share

The basic earnings per share is calculated by dividing the profit/loss of the period ascribable to the ordinary shareholders of the Parent 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>30/06/2018</i>	<i>30/06/2017</i>
Net profit (loss) from continuative activities attributable to ordinary shares (thousand of €)	2,432	1,182
Weighted average number of ordinary shares outstanding	8,980,000	8,980,000
Basic earnings per share (in €)	0.271	0.132

14. Property, plant and equipment

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

	30/06/2018	31/12/2017	Variations	%
Land	1,767	1,767	0	-
Buildings	14,947	14,905	42	0.3%
Plant and equipment	767	886	(119)	(13.5%)
Other assets	691	581	110	19.0%
Tangible fixed assets under development and payments on account	0	0	0	-
Total property, plant and equipment	18,173	18,139	33	0.2%

During the first half of 2018, the item "property, plant and equipment" varied as follows :

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under development and payments on account	Total
Purchase or production cost	10,446	4,500	34	4,553	-	19,534
First time adoption revaluation	8,439	-	-	-	-	8,439
Previous years depreciation and write-downs	(2,213)	(3,614)	(32)	(3,974)	-	(9,833)
Adjustments to previous years write-downs	-	-	-	-	-	-
Opening value	16,672	886	2	579	-	18,139
Variations in consolidation area	105	6	-	154	-	265
Purchases	25	12	-	103	-	140
Transfers	-	-	-	-	-	-
Reduction in accumulated depreciation due to disposals	-	1	-	16	-	17
Disposals	-	(1)	-	(38)	-	(39)
Revaluations for the period	-	-	-	-	-	-
Depreciation and write-downs for the period	(88)	(137)	(0)	(124)	-	(349)
Adjustments to write-downs for the period	-	-	-	-	-	-
Total tangible fixed assets	16,715	767	2	690	-	18,173

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.

The purchasing of new tangible assets during the year half came to a total of Euro 140 thousand of which the main ones regarding Euro 103 thousand for "other tangible assets" and mainly included the purchasing of information technology equipment, managerial instruments characteristic of the Group's activities.

During the first half of 2018 property, plant and equipment were subject to value reductions for Euro 17 thousand.

15. Intangible fixed assets

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

	30/06/2018	31/12/2017	Variations	%
Industrial patents and similar rights	10,956	7,730	3,226	41.7%
Licences, trademarks and similar rights	182	169	13	7.9%
Assets under development	4,125	8,727	(4,601)	(52.7%)
Total Intangible fixed assets	15,263	16,625	(1,362)	(8.2%)

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

	<i>Industrial patents and similar rights</i>	<i>Licences, trademarks and similar rights</i>	<i>Assets under development and payments on account</i>	<i>Total</i>
Purchase or production cost	46,245	2,566	8,727	57,538
Previous years revaluations	-	-	-	-
Previous years depreciation and write-downs	(38,516)	(2,397)	-	(40,913)
Adjustments to previous years write-downs	-	-	-	-
Opening value	7,730	169	8,727	16,625
Variations in consolidation area	-	38	-	38
Purchases	120	21	1,154	1,294
Transfers	5,755	-	(5,755)	-
Reduction in accumulated depreciation due to disposals	-	-	-	-
Disposals	(723)	(1)	-	(724)
Revaluations for the period	-	-	-	-
Depreciation and write-downs for the period	(1,926)	(45)	-	(1,971)
Adjustments to write-downs for the period	-	-	-	-
Total intangible fixed assets	10,956	182	4,125	15,263

The voice "industrial patent rights and intellectual property" is almost entirely made up of software procedures developed by the CAD IT Group. The values are registered to credit to the directly sustained cost, mainly inherent to the use of internal resources used for the the implementation of intangible assets. 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.

During the period, following the completion and start of projects, were entered Euro 5,755 thousand, previously included in intangible assets in progress. The amortizations of this voice in the first half of 2018 financial period came to Euro 1,926 thousand, a decrease compared to Euro 2,648 thousand of the first half of 2017, due to the conclusion of amortization plans initiated in previous years. During the period, the exploitation rights relating to a software procedure developed internally were sold for a cost of Euro 723 thousand.

The caption "Licences, trademarks and similar rights" principally includes the licensed out software bought by third parties used by the Group for the characteristic activities.

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.

During 2018 first half period, ongoing intangible assets increased by Euro 1,154 thousand due to the capitalization of costs incurred by the parent company CAD IT and decreased by 5,755 thousand euro due to the reclassification of projects and products completed and become available for use and sale under the item Industrial patents and similar rights.

These assets have undergone no reduction in value during the 2018 first half financial year that need to be registered in the balance.



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; at 30/06/2018 there are no elements indicating impairment.

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 S.r.l.	217
CeSBE S.r.l.	28
DPI S.A.	2,779
Total	11,088

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

The evaluation of the CAD IT Group companies was made, as at 31/12/2017, 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 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 $k_s = 6.93\%$.

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

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

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



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

This item consists of the holding in Sicom Srl and Software Financiero Bolsa S.A., evaluated with the equity method. The reference values used for evaluating these investments with the equity method and the relative reference dates on the patrimonial situation are shown in the following table:

Company name and registered office	Date of reference	Quotaholders' equity including profit for the period	Profit for the period	Percentage of investment	Investment value of the Group	Value registered in consolidated financial statements
Sicom S.r.l. - Viadana MN	30/06/2018	4,200	2,670	25.00%	1,050	1,050
Software Financiero Bolsa S.A. - Madrid Spain	30/06/2018	1,914	159	30.00%	574	2,556
Total						3,606

18. Other financial assets

The other non-current assets to a total of 490 thousand Euros consist mainly of capitalization insurance policies on severance pay and termination indemnity held by a subsidiary (406 thousand Euros) as well as other credits for security deposits on ongoing supply contracts.

The other current assets of 1,085 thousand Euros mainly consist of investments in bank certificates and other Securities that can be easily liquidated.

19. Credits due to prepaid taxes

Credits due to prepaid taxes, of Euro 678 thousand, have been recorded as assets in the current and previous periods, as, on the basis of the forecast plans and of estimates of their future projections, will be probably the realization of a taxable income for which they can be used. Credits for pre-paid IRES and IRAP taxes include elision effects of intercompany margins that generated temporary differences in taxable income in previous years and that will be deductible in future.

20. Inventories

Leftover stock entirely includes finished products and goods for sale to customers for Euro 37 thousand compared to Euro 53 thousand at 31/12/2017.

21. Trade receivables and other credits

Commercial credits and other credits are made up as follows:

	30/06/2018	31/12/2017	Variations	%
Credits to clients	23,902	29,380	(5,478)	(18.6%)
Credit depreciation fund	(330)	(264)	(66)	(25.0%)
Credits to associated companies	82	2	80	4516.1%
Accrued income and deferred expenses	736	294	442	150.4%
Other credits	71	195	(124)	(63.7%)
Total trade receivables and other credits	24,461	29,606	(5,145)	(17.4%)

% coverage credit depreciation fund	1.38%	0.90%
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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 a lump-sum basis for the other credits, depending on the past incidence of losses that the Group finds.

Regarding credits that are considered uncollectable, an allocation fund has been set up to the amount of Euro 330 thousand (Euro 264 thousand at 31 December 2017) which ensures a cover of 1.38% of the total amount of credits towards clients.

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

Nature	30/06/2018	31/12/2017
Software assistance	358	171
Expenses for leases and rentals	37	28
Telephone charges and connectivity	29	7
Administrative services	5	4
Various insurances	102	20
Hardware assistance	41	42
Other various	165	21
Total prepaid expenses	736	294

The total sum of the voice other credits is detailed in the table below:

Credits towards other	30/06/2018	31/12/2017	Variations	%
Receivables from social security institutions	1	20	(19)	(94.9%)
Receivables for advances on travel expenses	0	0	0	24.1%
Payments on account to suppliers	67	164	(97)	(59.4%)
Other	3	10	(7)	(71.8%)
Total credits towards other	71	195	(124)	(63.7%)

22. Tax credits

The entry of Euro 2,069 thousand (Euro 1,216 thousand at 31/12/2017) was mainly made up of:

- down payments in direct taxes (IRES and IRAP) of the period (Euro 756 thousand);
- 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 1,144 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).

23. Cash and other equivalent assets

	30/06/2018	31/12/2017	Variations	%
Bank and postal accounts	23,587	14,138	9,450	66.8%
Cash-on-hand and cheques	11	13	(1)	(11.7%)
Total Cash and other equivalent assets	23,598	14,150	9,448	66.8%

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

24. Share capital

The share capital, entirely registered, deposited and unchanged over the period, amounted to Euro 4,669,600. It was subdivided into 8,980,000 ordinary shares with a nominal value of Euro 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.

CAD IT S.p.A. or its controlled companies do not own CAD IT or their own shares, not even through trustee companies or third parties.

Group equity

The Group equity came to Euro 57,468 thousand compared to Euro 54,939 thousand at 31st December 2017.

Third party equity

The item refers to the equity of the controlled companies that, on the basis of the 'Equity ratios', belongs to third parties. It was made up of:

Third party equity	30/06/2018	31/12/2017
Minority quotaholders of CeSBE S.r.l.	1,038	1,044
Minority quotaholders of Datafox S.r.l.	126	147
Minority quotaholders of Tecsit S.r.l.	32	29
Minority quotaholders of Elidata srl	1,078	1,662
Minority quotaholders of Smart Line S.r.l.	222	200
Minority quotaholders of DPI S.A.	361	-
Total third party equity	2,856	3,082

25. Reserves

The item Reserves refers entirely to the share premium reserve of Euro 35,246 thousand.

26. Accumulated profit/losses

	30/06/2018	31/12/2017	Variations
Previous profits/(losses)	(580)	(842)	262
Legal reserve	934	934	0
First Time Adoption transition reserve	2,119	2,119	0
Consolidation reserve	1,347	11	1,336
Available reserve of undivided profits	11,496	9,329	2,167
Revaluation liabilities reserve for defined benefit	(196)	(229)	33
Period profits/(losses)	2,432	3,700	(1,268)
Total accumulated profits/(losses)	17,552	15,023	2,529

Previous period profit includes the difference in profits from previous years following to the application of IAS/IFRS accounting standards compared to the profit calculated 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 increased following the allocation of the CAD IT profit for the year ended December 31, 2017.

27. Dividends paid

During the first half of 2018, no dividends were paid by CAD IT.

28. Financing

The item indicating 3,036 thousand Euros consists of the amount beyond the 12 months of bank financing for 2.261 thousand Euros relating to loans taken out by CAD IT during the course of the 2015 and 2018 financial periods, which foresee payback deadlines up until March 2023, and for 775 thousand Euros relating to a ten-year mortgage taken out in 2015 by a subsidiary company for the purchase of an instrumental property. The increase in debts towards banks beyond the 12 months is mainly due to having taken out a five-year bank loan in the first six months of 2018 to finance the acquisition of the subsidiary company DPI.

Financing	30/06/2018	31/12/2017	Variations	%
Payables to banks beyond 12 months	3,036	1,663	1,373	82.5%

29. Liabilities due to deferred taxes

Deferred taxes amounted to Euro 2,521 thousand (substantially unchanged compared to 31st December 2017) 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. Deferred taxes mainly referred to the fiscal effect of adjustments made at the time of transition to the IAS / IFRS, the taxation of which was deferred to future periods after verifying the taxability conditions of the different values registered.

30. Employees' leaving entitlement and quiescence reserves

	30/06/2018	31/12/2017	Variations	%
Employees' leaving entitlement (TFR)	7,493	7,720	(227)	(2.9%)
Fund for indemnity of end of term	122	117	6	5.0%
Total	7,616	7,837	(221)	(2.8%)

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

Employees' leaving entitlement	30/06/2018	31/12/2017	30/06/2017
Opening balance	7,720	7,877	7,877
Service cost	88	166	82
Interest cost	49	112	51
Benefits paid	(156)	(431)	(180)
Actuarial (gains)/losses	(208)	(4)	(324)
Closing balance	7,493	7,720	7,506

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.

	30/06/2018	31/12/2017
ECONOMIC ASSUMPTIONS		
Annual discount rate	1.45%	1.30%
Annual inflation rate	1.50%	1.50%
Annual rate of increase in severance pay	2.625%	2.625%
Annual rate of salary increase	0.50%	0.50%
DEMOGRAPHIC DATA		
death	Mortality tables RG48 General Accounting Office	
disability	Tables INPS	
retirement	100% to the waging requirements AGO	
TECHNICAL BASES TURNOVER AND ADVANCES		
Frequency Advances	1.50%	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 15.0 years. The expected *service cost* for the period 01/07/2018-30/06/2019 is Euro 167 thousand.

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



disbursements.

Sensitivity analysis

Change in actuarial assumptions	Value of severance pay
Turnover rate +1%	7,382
Turnover rate -1%	7,483
Inflation rate +0.25%	7,574
Inflation rate -0.25%	7,289
Discount rate +0.25%	7,216
Discount rate -0.25%	7,653

Estimated future disbursements

Year	Estimated disbursement
1	324
2	327
3	316
4	324
5	349

31. Expense funds and risks

During the first half of 2018, the tax risk fund of Euro 160 thousand was fully used, this fund was set up as of 31 December 2017 for the definition of assessments relating to IRES, IRAP and VAT for the tax periods 2010, 2012 and 2013.

32. Commercial debts

The entire point amount to Euro 9,375 thousand and is as follows.

Commercial debts	30/06/2018	31/12/2017	Variations	%
Debts towards associated companies	932	1,122	(191)	(17.0%)
Debts towards suppliers	2,110	2,189	(79)	(3.6%)
Payments on account received	375	1,877	(1,502)	(80.0%)
Accrued expenses and deferred income	5,959	611	5,348	875.3%
Total Commercial debts	9,375	5,800	3,575	61.6%

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

Customer advances relate to advances received for licensing and services that have not yet been provided.

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 2018 second half period.

33. Tax debts

The entry for fiscal debts, of the total amount of Euro 5,151 thousand, is made up of debts that the companies within the Group, and included in the consolidation area, have accumulated towards the inland revenue. This registration is made up of income tax debts, value added tax and to activities of tax substitution made by the various companies regarding their respective employees and collaborators.

34. Short-term financing

The voice on 30th June 2018 of Euro 2,690 thousand is made up of the portion of short-term financing provided by banks and bank overdrafts.

35. Other debts

Details of other debts are as shown:

	30/06/2018	31/12/2017	Variations	%
Social security charges payable	2,471	2,419	52	2.1%
Towards directors	71	294	(223)	(76.0%)
Towards staff for deferred salaries and pay	4,623	3,187	1,437	45.1%
Other	2,760	1,450	1,310	90.4%
Total	9,925	7,350	2,575	35.0%

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

The other debts are mainly made up of: Euro 1,940 thousand towards the partners who sold a 30% holding share of the Spanish company Software Financiero Bolsa S.A. paid in July 2018 and of Euro 760 thousand towards the partners who sold holding share of the Spanish company Desarrollo de Productos Informáticos S.A., acquired in April 2018 and which will be paid in 2020.

Staff debts refer to the current salaries for June 2018 and to accruals for deferred salaries that matured at the same date .

<i>Debt towards staff for wages and deferred pay</i>	30/06/2018	31/12/2017	Variations	%
For wages and expense accounts	2,501	1,426	1,075	75.4%
For production incentives	246	255	(9)	(3.4%)
For holidays	987	615	372	60.4%
For thirteenth month (year-end bonus)	889	-	889	-
For fourteenth month (summer bonus)	-	890	(890)	(100.0%)
Total	4,623	3,187	1,437	45.1%

The higher value of the item wages and expense accounts as at 30th June 2018 compared to 31 December 2017 included the accrued debt for the 14th month, that was paid to employees in July.

36. Consolidated net financial position

The consolidated net financial position as at 30 June 2018 is positive. In particular, the net short-term financial position, an increase of Euro 11,790 thousand compared to December 31, 2017 (Euro 10,203 thousand), amounted to Euro 21,993 thousand, while the net financial position is positive for Euro 18,957 thousand, due to the presence of medium/long-term loans for Euro 3,036 thousand.

Immediate availability on current accounts and in hand came to Euro 23,598 thousand, compared to Euro 14,150 thousand at December 31, 2017.

Short-term debts towards banks were made up of current account overdrafts and advances subject to final payment, as well as the current portion (within 12 months) of meium/long-term loans.

<i>Net consolidated financial position</i>	30/06/2018	31/12/2017	Variations	%
Cash-on-hand and at bank	23,598	14,150	9,448	66.8%
Other current financial assets	1,085	0	1,085	-
Payables due to banks current portion	(2,690)	(3,948)	1,257	31.9%
Net short-term financial position/(indebtedness)	21,993	10,203	11,790	115.6%
Medium/Long-term loans	(3,036)	(1,663)	(1,373)	(82.5%)
Net long-term financial position/(indebtedness)	(3,036)	(1,663)	(1,373)	(82.5%)
Net financial position/(indebtedness)	18,957	8,540	10,418	122.0%

The increase in the net financial position is mainly due to the collection of receivables related to substantial projects invoiced at the end of last year and in the first months of the current year, the collection of annual fees from customers and the consolidation of the subsidiary DIP acquired in April 2018.

The net financial position balance sheet agrees with the balance sheets; it is hereby reported that: cash and bank accounts are registered in the Statement of financial position as Cash on hand and other equivalent assets; short-term financial debts are registered as Short-term financing; long-term financing is registered in the patrimonial status as Financing.

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

- the operational management activities generated a positive cash flow of Euro 12,427 thousand (compared to Euro 7,912 thousand in the first half of 2017) due to working capital variation and to self-financing (net profit plus depreciation and amortization), net of non-cash items;
- investing activities absorbed Euro 2,295 thousand (compared to Euro 2,416 thousand in the first half of 2017) and mainly included Euro 1,604 thousand relating to the purchase of the Spanish company DPI, Euro 1,294 thousand for investments in intangible assets, Euro 140 thousand for investments in tangible assets, Euro 159 thousand for investments in other non-current assets, net of Euro 724 thousand for sales of intangible assets;
- financing activities generated a positive cash flow of Euro 573 thousand (compared to a negative cash flow of Euro 2,178 thousand in the first half of 2017) mainly due to the opening of medium/long term financing for Euro 2,409 thousand, net of repayment of Euro 1,036 thousand and of the payment of dividends to minority partners of subsidiaries for Euro 773 thousand.

The following table shows the reconciliation of Liquidity and equivalents with the related items in the financial statements.

<i>Liquidity and equivalents</i>	30/06/2018	31/12/2017	Variations	%
Cash on hand and other equivalent assets	23,598	14,150	9,448	66.8%
Short-term financing	(2,690)	(3,948)	1,257	31.9%
Total	20,908	10,203	10,706	104.9%

37. *Related parties transactions*

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

The summary of income and costs despite the credit and debit position at 30th June 2018 between the Group's subsidiaries is shown in the specific paragraph on management intermediary report.

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

Transaction incidence with related parties at 30/06/2018	Total	Related Parties	
		Absolute value	% on Tot.
A) Entries in the Profit and Loss account			
Income from sales and services	30,485	88	0.3%
Service costs	(5,777)	(2,081)	36.0%
Labour costs	(19,310)	(231)	1.2%
Other administrative expenses	(979)	(540)	55.1%
B) Entries in the Patrimonial situation			
Commercial credits and other credits	24,461	82	0.3%
TFR and pension funds	7,616	70	0.9%
Commercial debts	9,375	1,015	10.8%
Other debts	9,925	158	1.6%

Returns with related parties mainly regarded the supply of services carried out for the subsidiary Software Financiero Bolsa (Euro 80 thousand).

Service costs to related parties mainly include the supply of services carried out by the subsidiary Sicom to the controlling company (Euro 1,914 thousand), translation and language training services supplied by a company partly owned by the spouse of one of the CAD IT manager (Euro 132 thousand) and remunerations to the members of the CAD IT Statutory Auditors (Euro 34 thousand).

Labour costs towards related parties include the compensation as employees of directors and other managers with strategic responsibilities, and of employees who are related to, or have an affinity with, CAD IT directors.

Other administrative expenses relating to related parties regard directorship fees received by CAD IT directors for the positions held in Group companies.

Credits to related parties consist of current receivables for current business transactions.

Debts to related parties were mainly made up of commercial debts, for services (Euro 981 thousand), debts towards employees and directors for remunerations and remuneration accruals (Euro 158 thousand) and severance pay (Euro 70 thousand).

No other relations of an economic-patrimonial nature of any significant substance with related parties have been undertaken.

The tables below show the incidence of relations with related parties at 30/06/2017 and at 31/12/2017.

Transaction incidence with related parties at 30/06/2017	Total	Related Parties	
		Absolute value	% on Tot.
A) Entries in the Profit and Loss account			
Income from sales and services	26,933	22	0.1%
Service costs	(3,971)	(609)	15.3%
Labour costs	(19,348)	(378)	2.0%
Other administrative expenses	(1,074)	(656)	61.1%
B) Entries in the Patrimonial situation			
Commercial credits and other credits	30,842	24	0.1%
TFR and pension funds	7,613	179	2.4%
Commercial debts	8,350	407	4.9%
Other debts	8,197	250	3.0%

Transaction incidence with related parties at 31/12/2017	Total	Related Parties	
		Absolute value	% on Tot.
A) Transaction or position incidence with related parties on entries in the consolidated income statement			
Income from sales and services	58,529	255	0.4%
Service costs	(8,545)	(1,821)	21.3%
Labour costs	(38,342)	(838)	2.2%
Other administrative expenses	(2,281)	(1,422)	62.3%
B) Transaction or position incidence with related parties on entries in the consolidated statement of financial position			
Commercial credits and other credits	29,606	112	0.4%
TFR and pension funds	7,837	193	2.5%
Commercial debts	5,800	1,196	20.6%
Other debts	7,350	392	5.3%



38. Significant events since 30th June 2018

In July, the transaction deliberated by the CAD IT Bord of Directors on 29 June 2018 related to the acquisition of a further 40% share in the capital of the Spanish associated Software Financiero Bolsa (SFB), was completed. In April 2016, CAD IT acquired 30% of SFB capital with the option, after the closure of the 2018 financial period, to acquire further shares in the holding in order to reach a controlling 51% share or up to 100% of the capital depending on the faculty of SFB partners to exercise a PUT for their remaining share equal to 49%. In virtue of SFB's promising results during the last two years, CAD IT has decided to bring the transaction forward to 2018. The company ISATIS INVERSIONES owner of the remaining 30% of SFB has reserved a PUT option to sell CAD IT his entire remaining share within a pre-determined timeframe exercisable until the close the next three financial periods.

Founded in 1994 and with registered offices in Madrid, SFB, with about 40 financial institution customers, is leader in Spain for the supply of front, middle and back-office software through which settlement instructions amounting to more than 60% of trading volumes negotiated on the Madrid Stock Exchange are processed daily.

SFB closed its 2017 financial period with revenues of Euro 4.3 million and a net profit of Euro 0.6 million. The net financial position at 30th June 2018 came to Euro 2.3 million.

The amount that CAD IT paid in July for acquiring 40% of SFB capital and for the final payment of the 30% share acquired in April 2016 comes to Euro 4.86 million. The investment was upheld by suitable multi-year bank funding. With this transaction, in addition to the acquisition in April of the Desarrollo de Productos Informáticos SA (DPI), CAD IT will be strengthening its presence in the European financial software segment, thereby confirming its strong interest in developing the Spanish market by being able to offer, through the two Spanish companies, its own highly innovative products, already well-established on the domestic market and used by 90% of Italian banks as well as other customers in Spain, Switzerland, Germany and England.

On 20 July also in consideration of the discordant indications received from its financial advisor and the expert nominated by the Court, the Board of Directors has approved the decision to block the prior merger procedure of CAD IT S.p.A. into its parent company, Quarantacinque S.p.A., revoking the related merger project. Believing however it appropriate to prosecute company share delisting from the "Mercato Telematico Azionario" (MTA) in order to ensure cost savings, greater managerial flexibility, organizational simplification and therefore a consequent acceleration in strategic decision-making, on the same date the Board of Directors the has decided to begin the procedure for the Company's merger into its own 100% subsidiary, CAD S.r.l., issuing a mandate to call an extraordinary CAD IT shareholders' meeting on 10th September, 2018.

On 27 July the Boards of Directors of CAD IT and CAD S.r.l. resolved upon the approval of the "reverse" merger plan providing for the incorporation of CAD IT into its fully-owned subsidiary CAD S.r.l.. The Merger is expected to be completed within the fourth quarter of 2018.

The civil effects of the Merger will start from the last registration referred to in art. 2504-*bis* of the Italian Civil Code or from a later date, as determined in the Merger deed.

On the assumption that, at the Effectiveness Date, the entire corporate capital of CAD will be still fully owned by CAD IT, each share of CAD IT existing at the Effectiveness Date will be exchanged with a newly-issued share of CAD, with no par value, on the basis of the exchange ratio 1:1. The newly-issued shares of CAD will provide the same rights to their owners.

In particular, in the context of the Merger, CAD is expected to be converted in a joint stock company and to increase its corporate capital by means of a free share capital increase up to Euro 4,669,600 (or the lower amount following the possible annulment of the CAD IT shares which will not be purchased during the offer provided for by art. 2437-*quater* of the Italian Civil Code, as provided for by the Merger plan) with a corresponding split in a number of shares with no par value and equal to the number of shares of CAD IT.

As a consequence, all the shares representing the entire corporate capital of CAD following the Merger will be assigned to all shareholders of CAD IT, in the exact number of the CAD IT shares owned by them, net of the CAD IT shares in relation to which any withdrawal rights will have been exercised and not purchased before the Merger deed.

Taking into account that the Merger between CAD IT and CAD is a transaction between related parties (more precisely, a most relevant related parties transaction pursuant to letter (a)(i) of “*Related Parties*” definition included in Annex 1 of the CONSOB Regulation no. 17221/2010), the CAD IT Risk and Control Committee (acting as Related Parties Transactions Committee) has been involved during the preliminary phases of the transaction and has released a favorable opinion regarding the existence of an interest for CAD IT in completing the Merger, as well as on the convenience and substantial fairness of the terms and conditions set forth in the Merger plan. The opinion is attached to the informative document on the most relevant related parties transactions.

The Merger shall be considered as significant pursuant to art. 70 of the CONSOB Regulation no. 11971/99 (the “Issuers Regulation”). However, CAD IT exercised the right, provided for by art. 70, paragraph 8 of the Issuers Regulation, to opt out from the obligations provided for by art. 70, paragraph 6 of the Issuers Regulation. Therefore, the informative document to be drafted in accordance with Annex 3B of the Issuers Regulation will not be published. Should the proposed Merger plan be approved by the shareholders’ meetings of CAD IT and CAD, the shareholders of CAD who will not concur to the approval of the Merger will be entitled to exercise withdrawal rights, pursuant to arts. 2437, first paragraph, letter g) and 2437-*quinquies* of the Italian Civil Code, because – following the Merger – the shares of CAD IT will be delisted from the Stock Exchange Market (“*Mercato Telematico Azionario*”) of Borsa Italiana and the voting system based on the submission of slates of candidates by the shareholders, in accordance with art. 147-*ter* of the Legislative Decree dated February 24, 1998, no. 58, will not be applied anymore. The withdrawal consideration for the shares in relation to which the Withdrawal Right may be duly exercised is equal to Euro 5.29.

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 half yearly financial report was approved by the CAD IT S.p.A. Board of Directors on 7 September 2018.

ATTESTATION IN RESPECT OF THE HALF YEAR CONDENSED FINANCIAL STATEMENTS UNDER ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14TH MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned, Paolo Dal Cortivo, Chairman of the CAD IT S.p.A. Board of Directors, and Michele Miazzi, the manager responsible for drafting the CAD IT S.p.A. company accounting documents, hereby declare, bearing in mind the content of art. 154-bis, paragraphs 3 and 4 of legislative decree no. 58 of 24th February 1998 in terms of:
 - the adequacy in relation to the characteristics of the company and
 - the effective application,of the administrative and accounting procedures for drafting the half year condensed statements during the first six months of 2018.
2. Furthermore, it is hereby declared that the CAD IT S.p.A half year condensed statements:
 - a) has been drafted in accordance with the International accounting standards (IFRS) – adopted by the European Union - in conformity with EC regulation no. 1606/2002 of the European Parliament and Council of 19th July 2002, and in particular with IAS 34 – *Intermediary Period Balances*;
 - b) corresponds to the results in the company books and accounting documents;
 - c) gives a true and correct representation of the patrimonial, economic and financial situation of the company and the group of companies included in the consolidation.
3. The interim management report includes reliable analysis of the reference to the important events affecting the Company during the first six month of the current fiscal year, including the impact of such events on the Company's condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year. The interim management report also contains a reliable analysis of information on any significant operations with correlated parties.

Verona, 7 September 2018

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

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

FINANCIAL STATEMENTS OF CAD IT S.P.A.

Income Statement CAD IT S.p.A.

	First Half 2018		First Half 2017	
	Total	of which related parties	Total	of which related parties
Income from sales and services	29,771	720	26,691	685
Asset increases due to internal work	1,309		2,321	
Other revenue and receipts	279	45	485	32
Purchase costs	(148)		(120)	
Service costs	(15,332)	(12,159)	(13,131)	(10,431)
Other operational costs	(197)		(225)	
Labour costs	(11,105)	(159)	(11,528)	(289)
Other administrative expenses	(447)	(344)	(445)	(350)
Allocation to fund and credit depreciation	(60)		(46)	
Intangible fixed asset amortization	(2,267)		(2,947)	
Tangible fixed asset amortization	(240)		(232)	
Financial income	1,177	1,177	186	186
Financial expenses	(24)		(17)	
Pre-tax result	2,718		993	
Income taxes	(516)		(177)	
Profit (loss) for the period	2,202		816	
Weighted average number of ordinary shares outstanding	8,980,000		8,980,000	
Basic earnings per share (in €)	0.245		0.091	

Statement of comprehensive income CAD IT S.p.A.

	First Half 2018	First Half 2017
Profit (loss) for the period	2,202	816
Other comprehensive income that will not be reclassified subsequently to profit or (loss)		
Actuarial gains/(losses) on defined benefit liabilities net of tax effects	33	89
Total comprehensive income (loss)	2,235	905

Statement of financial position CAD IT S.p.A.

	30/06/2018		31/12/2017	
	Total	of which related parties	Total	of which related parties
ASSETS				
A) Non-Current Assets				
Property, plant and equipment	16,211		16,364	
Intangible assets	16,693		18,233	
Investments	21,116		16,777	
Other non-current financial assets	65		25	
Credits due to deferred taxes	130		207	
TOTAL NON-CURRENT ASSETS	54,215		51,606	
B) Current Assets				
Inventories	9		43	
Trade receivables and other credits	26,189	2,645	30,633	2,198
Tax credits	1,789		1,092	
Cash on hand and other equivalent assets	19,849		12,041	
TOTAL CURRENT ASSETS	47,835		43,809	
TOTAL ASSETS	102,051		95,415	
EQUITY AND LIABILITIES				
A) Equity				
Share capital	4,670		4,670	
Reserves	35,246		35,246	
Accumulated profits/losses	17,140		14,906	
TOTAL EQUITY	57,056		54,822	
B) Non-current liabilities				
Financing	2,261		841	
Deferred tax liabilities	2,458		2,458	
Employee benefits and quiescence provisions	3,367	58	3,434	174
Expense and risk provisions	-		160	
TOTAL NON-CURRENT LIABILITIES	8,086		6,893	
C) Current liabilities				
Trade payables	23,230	16,537	21,027	16,816
Current tax payables	3,915		3,659	
Short-term financing	2,681		3,937	
Other liabilities	7,082	133	5,077	363
TOTAL CURRENT LIABILITIES	36,908		33,700	
TOTAL LIABILITIES AND EQUITY	102,051		95,415	

Statement of changes in equity CAD IT S.p.A.

	Share capital	Reserves	Accumulated profit (loss) net of period result	Period result	Total Equity
at 31/12/2017	4,670	35,246	12,739	2,167	54,822
Allocation of the period result to reserves			2,167	(2,167)	
Dividend distribution	-	-	-	-	-
Total comprehensive Profit/(loss)	-	-	33	2,202	2,235
at 30 June 2018	4,670	35,246	14,939	2,202	57,056

	Share capital	Reserves	Accumulated profit (loss) net of period result	Period result	Total Equity
at 31/12/2016	4,670	35,246	13,230	1,294	54,440
Allocation of the period result to reserves	-	-	1,294	(1,294)	-
Dividend distribution	-	-	(1,796)	-	(1,796)
Total comprehensive Profit/(loss)	-	-	89	816	905
at 30 June 2017	4,670	35,246	12,817	816	53,548

Cash Flow Statement CAD IT S.p.A.

	First Half 2018	First Half 2017
<u>A) OPERATING ACTIVITIES</u>		
Profit (loss) for the period	2,202	816
Amortisation, revaluation and depreciation:		
- Property, plant and equipment amortisation	240	232
- Intangible fixed asset amortisation	2,267	2,947
Allocations (utilization) of provisions	(182)	(86)
Financial performance:		
- Net financial receipts (charges)	(1,153)	(170)
- Profit / (loss) on foreign exchange	(2)	(2)
Working capital variations	7,011	3,592
Income taxes paid	0	(217)
Interest paid	(22)	(14)
(A) - Cash flows from (used in) operating activities	10,360	7,097
<u>B) INVESTMENT ACTIVITIES</u>		
Investments in activities		
- purchase of property, plant and equipment	(88)	(215)
- purchase and increase in intangible assets	(1,450)	(2,351)
- purchase of investments	(3,040)	0
- increase in other non-current financial assets	(41)	(8)
Disinvestment activities		
- transfers of property, plant and equipment	723	0
- decrease in other fixed assets	2	5
Cashed Interest	0	0
Cashed dividends	1,177	186
(B) - Cash flows from (used in) investment activities	(2,716)	(2,383)
<u>C) FINANCING ACTIVITIES</u>		
Medium/long term financing repayment	(988)	(252)
Medium/long term financing opening	2,409	0
Dividends paid	0	(1,796)
(C) - Cash flows from (used in) financing activities	1,420	(2,048)
(A+B+C) - Total cash and other equivalent assets flows	9,064	2,666
Opening cash balances and equivalents	8,104	1,327
Closing cash balances and equivalents	17,168	3,993

Net financial position CAD IT S.p.A.

Net financial position	30/06/2018	31/12/2017
Cash-on-hand and at bank	19,849	12,041
Payables due to banks current portion	(2,681)	(3,937)
Net short-term financial position/(indebtedness)	17,168	8,104
Long-term loans	(2,261)	(841)
Net long-term financial position/(indebtedness)	(2,261)	(841)
Net financial position/(indebtedness)	14,907	7,263

Relationships with subsidiaries CAD IT S.p.A.

Being the parent company, CAD IT carries out commercial and financial transactions with subsidiaries at normal conditions of market.

The table below gives a summary of the transactions with subsidiaries carried out in the period:

Company	Costs	Turnover	Financial expenses	Financial income	Receivable	Payable
CAD S.r.l.	6,450	431	-	-	1,086	8,515
CeSBE S.r.l.	1,662	207	1	-	603	4,546
Smart Line S.r.l.	583	19	-	-	77	886
Elidata S.r.l.	1,327	13	-	-	778	1,301
Datafox S.r.l.	109	5	-	-	15	293
Tecsit S.r.l.	-	0	-	-	4	-
Total	10,131	676	1	-	2,563	15,542

Michele Miazzi, manager in charge of drafting CAD IT S.p.A. accounting documents, hereby declares, in accordance with article 154-bis, second paragraph, of the Consolidated Law on Finance (Leg. Dec. 58/1998), that the accounting information in "Financial Statements of CAD IT SpA" at 30th June 2018 corresponds to the documentary results, books and accounting registers.

**REVIEW REPORT ON THE CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS AS OF JUNE 30, 2018**

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

Introduction

We have reviewed the accompanying consolidated condensed interim financial statements of CAD IT S.p.A. and its subsidiaries (the CAD IT Group) as of June 30, 2018, consisting of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes of shareholder's equity, the cash flows statement and relevant explanatory notes. These consolidated condensed interim financial statements, prepared in accordance with the International Accounting Standard applicable to the interim financial reports (IAS 34) as adopted by the European Union, are the responsibility of CAD IT S.p.A.'s Directors. Our responsibility is to express a conclusion on this consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob under Resolution n. 10867 dated July 31, 1997. The review of the consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of CAD IT Group as of June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reports (IAS 34) as adopted by the European Union.

Verona, September 12, 2018

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

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

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