



Interim Management Report  
at 31<sup>st</sup> March 2011

*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.*

**CONTENTS**

<b>Board of director and auditors .....</b>	<b>3</b>
<b>Summary schedules .....</b>	<b>5</b>
<i>Consolidated Cash Flow Statement .....</i>	<i>7</i>
<b>Explanatory notes .....</b>	<b>8</b>
1. <i>Foreword .....</i>	<i>8</i>
2. <i>Information on CAD IT S.p.A. ....</i>	<i>8</i>
3. <i>Corporate Governance .....</i>	<i>9</i>
4. <i>Activities of the Group .....</i>	<i>9</i>
5. <i>Accounting standards and consolidation criteria .....</i>	<i>9</i>
6. <i>Consolidation area .....</i>	<i>14</i>
7. <i>Management results and comments on the most significant components in the quarter .....</i>	<i>15</i>
8. <i>Significant events of the period .....</i>	<i>16</i>
9. <i>Net financial position .....</i>	<i>17</i>
10. <i>Research and development .....</i>	<i>17</i>
11. <i>Investments .....</i>	<i>18</i>
12. <i>Personnel .....</i>	<i>19</i>
13. <i>Significant events since 31st March 2011 .....</i>	<i>20</i>
14. <i>Foreseeable management developments .....</i>	<i>20</i>
<b>Declaration in accordance with article 154-bis, second paragraph, of legislative decree no. 58 of 24 february 1998 .....</b>	<b>22</b>

## BOARD OF DIRECTOR AND AUDITORS

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

GIUSEPPE DAL CORTIVO  
*Chairman and Managing Director*

LUIGI ZANELLA  
*Vice Chairman and Managing Director*

GIAMPIETRO MAGNANI  
*Vice Chairman and Managing Director*

PAOLO DAL CORTIVO  
*Managing Director*

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

JÖRG KARSTEN BRAND <sup>(3)</sup>  
*Director*

FRANCESCO ROSSI <sup>(2)</sup>  
*Independent Director*

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

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

RICCARDO FERRARI  
*Chairman*

GIAN PAOLO RANOCCHI  
*Statutory Auditor*

RENATO TENGATTINI  
*Statutory Auditor*

**AUDITORS: BDO S.P.A.**



- (1) Appointed on 29 April 2009; office expires with the shareholders' meeting for the approval of the 2011 financial statements.
- (2) Member of the Internal Control Committee; member of the Nominating and Compensation Committee
- (3) Appointed on 27 April 2011; office expires with the shareholders' meeting for the approval of the 2011 financial statements.



CAD IT Group as at 31/03/2011

## SUMMARY SCHEDULES

### Consolidated income statement

*(in thousands of Euro)*

	<i>I Quarter 2011</i>	<i>I Quarter 2010</i>
Income from sales and services	12,412	12,477
Changes in ongoing orders	-	(133)
Asset increases due to internal work	1,013	755
Other revenue and receipts	3	11
Costs for raw	(185)	(221)
Service costs	(2,544)	(2,257)
Other operational costs	(154)	(165)
Labour costs	(8,425)	(8,526)
Other administrative expenses	(550)	(631)
Allocation to fund and credit depreciation	(2)	(2)
Intangible fixed asset amortization	(595)	(751)
Tangible fixed asset amortization	(162)	(192)
Financial income	22	20
Financial expenses	(21)	(15)
Revaluations and depreciations	201	159
<b>Pre-tax result</b>	<b>1,011</b>	<b>530</b>

Pre-tax result for the period attributable to:

Non- controlling interests	32	(48)
<b>Owners of the parent</b>	<b>979</b>	<b>577</b>

Weighted average number of ordinary shares in circulation: 8.980.000	8,980,000	8,980,000
Basic earnings per share (in €)	0.109	0.064

### Consolidated statement of comprehensive income

*(in thousands of Euro)*

	<i>I Quarter 2011</i>	<i>I Quarter 2010</i>
Profit/(loss) for the period	1,011	530
Gains/(Losses) on fair value of available for sale financial assets	27	(87)
<b>Total comprehensive income</b>	<b>1,038</b>	<b>443</b>
Profit/(loss) for the period attributable to:		
Non-controlling interests	32	(48)
<b>Owners of the parent</b>	<b>1,006</b>	<b>490</b>

## Consolidated Statement of financial position

(in thousands of Euro)

ASSETS	31/03/2011	31/12/2010
A) Non-Current Assets		
Property, plant and equipment	18,541	18,651
Intangible assets	19,718	19,297
Goodwill	8,309	8,309
Investments	368	329
Other financial assets available for sale	635	609
Other non-current credits	122	95
Credits due to deferred taxes	342	342
<b>TOTAL NON-CURRENT ASSETS</b>	<b>48,035</b>	<b>47,631</b>
B) Current Assets		
Inventories	133	111
Ongoing orders	197	197
Trade receivables and other credits	30,543	25,948
Tax credits	868	856
Cash on hand and other equivalent assets	5,487	6,101
<b>TOTAL CURRENT ASSETS</b>	<b>36,929</b>	<b>33,211</b>
<b>TOTAL ASSETS</b>	<b>84,963</b>	<b>80,843</b>

EQUITY AND LIABILITIES	31/03/2011	31/12/2010
A) Equity		
Company capital	4,670	4,670
Reserves	35,459	35,432
Accumulated profits/losses	14,444	13,492
<b>Company capital and reserves attributable to owners of the parent</b>	<b>54,547</b>	<b>53,593</b>
Non-controlling interests	2,310	2,226
<b>TOTAL EQUITY</b>	<b>56,857</b>	<b>55,819</b>
B) Non-current liabilities		
Financing	142	150
Deferred tax liabilities	3,442	3,442
Employee benefits and quiescence provisions	6,486	6,379
Expense and risk provisions	50	59
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>10,120</b>	<b>10,029</b>
C) Current liabilities		
Trade payables	7,469	3,869
Current tax payables	1,578	2,457
Short-term financing	1,521	1,851
Other liabilities	7,419	6,818
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,986</b>	<b>14,994</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>84,963</b>	<b>80,843</b>



## Consolidated Cash Flow Statement

(in thousands of Euro)

	I Quarter 2011	I Quarter 2010
<b>Opening cash balances and equivalents</b>	<b>4,250</b>	<b>5,093</b>
<b><u>OPERATING ACTIVITIES</u></b>		
Profit (loss) for the period	1,011	530
Amortisation, revaluation and depreciation:		
- Property, plant and equipment amortisation	162	192
- Intangible fixed asset amortisation	595	751
- revaluation of investments and financial assets available for sale	(201)	(159)
- depreciation of investments and financial assets available for sale	0	0
Allocations (utilization) of provisions	99	140
Financial performance:		
- Net financial receipts (charges)	(1)	(6)
- Profit / (losses) on exchanges	(0)	(0)
Working capital variations	(1,009)	(674)
Income taxes paid	0	0
Interest paid	(21)	(15)
<b>(A) Cash flows from (used in) operating activities</b>	<b>635</b>	<b>760</b>
<b><u>INVESTMENT ACTIVITIES</u></b>		
Investments in activities		
- Property, plant and equipment purchases	(52)	(63)
- Intangible assets purchases/development	(1,016)	(781)
- increase in other fixed assets	(27)	(18)
Disinvestment activities		
- Property, plant and equipment transfers	-	-
- Decrease in other fixed assets	-	2
Cashed Interest	22	20
Cashed dividends	162	0
<b>(B) Cash flows from (used in) investment activities</b>	<b>(911)</b>	<b>(839)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Medium/long term financing repayment	(8)	(7)
Dividends paid	0	0
<b>(C) Cash flows from (used in) financing activities</b>	<b>(8)</b>	<b>(7)</b>
<b>(A+B+C) Cash balances and equivalents net changes</b>	<b>(283)</b>	<b>(86)</b>
<b>Closing cash balances and equivalents</b>	<b>3,967</b>	<b>5,006</b>

## EXPLANATORY NOTES

### 1. Foreword

This Interim Management Report has been drafted in accordance with art. 154-ter, paragraph 5, of the Testo Unico della Finanza that was introduced by Leg. Decree 195/2007, put into effect by the 2004/109/CE Directive (the so-called Transparency Directive); this report is not an interim management statement drafted in accordance with IAS 34 "Interim Statements".

In accordance with this regulation, this interim management report gives:

- a) a general description of the Group's financial standing and financial trend in the quarter;
- b) an outline of the significant events and transactions that occurred in the quarter and their effect on the Group's financial standing.

The accounting tables shown are the same as those used for drafting the annual and six-monthly financial reports.

The interim report includes balance charts in reference to the following periods:

- profit and loss account for the interim period in question and trend compared to the same interim period (period and trend) of the previous financial year;
- patrimonial and financial situation at the end of the interim period concerned, also in comparison to the figures for the same period of the previous financial year;
- cash flow statement at the interim period closure date compared to the figures for the same period of the previous financial year.

The figures representing the net financial position, compared with the figures of the previous quarter and the previous year end, and tables showing investments in intangible and tangible assets, installations and machinery relating to the intervening period between the beginning of the financial period and the closing date of the quarter, are also supplied.

This document shows the quarterly figures required on a consolidated basis, since CAD IT S.p.A is obliged to draft a consolidated balance.

Unless otherwise indicated, the monetary sums in the accounting tables and those in the notes are shown in thousands of Euro. Any minor differences deriving from rounding up figures to thousands of Euro are considered irrelevant. Due to this rounding up process, the sum of the individual entries in some of the tables containing exact figures may differ from the total amount.

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

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

CAD IT was set up as a joint stock company under Italian law.

The registered office and the administrative and operating offices are in Via Torricelli no. 44/a, Verona, Italy.

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, each with equal rights.

These shares are nominal and cannot be divided. Each of them entitles the holder 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.

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



### 3. Corporate Governance

CAD IT adheres and conforms to the Governance Code for listed companies of Borsa Italiana.

In compliance to the legal obligations, the CAD IT S.p.A. 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.cadit.it](http://www.cadit.it). Please refer to the complete document for further details on *governance* and the Internal Control System.

### 4. Activities of the Group

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

For almost 30 years, the Group has been dealing with the banking and insurance market and the world of business and public administration by offering software solutions, maintenance, personalisation, integration and other correlated services from application management to outsourcing, consultancy to training.

The CAD IT Group operates in Italy with its own branches and Group companies. Its Head Office is in Verona but there are other units in Milan, Rome, Prato, Padua, Mantua.

CAD IT is leader in the Italian software market for the banking sector with its main product, Financial Area, a programme which completely manages all functions connected to negotiation, settlement and administration of security transactions, debentures, derivatives (in any currency) and adopted, according to company estimations, by 80% of Italian banking outlets.

In addition, the Group boasts long-standing activity in the industrial sector and the capacity to offer solutions for e-business, credit and industrial companies in constant evolution.

Solutions for public administration make up the newest sector but they capitalize the Group's traditional abilities like its 20-year experience in developing computer systems for public body.

### 5. Accounting standards and consolidation criteria

The economic, patrimonial and financial information has been drafted in accordance with the evaluation and measurement criteria as established by the International Financial Reporting Standard (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure in art. 6 of the European Parliament and Council Regulation (EC) no. 1606/2002 of 19th July 2002. The accounting standards adopted are the same as those used for drafting the last annual balance and have been applied in the same manner throughout the periods shown and for all the Group's companies; there have been no modifications in the comparative information. Interim Management Report has been drafted using the evaluation criteria of historical cost, except for financial instruments available for sale, which are assessed at fair value, and the holdings in subsidiaries, which are assessed in accordance with the equity method. Moreover, where some land and buildings have been

included in First Time Adoption, the *fair value* has been used instead of the cost..

The balance has been drafted in the assumption that the company will continue.

#### **Use of estimates**

In accordance with the IFRS, when drafting the Interim Management Report 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. Estimates and their relative hypotheses are based on past experience and factors considered reasonable for the case. Since they are estimates, the results obtained are not necessarily the same as the results portrayed.

The estimates and hypotheses are reviewed on a regular basis. Any variations deriving from an accounting estimate review are shown in the period in which the



review was made if such review only affects that period. If the review affects the current and future periods, the variation is recorded in the period in which the review is made and in the relative subsequent periods.

**Accounting principles, amendments and interpretations applied since 1st January 2011**

At the time of drafting this summarised version of the Interim Management Report, there are no other matters or records, or anything of any significant importance within the Group, that may be governed by principles, amendments and interpretations effective since 1st January 2011, and approved by the IASB and IFRIC and published in the European Community's Official Gazette.

**Subsidiary companies**

The consolidation area includes the Mother Company and the companies it controls, that is, where it has the power to determine financial and managerial policies of a business in order to reap benefits from said company's activities.

Subsidiary companies are consolidated from the date in which control was effectively transferred to the Group and are no longer consolidated as from the date that control becomes external to the Group.

The purchase of subsidiary companies has been accounted for in accordance with the purchase method set by IFRS 3.

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

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

**Associate companies**

The share in associate companies, that is those companies in which the Group has significant influence, is evaluated using the equity method, as defined in IAS 28 – Investments in Associates. The profits or losses relevant to the Group are included in the Interim Management Report from the date in which this significant influence began up to the moment it ceases.

**Property, plant and equipment**

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

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

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

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

The main economic-technical tax rates used are the following:

- industrial buildings: 3%
- electrical equipment: from 5 to 10%
- air conditioning equipment: from 6 to 15%
- telephone systems: 20%
- alarm systems: from 10 to 30%
- furniture and fittings: 12%
- electrical machinery: 15%
- electronic machines and computers: 20%
- vehicles: 25%

Land, both without buildings or next to civil and industrial constructions, is accounted for separately and not amortised as it is considered an element with an unlimited 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 income statement of the year in which the asset is eliminated.



**Financial leasing**

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

**Intangible fixed assets**

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

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

Project development costs for the production of instrumental software, or those to be terminated, are registered on the credit side when they satisfy the following conditions: the costs can be feasibly determined, the product is technically feasible, the expected use and/or sale of the product indicate that the sustained costs will generate future economic benefits. In respect of the standard that correlates costs and returns, these costs are amortized as from the moment in which the activity becomes available for use, in permanent amortisation amounts for the entire duration of the product's lifecycle, estimated at five years. The costs of intangible fixed assets generated internally include only those expenses that can be directly attributed to the development of said product. Development costs that do not meet the previous conditions are shown in the profit and loss account when elevated.

**Goodwill**

Goodwill resulting from the purchase of subsidiaries and associates 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 regarding shares in associates companies is included in the taxation value of said companies.

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.

**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 income statement among depreciation and devaluation costs. When subsequently an asset value loss, different from the goodwill, 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 income statement.

**Assets available for sale**

Share in non-consolidated companies are classified as



assets financially available for sale and are valued at fair value. For any shares quoted as fair value, this value is taken as the market value, if active. Any profits or losses found as a result of the effect of evaluating the fair value on these assets at every balance date are shown at net patrimony unless they are sold or they have durable losses in value, that are the moments when the total profit or loss found in the net patrimony is registered to the profit and loss account.

#### **Other non-current credits**

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

#### **Stock**

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

#### **On-going orders**

On-going construction contracts are valued with reasonable certainty on the basis of the matured contractual fees according to the criterion of percentage completion (so-called cost to cost), so as to attribute the profits and the economic result of the order to each single financial period concerned in proportion to the progress of the work.

#### **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.

#### **Employee leaving entitlement**

The present value of debts related to employees for benefits allocated in connection with or following the termination of working relationships through defined benefit programmes is calculated on the basis of the method of projecting the credit in accordance with the

indications in IAS 19.

The liability evaluation is calculated by private actuaries. The profits and losses deriving from these evaluations are ascribed to the income statement.

#### **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.

After the initial determination, the financial liabilities are assessed with the criterion of amortized cost using the original effective tax rate method.

#### **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 according to the same criteria as those for revenue acknowledgment.

#### ***Balance sheet layout***

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.

The profit and loss account is drafted in scalar format highlighting the following intermediate results:

- Production revenues: this is the value of services and goods produced and sold by the Group, including internal assets and other income and earnings from the traditional offer.
- Added value: obtained by subtracting the operative costs for service and asset purchases from production revenues, this measures how much of the internal production and distribution of goods and services is due to company productive factors.

- Gross Operational Result (EBITDA): this figure is obtained by subtracting from the added value all of the costs that can be put down to staff and other administrative expenses. It highlights the result based on the traditional offer including depreciations, financial management, revaluations or devaluations and taxes.

- Operational Result (EBIT): this figure is obtained by subtracting the depreciation and funding amounts from the gross operational result.

- Ordinary Result: this includes the financial management result.

- Pre-tax result: obtained by including revaluations and devaluations in the ordinary Result.

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

The financial statement has been presented according to the indirect method so that the profit (or loss) for the period has been adjusted of any non-monetary operations and by deferments and the setting aside of future incomes or payments.



## 6. Consolidation area

In the month of October 2010, CAD IT increased their holding share of the subsidiary company CeSBE S.r.l. from 52% to 59% following the purchase of a further holding share of the company capital.

In February 2011, when the company capital was reduced due to losses and the replenishing of the company capital of the controlled company DQS S.r.l., CAD IT underwrote the entire company capital, thus becoming the sole partner. Consequently, the shares in holdings related to the Tecsit S.r.l. group, a company controlled through DQS S.r.l., also increased.

The consolidation area has not changed. 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	130,000	100.00%	100.00%
Cesbe S.r.l.	Verona	10,400	59.00%	59.00%
Netbureau S.r.l.	Milano	50,000	100.00%	100.00%
S.G.M. S.r.l.	Padova	100,000	100.00%	100.00%
D.Q.S. S.r.l.	Roma	11,000	100.00%	100.00%
Bit Groove S.r.l.	Verona	15,500	100.00%	100.00%
Elidata S.r.l.	Castiglione D'Adda (LO)	20,000	51.00%	51.00%
Smart Line S.r.l.	Verona	102,700	51.05%	51.05%
Datafox	Verona	99,999	51.00%	51.00%
Tecsit S.r.l. (1)	Roma	75,000	70.00%	70.00%
(1) Held through DQS S.r.l.				

Shares in associates, in which the Group has significant influence, have been evaluated using the equity method and reduced accordingly where the asset value has decreased.

Company name	Registered office	Date of reference	Quotaholders' equity	Pre-tax result	Percentage of investment	Investment value of the Group
Sicom S.r.l.	Viadana (MN)	31/03/2011	1,473	805	25.00%	368
Sicom S.r.l.	Viadana (MN)	31/03/2010	1,516	637	25.00%	379

## 7. Management results and comments on the most significant components in the quarter

	I Quarter 2011		I Quarter 2010		Variations	
		%		%		%
Income from sales and services	12,412	92.4%	12,477	95.2%	(66)	(0.5%)
Changes in ongoing orders	-	-	(133)	(1.0%)	133	(100.0%)
Asset increases due to internal work	1,013	7.5%	755	5.8%	258	34.1%
Other revenue and receipts	3	0.0%	11	0.1%	(8)	(76.2%)
<b>Production value</b>	<b>13,427</b>	<b>100.0%</b>	<b>13,111</b>	<b>100.0%</b>	<b>317</b>	<b>2.4%</b>
Costs for raw	(185)	(1.4%)	(221)	(1.7%)	36	(16.2%)
Service costs	(2,544)	(18.9%)	(2,257)	(17.2%)	(287)	12.7%
Other operational costs	(154)	(1.1%)	(165)	(1.3%)	11	(6.8%)
<b>Added value</b>	<b>10,544</b>	<b>78.5%</b>	<b>10,467</b>	<b>79.8%</b>	<b>76</b>	<b>0.7%</b>
Labour costs	(8,425)	(62.7%)	(8,526)	(65.0%)	101	(1.2%)
Other administrative expenses	(550)	(4.1%)	(631)	(4.8%)	80	(12.7%)
<b>Gross operational result - EBITDA</b>	<b>1,568</b>	<b>11.7%</b>	<b>1,311</b>	<b>10.0%</b>	<b>258</b>	<b>19.6%</b>
Allocation to fund and credit depreciation	(2)	(0.0%)	(2)	(0.0%)	(0)	
Intangible fixed asset amortization	(595)	(4.4%)	(751)	(5.7%)	156	(20.8%)
Tangible fixed asset amortization	(162)	(1.2%)	(192)	(1.5%)	30	(15.8%)
<b>Operational result - EBIT</b>	<b>809</b>	<b>6.0%</b>	<b>365</b>	<b>2.8%</b>	<b>444</b>	<b>121.6%</b>
Financial income	22	0.2%	20	0.2%	1	6.3%
Financial expenses	(21)	(0.2%)	(15)	(0.1%)	(6)	38.9%
<b>Ordinary result</b>	<b>810</b>	<b>6.0%</b>	<b>371</b>	<b>2.8%</b>	<b>439</b>	<b>118.5%</b>
Revaluations and depreciations	201	1.5%	159	1.2%	42	26.5%
<b>Pre-tax result</b>	<b>1,011</b>	<b>7.5%</b>	<b>530</b>	<b>4.0%</b>	<b>481</b>	<b>90.9%</b>

Pre-tax result for the period attributable to:

Non- controlling interests	32	0.2%	(48)	(0.4%)	79	(166.6%)
<b>Owners of the parent</b>	<b>979</b>	<b>7.3%</b>	<b>577</b>	<b>4.4%</b>	<b>402</b>	<b>69.6%</b>

The CAD IT Group closed the first quarter of 2011 with a value of production of Euro 13,427 thousand, showing a slight increase (+2.4%) compared to the same quarter in the previous financial period (Euro 13,111 thousand), thus achieving positive and improved returns. The results obtained confirm the Group's ability to achieve positive results by focusing on the production and offer of new products and services and acquiring new users and market segments.

The value of production was mainly made up of revenues from services and sales amounting to Euro 12,412 thousand, showing a slight drop (-0.5%) compared to the same quarter in the previous year (Euro 12,477 thousand).

The increase in internal work capitalized under fixed assets came to Euro 1,013 thousand (Euro 755 thousand in the same quarter the year before).

Service costs of Euro 2,544 thousand (equal to 18.9% of the value of production) increased compared to Euro 2,257 thousand (equal to 17.2% of the value of production) in the first quarter of 2010, even with the need to call in highly qualified external collaboration in order to keep production flexible.

The Euro 10,544 thousand of added value was equal to 78.5% of the value of production compared to Euro 10,467 thousand in the first quarter of 2010 (79.8% of the value of production).

Labour costs during the quarter came to Euro 8,425 thousand, showing a Euro 101 thousand decrease (-1.2%) compared to Euro 8,526 thousand in the same period in 2010. The average number of employees during the

quarter was 607 units, substantially in line with the same quarter in 2010 (605 units).

Other administrative costs came to Euro 550 thousand compared to Euro 631 thousand in the first quarter of 2010.

The Ebitda revenue margin stood at Euro 1,568 thousand compared to Euro 1,311 thousand in the first quarter of 2010, showing a 19.6% improvement.

Amortisation quotas during the quarter were Euro 595 thousand for intangible assets and Euro 162 thousand for tangible assets. In the same quarter in 2010, these figures stood at Euro 751 thousand and 192 thousand respectively. The EBIT operational result for the quarter was in credit by Euro 809 thousand compared to Euro 365 thousand in the same period last year, showing an increase of Euro 444 thousand (+121.6%).

The net result of the financial management was slightly in credit with earnings and expenses at Euro 22 thousand and Euro 21 thousand respectively compared to Euro 20 thousand and Euro 15 thousand in the first quarter of the previous year.

The ordinary result was in credit by Euro 810 thousand compared to Euro 371 thousand in the first quarter of 2010.

The positive result of the associated company Sicom S.r.l., evaluated with the net patrimony method, generated a revaluation of Euro 159 thousand.

The pre-tax result was in credit by Euro 1,011 thousand (equal to 7.5% of the value of production), showing an improvement compared to the same quarter in the previous financial year when the figure registered was Euro 530 thousand (4.0% of the value of production).

The interim management report was presented without calculating the income taxes for the period.

The profit for the period ascribed to CAD IT shareholders was Euro 979 thousand compared to Euro 577 thousand in the first quarter of the previous financial year; the third party share was in credit to the amount of Euro 32 thousand compared to the Euro 48 thousand loss in the first quarter of 2010.

Constant attention to monitoring and containing costs is still one of the management's main objectives.

A brief summary of the earnings from sales and services, subdivided in accordance with the line of business, and compared to the corresponding figures of the previous financial year, is shown below.

<i>Income from sales and services</i>	<i>1° Quarter 2011</i>		<i>1° Quarter 2010</i>	
Finance	11,758	94.7%	11,656	93.4%
Manufacturing	654	5.3%	821	6.6%
<b>Total</b>	<b>12,412</b>	<b>100.0%</b>	<b>12,477</b>	<b>100.0%</b>

## **8. Significant events of the period**

On 4th February 2011, the shareholder meeting of the DQS S.r.l. subsidiary company decided to reset the company capital of Euro 11,000 due to losses and, at the same time, to reconstitute the company capital to Euro 11,000 with a price above par of Euro 201,603 of which Euro 190,630 is to be used to cover the residual loss and Euro 11,000 to constitute the share overcharge fund. Due to agreements between partners, CAD IT, previously holding a 55% share, sustained the entire company capital and relative price above par, thus becoming the sole partner.

The non-executive director, Mr. Matthias Sohler, following his resignation from the Xchanging Group, handed in his notice from the CAD IT Board of Directors. Matthias Sohler, non-executive and non-independent director, was not a member of any internal committees. On March 11<sup>th</sup> 2011, the CAD IT Board of Directors, in accordance with art. 18 of the Company Statute and art. 2386 of the Civil Code, nominated in co-optation Mr. Jörg Karsten Brand, a director in the Xchanging Group with experience in the financial sector, to replace the resigning director.



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

Moreover, the intense project activities with Xchanging UK Ltd (a company that supplies security administration services for the German and British market and which holds a 10% share in CAD IT S.p.A.) through which the CAD IT Group aims at increasing its revenues in Italy and also to diversify its business in geographical terms, is continuing.

## 9. Net financial position

The consolidated net financial position at 31st March 2011 was positive for Euro 3,824 thousand compared to Euro 4,100 thousand at 31<sup>st</sup> December 2010 and Euro 4,835 thousand at 31st March 2010.

In particular, cash-on-hand and in bank accounts came to Euro 3,103 thousand and capitalisation insurance policies (contractually available on 20-day prior request without any significant tax expenses) came to Euro 2,385 thousand.

Short-term debts towards banks of Euro 1,521 thousand regard overdrawn accounts and advances subject to final payment.

*(in thousands of Euro)*

<i>Net consolidated financial position</i>	<i>31/03/2011</i>	<i>31/12/2010</i>	<i>31/03/2010</i>
Cash-on-hand and at bank	3,103	3,731	3,931
Capitalisation insurance policies	2,385	2,370	2,320
Payables due to banks current portion	(1,521)	(1,851)	(1,244)
<b>Net short-term financial position/(indebtedness)</b>	<b>3,967</b>	<b>4,250</b>	<b>5,006</b>
Long-term loans	(142)	(150)	(172)
<b>Net long-term financial position/(indebtedness)</b>	<b>(142)</b>	<b>(150)</b>	<b>(172)</b>
<b>Net financial position/(indebtedness)</b>	<b>3,824</b>	<b>4,100</b>	<b>4,835</b>

As shown in the consolidated financial report, the decrease in financial assets was determined by the following:

- Operational management activities generated positive flows amounting to Euro 635 thousand (Euro 760 thousand in the same period in the previous year) due to the effect of self-financing (net result plus amortisations) net of non-monetary items;
- Investment activities absorbed Euro 911 thousand (compared to Euro 839 thousand in the same period last year). In particular, Euro 1,016 thousand were invested in intangible assets, partly compensated by interests and dividends cashed;
- Financing activities absorbed Euro 8 thousand (compared to Euro 7 thousand in the same period during the previous financial year).

## 10. Research and development

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

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

As regards new projects, development are continuing on the SIBAC GS platform, which is a fundamental element for the Group's strategic growth. Development relating to the New Finance Outlet project is

continuing and aims to equip the successful Finance Area procedure with Web interfacing.

Activity in the production of specialised modules for the business intelligence (Managerial Information System) area is also continuing.

CAD IT and Smart Line S.r.l. are now investing to enrich their own offer range of solutions and services for Public Administration and authorities for the management of local taxes.

The CAD IT Group, in its intent to develop its own products, is also creating solutions linked to the new norms and further procedures aimed at diversification for business sectors like Insurance (Finance Area for Insurances) and software modules for international market (EM).

## 11. Investments

The figures accumulated in investments in intangible and tangible assets, made during the quarter by companies of the Group included in the consolidation area amount to Euro 1,068 thousand, compared to Euro 844 thousand in the same period in 2010.

*(in thousands of Euro)*

Summary of investments	1° Quarter	1° Quarter	Year
	2011	2010	2010
Intangible fixed assets	3	25	176
Assets under development and payments on account	1,013	755	4,334
Property, Plant and equipment	52	63	200
<b>Total investments in tangible and intangible fixed assets</b>	<b>1,068</b>	<b>844</b>	<b>4,710</b>

The voice assets under development relates to investments in development of software procedures under construction both for sale and for in-company use. Most of these investments are aimed at new, advanced products, the use of which will be needed very shortly, in credit and financial institutions as well as in the field of public administration and in industrial companies, this purpose development activities was increased during the quarter.

During the period, the item "Intangible fixed assets" and "Property, Plant and equipment" varied as follows:

*(in thousands of Euro)*

Intangible fixed assets	Industrial patents and similar rights	Licences, trademarks and similar rights	Assets under development and payments on account	Other	Total
Purchase or production cost	14,333	3,574	14,778	35	32,719
Previous years revaluations					
Previous years depreciation and write-downs	(10,208)	(3,178)		(35)	(13,422)
Adjustments to previous years write-downs		(1)			(1)
<b>Opening value</b>	<b>4,124</b>	<b>395</b>	<b>14,778</b>	<b>0</b>	<b>19,297</b>
Variations in consolidation area					
Purchases/increases		3	1,013		1,016
Transfers					
Reduction in accumulated depreciation due to disposals					
Disposals					
Revaluations for the period					
Depreciation and write-downs for the period	(535)	(61)			(595)
Adjustments to write-downs for the period					
<b>Total intangible fixed assets</b>	<b>3,589</b>	<b>338</b>	<b>15,791</b>	<b>0</b>	<b>19,718</b>



(in thousands of Euro)

<i>Property, plant and equipment</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Industrial and commercial equipment</i>	<i>Other tangible fixed assets</i>	<i>Total</i>
Purchase or production cost	9,140	4,177	30	5,553	18,900
First time adoption revaluation	8,439				8,439
Previous years depreciation and write-downs	(1,218)	(2,501)	(25)	(4,942)	(8,686)
Adjustments to previous years write-downs				(2)	(2)
<b>Opening value</b>	<b>16,361</b>	<b>1,676</b>	<b>5</b>	<b>609</b>	<b>18,651</b>
Variations in consolidation area					
Purchases		4		48	52
Transfers					
Reduction in accumulated depreciation due to disposals				13	13
Disposals				(13)	(13)
Revaluations for the period					
Depreciation and write-downs for the period	(30)	(64)	(0)	(67)	(162)
Adjustments to write-downs for the period					
<b>Total tangible fixed assets</b>	<b>16,331</b>	<b>1,616</b>	<b>5</b>	<b>590</b>	<b>18,541</b>

## 12. Personnel

The number of CAD IT Group staff, at the end of the quarter decreased by 2 units compared to the end of 2010 financial period. Information on the actual number employees at the end of each period is reported below:

<i>Category of Employees</i>	<i>Labour force at 31/03/2011</i>	<i>Labour force at 31/12/2010</i>	<i>Labour force at 31/03/2010</i>
Management	19	19	19
White-collars and cadres	585	588	584
Blue-collars	1	1	1
Apprentices	2	1	2
<b>Total</b>	<b>607</b>	<b>609</b>	<b>606</b>

The average number of employees in the quarter was 607 units, increasing compared to the same reference quarter of the 2010 financial period (605 units).

<i>Category of Employees</i>	<i>Average number I Trim 2011</i>	<i>Average number year 2010</i>	<i>Average number I Trim 2010</i>
Management	19	19	19
White-collars and cadres	585	585	583
Blue-collars	1	1	1
Apprentices	2	2	2
<b>Total</b>	<b>607</b>	<b>607</b>	<b>605</b>

The Group continues to pay particular attention to the growth and training of its staff by analysing their needs, defining plans and training schemes, holding courses both internally and at qualified external organisations and evaluating training activities.

### **13. Significant events since 31st March 2011**

On 27th April 2011, the Ordinary Shareholders' Meeting approved the financial statement at 31/12/2010. To replace the resigning Matthias Sohler, the Shareholders' Meeting of CAD IT has confirmed the appointment of the co-opted non-executive and non-independent Director Jörg Karsten Brand, who will be in charge until the expiry date for the entire Board of Directors, that is the date of the Shareholders' Meeting convocation for approval of the financial statements ending on 31<sup>st</sup> December 2011. The Shareholders' Meeting has furthermore deliberated over (i) in the ordinary part, the amendment of the Meeting Regulations in order to adapt to the new provisions introduced by D. Lgs. n. 27/2010; (ii) in the extraordinary part, the amendment and insertion of some articles in the Company's bylaws concerning:

- D. Lgs. n. 27/2010, transposing directive 2007/37/CE, regarding the exercising of some shareholders' rights;
- D. Lgs. n. 39/2010, transposing directive 2006/43/CE, regarding statutory audit on annual and consolidated accounts;
- Consob resolution n. 17221/2010, setting rules regarding the operations with related parties, as amended by Consob resolution n. 17389/2010,

and has also proceeded to the re-numbering and titling of all statutory articles.

### **14. Foreseeable management developments**

The world economy is continuing to expand, driven by the rapid growth of the emerging countries, the upturn in the United States and the firming up of the recovery in the euro area. According to IMF projections, the expansion of world GDP, which came to 5.0 per cent in 2010, will continue this year and next at a pace of about 4.5 per cent.

Euro-area GDP continued to expand in the fourth quarter of 2010, with an increase of 0.3 per cent from the third quarter. Growth for the year as a whole came to 1.8 per cent, but with national disparities: it was strong in Germany (3.6 per cent), more moderate in France and Italy (1.6 and 1.3 per cent) and virtually nil in Spain. In the first few months of 2011 economic activity may have strengthened; signals to this effect come from the index of industrial production and qualitative surveys of firms.

In Italy, GDP continues to grow but at a slow pace; in the fourth quarter of 2010 Italy's GDP grew by 0.1 per cent compared with the previous quarter. On average for the year, it expanded by 1.3 per cent. Positive contributions came from the performance of domestic demand (1.7 percentage points) and the recovery of exports (2.2 points); however, foreign trade's net contribution was negative by 0.4 points, owing to the rapid growth of imports induced by domestic demand. A modest acceleration in economic activity seems likely in the first quarter, as indicated by the slight recovery of industrial production and the livelier pace of exports in January and February. Industrial firms' confidence and their expectations for demand have improved to good levels.

Bank revenues have remained at contained levels: according to consolidated reports from the five major groups, bank revenues in 2010 were substantially in line with those of the previous year: capital and reserve earnings (ROE) remained at around 4 per cent. Profits rose by 5 per cent, benefitting from the cancellation of non-strategic activities, operative cost containment and a reduction in earmarking and value adjustments, especially those connected with the deterioration of loan services (-16 per cent). The latter, nevertheless, continue to absorb more than half of the management result. The interest margin came down by 7 per cent, mirroring the low level of tax on interests and the weak dynamics of intermediate volumes. Other earnings



were stable: the increase in commissions compensated the decline in earnings from negotiation activities, which were affected by tension in the sovereign funding markets. The brokerage margin fell by 4 per cent.<sup>1</sup>

In this context the Board of Directors has placed maximum attention on market needs in order to lead the Group's management and development strategies in the right direction and to maintain high levels of efficiency so that the favourable economic results of the past can also be achieved over the current financial period.

Furthermore, the current market conditions could give the Group the chance to supply, for example, Application Management solutions in the restructuring or redesigning of financial institution activities and Risk Management applications for monitoring and assessing risks. The success of the Group's activities will therefore depend on its ability to maintain and increase the shares it has in the markets in which it currently operates and/or to further expand into other markets and segments (like insurance, public administration, foreign financial institutions) through new and high standard, quality products that would guarantee adequate income levels.

Furthermore, during 2011 development and commercialisation activities for new products, aimed at traditional and new clients, will continue.

The intense project activities with Xchanging UK Ltd, company which supplies administration BPO (Business Process Outsourcing) services, through which the CAD IT Group aims to increase its own earnings in Italy and to geographically diversify its business, are also proceeding.

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

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

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<sup>1</sup> Banca D'Italia, Financial Bulletin no. 64 - April 2011.

**DECLARATION IN ACCORDANCE WITH ARTICLE 154-BIS, SECOND PARAGRAPH, OF LEGISLATIVE  
DECREE NO. 58 OF 24 FEBRUARY 1998**

The undersigned, Maria Rosa Mazzi, manager in charge of drafting CAD IT S.p.A. accounting documents, hereby declares, in accordance with article 154-bis, second paragraph, of the Revenue Office “Testo Unico” (Leg. Dec. 58/1998), that the accounting information in this Interim Management Report corresponds to the documentary results, books and accounting registers.

Verona, 13 May 2011

Manager in charge of drafting  
the CAD IT S.p.A. accounting documents  
//f// Maria Rosa Mazzi



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