



# **Interim Management Report of the Itway Group as of March as of March 31, 2018**

## **Board of Directors**

*(Until the approval of the December 31, 2019 Financial Statements)*

<i><b>Name Last Name</b></i>	<i><b>Position</b></i>
Giovanni Andrea Farina	President and Chief Executive
Cesare Valenti	Managing Director
Valentino Bravi	Independent Director
Piera Magnatti	Independent Director
Annunziata Magnotti	Independent Director

## **Board of Statutory Auditors** *(Until the approval of the December 31, 2019 Financial Statements)*

<i><b>Name Last Name</b></i>	<i><b>Position</b></i>
Alessandro Antonelli	President
Daniele Chiari	Member
Silvia Caporali	Member

President Alessandro Antonelli resigned effective the approval of the Financial Statements as at December 31, 2017 due to the summing up of several professional commitments that are concurrent and that cannot be deferred. His replacement will be on the agenda of the next shareholders' meeting called for June 29, 2018.

## **Manager mandated to draft corporate accounting documents**

The board of directors named Sonia Passatempi (Administrative Manager of the Group) as the Manager in charge of drafting corporate accounting documents for the Itway Group.

## **Auditing Firm**

PricewaterhouseCoopers S.p.A.

The mandate to the auditing company was given by the ordinary shareholders meeting of January 11, 2010 for the nine year period ending with the approval of December 31, 2017 Financial Statements and, pursuant to current regulations, it cannot be renewed.

## **Interim management report as of March 31, 2018**

Itway, for the sake of continuity with the past also following the indication included in Borsa Italiana Notice No. 7587 addressed to STAR Issuers (“Clarifications on interim management statements for STAR Issuers”) decided to draft and publish the interim management report to March 31, 2018 despite changes to the Issuers’ Regulations in relation to interim management statements that abolished the obligation to publish these reports.

The publication of the current interim management report, not subject to audit, was authorized by the Board of Directors on May 30, 2018.

In the current interim management Report the analysis of the economic performance was carried out with reference to the situation as of March 31, 2018 in the quarter between January and March 2018 compared with the equivalent period of 2017. The net financial position and the balance sheet information refer to March 31, 2018 compared with the consolidated Financial Statements as of December 31, 2017.

The accounting statements to March 31, 2018 were drafted before taxes and of the fiscal effects on the results of the period.

The accounting principles, the evaluation criteria, the forecasts made, and the consolidation principles that are referred to in preparing the attached interim management report to March 31, 2018 are, as in the previous fiscal period, the international accounting principles defined by IFRS. In particular, these principles require forward looking statements. In the context of economic uncertainty illustrated below, please note that these forecasts have a component of risk and uncertainty. Therefore, it cannot be ruled out that in the near future the results achieved could be different from those forecast, therefore requiring revisions that today cannot be either estimated or forecast.

In light of the sale of the Business-e S.p.A. subsidiary that was announced in the previous fiscal period and that has been reflected in the consolidated financial statements as of December 31, 2017 and in line with what was presented in those statements, in the tables for 2017 included in the current Interim Management Report the economic data of this transaction have been reported separately in the column headed “Business-e Transactions”.

## Performance of the Group and the reference market

The accounting principles, the evaluation principles and the consolidation principles referred to in preparing the Interim Financial Report as of March 31, 2018 are, as in the previous fiscal year, the international accounting principles defined as IFRS. In particular, these principles require forward looking statements, as indicated in the continuation of the current report, in particular in the section “Foreseeable Evolution of operations” and in detail in the Explanatory Notes. In the context of the economic uncertainty illustrated below, please note that these forecasts have a component of risk and uncertainty.

Therefore, it cannot be ruled out that in the near future the results achieved could be different from those forecast, therefore requiring revisions that today cannot be either estimated or forecasted.

General context and performance of the ICT Market: The forecasts for the Italian digital market seem to be confirmed with an overall growth of 2.3% and with those segments tied to digital innovation, defined as Digital Enablers that continue with their double digit rate increases [Assinform projections for 2016-2019: Cybersecurity (+11.9%), Cloud Computing (+19.8%), IoT (+14.3%), Big Data (+23.1%)]

Market positioning: The Itway Group during the fiscal year continued to invest in Cybersecurity, Cloud Computing, IoT and Big Data, all of which are connected and correlated. Furthermore, the repositioning on new product lines continued, with the aim of replacing lower-margin lines with higher value added ones that also allow a smaller use of working capital.

Group’s industrial policy: In the general context indicated above, the industrial policy of the Group continued to focus on higher value added business lines like the VAR SBU and the VAS SBU.

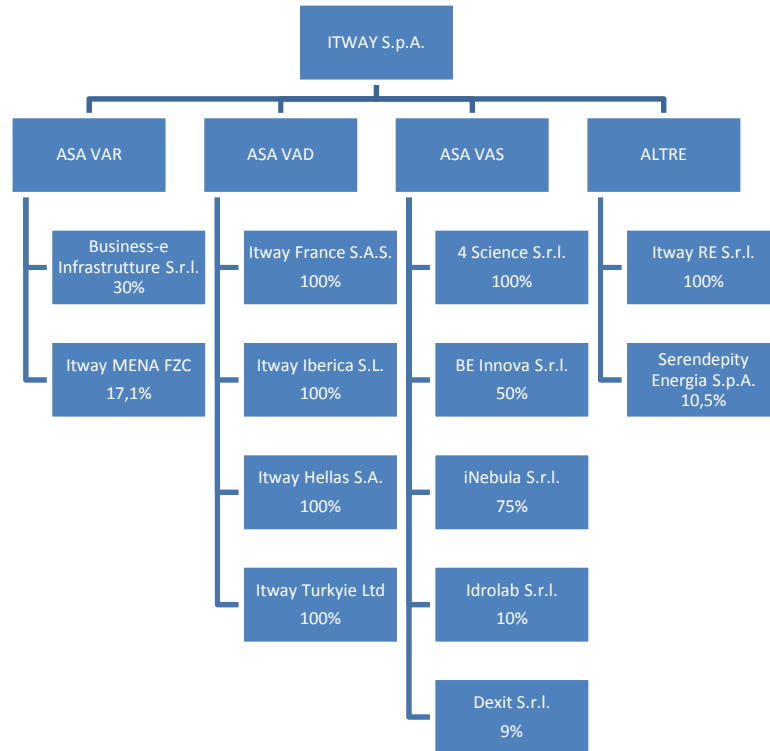
Following is the brief consolidated income statement as at March 31, 2018 compared with that of the previous fiscal period where the transactions related to the Business-e subsidiary, the sale of which has been previously commented, are highlighted in the column “Business-e Transactions”.

(Thousands of Euro)	Quarter ended	Quarter ended		
	March, 31 2018	March, 31 2017		
	Net Group Itway	Net Group Itway	Business- Transaction	Total Itway Group
<b>Turnover</b>				
Sales revenue	7,196	5,806	5,878	11,684
Other operating income	172	237	203	440
<b>Total Turnover</b>	<b>7,368</b>	<b>6,043</b>	<b>6,081</b>	<b>12,124</b>
<b>Operating costs</b>				
Cost of products	6,246	5,103	3,270	8,373
Personnel costs	644	696	1,635	2,331
Other costs and operating charges	847	716	889	1,605
<b>Total operating costs</b>	<b>7,737</b>	<b>6,515</b>	<b>5,794</b>	<b>12,309</b>
<b>EBITDA</b>	<b>(369)</b>	<b>(472)</b>	<b>287</b>	<b>(185)</b>
Amortizations	150	150	17	167
<b>EBIT</b>	<b>(519)</b>	<b>(622)</b>	<b>270</b>	<b>(352)</b>
Net financial charges	(52)	(4)	(89)	(93)
Other financial charges and revenues	-	-	-	-
<b>Result before taxes</b>	<b>(571)</b>	<b>(626)</b>	<b>181</b>	<b>(445)</b>

In the quarter ended March 31, 2018 operating revenue of the “Itway Group” rose in volume terms by 23.9% compared with the previous fiscal period while EBITDA was a negative Euro -369 thousand compared with Euro -472 thousand in the same period of 2017. EBIT and the Result before taxes were respectively at Euro -519 thousand and Euro -571 thousand compared with the same period of 2017 when EBIT stood at Euro -622 thousand and the Result before taxes at Euro -626 thousand.

## Activities and Structure of the Group

Following is the structure of the Itway Group at March 31, 2018:



The Company moved its legal headquarters to Milan in Viale Achille Papa, 30 maintaining its administrative headquarters in Ravenna in Via L. Braille, 15.

Following is the list of fully consolidated companies on which Itway S.p.A. exercises, directly or indirectly, control through the majority of voting rights:

NAME	HEADQUARTERS	SHARE CAPITAL	% direct ownership	% indirect ownership	% overall ownership
Itway Iberica S.L.	Argenters 2, Cerdanyola del Vallès - Barcelona	560,040	100%	-	100%
Itway France S.A.S.	4, Avenue Cely – Asniere sur Seine, Cedex	100,000	100%	-	100%
Itway Hellas S.A.	Agiou Ioannou Str , 10 Halandri - Athens	846,368	100%	-	100%
Itway Turkiye Ltd.	Eski Uscudar Yolu NO. 8/18 – Istanbul	1,500,000 *	100%	-	100%
iNebula S.r.l.	Via A. Papa, 30 – Milan	10,000	75%	-	75%
Itway RE S.r.l.	Via L. Braille 15, Ravenna	10,000	100%	-	100%
4Science S.r.l.	Via A. Papa, 30 – Milan	10,000	100%	-	100%

\*the value is expressed in the New Turkish Lira (YTL)

The subsidiaries, assessed with the equity method, which coincides with the cost, as indicated below, are:

NAME	HEADQUARTERS	SHARE CAPITAL	% direct ownership	% indirect ownership	% overall ownership
BE Innova S.r.l.	Via Cesare Battisti 26 - Trento (TN)	20,000	50%	-	50%
Be Infrastrutture S.r.l.	Via Trieste, 76 – Ravenna	100,000	30%	-	30%

List of minority investments, carried out at cost:

NAME	HEADQUARTERS	SHARE CAPITAL	% direct ownership	% indirect ownership	% overall ownership
Serendipity Energia S.p.A.	Piazza Bernini 2 – Ravenna	1,117,758	10/5%	-	10.5%
Dexit S.r.l.	Via G. Gilli 2 - Trento	700,000	9%	-	9%
Idrolab S.r.l.	Via dell'Arrigoni, 220 - Cesena FC	52,500	10%	-	10%
Itway MENA FZC	PO Box 53314, HFZ, Sharjah, United Arab Emirates	35,000*	-	17.1%	17.1%

\*the value is expressed in the Dirham of the United Arab Emirates (AED)

The Itway Group operates in three main types of activities: value added distribution of “best of breed” software technology (the best among what is available, at all moments, on the market) that will continue to be operational in Greece and Turkey following the previously described sale transaction of the activities in Italy, Spain and Portugal; it also offers services and consultancy aimed at training and supporting companies in the fields of Cybersecurity, IT security, Internetworking, Wireless and in the innovative and emerging Cloud Computing, Internet of Things and Big Data. The main Strategic Business Units (SBU) are in charge of these sectors: the VAD SBU (*Value Added Distribution*), the VAR SBU (*Value Added Reseller*) and the VAS SBU (*Value Added Services*). The VAD SBU also offers services for training, technical assistance and certification developed by Itway Academy, which is aimed at Value Added Resellers and System Integrators. The strong points of Itway are in its capability of offering, in a complementary manner, a broad array of software products and the consultancy support necessary to guarantee their use and integration. Furthermore, the Group has an excellent capability on focusing on and interacting with the client (accounting) and on offering excellent training that is tailor-made for the specific needs of each client. The VAR SBU manages all Value Added Reseller, System Integration and Engineering activities. The VAS SBU is in a start—up phase and handles the Value Added Services activities.

#### **Sector performance: *Value Added Distribution***

Through the Value Added Distribution sector, the Group operates in Greece and Turkey in the distribution of specialized software and hardware products, certification products on the software technologies distributed, and pre- and post-sales technical assistance services.

The clients are “System Integrators” and “Value Added Resellers” who sell products to the end-user.

Following are the main economic indicators of the VAD SBU, compared with those of the previous fiscal year that in the column headed Italy, Iberica VAD Transaction reflect the previously described sale transaction:

(Thousands of Euro)	Quarter ended	
	March 31, 2018 Net Group Itway (Greece and Turkey)	March 31, 2017 Net Group Itway (Greece and Turkey)
Total revenue	6,671	5,539
Ebitda	506	397
Ebit	489	380
Result for the period	569	447

The Turkish subsidiary, confirming once again the development prospects of the country, posted a positive quarter with sales up 14% from the same period of the previous fiscal period despite the performance of the Turkish lira that in the first three months of the 2018 fiscal year lost some 19% of its value compared with the same year earlier period.

The Greek subsidiary is efficient and achieved positive results with strong growth in terms of revenue compared with the same period of the previous fiscal year (+49%)

As already communicated to the market in the past weeks, please note the completion of the legal and financial due diligence that will lead to the signing of the Sale and Purchase Agreement for the sale of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries operating in the VAD SBU for a total consideration of Euro 10 million.

#### **Sector performance : Parent Company activities and other sectors in start-up phase**

Following the sale of the Italian distribution activities to Esprinet S.p.A., Itway S.p.A. took on the role of the Parent Company listed on Borsa Italiana S.p.A. that supplies services of different nature to its operating investments. It includes new sectors described below that are investing in the realization of products and are in an operational and commercial start-up phase.

These innovative sectors, still in start-up phase are:

- **Cloud information services:** Managed Services for SMEs in network in cloud environment in the areas of Security, Storage Management, Business Continuity,



Internet of Things platform During the period further services were developed that relate to more administrative aspects and that were thought for professional and accounting firms. This expansion was made possible thanks to the introduction in iNebula S.r.l. of the specific know how of some professional and technical experts that came from the cloud services for professionals sector and who had gained important experience specialized companies. This also allowed to expand, in addition to the previously described sectors, to the area of Process Governance with proprietary and high value added services and know-how.

- **Assisted services in N+SOC and MSSP** solutions to check networks;
- **Information Technology for Science:** ICT for Cultural Heritage and Data Curation services, in the start-up phase. The reference market is worth Euro 4 billion in Europe and there are slightly more than 10 players specialized in this sector at a global level.

Following is the condensed income statement, compared with the same period a year ago including data from the Holding SBU and other sectors in the start-up phase:

( Thousands of €uro)	Quarter ended	
	March 31, 2018	March 31, 2017
Revenues	697	504
Ebitda	(875)	(869)
Ebit	(1,008)	(1,002)
Result before taxes	(1,140)	(1,073)

Following is a brief comment on what the 4Science and iNebula start-ups have carried out: 4Science S.r.l. has been fully operational since September 2016 with highly specialized personnel to carry out its objectives: become the reference company in the emerging Big Data (Data Curation) and Digitalization of Cultural Assets (Digital Library) market. Its industrial plan foresees four products in part realized and in part being developed:

- 4SDL (distro 4Science based on Codex): Management of digital objects: acquisition, normalization, metadatation, classification, conservation, visualization, dissemination, sales;
- Image Viewer (distro 4Science based on IIPImage): Image visualization, segmentation, zooming, resizing, rotation;
- DSpace-CRIS (distro 4Science, based on DSpace): Digital object management: acquisition, normalization, metadatation, classification, conservation, dissemination;
- CKAN (integration 4Science): Interpretation and visualization of tabular data of research: Grid, graph, map.

The results of the period are lower than those budgeted but with a growing order portfolio.

iNebula during 2017 focused on the sale of some product lines already realized in 2017 and in particular on two product lines. These are:

- iNebula Connect: an all Made in Italy platform to manage in the Cloud Internet of Things devices: a sensor connects to the Internet with a series of advantages in many industrial and/or product groups. Important Proof of Concepts are under construction with clients that go from companies that manage heating/cooling to security in the workplace.
- iNebula RECO: A SaaS platform for the management of active and passive cycle accounting documents for accounting firms and private companies with an automatic registration of the prime entry. The accounting market is the main target;

However, the results achieved well below expectations, as well the changed industrial structure of the Itway Group have led to some decisions that will entail a different organizational and commercial structure in 2018.

In light of the results the iNebula RECO division will be sold, or alternatively terminated, while for iNebula Connect, the role of iNebula will be that of commercial development and project management using outsourcing collaborations for the development of projects that will be acquired.

Furthermore, exploiting the skills acquired in cyber security and SOC/NOC of the Be Innova subsidiary, iNebula will operate on the market to promote and sell security services managed by Be Innova, establishing the minimum commercial and technical structure required.

Thanks to the investment in the Lepida Data Center in Ravenna, iNebula can present itself to the market offering its clients also IaaS and PaaS services finding possible synergies with the system integrators of the area.

The results for the period were in any case lower than the forecast budget due to the lack of commercial development of some products and services, as already described; this is why a drastic reduction in costs is required for 2018 and it has been decided to establish a minimum commercial and technical structure, with a strong recourse to outsourcing activity which will lead to a significant variabilization of costs.

The amortization for the previously described products, both those already developed and those for which development is underway, began for those assets in the start-up phase the impact of which is reflected in the operating result of this SBU.

## Net financial position

Following is the detail of the net financial position:

	31/03/2018	31/12/2017
<b>Thousands of Euro</b>		
Cash on hand	1,777	440
Financial receivables	895	812
Current financial assets	1,392	1,428
Current financial liabilities	(9,695)	(9,667)
<b>Current net financial position</b>	<b>(5,631)</b>	<b>(6,987)</b>
Non current financial assets	2,098	2,098
Non current financial liabilities	(1,874)	(1,899)
<b>Non current financial position</b>	<b>224</b>	<b>199</b>
<b>Total net financial position</b>	<b>(5,407)</b>	<b>(6,788)</b>

The net financial position improved exclusively because of the cash on hand of the Greek and Turkish subsidiaries that was necessary to pay current account payables.

## Net financial position of the Parent Company

	31/03/2018	31/12/2017
<b>Thousands of Euro</b>		
Cash on hand	83	129
Financial receivables	895	812
Current financial liabilities	(8,255)	(8,171)
<b>Current net financial position</b>	<b>(7,277)</b>	<b>(7,230)</b>
Non current financial assets	2,098	2,098
Non current financial liabilities	(1,874)	(1,899)
<b>Non current net financial position</b>	<b>224</b>	<b>199</b>
<b>Total net financial position</b>	<b>(7,053)</b>	<b>(7,031)</b>

The Net Financial Position of the Parent Company as of March 31, 2018 was broadly unchanged from December 31, 2017.

Current liabilities furthermore include an Iccrea medium-term loans, for a total of Euro 249 thousand, for which the covenants were breached and that is therefore currently classified as short term, even though the parameters are currently being redefined in order to maintain the original status of medium-term.

**Expired debt positions of Itway S.p.A. and of the Itway Group divided by type (financial, commercial, social security and towards employees) and eventual connected reactions by creditors (reminders, injunction, interruption of supply, etc)**

As of March 31, 2018 expired financial positions of the Company totalled Euro 7.8 million. At the same date expired financial positions of the Itway Group totals Euro 8.5 million. In this context, the Company and the Group have begun talking to financial bodies in order to define the terms and conditions to remodulate financial indebtedness.

The Company as of March 31, 2018 had expired commercial indebtedness towards suppliers totalling approximately Euro 2.6 million (of which approximately Euro 0.4 million for amounts being contested, also through legal means, by debtors) and an indebtedness towards tax authorities for expired VAT payables as of March 31, 2018 for approximately Euro 200 thousand for debts not paid at their natural expiry and that were paid in May 2018.

The Itway Group as of March 31, 2018 had an expired commercial indebtedness towards suppliers of the Companies of the Group totalling Euro 7.5 million (of which approximately Euro 2.1 million for amounts being contested by debtors also through legal means) and an indebtedness towards tax authorities expired as of March 31, 2018 totalling Euro 559 thousand related to debts not paid at their natural expiry during the previous fiscal year of which Euro 290 thousand were settled in the month of May 2018 and the balance is expected to be settled within the terms foreseen by the regulations in force.

In reference to the expired commercial and fiscal debt of Itway S.p.A. and of the Itway Group, indicated above, please note that to date some solicitations have been received by some creditors and there are legal disputes or judicial actions for 750 thousand of Euro and none of the related services have been interrupted.

Please note that the Itway Group as of 31/03/2018 has social security debt that has not been paid at the natural expiry for Euro 179 thousand of which Euro 156 thousand was settled in the month of May 2018 while the balance is expected to be paid back within the terms foreseen by the regulations in force. There was no debt towards employees that has not been paid at the natural expiry.

### **Subsequent events**

Please note the completion of the legal and financial due diligence that will lead to the signing of the Sale and Purchase agreement for the sale of Itway Hellas SA and Itway Turkyie Ltd subsidiaries for a total consideration of Euro 10 million. Regarding the sale of Business-e, the payment of Euro 1.3 by Maticmind that took place during the quarter while negotiations of a settlement agreement is underway to rapidly define the reciprocal objections.

### **Foreseeable evolution of operations**

The sale of Business-e S.p.A., though important in the vision of the Group, rebalances in an important and distinctive way the financial structure of the Group. As can be seen from the 2018-2022 Industrial Plan, Itway will not exit the security market: there is a repositioning underway and a greater focus on the Be Innova subsidiary and the iNebula and 4Science start-ups. The development of the Greek and Turkish subsidiaries will continue and they will support the international development also in the MEA area.

The VAD activities in Greece and Turkey continue with their positioning as leaders in the security sector in their respective countries, continuing with the forecast growth rates and becoming a support for the international development also in the MEA area.

Furthermore, the development implemented and underway in the Middle East Africa area (MEA) regards the VAR and VAS SBU; in fact, the type of distinctive products and skills can be exported

On March 26 the Board of Directors approved the Industrial Plan of the Itway Group for the five years from 2018-2022 and the financial plan for Itway S.p.A. until all of 2019.

Following is the foreseeable evolution of operations in 2018 divided by SBU:

#### **ASA VAR**

4Science S.r.l. has been fully operational since September 2016 with highly specialized personnel to carry out its objectives: become the reference company in the emerging Big Data (Data Curation) and Digitalization of Cultural Assets (Digital Library) market. Its industrial plan foresees four products:

- 4SDL (distro 4Science based on Codex): Management of digital objects: acquisition, normalization, metadatation, classification, conservation, visualization, dissemination, sales;
- Image Viewer (distro 4Science based on IPIImage): Visualization images: segmentation, zooming, resizing, rotation;

- DSpace-CRIS (distro 4Science, based on DSpace): Digital object management: acquisition, normalization, metadatation, classification, conservation, dissemination:
- CKAN (integration 4Science): Interpretation and visualization of tabular data of research: Grid, graph, map.

The Big Data market is seen growing on average 23.1% (2016/2019, Assinform) and 48% of companies foresee in the future investments in this sector

The services offered by 4Science places the company in a highly specialized sector. On the one hand we can say that 4Science operates in the so-called Big Data segment but this sector is very broad and it is necessary to have a focus. Our skills are in data treatment (digital libraries and digital repositories) and this market is definitely related to the so-called Business Analytics one; this brings us to make some considerations on the ability to interact a collaborate with companies that are specialized in this sector.

Furthermore, alliances and partnerships will be developed with single players that bring synergies, with skills, therefore, that are complementary to our own and with whom to take part in projects from which we are excluded. While keeping an eye on projects that are financed at a national and/or European level, we will focus on those projects that will allow us to take part not just from a financial point of view, more or less non-refundable, but in terms of a subcontracting where our activities are fully remunerated

## **ASA VAS**

After having rationalized the service portfolio during 2017, in 2018 a significant reorganization, both technical and commercial, is expected that will bring to a radical change in the structure also following the sale of Business-e to Maticmind.

iNebula is positioning itself, thanks to the strong alliance with IBM at the end of 2017, also on the managed security services market (cybersecurity) adding for 2018 an important piece to its service portfolio. Cerbero Cyber Security Services <sup>TM</sup> is the technological platform that allows to monitor, thanks to a single control panel, the state of information security of companies; Itway is ISO 9001:2008 and ISO 27001:2013 certified; certifications that certify the quality of our services, including the monitoring of functioning and security of clients' IT infrastructures, including NOC (Networking Operation Center), SOC (Security Operation Center) services and assistance in terms of information security.

The iNebula subsidiary has in its portfolio some product lines that in the Industrial Plan will be very important. These are:

- iNebula Connect: an all Made in Italy platform to manage in the Cloud Internet of Things devices: a sensor connects to the Internet with a series of advantages in many industrial and/or product groups. Some 10 Proof of Concept are in construction with

clients that go from companies that manage heating/cooling to anti-pollution control units and companies with problems regarding security on the workplace.

- iNebula MSS: Managed Security Services from Cerbero.

Thanks to the investment in the Lepida Data Center in Ravenna, iNebula will be able to present itself to the market offering its clients also Iaas and Paas services; exploiting all the know-how of the Itway group in terms of security, iNebula will also be able to offer its clients a high value added offer aimed at both the enterprise and mid-market segment where demand for these services is posting greater growth rates.

### Relationship with related parties

In the 2018 first period the Group had commercial and financial relationships with related parties. These relationships were part of normal management activity, regulated at market conditions that are established by contract by the parties in line with the standard procedures.

Following is a summary:

Thousands of Euro	Receivables	Payables	Costs	Revenue
Itway S.p.A. vs Giovanni Andrea Farina & Co. S.r.l.	375	-	50	1
Itway S.p.A. vs Be Innova S.r.l.	2,719	-	-	31
<b>TOTAL</b>	<b>3,094</b>	<b>-</b>	<b>50</b>	<b>32</b>

Itway directs and coordinates its subsidiaries in Italy. This activity consists in indicating the general strategic and operational direction of the Group, defining and adjusting the reorganizational Model and elaborating the general policies to manage human and financial resources.

No company directs or controls Itway S.p.A

### Research and Development activities

During the period research and development activities continued in particular in the VAS area.

### **Own shares**

The Parent Company as at March 31, 2018 owns 886,366 own shares (equal to 11.21% of share capital), a net movement in 2017 of approx. Euro 443,183, a revenue of the period for 1,360 Euro. During the first quarter 2018, as authorized by the Shareholders meeting of Itway Spa, a total of 1,000 own shares were sold (equal to 0.01% of share capital) for a nominal value of Euro 500.

Following the end of the quarter and to the date of the current report no own shares were purchased or sold.

Ravenna, May 30, 2018

### **FOR THE BOARD OF DIRECTORS**

President and Chief Executive

G. Andrea Farina

