Half year Management Report as of June 30, 2018

Board of Directors

(Until the approval of the December 31, 2019 Financial Statement)

Name and Last name	*Position*
Giovanni Andrea Farina	President and Chief Executive Officer
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))

Name and Last name	*Position*
Daniele Chiari	President
Silvia Caporali	Member
Dario Rossi	Member

Manager mandated to draft corporate accounting documents

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

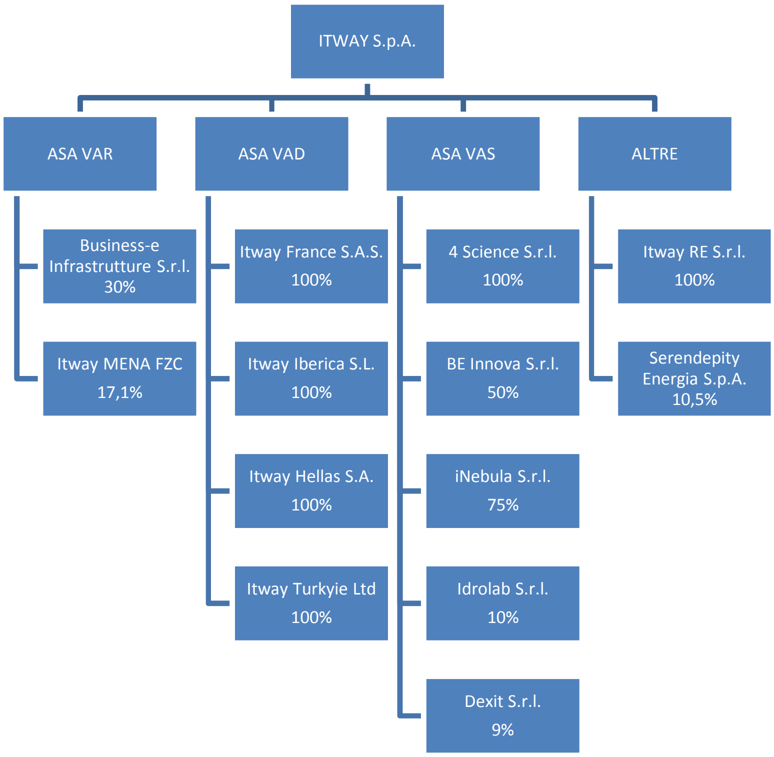
Auditing firm

Analisi S.p.A.

The mandate for the auditing firm was given by the General Meeting on July 2, 2018 for a period of nine years until the approval of the financial statements for the year ending December 31, 2026 and, pursuant to the regulations in force, it cannot be renewed.

Activities and Structure of the Group

Following is the structure of the Itway Group at June 30, 2018



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

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), operational in Greece and Turkey. It also 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.

Performance of the Group and the reference market

The accounting principles, the evaluation principles and the consolidation principles referred to in preparing the Condensed Half Year financial statements as of June 30, 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.

On April 4, 2018, Itway signed an exclusive agreement with Cyber Security 1 AB (formerly Cognosec), a company listed on the NASDAQ (COGS OTC-Nasdaq Intl. Designation: CYBNY), a leading supplier of Cyber Security solutions operating n Europe, Africa and the Middle East, for the sale of 100% of Itway Hellas SA and Itway Turkyie Ltd. After the completion of the due diligence, on June 19, 2018 was signed a Sale and Purchase Agreement (SPA) the terms of which can be summed up as follows:

- The agreed price by Cyber Security 1 AB to Itway for both stakes, totals Euro 10 million and is comprised of a cash component totalling Euro 2 million, to be paid by the closing, of which Euro 500 thousand has been cashed in at the same time of the signing of the SPA, and with No. 16.666.666 newly issued Cyber Security 1 AB shares for a total of Euro 8 million, representing 6.35% of their share capital
- It will be possible to sell the shares in quarterly instalments during the first five quarters after the closing of the transactions and the countervalue of the shares, totalling Euro 1.6 million at each instalment, is expected to be guaranteed by a PUT option that will be able to allow the sale of these shares at a price that is the same as the allotted price.

The closing of the transaction, initially forecast by the end of July 2018, was delayed, upon request of the buyer, to the month of September 2018 in exchange for the commitment to pay a further Euro 500,000, amount not yet collected.

With the sale value added distribution of products and services business (VAD) in Greece and Turkey, Itway completed its divestment program from VAD activities.

<u>General context and performance of the ICT Market</u>: 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, it continued to reposition on new product lines, 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: 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 consolidated condensed income statement at June 30, 2018 compared with that of the same period a year earlier, In light of the sale of the Business-e S.p.A. subsidiary already broadly described in the Financial Statements for the year ended December 31, 2017 and in line with the presentation in those statements, for comparison sake the economic data related to that transaction are reported separately, in the "Business-e Transaction" column:

(Thousands of Euro)	June 30 2018	June 30 2017		
	Itway Group	**Itway Group**	**Business-e transaction**	**Total**
Revenues				
Revenues from sales	13,592	11,953	9,900	21,853
Other operating revenues	382	1,500	337	1,837
Total revenues	**13,974**	**13,453**	**10,237**	**23,690**
Operating costs				
Costs for products	(11,618)	(9,961)	(5,603)	(15,564)
Costs for personnel	(1,226)	(1,212)	(3,313)	(4,525)
Other costs and operating expenses	(2,043)	(2,420)	(1,415)	(3,835)
Total operating costs	**(14,887)**	**(13,593)**	**(10,331)**	**(23,924)**
EBITDA	**(913)**	**(140)**	**(94)**	**(234)**
Depreciations and amortisations	(306)	(295)	(177)	(472)
EBIT	**(1,219)**	**(435)**	**(271)**	**(706)**
Net financial charges and proceeds	51	(393)	(308)	(701)
Profit before taxes	**(1,168)**	**(828)**	**(579)**	**(1,407)**
Taxes	(230)	15	140	155
Result for the period	**(1,398)**	**(813)**	**(439)**	**(1,252)**

**The definition of Ebitda and Ebit is given in the Notes of the consolidated Financial Statements attached to the current Report*

In addition to the results of the iNebula subsidiary, described hereinafter, which closed the semester with a negative EBIT of Euro 493 thousand, the data for the half-year is influenced by non-recurrent costs totaling some Euro 400 thousand incurred by the holding and related to the remodulation of financial debt and the management of the extraordinary transactions underway.In the past few fiscal periods important transactions were completed that led the Group to redefine its industrial structure in a move that that will bear fruit in the years to come. The general context of the market in which the Group operated, and that we can define as growing moderately, saw us careful observers and facilitators of a merger project within the Esprinet group of the Italy and Iberian VAD activities, so as to fully mature important earn-out objectives foreseen by sale contract. Following the sale of Business-e and in light of the growth trend foreseen for emerging sectors of IoT and Big Data, the focus was on the development of an industrial plan that envisioned important growth for the Itway Group in the coming years, also considering and valuing the investments already made in past years in the above mentioned sectors and considering and exploiting ever more, through their disposal, the value added distribution business in force in Greece and Turkey.

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.

Following are the main economic indicators of the VAD SBU, compared with those of the previous fiscal year:

Thousands of Euro	**30/06/2018**	**30/06/2017**
Total revenue	12.838	11.122
EBITDA*	903	762
EBIT*	877	730
Result before taxes	1.134	687
Result for the period	929	553

** The definition of Ebitda and Ebit is given in the Notes of the consolidated Financial Statements attached to the current Report.*

Country analysis:

The Turkish subsidiary confirmed once again the development prospects of the Country and ended the semester with revenue volumes and profitability in line with the same period of 2017. The results for the period were however impacted by the performance of the Turkish Lira exchange rate, which lost approx. 25% of its value against the Euro compared with the first half of 2017. In local currency the results of the semester would show an increase in revenue of 38.5% and of the Result of the period by 110%. The revenue growth positions the Group as the leading VAD of the security market in Turkey. The current fluctuations of the local currency do not impact the positive performance of the subsidiary.

The Greek subsidiary ended th semester with revenue volumes and profitability up 30% and 20% respectively compared with the first half of the previous fiscal period. The result before taxes was of over Euro 200 thousand. This result positions us as the leading VAD in the security market in Greece.

As disclosed in the introduction of the current report, Itway sealed an exclusive agreement with Cyber 1 (formerly Cognosec), a company listed on the NASDAQ (COGS OTC-Nasdaq Intl. Designation: CYBNY), a leading supplier of Cyber Security solutions that operates in Europe, Africa and the Middle East, for the sale of 100% of Itway Hellas SA and Itway Turkyie Ltd.

Sector performance: Holding 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 and holding 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. Furthermore, following the sale of Business-e, Itway S.p.A. has become an operational holding company that includes VAR type of activities.

These sectors, related but that do not coincide with the historical ones defined as VAD and VAR still, do not yet make a positive contribution to the consolidated results but they are important in terms of strategy to strengthen and diversify the business segments.

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
- **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 Euro	**30/06/2018**	**30/06/2017**
Total revenue	1, 136	2,331
EBITDA*	(1,816)	(902)
EBIT*	(2,096)	(1,165)
Result before taxes	(2,302)	(1,515)
Result for the period	(2,327)	(1,366)

The data of the SBU are impacted by non-recurrent costs incurred by the holding related to the remodulation of financial debt and the management of the extraordinary transactions underway.

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:

- 4Science is the service provider of DSpace, an open source product to manage 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 and aimed at research institutes)Digital object management: acquisition, normalization, metadatation, classification, conservation, dissemination;
- CKAN (integration 4Science): Interpretation and visualization of tabular data of research: Grid, graph, map.
- Document viewer, OCR, Video Audio streaming: add-ons developed by 4Science to view text and multimedia content and to recognize text in multi-language mode.

The results for the half year were significantly below the forecast budget, but the revenues of 4Science are up sharply from the previous semester (+264%) with an order portfolio that is growing with some orders for multi-year development. The lowdown is mainly due to the financial situation that was widely described in the Going Concern paragraph.

iNebula during the first half of 2018 focused on the sale of some product lines already realized in previous years 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.
- 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;

The reset of the first half are significantly below the forecast budget and are well below expectations, hit mainly by the financial situation that was widely described in the Notes and in the Going Concern paragraph.

This confirms the need to change iNebula’s activities with resulting decision in terms of operations. Assessments are being made in order to exploit the most value from the investments made, as better described in the paragraph “Foreseeable evolution of operations”.

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.

Personnel

The average number of employees of the Group during the first half of 2018 was of 45 units while the punctual number at the end of the first semester of 2018 was of 43 units. The drop in working units compared with the first half of 217 is mainly due to the sale of the Business-e subsidiary during the previous fiscal period.

Following is the breakdown by professional category compared with the data of the previous fiscal period

	30/06/2018 *Avg*	**30/06/2017** *Avg*	**30/06/2018** *Punctual data*	**30/06/2017** *Punctual data*
Managers	3	7	3	7
Mid managers	8	27	7	32
Employees	34	144	33	138
Total	**45**	**178**	**43**	**177**

Net financial position

Following is the detail of the net financial position:

Thousands of Euro	**30/06/2018**	**31/12/2017**
Cash on hand	1,642	440
Financial receivables	924	812
Currentfinancial assets	1,260	1,428
Current financial liabilities	(9,823)	(9,667)
Current net financial position	**(5,998)**	**(6,987)**
Non current assets	2,098	2,098
Non current financial liabilities	(1,866)	(1,899)
Non current net financial position	**232**	**199**
Total net financial position	**(5,766)**	**(6,788)**

Please see the Statement on Cash Flows for a more detailed analysis on the movements that generated the change in the Net Financial Position.

The Group’s net financial position as of June 30, 2018 improved by approx. Euro 1 million compared with December 31, 2017 due to the increase in the cash on hand of foreign subsidiaries for payments made after the closing of the semester.

The current liabilities include also an Iccrea medium term financing, totalling Euro 821 thousand, the related covenants of which have not been respected and therefore are currently classified as short term, even if the redefinition of these parameters is currently underway I order to maintain the original medium term classification

Net financial position of the Parent Company

Thousands of Euro	30/06/2018	31/12/2017
Cash on hand	400	129
Financial receivables	924	812
Currentfinancial assets	(8,395)	(8,171)
Current financial liabilities	**(7,071)**	**(7,230)**
Current net financial position	2,098	2,098
Non current assets	(1,866)	(1,899)
Non current financial liabilities	**232**	**199**
Non current net financial position	**(6,839)**	**(7,031)**

The net financial position of the Group as of June 30, 2018 was broadly in line with that at December 31, 2017. Current liabilities at the moment include an Iccrea medium-term loans, for a total of Euro 231 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 (solicitation, injunction, interruption of supply, etc)

As of June 30, 2018 expired debt positions of the Parent Company totalled Euro 8.1 million. At the same date, the expired debt positions of the Itway Group totalled Euro 8.9 million.

In this context, the Company announces that the talks with financial bodies in order to consolidate debt are continuing on a bilateral basis with the individual banking institutions after the end of collective talks in the month of June 2018.

The Company as of June 30, 2018 had expired commercial indebtedness towards suppliers totalling approximately Euro 2.8 million (of which approximately Euro 0.5 million for amounts being contested, also through legal means, by a creditor) and an indebtedness towards tax authorities for debt that expired as of June 30, 2018 for approximately Euro 29 thousand for debts not paid at their natural expiry and that are expected to be paid within the terms of regulations in force on the matter.

The Itway Group as of June 30, 2018 had expired commercial indebtedness towards suppliers totalling approximately Euro 8.4 million (of which approximately Euro 2.2 million for amounts being contested, also through legal means, by debtors) and an indebtedness towards tax authorities for debt that expired as of June 30, 2018 for approximately Euro 316 thousand for debts not paid at their natural expiry and that are expected to be paid within the terms of regulations in force on the matter.

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 as of June 30, 2018 some payment reminders have been received. No supplies were suspended so as to compromise the ordinary functioning of corporate activities.

As of June 30, the legal disputes that emerged following initiatives from creditors (injunctions and writ of summons) total Euro 275 thousand and a foreclosure act was notified by a financial creditor for Euro 759 thousand. Furthermore, in the month of July 2018, pending bilateral talks open with the banking sector, the company, without other pre-emptive ordinary credit recovery procedure and executive measures, was unexpectedly notified of proof of claim in bankruptcy by Unipol Banca SpA for a credit totalling Euro 480,885. The company, in view of the going concern basis on which the financial restructuring plan of the Group is based, has mandated its legal advisers to have the claim rejected and to study, and subsequently implement, the most opportune judicial tools to safeguard the company's assets.

Itway had debt expired as of June 30, 2018 towards social security institutes for a total of Euro 12 thousand related to debt not paid at the natural expiry and that is expected to be paid within the terms foreseen by the regulations in force. At the same date, the Itway Group had indebtedness towards social security institutes that had expired as of June 30, 20198 totalling Euro 61 thousand and that relates to debts not paid at their natural expiry and that are expected to be paid within the terms foreseen by the regulations in force.

Risk management

The Group is exposed to financial risks deriving from the economic situation at a global level; the Group uses, as a reference currency and for its purchasing and sales activities mainly the Euro and in a minor way the US Dollar and the Turkish lira. In order to analyze the financial risk management we refer to the half-year consolidated Financial Statements Explanatory Notes.

Going concern

The condensed financial statements for the half year ended June 30, 2018 shows a net loss of approximately Euro 1.398 million, which was significantly impacted by the losses of the Inebula subsidiary and of the parent company.

From a financial point of view, as already described in the financial statements for the fiscal year ended December 31, 2017, the sale of the 20-year old distribution unit by the Parent

Company, due to the delays with which it took place, brought the Company, starting from the month of December 2016 to a situation of financial stress that is still underway to the date of writing of the current financial statements.

As of June 30, 2018 the Itway Group had a current net financial indebtedness approximately Euro 9.8 million, of which approximately Euro 8.9 million already expired to the date of writing of the current half year balance sheet and an indebtedness for expired tax payables and social security institutions of approximately Euro 377 thousand (that will be paid within the terms foreseen by the regulations in force) and expired indebtedness towards suppliers of approximately Euro 8.4 million (of which however approximately Euro 2.2 million for amounts being contested, also through legal means).

This financial stress is still present, given the lower proceeds derived from the sale of Business-e S.p.A. compared with the what was foreseen in the sales contract signed on November 8, 2017. To face this tension the Company has for some time started talks to remodulate debt with banks and negotiations on this are currently underway on a bilateral basis with each lender, after an interruption of collective talks.

In this context the Company deemed it necessary to proceed with the sale of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries to Cyber Security 1 AB with and a SPA (Sale and Purchase Agreement) signed on June 19, 2018 for the sale is of Euro 10 million of which Euro 2 million at the closing scheduled for September 2018 and Euro 8 million in Cyber 1 shares that can be sold at the same price of allocation in five quarterly instalments for an amount that is equal starting from three months after the date of the closing.

In light of this the Board of Directors updated today the industrial plan approved on May 30, 2018 for the 2018-2022 period. This plan foresees that the Group does not exit the security sector but that it repositions based on investments that will be carried out by Itway S.p.A. using the proceeds from the sale of the Greek and Turkish subsidiaries as well as a greater focus on the BE Innova S.r.l. subsidiary and 4Science. The development of foreign operations will continue also in the MEA area where the group is present through its stake in Itway Mena FZC. As previously commented, or iNebula The plan therefore foresees a continuation of activities with the resulting changes in terms of operation.

This plan foresees the continuation of activities as configured above and from a financial point of view is based on two fundamental assumptions:

- The payment, pursuant to the terms currently agreed upon in the agreements, of the consideration for the sale of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries;
- The positive outcome of negotiations as indicated above with each banking institution so as to allow remodulating maturities according to the forecasts of the plan.

On the basis of this plan, the Directors, though acknowledging elements of uncertainty surrounding the positive outcome of the transactions that make up the fundamental assumptions of the plan, drafted the balance sheet on a going concern basis.

Subsequent events

In the month of August 2018 a settlement agreement was reached with Maticmind aimed as preventing a possible legal dispute since, pending the execution of certain accounting checks that Maticmind S.p.A. started following the acquisition of 100% of Business-e, the payment of two instalments of the price, expiring at the end of March and the end of April 2018 for a total of Euro 3 million was omitted for a total of Euro 3 million. The effects of the transaction are already reflected in the financial statements for the year ended December 31, 2017.

On August 6, 2018 in reference to the sale of the agreement sealed for the sale of the Itway Hellas SA Itway Turkyie Ltd subsidiaries to Cyber Security 1 AB (formerly Cognosec), a company listed on NASDAQ (COGS OTC-Nasdaq Intl. Designation: CYBNY) an extension of the deadline for the closing to the end of September 2018 was agreed upon in exchange for the payment of an additional Euro 500 thousand.

Furthenmore, as already reported in the previous paragraph "Going concer", on November 9, 2017, Itway S.p.A. approved the guide lines of the industrial plan of the Group of the 2017-2021 period and the Foreseeable evolution of operations financial plan of Itway S.p.A. until all of 2019, in a scenario following the sale of the Greek and Turkish subsidiaries.
Lastly, in the month of July 2018, pending bilateral talks open with the banking sector, the company, without other pre-emptive ordinary credit recovery procedure and executive measures, was unexpectedly notified of proof of claim in bankruptcy by Unipol Banca SpA for a credit totaling Euro 480,885.19. The company, in view of the going concern basis on which the financial restructuring plan of the Group is based, has mandated its legal advisers to have the claim rejected and to study and subsequently implement the most opportune judicial tools to safeguard the company's assets.

Foreseeable evolution of operations

After the disposal of Business-e S.p.A. in the previous fiscal period the company, as can be seen by the 2018-2022 Industrial Plan, is not exiting the security sector: there is a repositioning, already underway, that will bring to the full realization based on investments made by Itway S.p.A. that will be financed with the proceeds from the sale of the Turkish and Greek subsidiaries and a greater focus, already underway, of the BE Innova subsidiary and of 4Science

With the sale of the value added distribution of products and services business unit (VAD) in Greece and Turkey, Itway completed its divestment program from the VAD sector.

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.

The Board of Directors today updated the Group’s Industrial Plan approved on May 30, 2018 for the five years from 2018-2022 and th financial plan for Itway S.p.A.for all of 2019.. It will be possible to realize the industrial plan following the closing of the disposal transaction to Cyber 1.

As already stated, the guidelines of the plan does not foresee an exit from the security sector, which is expected to grow by over 12 in the next five years, but a repositioning in the area of products and services. Furthermore, a greater focus on the Be Innova S.r.l. subsidiary and on 4Science is expected. The development of foreign activities will continue also in the MEA area where the Group is present through its stake in Itway Mena FZC.

Following is the foreseeable evolution of operation for 2018, divided by Strategic Business Unit ASA VAR

4Science S.r.l. has been fully operational since September 2016 with highly specialized personnel to carry out its objectives: becoming the reference company in the emerging Big Data (Data Curation) and Digitalization of Cultural Assets (Digital Library) market. Its industrial plan is incurring some delays in its realization due to the situation of financial stress of the group that has not allowed investing commercial and technical resources. Growth for the unit continues, but less than the market potential.

The industrial plan foresees four products:

- 4Science is the service provider of DSpace, an open source product to manage 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 and aimed at research institutes)Digital object management: acquisition, normalization, metadatation, classification, conservation, dissemination;
- CKAN (integration 4Science): Interpretation and visualization of tabular data of research: Grid, graph, map.
- Document viewer, OCR, Video Audio streaming: add-ons developed by 4Science to view text and multimedia content and to recognize text in multi-language mode.

The Big Data market is seen growing on average 23.1% (Assinform- 2016/2019) 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

VAS SBU

As previously commented, due to the much lower than expected results of the VAS SBU, today represented by the company Inebula,there needs to be a change in its activities, with particular focus on the analysis of investments made in the different product lines (Videoconference, RECO, IoT-Connect, I Care Of You-ICOY – Workplace security) with resulting decisions in terms of operations. These decisions will be made by the end of September 2018.

Significant, non-recurrent, atypical and/or unusual transactions

In the period ended June 30, 2018 there were no transactions that can be defined as significant, non-recurrent, atypical and/or unusual with third parties or among companies of the Group, as defined in Consob Communication of July 28, 2006.

Relationship with related parties

In the 2018 fiscal 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.	376	-	99	1
Itway S.p.A. vs Be Innova S.r.l.	2,778	-	-	62
TOTAL	**3,154**	**-**	**99**	**63**

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

As of June 30, 2018 there were no significant changes compared with the Consolidated Financial Statements as of December 31, 2016 in the relationship with related companies for Itway S.p.A no for the other Companies of the Group.

Research and Development activities

During the fiscal period a total of Euro 14 thousand was invested in the development of new products and services in particular in the Start-up unit (compared with Euro 916 thousand in the same period of the previous year), which were capitalized in intangible assets.

Own shares

The Parent Company as at June 30, 2018 owned 887,043own shares (equal to 11.04% of share capital), a for a nominal value of Euro 436,522 and a net movement in the first half of 2018 of approx. Euro 18 thousand and a purchase cost of Euro 1.368 thousand (equal to the amount reflected in the Own share reserve deducted from net equity of the fiscal period and at a consolidated level). During the first half of 2018, as authorized by the Shareholders meeting of Itway Spa, a total of 14,323 own shares were purchased (equal to 0.18% of share capital) for a nominal value of Euro 7,162 while no purchases were made.

Ravenna, September 12, 2018

FOR THE BOARD OF DIRECTORS
President and Chief Executive
G. Andrea Farina

ITWAY GROUP

HALF-YEAR CONDENSED FINANCIAL STATEMENTS AS OF JUNE 30, 2018

CONSOLIDATED INCOME STATEMENT

Thousand of Euro	*Notes*	*Half year to*			
		30 June 2018	*30 June 2017*		
		Net amount Itway Group	*Net amount Itway Group*	*Business-e*	*Total*
Revenues from sales	1	13,592	11,953	9,900	21,853
Other operating revenues *	2	382	1,500	337	1,837
Products	3	(11,618)	(9,961)	(5,603)	(15,564)
Costs of services	4	(1,625)	(1,719)	(756)	(2,475)
Costs of personnel	5	(1,226)	(1,212)	(3,313)	(4,525)
Other operating expenses	6	(418)	(700)	(659)	(1,359)
EBITDA **		**(913)**	**(139)**	**(94)**	**(233)**
Depreciations and amortisations	7	(306)	(295)	(177)	(472)
EBIT **		**(1,219)**	**(434)**	**(271)**	**(705)**
Financial proceeds *	8	72	44	5	49
Financial charges	8	(21)	(438)	(313)	(751)
Profit before taxes		**(1,168)**	**(828)**	**(579)**	**(1,407)**
Taxes	9	(230)	15	140	155
Result for the period		**(1,398)**	**(813)**	**(439)**	**(1,252)**
Attributable to:					
Shareholders of parent company		(1,274)	(745)	(439)	(1,184)
Minorities		(124)	(68)	-	(68)
Result per share					
From operations:					
Basic	10	(0,20)	(0.18)	-	(0.18)
Diluted	10	(0,20)	(0.18)	-	(0.18)

** Note 30 highlights the relationships with related parties.*
*** The definition of EBITDA and EBIT is provided in the paragraph "Presentation of the financial statements".*

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

Thousand of Euro	*Half year to* **30 June 2018**	*Half year to* **30 June 2017**		
	Net amount Itway Group	***Net amount Itway Group***	***Business-e***	***Total***
Net result	(1,398)	(813)	(439)	(1,252)
Components that can be reclassified to the income statement:				
Profit/(Losses) from the conversion of the balance sheet of foreign subsidiaries	(410)	(226)	-	(226)
Components that cannot be reclassified to the income statement:				
Actuarial gain (losses) on defined-benefit plans	-	-	-	-
Comprehensive result	**(1,808)**	**(1,039)**	**(439)**	**(1,478)**
Attributable to:				
Shareholders of parent company	(1,684)	(971)	(439)	(1,410)
Minorities	(124)	(68)	-	(68)

CONSOLIDATED FINANCIAL STATEMENT

Thousand of Euro		Notes	30 Jun 2018	31 Dec 2017
ASSETS				
Net current assets				
Property, plants and machinery		11	3,816	3,908
Goodwill		12	1,854	1,856
Other intangible assets		13	2,343	2,607
Investments		14	1,063	1,063
Deferred tax assets		15	103	103
Non-current financial assets *		31	2,098	2,098
Other non current assets		16	33	128
	Total		**11,310**	**11,763**
Current assets				
Inventories *		17	592	1,071
Account receivables - Trade		18	14,427	17,397
Other current assets		19	3,490	4,793
Cash on hand		20	1,642	440
Other financial credits *		31	924	812
Current financial assets		31	1,260	1,428
	Total		**22,335**	**25,941**
Total assets			**33,645**	**37,704**
NET EQUITY AND LIABILITIES				
Share capital and other reserves				
Share capital and reserves			6,391	8,410
Net result of the period			(1,274)	(1,627)
Total Net Equity		21	**5,117**	**6,783**
Share capital and reserves of minorities			(311)	(187)
Total Group Net Equity			**4,806**	**6,596**
Non current liabilities				
Severance indemnity		22	383	388
Provision for risks and charges		23	15	103
Non current financial liabilities		24	1,866	1,899
	Total		**2,264**	**2,390**
Current liabilities				
Financial current liabilities		25	9,823	9,667
Account payable – Trade		26	13,889	15,997
Tax payable		27	1,585	1,937
Other current liabilities		28	1,278	1,117
	Total		**26,575**	**28,718**
Total liabilities			**28,839**	**31,108**
Total Net Equity and Liabilities			**33,645**	**37,704**

** Note 30 highlights the relationships with related parties.*

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Consolidated statement of charges in equity

Thousand of Euro	Share capital	Own share reserve	Share premium reserve	Legal reserve	Voluntary reserve	Other reserves	Translation reserve	Result for the period	Net equity of Group	Minority interests	Total Net Equity
					Cumulated profit (loss)						
Balance at Jan 1, 2017	**3,953**	**(1,534)**	**17,584**	**485**	**4,792**	**(15,052)**	**(1,322)**	**(28)**	**8,878**	**(31)**	**8,847**
Variation in own shares	-	50	-	-	-	-	-	-	50	-	50
Total operations with shareholders	**-**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
Allocation of the result for the year	-	-	-	-	-	(28)	-	28	-	-	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,184)**	**(1,184)**	**(68)**	**(1,252)**
Other operations	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other components of comprehensive results at 30 June 2017:											
Gain/(Losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Overall result	-	-	-	-	-	-	(226)	-	(226)	-	(226)
Comprehensive result	**-**	**-**	**-**	**-**	**-**	**(1)**	**(226)**	**(1,184)**	**(1,410)**	**(68)**	**(1,478)**
Balance at Jun 30, 2017 Note 21	**3,953**	**(1,484)**	**17,584**	**485**	**4,792**	**(15,081)**	**(1,548)**	**(1,184)**	**7,516**	**(98)**	**7,418**

Thousand of Euro	Share capital	Own share reserve	Share premium reserve	Legal reserve	Voluntary reserve	Other reserves	Translation reserve	Result for the period	Net equity of Group	Minority interests	Total Net Equity
					Cumulated profit (loss)						
Balance at Jan 1, 2018	**3,953**	**(1,386)**	**17,584**	**485**	**4,792**	**(15,086)**	**(1,932)**	**(1,627)**	**6,783**	**(187)**	**6,596**
Variation in own shares	-	18	-	-	-	-	-	-	18	-	18
Total operations with shareholders	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**-**	**18**
Allocation of the result for the year	-	-	-	-	-	(1,627)	-	1,627	-	-	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,274)**	**(1,274)**	**(124)**	**(1,398)**
Other operations	-	-	-	-	-	-	-	-	-	-	-
Other components of comprehensive results at 31 June 2018:											
Gain/(Losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Overall result	-	-	-	-	-	-	(410)	-	(410)	-	(410)
Comprehensive result	**-**	**-**	**-**	**-**	**-**	**-**	**(410)**	**(1,274)**	**(1,684)**	**(124)**	**(1,808)**
Balance at Jun 30, 2018 Note 21	**3,953**	**(1,368)**	**17,584**	**485**	**4,792**	**(16,713)**	**(2,342)**	**(1,274)**	**5,117**	**(311)**	**4,806**

CONSOLIDATED STATEMENT OF CHARGES IN FINANCIAL POSITION

Thousand of Euro	Notes	30 Jun 18	30 Jun 17
Results for the period “Net amount Itway Group”		(1,398)	(813)
Adjustments of items not affecting liquidity:			
Depreciations of tangible assets	7-11	99	114
Depreciations of intangible assets	7-12-13	207	358
Allowances for doubtful accounts	6	-	504
Provisions for severance indemnity, net of payments to social security bodies	22	37	73
Variation in non current assets/liabilities	15-16-23-24	9	(237)
Cash flow from operating activities, gross of the variation in working capital		**(1,046)**	**(1)**
Payments of severance indemnity	22	(41)	(63)
Variation in trade receivable and other current assets	18-19	4,329	12,499
Variation in inventories	17	479	58
Variation in trade payables and other current liabilities	27-28-29	(2,300)	(3,316)
Cash flow from operations generated/(absorbed)by changes in NWC		**2,467**	**9,178**
Cash flow from operations (A)		**1,421**	**9,177**
Additions in tangible assets (net of assets sold)	11	(7)	(23)
Variation in net non-current financial liabilities	25	(33)	(1,049)
Investments in other fixed assets (net of disinvestments)	13-14	57	(914)
Cash flow from investing activities (B)		**17**	**(1,986)**
Variation of own shares		18	50
Cash flow from financial activities (C)		**18**	**50**
Net impact of the variation in translation of non euro exchange rates of cash on hand		(410)	(226)
Cash flow from asset sold (D)		-	**(439)**
Increase/(Decrease)cash available and cash equivalents (A+B+C+D)		**1,046**	**6,576**
Short term Net Financial Position at the beginning of the period	20 – 26	(9,227)	(20,641)
Short term Net Financial Position at the end of the period	20 - 26	(8,181)	(14,065)

The taxes paid in the first half of 2018 amount to 126 thousand Euros (69 thousand Euros in the first half of 2017).
Financial charges paid in the first half of 2018 amounted to 113 thousand Euros (556 thousand Euros in the first half of 2017).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Itway S.p.A. (the “Company” or the “Parent Company”) is a joint stock company constituted in Italy. The Company has its legal headquarters in Milan in Viale Achille Papa 30 and administrative headquarters in Ravenna in Via L. Braille 15.

The Itway Group operates in three main types of activities: on one hand value added distribution of software technology, operational in Greece and Turkey; on the other hand the offer of services and consultancy aimed at training and supporting companies in the fields of Cyber-security, IT-security, Internetworking, Managed Security Services and in the innovative and emerging sectors of Cloud Computing, Internet of Things, Big Data and Blockchain.. 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).

For a better reading of the current half-year consolidated financial statements please note that the Itway Group on November 8, 2017 sold its interest in Business-e S.p.A. to Maticmind S.p.A., therefore data on the disposed assets is included in the income statement of the previous year.

ACCOUNTING PRINCIPLES

General Principles

In the consolidated Financial Statements and in the comparative data the Group adopted the International Reporting Standards (IFRS) issued by IASB, the updates of those pre-existing (IAS) as well as the International Financial Reporting Interpretations Committee (IFRIC) and those issued by the Standing Interpretation Committee (SIC), that were deemed as applicable to the transactions carried out by the Group.

The Financial Statements items were assessed based on the general accrual basis.

For the purpose of book entries, prevalence was given to the economic substance of transactions rather than their legal form.

The accounting principles adopted are consistent with those adopted in the drafting of the consolidated Financial Statements as of December 31, 2017, except for the application of the new standards that came into force from 1 January 2018. These principles require estimates that, in the context of the current economic uncertainty, have their own 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.

Going concern assessment

The condensed financial statements for the half year ended June 30, 2018 shows a net loss of approximately Euro 1.398 million, which was significantly impacted by the losses of the Inebula subsidiary and of the parent company.

From a financial point of view, as already described in the financial statements for the fiscal year ended December 31, 2017, the sale of the 20-year old distribution unit by the Parent Company, due to the delays with which it took place, brought the Company, starting from the month of December 2016 to a situation of financial stress that is still underway to the date of writing of the current financial statements.

As of June 30, 2018 the Itway Group had a current net financial indebtedness approximately Euro 9.8 million, of which approximately Euro 8.9 million already expired to the date of writing of the current half year balance sheet and an indebtedness for expired tax payables and social security institutions of approximately Euro 377 thousand (that will be paid within the terms foreseen by the regulations in force) and expired indebtedness towards suppliers of approximately Euro 8.4 million (of which however approximately Euro 2.2 million for amounts being contested, also through legal means).

This financial stress is still present, given the lower proceeds derived from the sale of Business-e S.p.A. compared with the what was foreseen in the sales contract signed on November 8, 2017. To face this tension the Company has for some time started talks to remodulate debt with banks and negotiations on this are currently underway on a bilateral basis with each lender, after an interruption of collective talks.

In this context the Company deemed it necessary to proceed with the sale of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries to Cyber Security 1 AB with and a SPA (Sale and Purchase Agreement) signed on June 19, 2018 for the sale is of Euro 10 million of which Euro 2 million at the closing scheduled for September 2018 and Euro 8 million in Cyber 1 shares that can be sold at the same price of allocation in five quarterly instalments for an amount that is equal starting from three months after the date of the closing.

In light of this the Board of Directors updated today the industrial plan approved on May 30, 2018 for the 2018-2022 period. This plan foresees that the Group does not exit the security sector but that it repositions based on investments that will be carried out by Itway S.p.A. using the proceeds from the sale of the Greek and Turkish subsidiaries as well as a greater focus on the BE Innova S.r.l. subsidiary and 4Science. The development of foreign operations will continue also in the MEA area where the group is present through its stake in Itway Mena FZC. As previously commented, or iNebula The plan therefore foresees a continuation of activities with the resulting changes in terms of operation.

This plan foresees the continuation of activities as configured above and from a financial point of view is based on two fundamental assumptions:

- The payment, pursuant to the terms currently agreed upon in the agreements, of the consideration for the sale of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries;
- The positive outcome of negotiations as indicated above with each banking institution so as to allow remodulating maturities according to the forecasts of the plan.

On the basis of this plan, the Directors, while acknowledging elements of uncertainty surrounding the positive outcome of the transactions that make up the fundamental assumptions of the plan, drafted the balance sheet on a going concern basis.

Presentation

For a better reading, the presentation of the consolidated financial statement, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in financial position, the consolidated statement of changes in net equity and the data inserted in the notes are all expressed in thousands of Euro, unless otherwise indicated. In some cases the tables could be rounded down due to the fact they are expressed in thousands of Euro.

The Financial Statements are drafted in the following way:

- In the balance sheet, current and non-current assets are expressed separately. The consolidated financial statements as at June 30, 2018 is compared with the previous period ended December 31, 2017

- In the income statement, the representation of costs is carried out on the basis of their own nature. Balances of the income statement as of June 30, 2017 are compared with those of the same period of the earlier year and the data related to the sale of the value added distribution (VAD) activities in Italy, Spain a Portugal, widely described in Consolidated Financial Statements as of December 31, 2017, are reported separately from the balances of the first half of 2017 in a column denominated "VAD Italy, Iberica Transaction". Furthermore, the changes in the income statement are calculated between the values as of June 30, 2017 and the values in the column "Itway Group Net".

- The consolidated statement of comprehensive income acknowledges those changes to net equity which, not being pertinent to the transactions with shareholders, do not have an impact on the result of the fiscal year;

- The indirect method was used for the consolidated statement of changes in financial position;

EBITDA (gross operating result) is an economic indicator not defined in the International Accounting Standards and does not have to be considered an alternative measure to assess the performance of the operating results. Ebitda is used by the management of the Company to monitor and assess the operational performance of the Company and of the Group. Management considers Ebitda an important parameter to measure the performance of the Group as it is not impacted by the volatility generated by the different criteria used to determine taxable income, by the amount and the characteristics of employed capital as well as the related amortization and depreciation policies. Ebitda is defined as Profit/Loss before amortizations of material and immaterial assets, financial charges and income and income taxes. Since the composition of Ebitda is not regulated by the reference accounting principles, the criteria to determine here applied may not be homogeneous with that adopted by other entities and therefore not be comparable.

EBIT (operating Result) is an economic indicator not defined in the International Accounting Standards and does not have to be considered an alternative measure to assess the performance of the operating results and it is defined as the Profit/Loss before of depreciation of material and immaterial assets, financial charges and proceeds and income taxes. Since the composition of Ebit is not regulated by the reference accounting principles, the criteria to determine here applied may not be homogeneous with that adopted by other entities and therefore not be comparable.

Consolidation procedures

The Financial Statements include the Financial Statements of the parent company and of the companies that it controls as of June 30, 2018, approved by the respective Board of Directors with the opportune adjustments, where necessary, to make them consistent with the accounting principles of the parent company.

The full consolidation method can be summarized as follows:

The accounting data of the subsidiaries purchased by the Group are booked at acquisition cost method, on the basis of which, according to what was established by IFRS 3 “Business Combinations”:

- assets and liabilities are measured at their acquisition-date fair value;
- the excess of cost of the acquisition, respect to the fair value of the stake attributable to the Group in net assets of the company purchased is booked as goodwill

Such goodwill, as will be later described in greater detail, is periodically reviewed, at least once every fiscal year, to verify the recoverability through future cash flow generated by the underlying investment.

The higher values of the acquired assets and liabilities, since booked at fair value on the date of their purchases compared with the values recognized for tax purposes, are considered to accrue deferred taxes.

Profits and losses deriving from transaction between subsidiaries that have not yet been carried out on behalf of third parties, and the credits and debts, costs, revenues among consolidated companies were eliminated.

Consolidation of foreign companies with exchange rates other than the Euro

The balances of the foreign subsidiary Itway Turkiye expressed in Turkish lira are converted into Euro applying the end-period exchange rate for assets and liabilities. For the conversion of income statement items the average exchange rate of the period is used. The differences in exchange rates emerging from the conversion are booked to the translation reserve of consolidated net equity.

Following are the exchange rates used for the conversion in euro of the values of the company outside the Euro area:

	June 30 2018		**December 31**		**June 30, 2017**	
	Avg rate	End-period rate	Avg rate	End-period rate	Avg. Rate	Punctual end-period rate
New Turkish Lira	4,957	5,338	4,121	4,546	3,93	4,01

Perimeter of consolidation

The Consolidated Financial Statements of the Itway Group include the data of the parent company Itway S.p.A, and all of its operating subsidiaries..

Following is a list of the companies consolidated with the full consolidation method:

NAME	HEADQUARTERS	CAPITAL	% direct ownership	% indirect ownership	% overall ownership
Itway Iberica S.L.	Argenters 2, Cerdanyola del Vallès, Barcellona	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, Atene	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, Milano	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, Milano	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	CAPITAL	% direct ownership	% indirect ownership	% overall ownership
BE Innova S.r.l.	Via Cesare Battisti 26, Trento	20.000	50%	-	50%
BE Infrastrutture S.r.l.	Via Trieste, 76, Ravenna	100.000	30%	-	30%

Following are the minority interests valued at a cost basis since there is no quoted market price on an active market available and the fair value cannot be determined in a reliable way:

NAME	HEADQUARTERS	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 United Arab Emirates (UAE) Dirham*

Use of estimates

The drafting of the half-year consolidated financial statement, applying IFRS principles, requires making estimates and assumptions that have an effect on the value of assets and liabilities and on information regarding potential assets and liabilities to the reference date. The estimates and assumptions are based on the historical experience and on other factors that are considered to be relevant; the estimates and assumptions are periodically reviewed and the effects of each variation are reflected in the overall income statement

The balance sheet item that is more subject to estimates is goodwill, intangible assets and wip.

Following is the summary of the valuation processes and the estimates/assumptions deemed susceptible, should the forecasted events not take place, in full or in part, to producing significant effects on the economic and financial situation of the Itway Group.

Main accounting principles

Property, plant and equipment

Tangible assets are recognized at cost including accessory charges net of the relative accumulated depreciation.

Ordinary maintenance expenses are fully charged to the income statement. Costs for improvements, modernization and transformations of an enhancing nature are accounted as assets.

The accounting value of tangible assets is subject to review in order to detect possible losses in value either annually or when events or changes in the situation indicate that the carrying value can no longer be recovered (for details please see the following paragraph “loss of value – impairment”).

Leasing – Leasing contracts are classified as financial leasing when the terms of the contract are such as to substantially transfer all risks and benefits of ownership to the lessee. The assets that are subject to the lease contracts are recognized among property, plant, machinery and are posted as assets at their fair value at the date when they were purchased, or, if lower, to the current value of minimum payments owed for the lease contract, and are depreciated on the basis of their estimated useful life as for assets owned. The corresponding liability towards the lessor is included in the balance sheet. Payments for the lease are divided between the repayment of capital and debiting interest, charged to the income statement of the fiscal period.

Depreciation begins when assets are ready to be used. Property, plants and equipment are systematically depreciated on a straight basis on economic-technical rates that are deemed as representative of the residual possibility of using the assets, with the following indicated rates. Goods made up of components, if significant amounts, with different useful lives are considered separately when determining depreciation.

Depreciation is calculated on a straight basis, as a function of the expected useful lives and of the relative assets, periodically reviewed if necessary, applying the following percentage rates:

Property	2%
Office furniture	12%
Computers and electronic office equipment	20%
Vehicles	25%
Electronic telephone systems	20%

Profits and losses deriving from the sale or dismissal of assets are determined as a difference between revenue and the net book value of the asset and are booked in the income statement, respectively in other operating revenues and the other operating expenses.

Goodwill

Goodwill from the acquisition of a subsidiary represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is booked as an asset and is not amortized, but it is reviewed at least once a year to check that it did not incur loss of value (impairment test), as indicated in the subsequent paragraph "Impairment". Impairment losses are immediately booked to the income statement and not reversed successively.

Should a negative goodwill emerge, it would immediately be recognized in the income statement.

Such goodwill is allocated to cash-generating units represented by the single Legal Entities to which they refer.

Intangible assets

An intangible asset is booked only if it can be identified, if subjected to the control of the group, it is probable that it will generate future economic benefits and its cost can be determined in a reliable way Intangible assets are registered at the cost determined according to criteria indicated for tangible assets Should it be estimated that the assets have a defined useful life then they are amortized systematically during the estimated useful life and the amortization starts from the moment in which the assets are ready for use or in any case from when they start producing economic benefits for the company.

The cost of development of products is capitalized when there is proof of the Group's technical possibility and technical capability of completing the intangible asset, there is the intention of completing it for future use or sale and there is the capability of using or selling the intangible asset

Eventual costs incurred for intangible assets are booked to the income statement in the fiscal period in which they are incurred, should they not have the requirements described above.

Following is the useful life generally attributed to the different asset categories:

- Software licenses and similar rights: on the basis of the estimate of the period in which they will be used by the company;
- Brands: 10 fiscal years;
- Development costs: 3-5 fiscal year
- Other intangible assets: 3 fiscal years.

Impairment

At least once per year the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets incurred in impairment. Should such indications emerge, the amount that can be recovered is estimated in order to determine the amount of impairment loss. Should it not be possible to determine individually the recoverable value of an asset, the Group carries out an estimate of the recoverable value of the cash generating unit to which the asset belongs.

The recoverable value is the higher amongst the net selling price and the value in use. The value in use is defined based on the actualization of future cash flows expected from the use of the good or from cash generating unit to which the asset belongs, discounted using an interest rate, net of taxes, that reflects the current money market value and the specific risks of the assets. The cash generating units have been identified consistently with the organizational and business structure of the Group, as homogeneous groupings that autonomously generate cash flows deriving from the constant use of assets.

If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the carrying value, the carrying value of the asset is reduced to the lower recoverable value. The loss of value is charged to the income statement.

When a devaluation no longer has reason to be maintained, the carrying value of the asset (or of the cash generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the book value that the asset would have had if there had been no impairment, net of depreciation that would have had to be calculated before the previous impairment. The reversal of the value is booked to the income statement.

Investments

Group’s investments in minority interests or Joint Ventures are accounted using the equity method.

The Group’s investments in other companies are initially booked on a cost basis and then adjusted to the fair value at the balance sheet date, crediting/debiting net equity. Should the share price in an active market not be available and the fair value not able to be determined in a reliable manner, then they are valued on a cost of purchase basis, since it represents the best approximation of the fair value.

Inventories

Inventories are recognized as the lower of cost and market. Cost is determined, when possible at the specific purchasing cost or otherwise, using the average weighted cost method. The purchase costs include the additional charges incurred to bring the stock in the current place or in the current conditions. Market is determined based on current selling value of the inventory at the end of the fiscal year minus the estimated necessary costs to sell the asset.
The value of obsolete and slow moving stock is devalued in relation to the possibility of using or selling, through accrual of an ad hoc provision.

Account receivables

- **Trade receivables**

Receivables towards clients are booked at the nominal value after deducting a writedown that considers the expected losses model (IFRS 9). IFRS 9 came into force on January 1, 2018: its application did not determine a significant impact on the consolidated financial statements. When, due to the payment terms agreed upon, there is a financial transaction, receivables are booked at the current value allocating the discount to the profit and loss account on an accrual basis.

- **Contract works in progress**

When the result of a multi-year order can be reasonably estimated, work in progress is assessed according to the stage of completion (measured trough the so-called cost to cost), so as to book revenues and the results on accrual basis in the different fiscal periods on stage of completion. The positive or negative difference between the value of the contracts and the advanced payments is booked respectively to the assets or liabilities in the balance sheet.

When the result of an order cannot be reasonably estimated, it is valued at recoverable costs (zero profit method). The costs of the order are charged to income statement when incurred.

When it is probable that the total costs of the order are higher than the contractual revenues, the expected loss is immediately charged as a cost through a provision to a specific fund.

Cash on hand

Cash on hand includes petty cash, current accounts and deposits that can be refunded upon request, which can easily be converted in cash and are subject to an insignificant risk of changes in value. They are booked at their nominal value.

Own shares

Own shares are stated at the purchase cost and reported debiting net equity. The economic effects deriving from possible subsequent sales are recognized as an increase in net equity.

Non current financial liabilities

Financial liabilities are initially recognized at a cost basis, which corresponds to the fair value of the received amount, net of transaction costs that are directly attributed to the borrowing. Afterwards, borrowings are assessed with the criteria of the cost amortized using the effective interest rate method.

Employee benefits

Liabilities related to defined benefit plans (including severance pay for the quota matured before January 1, 2007) are calculated net of eventual assets serving the plan on the basis of actuarial hypothesis and on an accrual basis, coherently with the employment necessary to obtain the benefit; the liability is assessed by independent actuaries. The value of the actuarial profits and losses is booked in the other components of comprehensive income. Following Financial Law No. 296 of December 27, 2006, for companies with over 50 employees the severance indemnity accrued from January 1, 2007 is considered a defined benefit plan.

Accruals for risks and charges

Accruals are booked when the Group has a real obligation as a result of a past event and it is probable that it will be asked to uphold this obligation. Provisions are allocated on the basis of the best estimate of costs requested to fulfil the obligation at the end of the fiscal year and are actualized, when there is a significant impact. In this case, provisions are determined actualizing future expected cash flows at an interest rate before taxes that reflects the current money market over time; the increase of the accrual with the passing of time is booked to the income statement at the "interest charges" line.

Accounts payable – Trade

Payables are recognized at the amortized cost, when they mature within the subsequent fiscal period the value is equal to the nominal value as the effects generated at the amortized cost are not deemed significant. Payables are recognized at a nominal value. When, owing to the agreed payment terms there is a financial transaction, debts are booked at their current value, attributing the discount as financial cost on an accrual basis.

Other current liabilities

Refers to relationships of different nature and are recognized at the amortized cost when they mature within the subsequent fiscal period; the value is equal to the nominal value as the effects generated from the amortized cost are not deemed to be significant.

Derivatives

Derivatives are solely used to cover forward exchange rate risk and relating assets/liabilities are booked at fair value. Derivatives are classified as hedging instruments since formally documented and their effectiveness, periodically verified, is high.

The variations in fair value of hedging derivatives, formally not satisfying the accounting conditions for hedge accounting, are booked to the income statement.

Revenue recognition

Revenues are recognized, based on what is required by IFRS 15, by booking the contract with the client only if all of the following criteria are satisfied:
a) The parties of the contract have approved the contract (in writing, orally or pursuant to other customary business practices) and if they committed to fulfilling their respective obligations;
b) The entity can identify the rights of each of the party in terms of goods or service to be transferred;
c) The entity can identify the payment terms for the goods or services to be transferred;
d) The contract has commercial substance, (i.e. risk, timing or amount of future financial flows of the entity are destined to change following the contract)
e) It is probable that the entity will collect the consideration to which it will be entitled to in exchange of goods or services that will be transferred to the client.
When (or over time) the obligation is satisfied, revenue is booked as the amount of the consideration of the allocated transaction and the customary business practices and it is equal to the amount of the consideration that the entity deems it is entitled to receive in exchange for the transfer to the client of the promised goods or services, excluding the amounts cashed in on behalf of third parties (ex. Sales taxes). The incremental costs for obtaining the contract are booked as assets if it is forecast that they will be recovered.
IFRS 15 was adopted starting from January 1, 2018. Its application has not entailed a material impact on the consolidated financial statements of the group.

Interest – is posted on an accrual basis.

Dividends – dividends are booked when the right to receive payment is established.

Costs

Costs and other operating charges are booked in the income statement when they are incurred, on an accrual basis and in correlation to revenues, when they do not produce future economic benefits or they do not have the prerequisites to be booked as assets in the financial statement. Financial charges are booked on an accrual basis as a function of time using the effective interest rate.

Income taxes

The parent company Itway S.p.A. and the Italian subsidiaries exercised the option for the so-called domestic tax consolidation scheme as per articles 117 and following of the DPR 917/86 (TUIR) that allows determining the income tax on the basis of taxable income that is the algebraic sum of the single companies.

The economic relationship, the responsibility and the reciprocal obligations, between the Parent Company and the subsidiaries are defined in the “regulation of the consolidation for the companies of the Itway Group”.

The current income taxes are calculated based on the best estimate of the taxable income, in relation to current legislation in the Countries where the Group operates.

Deferred taxes

Deferred and prepaid taxes are calculated using the liability method, based on the time differences resulting, at the Financial Statements closing date, on the timing differences from the value of assets and liabilities posted in the balance sheet and the corresponding values recognized for tax purposes.

Active deferred taxes are posted against all timing deductible differences, and for tax losses carried forward, in the amount they are recoverable by future taxable income. The value of deferred tax assets is reviewed at the closing of each fiscal year and reduced if not recoverable. In particular, in determining the future taxable income, the forecasts of the Budget and multi-year Business Plans used for the impairment tests were used.

Deferred and prepaid taxes are calculated based on the tax rates that are forecast to be used in the fiscal year in which such activities will be reversed for tax purposes, taking into account existing tax rates or those it is foreseeable will be in force.

Foreign currency transactions

The functional currency of the Itway Group is Euro, which is also used for presentation purposes. Foreign exchange transactions initially are booked at the exchange rate at the date of the transaction. Assets and liabilities in foreign exchange are booked at the reference exchange rate at the fiscal year closing and the relative profits and losses are booked in the income statement.

The assets booked at the historical cost in foreign currency are converted using the exchange rate in force on the first date of the transaction.

Earnings per share

The base earnings per share is represented by the net result of the fiscal period that can be attributed to owners of ordinary shares considering the weighted average of ordinary shares outstanding in the fiscal year.

The diluted earnings per share are calculated on the weighted average of the shares outstanding, considering all potential ordinary shares with a dilution effect (ex. issuance of option rights, warrants, etc).

Recently applied accounting principles

The valuation criteria used to draft the current financial statements for the half -year 2018 are not that different from those used to draft the financial statements for the year ended December 31, 2017 except for the accounting principles, amendments and interpretations applicable from January 1, 2018, in particular with regards to IFRS 9 and IFRS 15, as previously mentioned, which however did not have a material impact on the Group’s financial statements.

Accounting principles, amendments and interpretations applicable at a later date.

Following are the principles, amendments and interpretations that, at the writing of the current Financial Statements, were endorsed but are not yet effective:

- IFRS 16 - *Leases*. This principle was published by IASB on January 13, 2016 and it is destined to replace IAS 17 – Leasing and interpretations to IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC 15 – Operating Leases, Incentives and SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. The new principle provides a new definition of lease and introduces a criteria based on the right of use of an asset to distinguish leasing contracts from services contracts identifying the following extenuating circumstances: the identification of an asset; the right to replace the asset; the right to obtain essentially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract. Its application is from January 1, 2019. Earlier application is allowed for those entities that will apply IFRS 15. The company is mulling the impact of this new principle on its financial statements.

Other information

With regards to the Consob information request regarding significant transactions and balances with related parties, please not that these related parties, in addition to being highlighted in an ad hoc Note, if significant they are indicated separately in the financial statements schemes.

In light of the previously described transaction for the sale of Business-e S.p.A., which took place in 2017 and the description of which is included in the consolidated financial statements of that fiscal period, pursuant to the IFRS 5 principle that governs among other things “Non current assets held for sale” in the tables of the current consolidated financial statements, since the assets are classified as “discontinued operation”, the data regarding these assets are reported separately and referred to the semester ended 30/07/2017, in the columns with the header “Business-e Transaction”. With regards to the sale of the investments in Greece and Turkey, since the closing of the transaction was delayed and to date has not yet taken place, pursuant to paragraph 12 of IFRS 5, Directors have decided to not classify the overall assets and liabilities as “Held for Sale” but to simply supply the required disclosure in the previous paragraph “Going Concern Assessment” and in paragraph 33 Information on the sector.

Other information required pursuant to article 114 of Legislative Decree 58/98 (TUF)

In the notes to the consolidated annual financial statements as at December 31, 2017 that follow in each paragraph the following further information is reported.

Note 31: The net financial position of the Company and the Group that controls it, highlighting separately the short term components from the medium-long term ones;

Notes 25-28/31: The expired debt positions of the Company and of the Group that controls it, divided by type (financial, commercial, fiscal, social security and towards employees) and the eventual related reactions by creditors (solicitations, injunctions, interruption of supply etc.);

Note 30: The main changes that took place in relationships with related parties of the Company and the Group that controls it compared with the previous annual or interim financial report approved pursuant to article 154-ter of the TUF;

Note 25: The eventual breach of covenants, of negative pledges and any other indebtedness clause of the Group entailing limits to financial resources with an updated indication of the degree of compliance with these clauses.

Nota 33: the state of implementation of eventual industrial and financial plans, highlighting the difference between the results achieved and that was forecast .

1. Revenues

Sales revenue as of June 30, 2018 totaled Euro 13,592 thousand and following is the breakdown :

Thousands of Euro	Semester ended 30/06/18 Net Itway Group	30/06/17 Net Itway Group	Business-e transactions	Total	Variation
Revenues from the sale of products	9,962	9,678	5,868	15,546	284
Revenues from services	3,630	2,275	4,032	6,307	1,355
Total	**13,592**	**11,953**	**9,900**	**21,853**	**1,639**

The above shows the revenue growth in the first half of 2018 compared with the same period of 2017 of the companies of the Group not included in the perimeter of the disposal of Business-e S.p.A.

2. Other operating revenue

Other operating revenue for the period ended June 30, 2018 totalled Euro 382 thousand and are comprised of

Thousands of Euro	Semester ended 30/06/18 Net Itway Group	30/06/17 Net Itway Group	Business-e transactions	Total	Variation
Advertising, marketing Contribution	53	77	32	109	(24)
Contribution for operating expenses	-	-	72	72	-
Other deductibles	7	25	153	178	(18)
Other revenues and various proceeds	322	436	80	516	(114)
Proceeds from the sale of business units	-	962	-	962	(962)
Total	**382**	**1,500**	**337**	**1,837**	**(1,118)**

The item “Proceeds from the sale of business units” recorded in the first half of 2017 refers to the disposal of the VAD business units operating in Italy, Spain and Portugal.

3. Cost for Products (net of charges in inventories of raw materials and goods)

Following is the breakdown:

	Semester ended				
	30/06/18	30/06/17			
Thousands of Euro	Net Itway Group	Net Itway Group	Business-e Transactions	Total	Variation
Purchase of products	11,577	9,911	5,143	15,054	1,666
Cost for resold services	18	-	381	381	18
Additional purchasing charges (transportation)	14	36	6	42	(22)
Other purchases	9	14	73	87	(5)
Total	**11,618**	**9,961**	**5,603**	**15,564**	**1,657**

The increase in costs for products is strictly related to the corresponding increase in sales revenue.

4. Cost of services

Following is a breakdown:

	Semester ended				
	30/06/18	30/06/17			
Thousands of Euro	Net Itway Group	Net Itway Group	Business-e Transactions	Total	Variation
Directors' remunerations of the parent company and social charges	214	228	-	228	(14)
Directors' remunerations of subsidiaries and social Charges	37	37	63	100	-
Compensation for statutory Auditors	34	42	9	51	(8)
Auditing company fees	44	65	18	83	(21)
Consultancy and collaborations	732	328	177	505	404
Commissions and Agents' charges	11	3	40	43	8
Advertising and Trade Fairs	120	179	25	204	(59)
Services, courses and client assistance	17	115	-	115	(98)
Telecom expenses	33	34	48	82	(1)
Insurance	61	74	29	103	(13)
Electricity, water and gas	19	17	10	27	2
Travel and representation	104	358	162	520	(254)
Specialist costs, IR and securities services	61	53	-	53	8
Other expenses and services	138	186	175	361	(48)
Total	**1,625**	**1,719**	**756**	**2,475**	**(94)**

Please note that:

- The overall "consultancy and collaborators" item in the first half of 2018 includes marketing consultancy and collaborators of Euro 78 thousand, administrative fiscal and financial consultancies for Euro 169 thousand, legal and notary consultancy for Euro 248 thousand, and , various consultancy for Euro 237 thousand. This item includes the non-recurrent legal consultancy for 400 thousand Euro related to the remodulation of financial debt and the management of extraordinary transaction underway that are commented in the Management Report.

•.the table highlights the emoluments for the corporate entities deliberated by the Shareholders meeting of the Group companies including the relative social charges and accessories.

5. Personnel costs

Following is the breakdown, compared with the previous period::

Thousands of Euro	Semester ended 30/06/18 Net Itway Group	30/06/17 Net Itway Group	Business-e transactions	Total	Variation
Salaries	861	891	2,616	3,507	(30)
Capitalisation of personnel costs	-	(92)	(167)	(259)	92
Social charges	250	305	678	983	(55)
Severance pay	40	50	154	204	(10)
Other personnel costs	75	58	32	90	17
Total	**1,226**	**1,212**	**3,313**	**4,525**	**14**

The following table details the average number of employees of the Group per category and the punctual figure at the end of the fiscal period compared with the previous year:

	30/06/2018 *Avg*	**30/06/2017** *Avg*	**Variation**	**30/06/2018** *Punctual data*	**30/06/2017** *Punctual data*	**Variation**
Managers	3	7	(4)	3	7	(4)
Mid-managers	8	27	(19)	7	32	(25)
Employees	34	144	(110)	33	138	(105)
Total	**45**	**178**	**(133)**	**43**	**177**	**(134)**

The average number of employee of the Group during the first half of 2018 was of 45 units, compared with 178 units in the previous fiscal period. The punctual data at the end of the first semester of 2018 compared with that of 2017 shows a decrease of 134 working units.
The drop in both the average and punctual data is due mainly to the sale of Business-e S.p.A. that took place in November 2017.

6. Other operating expenses

Following is the breakdown compared with the previous year :

Thousands of Euro	30/06/18 Net Itway Group	Semester ended 30/06/17 Net Itway Group	30/06/17 Business-e Transaction	30/06/17 Total	Variation
Rent for lease, offices and vehicles	178	201	315	516	(23)
Writedowns of doubtful accounts	-	391	252	643	(391)
Other extraordinary	144	33	59	92	111
Other	96	75	33	108	21
Total	**418**	**700**	**659**	**1,359**	**(282)**

7. Amortization

Following is the breakdown compared with the previous year

Thousands of Euro	30/06/18 Net Itway Group	Semester ended 30/06/17 Net Itway Group	30/06/17 Business-e Transaction	30/06/17 Total	Variation
Depreciation of tangible assets	99	96	18	114	3
Amortization of intangible assets	207	199	159	358	8
Total	**306**	**295**	**177**	**472**	**11**

8. Interest income and expenses

Following is the breakdown:

Thousands of Euro	30/06/18 Net Itway Group	Semester ended 30/06/17 Net Itway Group	30/06/17 Business-e Transaction	30/06/17 Total	Variation
Financial income from Financial Institutions	3	-	-	-	3
Income from investments	48	26	-	26	22
Other income	21	18	5	23	3
Total financial income	**72**	**44**	**5**	**49**	**28**
Financial charges towards financial institutions	(342)	(398)	(273)	(671)	56
Bank commissions	(30)	(103)	(40)	(143)	73
Profit (Losses) on Exchange rates	365	63	-	63	302
Other charges	(14)	-	-	-	(14)
Total financial charges	**(21)**	**(438)**	**(313)**	**(751)**	**417**
Total	**51**	**(394)**	**(308)**	**(702)**	**445**

The most significant variation refers to the positive difference in exchange rates realized by the Turkish subsidiary in connection with the performance of the local currency.

9. Income taxes

Income taxes include the income taxes of the companies that closed the semester with a profit.

10. Net result and earnings per share

The base earnings per share in the first half of 2018 is negative Euro 0.20 and is calculated dividing the result of the fiscal period of the Group by the outstanding weighted average number of Itway shares during te period, excluding own shares.

The weighted average number of shares outstanding is of 7,019,598.

	Semester ended 30/06/2018	30/06/2017
Net result of the Group in thousands of Euro	(1,398)	(1,252)
Weighted average of outstanding shares	7,019,598	6,939,061
Net result per share in Euro:		
- base	(0,20)	(0,18)
- diluted	(0,20)	(0,18)

.
There were no elements that entail a dilution of the number of outstanding shares; therefore the base results coincides with the diluted one

11. Property, plant and equipment

Property, plants and equipment are expressed net of accumulated depreciation and have the following composition and variation:

Thousand of Euro	Property and offices	Plant and Equipment	Industrial and commercial tools	Other	Total
Purchase costs	4,233	242	13	4,247	8,735
Balance at 31.12.2017	**4,233**	**242**	**13**	**4,247**	**8,735**
Increases	-	-	16	2	18
Decreases	-	-	(4)	(6)	(10)
Balance at 30.06.2018	**4,233**	**242**	**25**	**4,243**	**8,743**
Accumulated depreciation	657	242	12	3,917	4,828
Balance at 31.12.2017	**657**	**242**	**12**	**3,917**	**4,828**
Amortization for the period	46	-	1	52	99
Amortization balance at 30.06.2018	**703**	**242**	**13**	**3,969**	**4,927**
Net book value:					
As at December 31 2017	3,576	-	1	330	3,908
As at June 30 2018	**3,530**	**-**	**12**	**274**	**3,816**

The item property and offices includes the book value of the Milan office, bought in October 2008 through an 18-year leasing agreement, booked including directly attributable accessory charges and to the book value of the Ravenna building (administrative headquarter of the Parent Company and of the Italian companies of the Group) bought in the previous 2015 fiscal period.

The related residual debt based on the purchase of these two properties is booked in the non current and current financing liabilities line (Note 24 and Note 25).

12. Goodwill

The goodwill as of June 30 2018 totalled approximately Euro 1,854 thousand and is broadly in line with the value as of December 31, 2017.

This goodwill is allocated to the units generating cash flows (Cash Generating Units), represented by the single companies that they refer to:

Thousands of Euro	30/06/2018	31/12/2017
Itway Hellas	1,843	1,843
Other minor	11	13
Total	**1,854**	**1,856**

In light of the transaction described in the Going Concern paragraph, the goodwill booked in the financial statements is fully recoverable.

13. Other intangibile assets

Following is the breakdown:

Thousands of Euro	Development costs	Patent rights	Other	Work in progress	Total
Purchase costs	1,947	1,556	4,366	425	8,294
Balance at 31.12.2017	**1,947**	**1,556**	**4,366**	**425**	**8,294**
Increases	-	-	14	-	14
Decreases	-	-	-	-	-
Exchange effect	47	-	-	-	47
Balance at historical costs as at 30.06.2018	**1,994**	**1,556**	**4,380**	**425**	**8,355**
Accrued amortizations	1,126	1,556	3,115	-	5,797
Balance at 31.12.2017	**1,126**	**1,556**	**3,115**	**-**	**5,797**
Amortizaions	123	-	92	-	215
Amortization balance at 30.06.2018	**1,249**	**1,556**	**3,207**	**-**	**6,012**
Net value:					
As at December 31, 2017	931	-	1,251	425	2,607
As at June 30, 2018	**745**	**-**	**1,173**	**425**	**2,343**

14. Investments

Following are the non-fully consolidated investments as of June 30, 2018, unchanged compared with December 31, 2017:

- **BE Innova S.r.l** is 50% controlled by the subsidiary Business-e S.p.A.; it offers a combination of services that cover the range of activities connected to the management of information systems and security of large- and medium-sized firms.

- **Business-e Infrastrutture S.r.l.**, controlled by Cooperativa Muratori Cementisti CMC aims at supplying Information Technology services in the construction sector. Itway S.p.A. bought from the stake from its subsidiary Business-e S.p.A. before it was sold to Maticmind, a 30% stake in the company; the investment was valued with the equity method that coincides with the cost, since the company’s mission is mainly to supply services at cost to the majority shareholder

- **Dexit S.r.l.**, , which operates in the IT services sector for the public administration. The 9% investment is valued at its purchase cost

- **Serendipity Energia S.p.A.,** Itway S.p.A. bought a 10.5% stake from the Business-e S.p.A. subsidiary before it was sold to Maticmind with the aim of ensuring the development part of remote control over alternative energy plants that the subsidiary will build. Since this development is incurring delays compared with the original plans of the company, the Group prudently wrote down the value of the investment.

- **Itway Mena FZC,** 17.1% controlled by 4Science S.r.l. that incorporated Itwayvad S.r.l, which owned the stake. It was constituted at the end of October 2014 thanks to a partnership with Libanica that led to an in-depth study, to commit to a Partnership in the United Arab Emirates, in Dubai Sharjah. Exploiting the geopolitical knowledge and techniques of Libanica, and the technical and specialist skills of Itway, the Company will expand on Middle Eastern and North African (MENA) markets. This company started to develop in the markets of the UAE, Iran and Nigeria;

- **Idrolab S.r.l.**, operates in the plumbing and sanitary sector. Itway S.p.A. bought a 10% stake from Business-e S.p.A. before its sale to Maticmind.

The book value posted in the financial statements of subsidiaries is as follows:

Thousands of Euro	**30/06/2018**	**31/12/2017**
BE Innova S.r.l.	409	409
Be Infrastrutture S.r.l.	46	46
Related investments consolidated at net equity	**455**	**455**
Dexit S.r.l.	374	374
Itway MENA FZC	29	29
Idrolab S.r.l.	195	195
Banca Centropadana	5	5
Fondazione Tiche	5	5
Investments in other companies valued at cost	608	608
Total investments	**1,063**	**1,063**

15. Prepaid taxes and deferred tax liabilities

Prepaid taxes, net of deferred tax liabilities, as of June 30, 2018 total Euro 103 thousand (unchanged from December 31, 2017).

The prepaid taxes and mainly represent deferred assets calculated on taxed accruals for Eur 453 thousand, tax losses for Euro 267 thousand other temporary differences for Euro 447 thousand that the Group expects to recover in future fiscal years, based on the expected taxable income.

Deferred tax liabilities are booked against temporary differences taxable in future fiscal periods and as of December 31, 2018 total Euro 1,064 thousand and mainly refer to the timing difference that emerged on the capital gain from the sale of the VAD Italia business unit in 2016, which was spread for the sake of the IRES tax over five fiscal periods

16. Other non current assets

Other non current assets as of December 31, 2018 total Euro 33 thousand (Euro 128 thousand as of December 31, 2017) and mainly refer down payments to clients/suppliers to guarantee services supplied.

17. Inventories

Inventories as of December 31, 2018 total Euro 592 thousand (Euro 1,071 thousand at December 31, 2017) net of an allowance for obsolete inventory of Euro 145 thousand (unchanged compared with December 31, 2017).

18. Account receivables – Trade

Trade receivables as at June 30, 2018, all short-term, totalled Euro 14,427 thousand (Euro 17,397229 thousand to December 31, 2017). The value is expressed net of the allowance for doubtful accounts that as at June 30, 2018 stood at Euro 2,734 thousand (Euro 2,774 thousand to December 31, 2017). It is deemed that the allowances are congruous compared with the insolvency risks of the existing receivable

Account receivables also include work in progress on contracts for Euro 3,230 thousand (unchanged compared with December 31, 2017).

These include approximately Euro 2,750 thousand, relating to a contract in progress to order allocated in past fiscal years for which the client notified the former subsidiary Business-e S.p.A. that it was rejecting the amount requested by the Company based on the progress in the work carried out. Trade payables at December 31, 2018 include approximately Euro 1,300 thousand, for liabilities to suppliers related to this work in progress. Business-e S.p.A. , with the support of its legal advisers, on March 24, 2016 started a legal procedure with this client in order obtain the consideration of this credit, filing a writ of summons with the Rome Court; on June 28, 2016 the client, in its entry of appearance and statement of defence and at the same time as a counterclaim presented by Attorney General's Office again rejected the payment of the amount requested by the Company. On October 5, 2016 the first hearing was held in a Rome Court; the judge gave the legal terms to exchange rejoinders pursuant to articles 182 and 183 of the Civil Code, adjourning the hearing to May 9, 2017, when the judge set the date of the next hearing to detail the conclusions for 20/02/2019. The above situation highlights the presence of uncertainty on the possibility of recovering Euro 2,750 thousand booked in trade receivables that could have a significant impact on the consolidated financial statements to June 30, 2018. Itway, which is now holds both the receivable and the legal procedure subsequent to the sale of the business unit, supported by its legal advisers and by an independent technical valuation that comforts it on the value of the state of progress of the work that was executed, as well as an internal valuation regarding the recoverability of the receivable and the collectability of the previously mentioned correlated debt, see their demands founded and since it is just a preliminary phase of the legal dispute have not made an writedowns of this credit in the current financial statements and has maintained the above mentioned debts towards suppliers.

Following are the movements in the allowance for doubtful accounts:

Thousands of Euro	30/06/2018	31/12/2017
Initial allowance	**2,774**	**3,283**
Write-down for sale of Business-e	-	(809)
Provision for the period	-	1,005
Use	(1)	(705)
Foreign Exchange adjustment	(39)	-
Final allowance	**2,734**	**2,774**

Following is the breakdown of trade receivables as at June 30, 2018 classified by maturity:

Thousands of Euro	30/06/2018	31/12/2017
Maturing	5,556	10,298
Expired up to 30 days	1,996	892
Expired 30 to 60 days	291	472
Expired > 60 days	9,318	8,509
Total gross receivables	**17,161**	**20,171**
Allowance for doubtful accounts	(2,734)	(2,774)
Total net receivables	**14,427**	**17,397**

19. Other current assets

Following is the breakdown:

Thousands of Euro	30/06/2018	31/12/2017	Variation
Tax receivables	1.345	1.505	(160)
Other receivables	1.824	3.244	(1.420)
Accruals and deferrals	321	44	277
Total	**3.490**	**4.793**	**(1.303)**

“Other receivables” include the total receivable of Euro 1.7 million towards Maticmnd for the sale of Business-e, for the balance of which a settlement agreement was signed in the month of August 2018.

20. Cash on hand

This item, which at June 30, 2018 totalled Euro 1,642 thousand (Euro 440 thousand at December 31, 2017), is mainly comprised of short-term deposits remunerated at market rates and aimed at payments made after the close of the semester.

Foreign currency accounts are valued with the exchange rate at the end of the period.

21. Net equity

Share capital

The share capital of the parent company on June 30, 2018, fully paid, is represented by No. 7,905,318 ordinary shares for a nominal value of Euro 0.5 each, equal to Euro 3,952,659.

Own share reserve

This reserve includes the cost of purchase and/or sale, including accessory charges, of own shares of the Parent Company in the portfolio at the date of the current half-year financial statements. This reserve totals Euro 1,368 thousand and is booked as a reduction of share capital as prescribed by IAS 32.

Share premium

As of June 30, 2018, it totalled Euro 17,584 thousand unchanged compared with December 31, 2017.

Pursuant to article 2431 of the Civil Code please note that the share premium reserve can b eventually distributed if the legal reserve reaches a fifth of share capital.

Legal reserve

As of June 30, 2018 it stands at Euro 485 thousand, unchanged from December 31,2017

Voluntary reserve

As of June 30, 2018 it stands at Euro 4,792 thousand, unchanged from December 31, 2017

Other reserves

This allowance, negative in sign, comprises the reserve for results carried forward, the reserve generated from the first adoption of IFRS and, highlighted separately, the translation reserve generated from the conversion into Euro of the balance sheet of the Turkish subsidiary expressed in different currencies from the one used by the Group.

22. Employee benefits

This item is comprised of severance indemnity of the Italian companies of the Group

Following is the breakdown of the movements of the period:

Thousands of Euro	31/12/2017	Financial charges	Increases	Actuarial (Profits) loss	Use	30/06/2018
Employee benefits	388	-	37	-	(42)	383
Total	**388**	**-**	**37**	**-**	**(42)**	**383**

23. Accruals for risks and charges

Accruals for risks and charges, totalling Euro 15 thousand as at June 30, 2018 (Euro 103 thousand as of December 31, 2017) are constituted by accruals for charges for liabilities related to the settlement of litigation of the Itway France subsidiary, the verdicts of which were unfavourable to the company.

24. Non current liabilities

Non current liabilities as of June 30, 2018 totalled Euro 1,866 thousand (Euro 1,899 thousand as of December 31, 2017).

This item fully reflects the non-current quota of the residual debt towards a leasing Institute for the offices in Milan as previously commented (Note 11) maturing in 2026. The main terms of the leasing contract are: cost of the property Euro 2,995 thousand; variable interest rate (3-month Euribor + 160 bp) convertible into a fixed rate at any moment chosen by the lessee.

Following is a breakdown, divided by maturity:

Thousands of Euro	30/06/2018	31/12/2017
D Residual non current debt, including interests:		
From 1 to 5 years	456	578
Over 5 years	1,410	1,321
Residual leasing debt, net of interests	**1,866**	**1,899**

25. Current financial liabilities

As at June 30, 2018 they total Euro 9,823 thousand (Euro 9,667 thousand to December 31, 2017) and are mainly represented by debt towards banks and unsecured loans. In addition, this item includes Euro 96 thousand of the short term quotas of leasing debt as per Note 24.

At the moment, current liabilities include two Iccrea medium-term financing totalling Euro 812 thousand the covenants of which, listed below, have not been respected and therefore are currently classified as short-term even though a redefinition of such parameters aimed at maintaining the original medium-term classification is underway

As of June 30, 2018 expired debt positions of the Parent Company totalled Euro 8.1 million. At the same date the expired debt positions of the Itway Group totalled Euro 8.9 million. Please note that the Parent Company and the Group have started talks with financial bodies aimed at defining the terms and conditions to remodulate financial indebtedness. Collegiate negotiations with the banking class were interrupted in June and will continue on a bilateral basis with each institute.

With reference to the financial expiry of Itway S.p.A. and of the Itway Group, it is specified that, as of today's date, there are legal disputes or judicial initiatives for 759 thousand euros.

Lastly, in the month of July, 2018, pending the bilateral talks that were opened with the banking sector, without other pre-emptive ordinary credit recovery procedure and implementation measure, an unexpected proof of claim in bankruptcy was notified to the company by Unipol Banca SpA for a credit totalling Euro 480,885. The company, in view of the going concern basis on which the financial restructuring plan of the Group is based, has mandated its legal advisers to have the claim rejected and to study, and subsequently implement, the most opportune judicial tools to safeguard the company's assets.

26. Trade payables

Trade payables, including invoices not yet received, amount to Euro 13,889 thousand as of June 30, 2018 compared with Euro 15,997 thousand as of December 31, 2017. The balance at June 30, 2018 includes an expired debt towards suppliers of approximately Euro 8.4 million (of which approximately Euro 2.2 million for amounts being contested, possibly at a judicial level).

The parent company as of June 30, 2018 has expired commercial debt towards suppliers totalling approximately Euro 2.8 million (of which approximately Euro 0.5 million for amounts being contested by the debtor, also in court).

With reference to the expired debt positions of Itway S.p.A. and of the Itway Group, as indicated above, please note that to date some reminders have been received from some creditors but there have been no interruptions of supply so as to compromise the continuation of ordinary business activities.

Trade payables include, as in previous fiscal periods, some Euro 1.5 million of the Itway France S.a.s. subsidiary towards Cisco System Inc. (previously Sourcefire Inc., hereinafter also “Cisco”). Pursuant to an arbitration clause included in a frame contract, qualified as a distribution contract, signed by the parties, Cisco activated an arbitration procedure at the New York American Bar Association to which Itway decided not to take part by not participating at the hearings. This arbitration terminated with an award that granted Cisco’s requests, recognizing the receivable towards Itway France S.a.s. and Itway SpA (as joint and several guarantor), in addition to interests At the end of December 2016 Cisco filed for an exequatur of this award with th Bologna court towards Itway SpA. Itway filed a recourse against this decree with a writ of summons. Furthermore on December 2016 the French subsidiary sued Cisco for over Euro 3 million in damages for unfair competition deriving from the termination of the Sourcefire distribution contract and the unlawful transfer of clients. The legal proceeding is ongoing and the next hearing is scheduled for February 5, 2019.

Trade payables include Euro 224 thousand for invoices received by Unicredit Leasing regarding current rent of the headquarters of the company and represent invoices that already expired at the date of the writing of the semester for which the Company is reaching an agreement with the supplier for a re-entry plan

Given the above, the Management of the Group, considering valid its reasons and with the support of its legal advisers, did not make further provisions for liabilities compared with what has already been booked as an account payable in the balance sheet of the French subsidiary (not including interests) and therefore in the Group's consolidated financial statements.

27. Tax payables

Tax payables as of June 30, 2018 total Euro 1,585 thousand (Euro 1,937 thousand as of December 31, 2017). Following is the breakdown:

Thousands of Euro	**30/06/2018**	**31/12/2017**	**Variation**
Debt for income taxes	460	272	188
VAT	751	1,355	(604)
Withholding on personnel compensation	250	203	47
Other	124	107	17
Total	**1,585**	**1,937**	**(352)**

VAT payables as of June 30, 2018 for Euro 141 thousand are due to debts not paid at the natural maturity (compared with approximately Euro 350 thousand as of December 31, 2017) and that Management expects to pay back within the terms foreseen by regulations in force.

In the fiscal year ended September 30, 2011 Itway S.p.A. and the subsidiary Business-e S.p.A. were, at two different moments, subject to two distinctive reviews by the Ravenna Province Tax Agency for the 2008 fiscal year. The reviews ended up with the issue of official tax audit reports to date followed by notices of investigation. The companies of the Group, supported by their tax consultants, challenge the notices and do not feel that these checks can bring to significant liabilities; as a result, in the financial statements no tax risk allowance fund was posted.

In addition to the VAT debt indicated above, the Company has a debt towards tax authorities for debt hat expired as of June 30, 2018 for a total of approximately Euro 29 thousand and related to debt not paid at the naturally expiry and that are foreseen to e paid within the terms foreseen by the regulations in force. At the same date, the Itway Group had a debt towards tax authorities for debt that had expired as of June 30, 2018, for a total of Euro 175 thousand relating to debt not paid at its natural expiry and that is foreseen to be paid within the terms foreseen by the regulations in force.

28. Other current liabilities

Other current liabilities as of June 30, 2018 total approximately Euro 1,278 thousand (approximately Euro 1,117 thousand as of December 31, 2017). Following is the breakdown:

Thousands of Euro	30/06/2018	31/12/2017	Variation
Debt towards personnel for remuneration	111	150	(39)
Other debt towards personnel	200	189	11
Debt towards directors and collaborators	459	439	20
Debt towards social security institutions	178	131	47
Accruals and deferrals	109	206	(97)
Other current liabilities	221	2	219
Total	**1,278**	**1,117**	**161**

Other debt towards personnel includes provisions for deferred remuneration (vacation and additional monthly payments).

Accruals and deferrals include mainly accruals for costs that have already been invoiced the financial settlement of which will take place at later dates.

Among current liabilities there is no debt towards personnel that was not paid at the natural maturity. However, the Parent Company had a debt towards Social Security institutions that expired as of June 30, 2018 for a total of approximately Euro 12 thousand, related to debt not paid at the natural expiry and that is foreseen to be paid within the terms foreseen by the regulations in force while as of the same date, the Itway Group had a debt towards Social Security institutions expired as of June 30 2018 for a total of Euro 61 thousand and related to debt not paid at the natural expiry but that is expected to be paid within the terms foreseen by the regulations in force.

29. Obligations and guarantees

Obligations and guarantees in force at June 30, 2018 reflect third party guarantees in our favour for Euro 2,39 thousand relative to bank guarantees on behalf of the companies of the Group in favour of suppliers or to take part in public tenders.

30. Information on related parties

During the first half of 2018, the Group had commercial and financial relationships with related companies. These are normal business activities, regulated with contractual conditions established by the parities at fair value, consistent with the ordinary market procedures. This is a summary:

Thousands of Euro	Receivables	Payables	Costs	Revenue
Itway S.p.A. vs Giovanni Andrea Farina & Co. S.r.l.	376	-	99	1
Itway S.p.A. vs Be Innova S.r.l.	2,778	-	-	62
TOTAL	**3,154**	**-**	**99**	**63**

In the half year under exam there were no significant changes in relations with related companies compared with the consolidated Financial Statements as of December 31, 2017.

The Group's relationship with its Directors is summed up in the Remuneration Report of the Board of Directors published annually pursuant to the regulation in force.

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 Organizational Model and elaborating the general policies to manage human and financial resources.

No company directs or controls Itway S.p.A

31. Net financial position

Pursuant to Consob Communication No. 6064293 of July 28 2006, following is the breakdown of the Group's net financial position (NFP):

Thousands of Euro	30/06/2018	31/12/2017
Cash on hand	1,642	440
Financial receivables	924	812
Current financial assets	1,260	1,428
Current financial liabilities	(9,823)	(9,667)
Current net financial position	**(5,998)**	**(6,987)**
Non current financial assets	2,098	2,098
Non current financial liabilities	(1,866)	(1,899)
Non current net financial position	**232**	**199**
Total net financial position	**(5,766)**	**(6,788)**

The Net Financial Position as of June 30, 2018 improved by approximately Euro 1 million compared with December 31, 2017 due to the increase in cash on hand of the foreign subsidiaries and payment services carried out after the end of the semester.
Current liabilities include, at the moment, two Iccrea medium term financings, totalling Euro 821 thousand, the related covenants of which have not been respected and therefore are currently classified as short term, even if the redefinition of these parameters is currently underway in order to maintain the original medium term classification

Current financial receivables include:

- A receivable of Itway S.p.A. towards the partner company Giovanni Andrea Farina & Co S.r.l mentioned in the previous Note 30.
- a receivable that Business-e S.p.A. had towards Be Innova that has now passed onto Itway due to te disposal.

Current financial assets are represented by the cash collateral of Itway Turkey and Itway Greece as collateral for bank guarantees issued, maturing by 31/12/2018.

Non current financial assets, totalling Euro 2,098 thousand, reflect:

- cash on hand for 500 thousand Euro present on a checking account with the Cassa di Risparmio di Ravenna as collateral of a banking guarantee issued in favour of Esprinet with a five year duration, starting from 2016; therefore they are not available until the maturity of the banking guarantee.
- An interest-free financing for a total Euro 1.6 million granted to BE Innova S.r.l. aimed at finalizing the "Adapt project". The contract was signed by the minority interest in January 2017 and the contract should allow the associate company to obtain in the coming months a capital grant for a significant amount and a medium-term subsidized financing through which it will repay the commercial and financial payables towards Itway S.p.A.;

The cash on hand is temporary in nature as it derives from the normal short-term financial cycle that entails a heavy concentration of inflows from clients at the end of the month while payments to suppliers are less concentrated.

The non current net financial position reflects financings detailed in Note 24.

Net financial position of the Parent Company

Thousands of Euro	30/06/2018	31/12/2017
Cash on hand	400	129
Financial receivables	924	812
Current financial assets	(8.395)	(8.171)
Current net financial position	**(7.071)**	**(7.230)**
Non current financial assets	2.098	2.098
Non current financial liabilities	(1.866)	(1.899)
Non current net financial position	**232**	**199**
Total net financial position	**(6.839)**	**(7.031)**

The net financial position (NFP) of the Parent Company as of June 30, 2018 is broadly in line with December 31, 2017. The current liabilities include among other things a medium-term financing from Iccrea for Euro 231 thousand the related covenants of which have not been respected and is therefore classified as short term even if a redefinition of these parameters is underway so as to maintain the original medium term classification.

32. Information on the sector

The Group has three reference sectors: "Valued Added Distribution" and "Value Added Reseller" and "Value Added Services". These sectors are determined on the basis of market segments in which the companies of the Group work in and reflect the organizational and internal reporting structure of the Group.

Through the Value Added Distribution sector the Group operates in the distribution of software and hardware products, specialized certification services on software technologies and pre- and post sales technical assistance. Clients are "system integrators" and "value added resellers" who sell products to end clients.

The VAS sector in the first half of 2018 reported data that is not material as still in the development phase and have therefore been aggregated, for the purpose of sector reporting, in VAD sector.

Through the "Value Added Reseller" sector the Group operates in the following market sectors:
• Professional and production services and software technologies for e-business;
• Distribution and integration of products and services for logical security of information systems;
• Professional services of system integrators and centralization of applications

Following are the main economic data regarding the identified segments for the first semester of 2018:

Thousands of Euro	**Greece, Turkey VAD Transaction**	**Parent company activities**	**Total consolidated**
Turnover			
Sales revenue	12,766	826	13,592
Other revenue	72	310	382
Total turnover	**12,838**	**1,136**	**13,974**
Operating costs			
Cost for products	(11,124)	(494)	(11,618)
Personnel costs	(443)	(783)	(1,226)
Other costs and operating expenses operative	(368)	(1,675)	(2,043)
Total operating costs	**(11,935)**	**(2,952)**	**(14,887)**
EBITDA	**903**	**(1,816)**	**(913)**
Amortization	(26)	(280)	(306)
EBIT	**877**	**(2,096)**	**(1,219)**
Financial income (charges)	257	(206)	51
Result before taxes	**1,134**	**(2,302)**	**(1,168)**

Following are the main economic data regarding the identified segments for the first semester of 2017:

Thousands of Euro	**Greece, Turkey VAD Transaction**	**Parent company activities**	**Total consolidated**	*Thousands of Euro*
Turnover				
Sales revenue	11.036	9.900	917	21.853
Other revenue	86	337	1.414	1.837
Total turnover	**11.122**	**10.237**	**2.331**	**23.690**
Operating costs				
Cost for products	(9.557)	(5.603)	(404)	(15.564)
Personnel costs	(447)	(3.313)	(765)	(4.525)
Other costs and operating expenses operative	(356)	(1.415)	(2.064)	(3.835)
Total operating costs	**(10.360)**	**(10.331)**	**(3.233)**	**(23.924)**
EBITDA	**762**	**(94)**	**(902)**	**(234)**
Amortization	(32)	(177)	(263)	(472)
EBIT	**730**	**(271)**	**(1.165)**	**(706)**
Financial income (charges)	(42)	(308)	(351)	(701)
Result before taxes	**688**	**(579)**	**(1.516)**	**(1.407)**

33. Subsequent events

In the month of August 2018 a settlement agreement was reached with Maticmind aimed as preventing a possible legal dispute since, pending the execution of certain accounting checks that Maticmind S.p.A. started following the acquisition of 100% of Business-e, the payment of two instalments of the price, expiring at the end of March and the end of April 2018 for a total of Euro 3 million was omitted for a total of Euro 3 million. The effects of the transaction are already reflected in the financial statements for the year ended December 31, 2017.

On August 6, 2018 in reference to the sale of the agreement sealed for the sale of the Itway Hellas SA Itway Turkyie Ltd subsidiaries to Cyber Security 1 AB (formerly Cognosec), a company listed on NASDAQ (COGS OTC-Nasdaq Intl. Designation: CYBNY) an extension of the deadline for the closing to the end of September 2018 was agreed upon in exchange for the payment of an additional Euro 500 thousand, amount to date not yet collected.

Lastly, as already reported in the previous paragraph “Going concern assessment”, on November 9, 2017, Itway S.p.A. approved the guide lines of the industrial plan of the Group of the 2017-2021 period and the financial plan of Itway S.p.A. until all of 2019, in a scenario following the sale of the Greek and Turkish subsidiaries.

34. Contingent liabilities

The Directors deem that there are no potential liabilities that have not been considered for the allocation of eventual risk funds in the consolidated balance sheet, commented in Note 23.

35. Non recurrent, atypical and/or unusual transactions

During the fiscal year that ended on December 31, 2017, no significant and/or non recurrent and/or atypical and/or unusual transactions were carried out with third parties, as defined by Consob Communication of July 28, 2006

36. Financial risk management: objectives and criteria

The international accounting principle IFRS 7 requires providing disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the financial position and performances;
- the nature and entity of risks arising from financial instruments to which the Group is exposed during the fiscal year and as at the reporting date, and how the entity managed those risks.

The accounting principles regarding financial instruments applied in drafting the consolidated balance sheet are described in the section Accounting Principles and Main Assessment Criteria, while the definition of financial risks and the analysis of the degree of significance of the exposure of the Itway Group to the different categories of risks identified are reported hereinafter.

The main financial activities of the group are represented by account receivables, cash and cash o hand that directly derives from the operating activity. Financial liabilities are made up of short-term debt towards major credit institutes and medium- and long-term debt towards leasing companies.

The following sheet reconciles the balance sheet items that represent financial instruments and the financial assets and liabilities categories in accordance with accounting principle IAS 39:

ASSETS			**June 30, 2018**		
Thousands of Euro	***Carrying value***	***Assets at FVTPL (*)***	***Loans and receivables***	***Derivatives used for hedging***	***Available for sale***
Other non current assets	33	-	33	-	-
Non current assets	**33**	**-**	**33**	**-**	**-**
Trade receivables	14,427	-	14,427	-	-
Other current assets	3,490	-	3,490	-	-
Cash on hand	1,642	-	1,642	-	-
Current assets	**19,559**	**-**	**19,559**	**-**	**-**

ASSETS	**December 31, 2017**				
Thousands of Euro	***Carrying value***	***Assets at FVTPL (*)***	***Loans and receivables***	***Derivatives used for hedging***	***Available for sale***
Other non current assets	128	-	128	-	-
Non current assets	**128**	**-**	**128**	**-**	**-**
Trade receivables	17,397	-	17,397	-	-
Other current assets	4,793	-	4,793	-	-
Cash on hand	440	-	440	-	-
Current assets	**22,630**	**-**	**22,630**	**-**	**-**

LIABILITIES	**June 30, 2018**			
Thousands of Euro	***Carrying value***	***Liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives used for hedging***
Non current financial liabilities	1.866	-	1.866	-
Non current liabilities	**1.866**	**-**	**1.866**	**-**
Current financial liabilities	9.823	-	9.823	-
Trade payables	13.889	-	13.889	-
Other current liabilities	1.278	-	1.278	-
Current liabilities	**24.990**	**-**	**24.990**	**-**

LIABILITIES	**December 31, 2017**			
Thousands of Euro	***Carrying value***	***Liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives used for hedging***
Non current financial liabilities	1,899	-	1,899	-
Non current liabilities	**1,899**	**-**	**1,899**	**-**
Current financial liabilities	9,667	-	9,667	-
Trade payables	15,997	-	15,997	-
Other current liabilities	1,117	-	1,117	-
Current liabilities	**26,781**	**-**	**26,781**	**-**

**Fair Value Trough Profit and Loss*

Financial assets and liabilities are booked at a value that is not different from the fair value.

Interest rate risk

The financial instruments of the Group include anticipated credits by banking institutes and bank deposits refundable upon request. Such instruments finance the Group's activities.

All loans obtained by the group foresee variable interest rates (generally 1-3 month Euribor spread). Therefore the interest rate risk is represented by the exposure of cash flows to interest rate fluctuations. The current policy of the Group is not to hedge interest rate fluctuations. On the basis of the short-term average exposure in the period, a fluctuation of 1 percentage point of interest rates would entail a variation of +/- in interest payments of some Euro 98 thousand per fiscal period. O non current financial liabilities a 1 percentage point fluctuation in interest rates would entail a variation of +/- of interests of some Euro 19 thousand per fiscal year.

Foreign exchange risk

The Group uses as its main currency for its purchases and sales mainly the Euro and on an exceptional basis the US Dollar or the Turkish Lira.

Credit risk

The credit risk represents the Group's potential exposure to losses deriving from counterparties not fulfilling their obligations. The Group does not have significant concentrations of credit risk therefore it isn't deemed it opportune to highlight quantitative and detailed information, except for the details regarding account receivables per expiration breakdown in Note 18. In order to check such risk the Group implemented procedures and measures to assess the clientele and the possible recovery measures. Regarding other financial activities, including cash available and cash equivalents, financial counter-parties are exclusively highly solvable financial institutions and pertinent policies were adopted to limit credit risk exposure to a single credit institution.

Liquidity risk

The liquidity risk represents the risk that the financial resources available to the company are not enough to face the financial obligations in the preset terms and maturities. A punctual management of the optimization of financing of commercial activities at a central level by the parent company limits the liquidity risk of the Group. In this context the Company and the Group have started talks with banking institutions aimed at defining the terms and conditions to remodulate financial indebtedness. The collective negotiations with the banking class were interrupted and are continuing on a bilateral basis with each bank.

The financial position that was broadly described in the going concern paragraph is creating a slowdown in the development activities of the VAS and VAR business units of the Group.

A prudent management of the liquidity risk is pursued maintaining sufficient resources in cash or easily convertible into cash and an adequate availability of credit lines. In addition to what has been already reported, in the other statements of the Financial Statements and in the notes regarding current financial liabilities, expiring within the end of next fiscal year, the following table analyzes the Group's non current liabilities, grouped together on the basis of the contract expiration compared with the balance sheet date

Thousands of Euro	***30/06/2018***	***Contractual cash flows***	***1-2 years***	***2-5 years***	***other***
Non current financial liabilities	1,866	1,866	103	353	1,410
Non current liabilities	**1,866**	**1,866**	**103**	**353**	**1,410**

Thousands of Euro	***31/12/2017***	***Contractual cash flows***	***1-2 years***	***2-5 years***	***other***
Non current financial liabilities	1.899	1.899	101	477	1.321
Non current liabilities	**1.899**	**1.899**	**101**	**477**	**1.321**

Capital management

The main objective of capital management of the Group is to maintain adequate levels of capital indicators so as to support activities and to make the most value for shareholders. We feel the best assessment of capital indicators can be seen in the previous financial prospectus above.

37. Financial instruments

The financial instruments of the Group booked in the consolidated financial statements are not significantly far from their fair value.

38. Publication of the Financial Statements

The abbreviated financial statements as of June 30, 2018 were approved by the Board of Directors of Itway S,p,A, at the September 12, 2018 meeting**.**

Ravenna, September 12, 2018

FOR THE BOARD OF DIRECTORS
President and Chief Executive Officer
G. Andrea Farina

REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Translation from the original Italian text)

To the shareholders of
ITWAY S.p.A.
Via Braille, 15
48124 Ravenna (RA) - ITALY

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in shareholders'equity, the statement of cash flows and related explanatory notes of ITWAY S.p.A. and its subsidiaries (the "ITWAY Group") as of 30 June 2018. The Directors of ITWAY S.p.A. are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the review standards recommended by CONSOB (the Italian Regulatory Commission for Listed Companies and the Stock Exchange) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated 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 a full-scope 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 condensed consolidated interim financial statements.

Basis for Disclaimer of Conclusion

In the paragraph "Going concern" of the explanatory notes, the Directors described the Group's ongoing financial tensions that lead at 30 June 2018 to a current financial debt of Euro 9.8 million, including Euro 8.9 million overdue liabilities, to an overdue debt due to suppliers equal to Euro 8.4 million and to an overdue debt equal to Euro 0.4 million concerning tax and social security liabilities.

In order to respond on the ongoing financial tensions, the Directors have already started negotiations with banks for debt restructuring and some of them, as illustrated by the Directors, have meanwhile taken legal action; these negotiations with banks are still on track and, following the interruption of the collective negotiations, they are still in progress on a bilateral basis with each bank.

In this context, the Group deemed necessary to sale the shareholdings in Itway Hellas SA and Itway Turkyie Ltd to Cyber Security 1 AB (previously known as Cognosec AB Ltd) signing a SPA (Sales and Purchase Agreement) on 19 June 2018 for a total value of Euro 10 million, of which Euro 2 million will be paid by the closing date, expected within September 2018, and Euro 8 million will be paid by Cyber 1 Security 1 AB shares. Those shares may be sold, at the same allotment price, in 5 equal quarterly instalments, after the closing date.

On the basis of the above, the Board of Directors approved the business plan of ITWAY Group, for the period 2018-2022, on 30 May 2018. Subsequently, that business plan was revised on 12 September 2018. The Directors prepared the condensed consolidated interim financial statements on a going concern basis taking into account the actions contained in the business plan, although Directors are aware some of its assumptions are uncertain.

This situation highlights the uncertainty of some future events, with particular reference to the closing, accordingly to the terms contained in the abovementioned SPA, of the sale of the shareholdings Itway Hellas SA and Itway Turkyie Ltd and to the good results of the negotiations with each bank, in order to let rescheduling of the debt and to obtain the financial resources necessary to support business of Itway S.p.A. and its subsidiaries.

The uncertainty described above could produce negative effects on the recoverability of some assets and cast significant doubts on the ability of the ITWAY Group to continue operating on a going concern basis. In particular, the going concern basis could be subject to multiple and significant uncertainties, causing potential interactions and possible cumulative effects on the condensed consolidated interim financial statements.

Disclaimer of conclusion

Based on our review, due to uncertainties described on the paragraph "Basis for Disclaimer of Conclusion", we do not express a conclusion on the accordance of the condensed consolidated interim financial statements of the ITWAY Group, as of 30 June 2018, with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter

We draw attention on paragraph "Account receivables – Trade" into the Notes, concerning uncertainty on the recovering of Euro 2.750 million, related to a contract in progress and booked in trade receivables, that could have a significant impact on the consolidated financial statements as of 30 June 2018. The customer notified the subsidiary Business-e S.p.A. (previously included in the ITWAY Group and then subsidiary of Maticmind from which Itway bought that receivable) that it was rejecting the amount requested by the Company based on the progress in the work carried out. The Group started a legal procedure, still at an early stage.

Other matter

The consolidated financial statements for the year ended on 31 December 2017 and the condensed consolidated interim financial statements for the period ended on 30 June 2017 have been respectively reviewed by another auditor that do not have expressed an opinion on the consolidated financial statements on 27 June 2018 and have expressed an unqualified conclusion on the condensed consolidated interim financial statements on 23 November 2017.

Reggio Emilia, Italy
13 September 2018

Analisi S.p.A.

(signed on the original)

Renzo Fantini
(Partner)

This report has been translated into the English language solely for the convenience of International readers. The Italian original remains the definitive version.