



# **Interim Management Report of the Itway Group as of March 31, 2020**

### **Board of Directors**

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

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

### **Board of Statutory Auditors**

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

<i><b>Name and Last name</b></i>	<i><b>Role</b></i>
Daniele Chiari	President
Silvia Caporali	Member
Rita Santolini	Member

The renewal of the social bodies is on the agenda of the next Annual General Meeting scheduled for June 25-26, 2020.

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

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

### **Auditing company**

Analisi S.p.A.

The General Meeting gave the mandate for the auditing firm 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.

## **Interim management report as of March 31, 2020**

For the sake of continuity with the past, Itway decided to draft and publish the interim management report to March 31, 2020 on a voluntary basis despite not being required by the Issuers Regulation of the MTA market of Borsa Italiana

The Board of Directors on May 15, 2020 authorized the publication of the current interim management report, not subject to audit.

In the current interim management Report as of March 31, 2020, the analysis of the economic performance was carried out with reference to the situation in the period January 1-March 31, 2020 compared with the same period of 2019. The net financial position and the balance sheet information refer to March 31, 2020 compared with the consolidated Financial Statements as of December 31, 2019.

The accounting statements to March 31, 2020 were drafted before taxes and of the fiscal effects on the results of the period

## **Performance of the Group and the reference market**

The accounting principles, the evaluation principles and the consolidation principles referred to in preparing the Interim Financial Report as of March 31, 2020 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”. 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.

The Group continued also in the first quarter of 2020 its repositioning towards a digital product-oriented model focusing on higher value added business segments through three business units:

- Cybersecurity;
- Data Science;
- Safety.

The Itway Group during the first quarter of 2020 continued also through its subsidiaries to invest in the markets of Cybersecurity, IoT and Artificial Intelligence (AI) and Big Data, which are all connected and correlated.

Furthermore, during the period, as already announced to the market, the Group took back full control of its Itway Hellas and Itway Turkiye subsidiaries, which are active in the historical Value Added Distributor (VAD) segment.

For a broader assessment of the performance of the Group and the reference market please see the recently published Management Report of the Financial Statements to December 31, 2019 published on April 30.

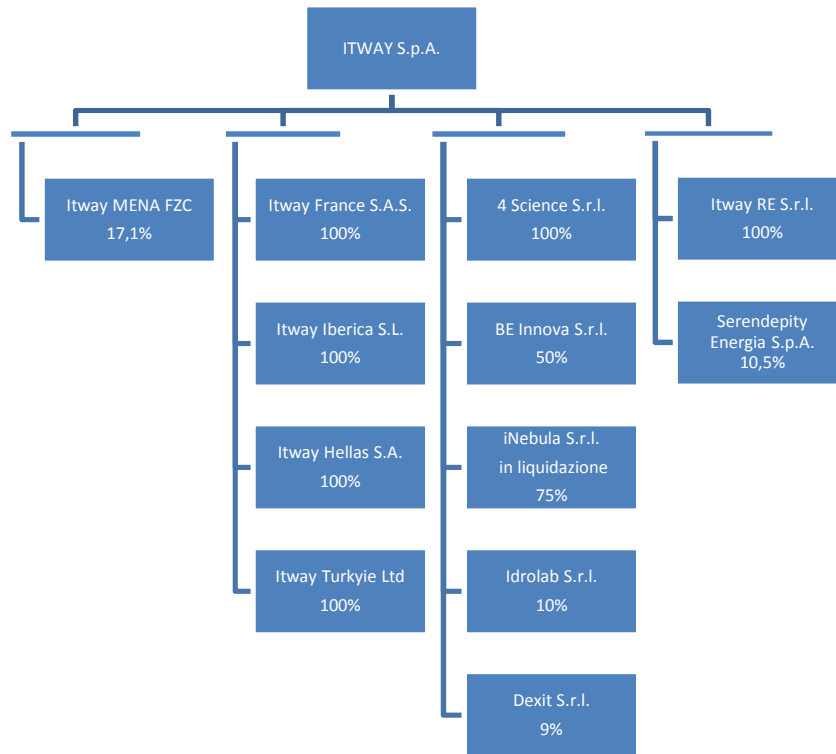
Following is the consolidated condensed income statement at March 31, 2020 compared with that of the same period a year earlier

	Quarter ended March 31	
	2020	2019
<i>(Thousands of Euro)</i>		
	<b>Itway Group</b>	<b>Itway Group</b>
<b>Turnover</b>		
Sales revenue	8,396	6,771
Other operating revenue	514	215
<b>Total revenue</b>	<b>8,910</b>	<b>6,986</b>
<b>Operating costs</b>		
Cost of products	7.353	5.776
Personnel costs	549	537
Other costs and operating charges	548	571
<b>Total operating costs</b>	<b>8,450</b>	<b>6,884</b>
<b>EBITDA</b>	<b>460</b>	<b>102</b>
Amortization	151	97
<b>EBIT</b>	<b>309</b>	<b>5</b>
Net financial Proceeds /(Charges)	92	(130)
<b>Result before taxes</b>	<b>401</b>	<b>(125)</b>

In the quarter ended March 31, 2020 sales revenue of the Itway Group rose in volume terms by 28% while EBITDA totalled Euro 460 thousand compared with Euro 102 thousand in the same period a year ago. EBIT and the result before taxes amounted to Euro 309 thousand and Euro 401 thousand, respectively, compared with an EBIT of Euro 5 thousand and a result before taxes negative by Euro -125 thousand in the same year earlier period.

## Structure and Activities of the Group

The Interim Management report includes the accounting situations of the companies of the Itway Group that as of March 31, 2020 had the following structure.



Itway S.p.A. exercises, directly or indirectly, control through the majority of voting rights:

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

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

Following are the affiliate companies, valued with the net equity method, which essentially coincides with the cost:

NAME	HEADQUARTERS	SHARE CAPITAL	% direct ownership	% indirect ownership	% overall ownership
BE Innova S.r.l.	Via Cesare Battisti 26 - Trento (TN)	20.000	50%	-	50%
Be Infrastrutture S.r.l.	Via Trieste, 76 - Ravenna	100,000	30%	-	30%

Following are minority interests, valued at cost

NAME	HEADQUARTERS	SHARE CAPITAL	% direct ownership	% indirect ownership	% overall ownership
Serendipity Energia S.p.A.	Piazza Bernini 2 – Ravenna	1,117,758	10,5%	-	10,5%
Dexit S.r.l.	Via G. Gilli 2 - Trento	700,000	9%	-	9%
Idrolab S.r.l.	Via dell'Arrigoni, 220 - Cesena FC	52,500	10%	-	10%
Itway MENA FZC	PO Box 53314, HFZ, Sharjah, United Arab Emirates	35.000*	-	17,.%	17.1%

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

### Sector performance: Value Added Distribution

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

The clients are System Integrators and Value Added Resellers that sell products to the end user market.

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

( Thousands of €uro)	Quarter ended	
	31/03/2020	31/03/2019
	Itway Group (Greece and Turkey)	Itway Group (Greece and Turkey)
Revenue	8,120	6,587
Ebitda	280	494
Ebit	249	480
Result before taxes	379	474

The subsidiaries operating in Greece and Turkey in the quarter posted a solid growth in volumes compared with the same year earlier period (+23%), but with margin compression in the Turkish unit due to circumscribed competitive pressure in Turkey. The problem is expected to be limited and margins are seen returning to their normal levels in the coming months. Greece posted an excellent result in the period with a significant growth in terms of volumes (+68%) and an increase in all profitability indicators.

As already broadly commented in the management report of the financial statements for the period ended December 31, 2019 published at the end of April, to which we refer for greater details, Itway on April 7, 2020 took back full control of the Itway Hellas and Itway Turkiye subsidiaries, both active as Value Added Distributors (VAD), following a serious and persistent breach by Cyber 1 of the agreements signed for the purchase of the shares in these controlled Companies.

### Sector performance: Activities of the Parent Company and other business units

Itway S.p.A. is the parent company listed on Borsa Italiana S.p.A. that supplies services of different nature to the operational subsidiaries and includes the new sectors described hereinafter that are investing in the realization of products and that are in an operational and commercial start-up phase. In addition, Itway S.p.A. is an operational parent company with production and system integration activities.

- Itway S.p.A., is an operational holding, dealing with consultancy, planning and system integration and VAD in the field of cyber security, in particular on the GDPR, Internet of Things (IoT) and work safety in the EH&S (Environment, Health & Safety) sector.
- 4Science S.r.l. offers services and solutions for Big Data and Data Management for the scientific research, cultural heritage and Big Data markets.

Following is the condensed income statement, compared with the same period a year ago including data from the Parent Company and other Business Units:

( Thousands of Euro)	Quarter ended	
	31/03/2020	31/03/2019
Revenue	790	399
Ebitda	180	(392)
Ebit	60	(475)
Result before taxes	22	(599)

Following is a brief comment on the performance of 4Science: the company continued its consolidation and growth proving its ability to face ever more important and complex projects. The most relevant event, certainly, is the award by Peru's CONCYTE of a tender to manage at a

national level all research and academic bodies as well as universities. This project, which will run for 18 months, is financed by the World Bank and is worth approx. 1.3 million dollars. 4Science is part of a consortium with a Spanish partner with which it established a joint venture aimed at developing the LATAM market.

### Net financial position

Following is the detail of the net financial position:

	31/03/2020	31/12/2019
<b>Thousands of Euro</b>		
Cash on hand	943	608
Financial receivables	2,477	2,498
Current financial assets	1,225	1,210
Current financial liabilities	(7,808)	(7,985)
<b>Current net financial position</b>	<b>(3,163)</b>	<b>(3,669)</b>
Non-current financial assets	2,098	2,098
Non-current financial liabilities	(1,750)	(1,785)
<b>Non-current net financial position</b>	<b>348</b>	<b>313</b>
<b>Total net financial position</b>	<b>(2,815)</b>	<b>(3,356)</b>

### Net financial position of the Parent Company

	31/03/2020	31/12/2019
<b>Thousands of Euro</b>		
Cash on hand	146	21
Financial receivables	2,477	2,498
Current financial assets	(6,929)	(7,161)
Current financial liabilities	<b>(4,306)</b>	<b>(4,642)</b>
<b>Current net financial position</b>	2,098	2,098
Non-current financial assets	(1,740)	(1,830)
Non-current financial liabilities	<b>358</b>	<b>268</b>
<b>Non-current net financial position</b>	<b>(3,948)</b>	<b>(4,374)</b>
<b>Total net financial position</b>		

The net financial position (NFP) of the Parent Company as of March 31, 2020 improved by Euro 426 thousand compared with December 31, 2019.



Current liabilities include an Iccrea medium term financing, for a total of Euro 100 thousand, the related covenants of which have not been respected and therefore are currently classified a short term, even if the redefinition of these parameters is currently underway in order to maintain the original medium term classification.

**Expired debt positions of Itway S.p.A. and of the Itway Group, divided by type (financial, account, tax, social security and towards employees) and the eventual related reaction initiatives of creditors (solicitation, interruption of supply, injunctions, etc.)**

As of March 31, 2020 expired financial positions of the parent company Itway amounted to Euro 6.6 million, while at the same date the expired financial positions of the Itway Group stood at Euro 6.9 million. The company and the Group started talks in the past fiscal years with financial institutions to redefine the terms and conditions to remodulated financial debt. Talks continued on a bilateral basis with each institution after the interruption of collegiate negotiations.

The parent company as of March 31, 2020 has expired trade indebtedness towards suppliers of approx. Euro 2.8 million (of which approx. Euro 0.5 million for amounts being contested by one debtor, also through legal procedures) and an indebtedness towards tax authorities for VAT debt expired as of March 31, 2020 of Euro 108 thousand, which is expected to be paid by the terms foreseen by regulations in force.

The Itway Group as of March 31, 2020 had an expired trade indebtedness towards suppliers of the Companies of the Group of approx. Euro 4.9 million (of which approx. Euro 0.8 million for amounts being contested by the debtors, also through legal proceedings) and an indebtedness towards tax authorities that expired as of March 31, 2019 of approx. Euro 528 thousand related to debt not paid at the natural expiry during previous fiscal periods and that is expected to be paid within the terms foreseen by regulations in force.

With reference to the expired trade and financial positions of Itway S.p.A. and the Itway Group, as indicated above, please note that to date reminders have been received by some creditors and there are legal disputes or initiatives for a total of Euro 455 thousand underway while to date there has been no suspension of services.

Indebtedness of Itway towards social security institutes that expired as of March 31, 2020 for a total of Euro 31 thousand refers to debt not paid at the natural expiry and that is expected to be paid within the terms foreseen by regulations in force. At the same date, the indebtedness of the Itway Group towards social security institutes that expired as of March 31, 2020 for a total of Euro 75 thousand refers to debt not paid at its natural expiry and that is expected to be paid within the terms foreseen by the regulations in force.

### **Subsequent events**

On April 7, 2020 Itway took back full control of the Itway Hellas and Itway Turkiye subsidiaries, companies operating as Value Added Distributors (VAD), following a serious and persistent breach by Cyber 1 of the agreements signed to buy the shares of the Greek and Turkish subsidiaries.

The buyback transaction, foreseen by the shareholder pact between Itway and Cyber 1, as shareholders of Credence Security Europe S.r.l., became appropriate following persistent delays in payments by Cyber 1, initially not contested by Itway as the company certified with formal documents its ability to fulfil the agreements rapidly, despite the delay. The situation changed following the sudden passing at the end of December 2019 of Kobus Paulsen, CEO and majority shareholder of Cyber 1, architect and main promoter of the agreement between Cyber 1 and Itway and the resulting stalemate within the company due to the nomination of the new Board of directors of Cyber 1 that did not order the fulfilment of the agreed commitments.

### **Foreseeable evolution of operations**

As already stated in the Management Report of the Financial Statements for the period ended December 31, 2019, the guidelines foresee that the Group focus on the security sector, the market of which is expected to growth over 12% over the next five years and that there be a repositioning on the area of products and services. Furthermore a greater focus on the Be Innova S.r.l. and 4Science S.r.l. subsidiaries is expected.

In light of the current complex situation related to the **Covid-19 pandemic**, it is difficult to assess whether there will be significant effects. It is important to note that the activities of the Itway Group, being mainly oriented towards cybersecurity, have proven essential also and especially in these moments of global emergency, as Cybersecurity, which manages the security of the core activities of companies, can be considered anti-cyclical compared with other market segments. The measures adopted by almost all organizations in terms of smart working multiplies in an exponential way the risks related to security with a resulting increase in the demand of Cybersecurity solutions to reduce these risks. The activities of Itway, being mainly made up of services, remained intact also in the new modality of working from remote that the COVID emergency imposed. There have not been significant impacts on the Greek and Turkish subsidiaries, also in light of the limited spread of the pandemic in these countries.

Following is the foreseeable evolution of operation in 2019, divided by SBU:

#### **4Science s.r.l.**

The company is fully operational with highly specialized personnel to carry out its objectives: becoming the reference company in the emerging Data Science, Data Management of Big Data (Data Curation) and Digital Repository and Preservation of cultural and artistic assets, the so-called Digital Library. 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 Big Data market is seen growing at an annual average of 23.1% (2016/2019, Assinform) and 48% of companies forecasts investments in the sector in the future.

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 on the other hand this sector is very broad and it is necessary to have a focus. Our skills are in data management for digital libraries and digital repositories and this market is definitely related to so-called Business Analytics, Deep Learning and Artificial or Augmented Intelligence; this brings us to make some considerations on how to interact and 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 only focus on those projects that will allow us to take part (some are already in the 2019-2020 Pipeline Prospect) 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. With this in mind, the company at the beginning of 2020 won an important tender worth Euro 860 thousand with a Peruvian client, CONCYTEC, the country's national research and science consortium; in light of what has been described above, the revenue trend of 4Science is projected to rise by 50% compared with 2019.

### **Itway S.p.A.**

Particular focus, on the Safety market, will be placed on the development and commercialization of ICOY solutions. The ICOY line is meant to offer Artificial Intelligence and Deep Learning support to operators who work in dangerous work environments, in order to prevent and avert accidents. ICOY is today available with the ICOY DPI™ and ICOY MOVER™ product lines.

- DPI: Individual Protection Devices;
- MOVER: Industrial vehicles, Mover Bridge Crane, Quay Crane, Container Forklifter, forklift that move in industrial sites, quay and/or construction sites

A first result to date is the positive conclusion of the Proof Of Concept (POC) realized at a leading national client, in the steel industry, of ICOY Mover Bridge Crane. The ICOY MOVER Bridge Crane was specifically planned and designed to immediately signal the entry of people into a predefined area underneath the overhead traveling crane. The client establishes, autonomously, based on its policy and safety procedures a perimeter with the centre projected on the ground under the hook of an overhead crane. The innovative solution, developed by

Itway, passed the objective limits of the technologies used to date in the context of personnel detection like Infrared and Radio Frequency movement detection application and systems.

To date a POC is also being finalized for the ICOY MOVER Forklifter solution. **Bugnion S.p.A** is handling the ICOY patent filing process.

#### **Itway Turkiye Ltd. and Itway Hellas S.A.**

The value added activities continue their significant growth proving also in the first quarter that just ended a good expansion capability. In the first quarter our subsidiaries improved compared with the same year earlier period with revenue in Greece up +68% and in Turkey by +5%. These are promising figures that give us confidence on growth during the year of the value added distribution segment despite the delicate situation caused by the coronavirus the impact of which for now have not been relevant.

#### **Relationships with third parties**

During the period the Group had commercial and financial relationships with related companies. 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 €uro	Receivables	Payables	Costs	Revenue
Itway S.p.A. vs Giovanni Andrea Farina & Co. S.r.l.	332	-	50	-
Itway S.p.A. vs Be Innova S.r.l.	4,605	-	-	19
Itway S.p.A. vs Fartech S.r.l.	34	530	-	-
<b>TOTAL</b>	<b>4,971</b>	<b>530</b>	<b>50</b>	<b>19</b>

Itway S.p.A. directs and coordinates its subsidiaries in Italy. This activity consists of 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

#### **Own shares**

The Parent Company as of March 31, 2020 owned No. 853,043 own shares (equal to 10.79% of share capital) for a nominal value of Euro 426,522.

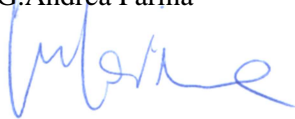
During the period no purchases or sale of own shares were carried out, as in the after the close of the quarter and to the date of writing of the current report.

Ravenna, May 15, 2020

FOR THE BOARD OF DIRECTORS

President and Chief Executive

G.Andrea Farina



***Declaration of the manager mandated to draft the accounting documents pursuant to article 154-bis, paragraph 2 of Legislative Decree No. 58/1998 (Testo Unico della Finanza)***

As foreseen by paragraph 2, art. 154-bis of the T.U.F., the manager mandated to draft the corporate Accounting documents of Itway Group, Sonia Passatempi, declares that the corporate accounting information in this press release corresponds to the documental evidence, financial books and accounting records

Ravenna, May 15, 2020

The Mandated Manager  
Sonia Passatempi