

Interim Management Report of Itway Group as of September 30, 2015

*This document was issued originally in Italian, and it has been translated
into English, solely for the convenience of international readers*

> Itway S.p.A.
Via L. Braille, 15
48010 Ravenna Italy
Tel. +39.0544.288711
Fax +39.0544.463481

> Cap. Soc. € 3.952.659 i.v.
Reg. Imprese RA n° 01346970393
R.E.A. n° 137688
C.F.: 01346970393
P.IVA: IT01346970393

> www.itway.com



Board of Directors

(Until the approval of the December 31, 2016 Financial Statements)

<i>Name last name</i>	<i>Position</i>
Giovanni Andrea Farina	Chairman and Chief Executive Officer
Cesare Valenti	Managing director
Gabriele Brusa	Independent director
Giuseppe Parrello	Independent director
Claudia Palella	Independent director

Board of Statutory Auditors

(Until the approval of the December 31, 2016 Financial Statements)

<i>Name Last name</i>	<i>Position</i>
Alessandro Antonelli	Chairman
Daniele Chiari	Member
Silvia Caporali	Member

Manager mandated to draft corporate accounting documents

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

Auditing Firm

PricewaterhouseCoopers S.p.A.

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

Interim Management Report as of September 30, 2015

The Interim Management report for the quarter as of September 30, 2015 of Itway Group, which has not been audited, was drafted pursuant to article 154 ter (Financial Reports) of Dlgs 58/1998 (T.U.F. Consolidated Law on Financial Intermediation), as well as Consob Communication DEM/8041082 of April 30, 2008. The Board of Directors authorized the publication of this interim management report on November 13, 2015.

In the current interim management Report the analysis of the economic performance was carried out with reference to the nine months between January 1-September 30, 2015 and in the quarter from July to September, 2015 compared with the equivalent periods of 2014.

The balance sheet information refers to September 30, 2015 and to June 30, 2015 and is compared with the consolidated Financial Statements as of December 31, 2014.

The accounting statements to September 30, 2015 were drafted before taxes and of the fiscal impact on the result for the period.

The accounting principles, the evaluation criteria, the forecasts made, and the consolidation principles that are referred to in preparing the attached interim management report to September 30, 2015 are, as in the previous fiscal period, the international accounting principles defined by IFRS. In particular, these principles require forward looking statements. In the context of economic uncertainty illustrated below, please note that these forecasts have a component of risk and uncertainty. Therefore, it cannot be ruled out that in the near future the results achieved could be different from those forecast, therefore requiring revisions that today cannot be either estimated or forecast.

Performance of the Group and the reference market

At the end of the first nine months of 2015 the outlook for the economies where the Group operates is still not completely positive. The forecasts for Italy are still of a slight growth (+0.9%) while Greece, after the significant tension of the past months that prompted concerns of a Grexit, seems to be able to post a recovery, even though at a very slow pace. However, not everyone thinks this is the case and some fear that possible unrest in the Country is still possible. Our activities in Greece continue, however, with signs of improvement and with an increase in turnover and profitability. Turkey confirms to be once again a dynamic and expanding economy: following the elections won once again by Erdogan, with GDP seen up around 4% as GDP is held back by the tensions in European Union economies.

Having kept or increased market share and having maintained industrial profitability in a period that is still not favourable has to be considered in a positive light.

A last note has to be reserved to the financial sector in the hope it is quickly proactive and that it returns to concretely assist the real economy and the corporate world.

Obviously the above mentioned macroeconomic situation continues to weigh on financial markets with tensions related to an excess of non-performing loans especially on the cost of funding and despite the strong injections of liquidity from the ECB

For the Itway Group this, already for some time now, has translated into the need to support clients incurring a contraction in credit with payments that are ever more delayed while the main vendors are not inclined to take on the burden of the systemic situation, especially on the Italian and Spanish markets. In light of this context, there continue to be countermeasures to contain payment conditions and a greater use of non-recourse factoring transactions as well as a gradual increase of medium-term financing.

General context and performance of the ICT Market: Assinform published in October 2015 the updated data on the sector, on the basis of the first half that grew 1.5% compared with last year that saw a 1.4% contraction. Forecasts for 2015 are therefore positive and this certainly bodes well for the entire sector. The sectors in which the Group operates are those of Security, Virtualization and the newly created Cloud Computing, which are defined as “additional and innovative ICT components”. While “traditional ICT components” are broadly steady, the “additional and innovative ICT component” sector is seen growing 4.8% (Assinform 10/2015 data for Italy and proportionally estimated for other Countries).

Market positioning: During the fiscal year the repositioning on new product distribution lines continued, with the aim of replacing lower-margin lines with higher value added ones that also allow a smaller use of working capital. The positive performance of the US economy while the euro area is essentially and overall stagnating (and in recession in some countries) has led to a progressive weakening of the European currency versus the US one. During 2014 the €/USD rate went progressively from 1.38 in January 2014 to 1.21 in December 2014 to reach 1.06 in February and 1.07 to date. During 2014 this had significant effects on the gross margin of the companies of the Group, which is improving in the current period due to the reversal of this greater charge on final clients.

Group’s industrial policy: In the general context indicated above, the industrial policy of the Group continued to focus on higher value added business lines like the VAR SBU and the VAS SBU. For the VAD SBU, the results of this policy, which can influence also the volumes generated, are underway despite the difficult overall conditions.

Following is the consolidated condensed Income Statements compared with those of the same period a year earlier:

(Thousands of Euro)	Nine months to		Quarter ended	
	30/09/15	30/09/14	30/09/15	30/09/14
Turnover				
Revenues	62,515	55,955	22,899	19,173
Other operating revenues	1,081	1,540	240	223
Total Turnover	63,596	57,495	23,139	19,396
Operating Costs				
Cost of products	50,083	43,385	18,898	15,590
Personnel costs	7,019	7,760	2,210	2,353
Other costs and operating charges	5,598	5,648	1,980	1,705
Total operating costs	62,700	56,793	23,088	19,648
Ebitda	896	702	51	(252)
Amortizations	319	339	112	108
Ebit	577	363	(61)	(360)
Net financial charges	(1,244)	(1,121)	(325)	(282)
Recurrent Pre-tax result	(667)	(758)	(386)	(642)
Non-recurring charges	(151)	(175)	(25)	(132)
Pre-tax Result	(818)	(933)	(411)	(774)

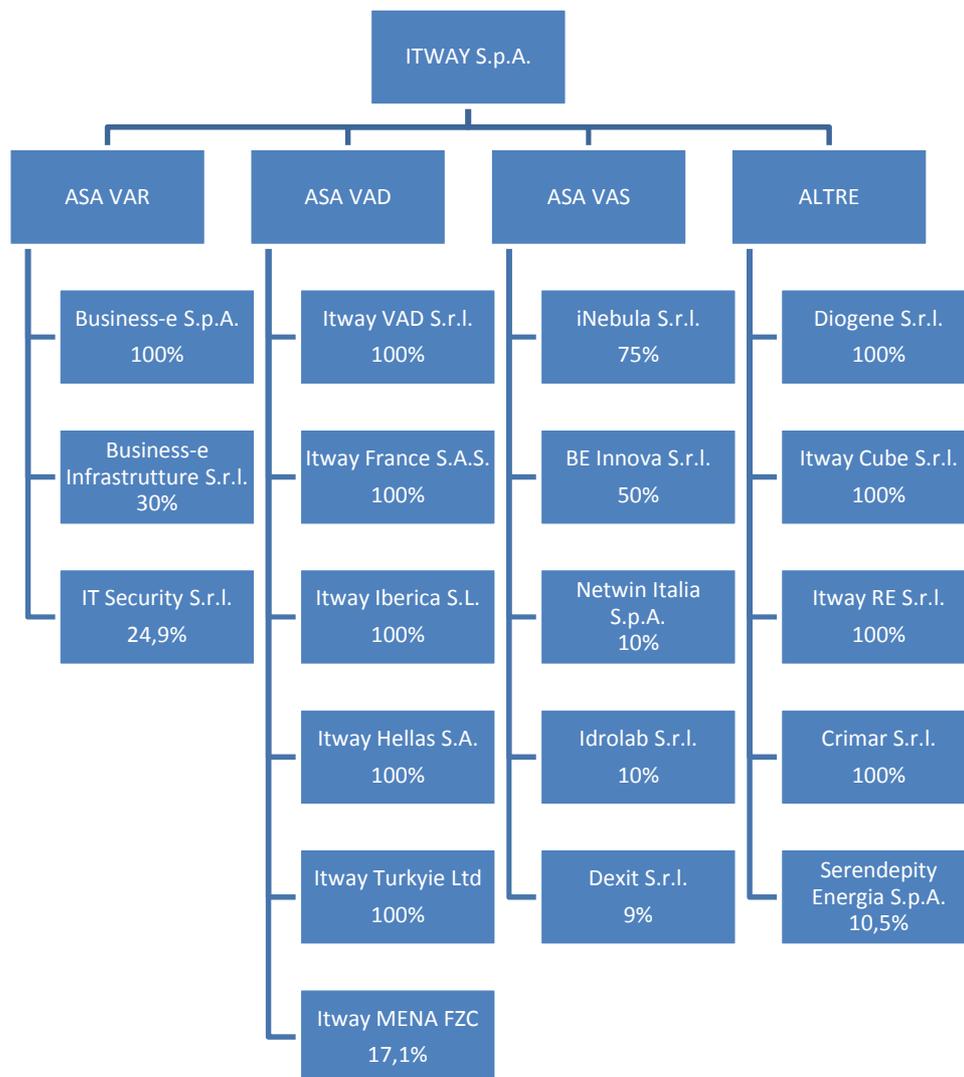
In the nine months ended September 30, 2015 revenues rose some 10% compared with the same period in the prior year while Ebitda was of 896 thousand Euro from 702 thousand Euro in the same period of 2014 (+27%). The pre-tax result is a negative 818 thousand Euros compared with a negative 933 thousand Euro in the same period a year ago due to the negative result of financial operations.

In the third quarter ended September 30, 2015 revenues rose in volume terms some 19% while Ebitda was of 51 thousand Euro compared with a negative 252 thousand Euro in the same period of 2014. Ebit and the pre-tax result were respectively at -61 thousand Euro and -411 thousand Euro at September 30, 2015, markedly better compared with the same quarter of 2014 when EBIT was a negative 360 thousand euros and the pre-tax result a negative 774 thousand Euros. Some orders of products and the value of contracts that were booked in the budget and pipeline are being recorded in the second half of the year, as expected, and are enough not only for a recovery of the gross margin (as the third quarter results show) but also to improve the result compared with the previous year.

Summing up, in line with the management adopted in these last years of severe crisis, the Itway Group at an industrial level positioned itself in the most effective way to contrast the macro-economic performance and to be ready for the pick-up in the economies of the Countries where it operates.

Activities and Structure of the Group

The Interim Management Report includes the accounting situation of the companies of the Itway Group, which as of September 30, 2015 has the following structure:



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

NAME	HEADQUARTER	SHARE CAPITAL €	% of direct ownership	% of indirect ownership	% of overall ownership
Itwayvad S.r.l.	Via L. Braille,15- Ravenna	10,000	100%	-	100%
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%
Itway Cube S.r.l.	Via L. Braille,15 - Ravenna	10,000	100%	-	100%
Diogene S.r.l.	Via V. Mazzola, 66 - Roma	78,000	100%	-	100%
Business-e S.p.A.	Via L. Braille, 15 - Ravenna	1,001,084	100%	-	100%
iNebula S.r.l.	Via L. Braille, 15 - Ravenna	10,000	75%	-	75%
Itway RE S.r.l.	Via L. Braille 15, Ravenna	10,000	100%	-	100%
Crimar S.r.l.	Via L. Braille 15, Ravenna	51,129.24	100%	-	100%

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

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

NAME	HEADQUARTERS	SHARE CAPITAL €	% Of direct ownership	% Of indirect ownership	% Of overall ownership
BE Innova S.r.l.	Via C. Battisti, 26- Trento	20,000	-	50%	50%
Be Infrastrutture S.r.l.	Via Trieste, 76 - Ravenna	100,000	-	30%	30%
Itsecurity S.r.l.	Via A. De Gasperi, 320 – Bari	20,000	-	24.9%	24.9%

List of minority investments, carried out at cost:

NAME	HEADQUARTERS	SHARE CAPITAL €	% Of direct ownership	% Of indirect ownership	% Of overall ownership
Dexit S.r.l.	Via G. Gilli,2 – Trento	700,000	9%	-	9%
Serendipity Energia S.p.A	Piazza Bernini, 2 – Ravenna	1,117,758	-	10,5%	10.5%
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%
Netwin Italia S.p.A.	Via Martiri Baffè, 2/A – Sant'Agata sul Santerno (RA)	5,000,000	-	10%	10%

*The value is expressed in the United Arab Emirates currency, the Dirham

List of investments that have not yet been consolidated as they are still not operational:

NAME	HEADQUARTERS	SHARE CAPITAL €	% Of direct ownership	% Of indirect ownership	% Of overall ownership
Inebula Tech S.r.l.	Via L. Braille 15, Ravenna	10,000	100%	-	100%

The Itway Group operates in three main types of activities: the *core business* of Itway is value added distribution of “*best of breed*” software technology (the best among what is available, at all moments, on the market); it also offers services and consultancy aimed at training and supporting companies in the *e-business*, *e-security*, *Central Access Management*, *Internetworking* and *Wireless*. These sectors are in charge of the main Strategic Business Areas (SBU): the VAD SBU (*Value Added Distribution*) and 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 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 offers and 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 with particular emphasis on *Cloud Computing*.

Performance by segment of business: *Value Added Distribution*

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

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

Following is the brief income statement of the VAD SBU, compared with the values the previous fiscal year:

(Thousands of Euro)	Nine months ended		Quarter ended	
	30/09/15	30/09/14	30/09/15	30/09/14
Revenues	49,856	46,058	18,551	15,989
Ebitda	400	243	(4)	(115)
Ebit	132	(43)	(98)	(204)
Pre-tax result	(901)	(1,014)	(410)	(492)

As in the previous quarter, volume growth continued, for the first time in six quarters. In the period there was also a pick-up in profitability. Following is the analysis by Country.

The Italian market, the most important one for the Group, is the one where the negative impact from the “Country situation” and from the reorganization of the distribution activities of some *vendors*; however the countermeasures put in place have allowed a solid growth in revenues.

The Turkish subsidiary achieved significant increases in volumes and margins, both in percentage terms and in absolute terms, maintaining a leadership in the IT security segment on the Turkish market that, being out of the Euro area, confirms having significant development prospects.

The Greek subsidiary continues on its path of slow growth and its performance is in line with budget

despite the Country's situation that is not easy.

The French subsidiary, which was restructured in the previous fiscal period, significantly reduced losses. All business lines have been closed and to date no further costs were incurred beyond those already booked in the first semester as a series of charges are non-recurring and related to the significant restructuring carried out in 2014.

The Iberian subsidiary after the restructuring that was completed in the past fiscal years ended the period with a marked increase in revenues compared with the same period of last year and an Ebitda that is significantly better (about +74%) compared with the same year-earlier period.

Performance by segment of business: *Value Added Reseller SBU*

Through the *Value Added Reseller SBU*, the Group operates in the following market segments:

- Professional services and production of solutions and software technologies for e-business
- Distribution and integration of products and services for the logical security of information systems
- Professional services as *system integrators* and centralization of applications

Following is the brief income statement of the VAR SBU, compared with the values of the previous fiscal year:

(Thousands of Euro)	Nine months ended		Quarter ended	
	30/09/15	30/09/14	30/09/15	30/09/14
Total turnover	13,740	11,437	4,588	3,407
Ebitda	496	459	55	(137)
Ebit	445	406	37	(156)
Pretax result	83	81	(1)	(282)

Business-e started to consolidate its acquired clients and added new significant partners to its portfolio. In the beginning of 2015 it sealed contracts with a solid increase in volumes but with lower profitability, which it recovered in this quarter. It also increased the contribution margin that is now in line with the previous fiscal period and the recovery is expected to continue in the quarter underway. Mauro Nanni joined Business-e S.p.A. as a director. He boasts top-rated professional curriculum that will significantly broaden the management skills of the management and strategic body

Sector performance: *Other sectors*

In 2013 the Itway Group entered into other sectors that are related to but do not coincide with the historical ones (VAD and VAR). These sectors do not yet make a relevant contribution to the consolidated results and therefore are not reported in the reporting by sector, but they are important in

terms of strategy to strengthen the business segments.

The new sectors are:

- **Gaming** through an investment in a company that holds the concession granted by the Autonomous Administration of the State Monopolies. The investment of the Itway Group focuses, as an industrial partner, only on the technological support in carrying out and managing the information network to connect the installed gaming machines with the Financial Administration;
- **Cloud information services:** *Managed Services* for SMEs in network and *cloud* environment in the areas of *Security, Storage Management, Business Continuity, Green IT, Energy Recovery*, intelligent analysis of video-surveillance flows;
- **Assisted services in N+SOC and MSSP solutions** to check networks.

Net financial position

Following is the detailed net financial position:

	30/09/2015	30/06/2015	31/12/2014
Cash on hands	4,917	3,524	4,141
Bank overdraft and loans	(20,991)	(20,064)	(19,562)
Net current financial position	(16,074)	(16,540)	(15,421)
Non-current financial liabilities	(5,889)	(5,849)	(2,494)
Total net financial position	(21,963)	(22,389)	(17,915)

The punctual level of indebtedness at the end of the period is related to the working capital performance in the same period that is in turn impacted both by factors that do not directly depend on the Group (like the timing of payments) and by the degree of non recourse factoring.

As part of a broader program aimed at diversifying the sources of liquidity procurement that brought the company to issue of commercial papers, as subsequently commented, the Group in the first semester of 2015 obtained from financial institutions that companies of the Group use significant medium-term funding that are included in the non current net financial position along with the medium-term debt towards a leasing company for the rent of the Milan offices of the Group.

The non-current net financial position increased by some 3.4 million Euros compared with December 31, 2014.

In particular, on September 10, 2015 Itway RE S.r.l. purchased 100% of the stakes owned by the current Crimar S.r.l., which owns the property of the legal headquarters of Itway S.p.A., by underwriting a 10 year 800,000 Euro financing.

On April 27, 2015, the placement of up to a cumulative 1 million Euro of commercial paper with a six month maturity began. It was completed in May 2015. This transaction is part of a broader plan to diversify the sources of liquidity procurement.

The commercial paper program foresees issuance of up to Euro 10 million over the next 3/5 years and will allow the Itway Group to raise short term capital from institutional and professional investors. The financial instruments will be traded on the Professional Segment ExtraMOT Pro, managed by Borsa Italiana.

The first commercial paper of Itway, regulated by Law No. 43/1994 “Regulations of Financial Bills” as modified in Law No. 134/2012, was issued on April 29, 2015 for a nominal Euro 1 million, an annual interest rate of 4.20% and maturing October 31, 2015, when it was repaid. The commercial paper also foresaw a call option for an anticipated repayment, with a simultaneous premium to the investor. Borsa Italiana S.p.A. admitted the listing of this commercial paper on the Professional Segment (ExtraMOT PRO) of the ExtraMOT Market managed by Borsa Italiana. BSI Merchant and Unicasm were the Arrangers of the transaction. BSI Merchant was also the financial adviser of the issuer.

On August 5, 2015, rating agency CERVED Rating Agency S.p.a. renewed the Company’s B1.2 (solvent) rating, equivalent to a BBB- by S&P and Baa3 by Moody’s.

Subsequent events

There are no significant events that took place following the end of the period.

Foreseeable evolution of operations

There are no substantial changes compared with what was forecast in August 2015, when the half-year consolidated results to June 30, 2015 were drafted.

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

In the period ended September 30, 2015 there were no transactions that can be defined as significant, non-recurrent, atypical and/or unusual, as defined in Consob Communication of July 28, 2006.

Relationship with related parties

During the period, the Itway 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 synthesis:

In thousands of €uro	Receivables	Payables	Costs	Revenues
Itway S.p.A. vs Giovanni Andrea Farina & Co. S.r.l.	412	-	-	1
Business-e S.p.A. vs Be Innova S.r.l.	1,111	10	-	195
TOTAL	1,523	10	-	196

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.

Research and Development activities

During the period the research and development activity was brought forward in particular in the VAR and VAS areas.

Own shares

The parent company at September 30, 2015 owned No. 766.324 own shares (equal to 9.69% of share capital) for a nominal value of 383,162 Euro and a cost of purchase of some 100 thousand Euro. During the period 763,249 own shares were purchased (equal to 0.80% of share capital) for a nominal value of 31,625 Euro, as authorized by the Shareholders meeting of Itway S.p.A.

After the end of the quarter to the date of the approval of the current report, the parent company purchased No. 38,772 own shares (equal to 0.49% of share capital) for a nominal value of 19,386 Euro, so at the date of the approval of the current report the parent company owns No. 805,096 own shares equal to 10.18% of share capital.

Ravenna, November 13, 2015

For the Board of Directors



Statement of the manager mandated to draft the accounting documents pursuant to art. 154-bis comma 2 of D.Lgs. No. 58/1998 (Testo Unico della Finanza – Consolidated Law on Financial Intermediation)

I, Sonia Passatempi, the manager mandated to draft the company's accounting documents, pursuant to comma 2 of art. 154-bis of D.Lgs. No.58/1998 (Testo Unico della Finanza), declares that the information contained in the current quarterly report of the management of the Group corresponds to the documented results, books and accounting of the Company.

Ravenna, November 13, 2015

The Mandated Manager
Sonia Passatempi