Interim Management Report of Itway Group as of March 31, 2014

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

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Company officers

Board of Directors

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

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)

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.

Independent Auditors

PricewaterhouseCoopers S.p.A.

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

Interim Management Report as of March 31, 2014

The Interim Management report for the quarter as of March 31, 2014 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 May 15, 2014.

In the current interim management Report the analysis of the economic performance was carried out with reference to the economic situation in the January-March 2014 quarter and is compared with the economic performance in the three months from January to March 2013.

The balance sheet information refers to March 31, 2014 and March 31, 2013 and is compared with the consolidated financial statements as of December 31, 2013.

The quarterly accounting statements to March 31, 2014 were drafted before taxes and before the fiscal effects on the results of the period.

The accounting principles, the evaluation criteria, the forecasts made, and the consolidation principles that are referred to in preparing the attached interim management report to March 31, 2014 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.

Economic Data and Group Performance

Following is the consolidated condensed Income Statement compared with that of the same period a year earlier:

(Thousand of €uro)	Quarter ending	
	31/03/14	**31/03/13**
Revenues		
Revenues from sales and services	19,745	23,405
Other operating revenues	327	287
Total revenues	**20,072**	**23,692**
Operating costs		
Cost of products	15,007	18,644
Personnel costs	2,808	2,715
Other costs and operating charges	1,912	1,975
Total operating costs	**19,727**	**23,334**
EBITDA	**345**	**358**
Depreciations and amortisation	(111)	(141)
EBIT	**234**	**217**
Net Financial charges	(418)	(426)
Result from recurring operations	**(184)**	**(209)**
Non-recurring charges	(22)	-
Result before Taxes	**(206)**	**(209)**

In the quarter that ended March 31, 2014, revenues fell some 15% compared with the same period of the previous fiscal year, while Ebitda was of 345 thousand Euro compared with 358 thousand Euro in the same period of 2013; Ebit and the result before taxes, respectively at 234 thousand Euro and -206 thousand Euro, are broadly unchanged compared with the same period of the previous fiscal year despite the drop in volumes due to the focus on higher margin lines as well as the further contraction of the market. The restructuring of the Iberian and French subsidiaries continued with costs in the period of some 22 thousand Euro.

As already indicated in the Consolidated Management Report to December 31, 2013, the analysis of the performance of the Itway Group in the quarter reflects the more severe crisis in all Western countries prompted by the financial crisis at the end of 2008 that hit the Euro area in general and in particular the Mediterranean countries where the Group operates; the austerity policies implemented by the EU to defend the Euro and the financial stability of the Union, with the fiscal compact and the reduction of the deficit of the single countries, in the first quarter of 2014 continued to have devastating effects on the real economies with still significant contractions in GDP in all Countries and increases in the unemployment rates and in the number of people living under the poverty threshold. The austerity programs brought the economy, in particular of the Mediterranean countries of the EU, back by 30 years with depressive effects both on retail consumption and on investments by companies and public administrations without signs of any radical change.

Despite the still not positive outlook for the economies where the Group operates, with the exception of Turkey, having kept or increased market share and having in any case improved industrial profitability in a period that is still so unfavourable has to be considered a symbol of vitality and perseverance while waiting for better times ahead.

A last small note has to be reserved to the financial sector in the hope that it quickly becomes proactive to the change in climate if and in so far as it will materialize and that it returns to helping the real economy and companies.

Obviously, the above mentioned macroeconomic situation also impacted the performance of financial markets with tensions especially on funding costs, which fortunately have been diminishing from the beginning of the year to the writing of the current Report.

For the Itway Group this translated into the need to support clients in a credit crunch situation with a delay in payments while the main vendors are not inclined to take on the burden of the systemic situation, especially on the Italian and Spanish markets. In this situation the Group is taking measures to contain payment conditions and to use more non-recourse factoring transactions. These measures have already given some results and the company hopes they will give even more tangible results in the short term.

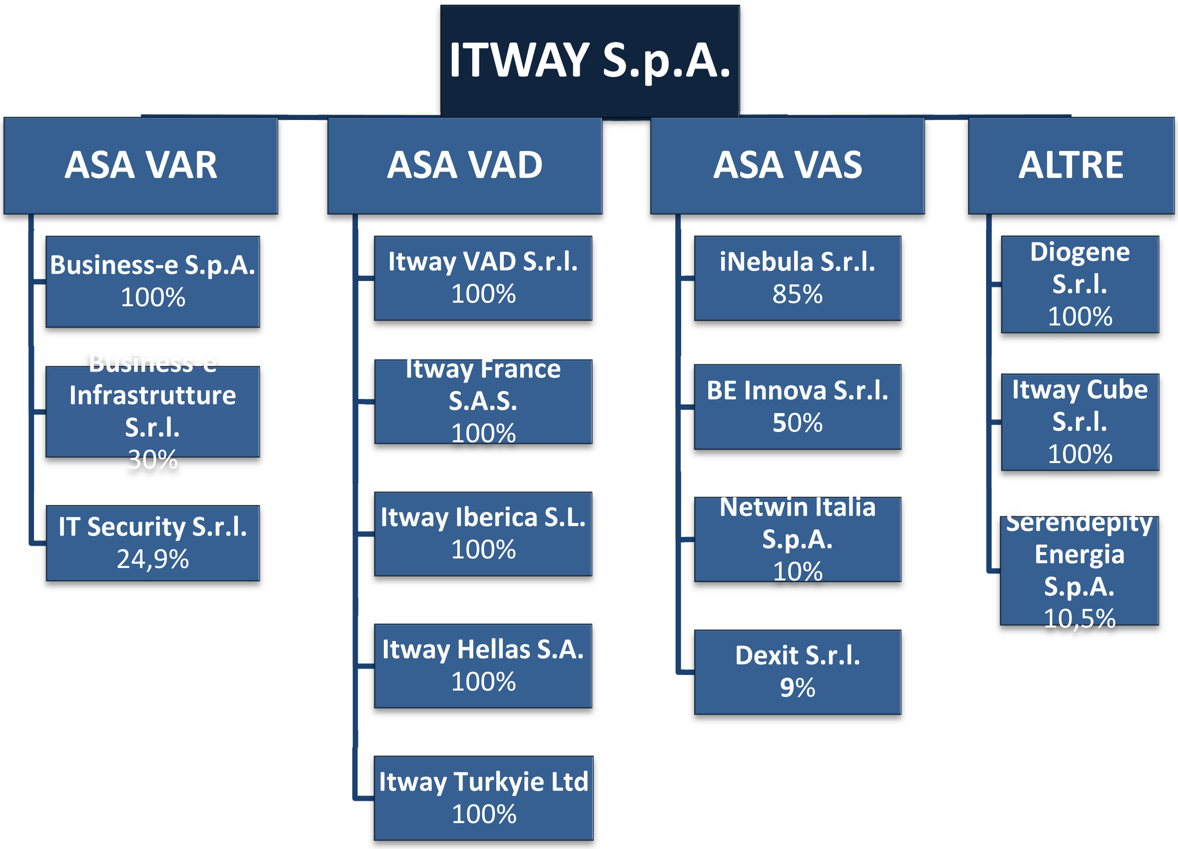
General context, performance of the ICT Market: As already indicated in the Management Report to December 31, 2013 in the first quarter of 2104 there was a continuation of the slowdown in the ICT market in Southern European countries, which was however less accentuated in those segments where the Group operates; this entailed an overall fall in IT demand in the different countries where the Group operates. In Countries like Spain and Italy the contraction is expected to be significant, estimated respectively at -2.5% and -4.6% (Source: IDC July 2013, Assinform April 2014).

Market positioning: During the period 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.

Group’s industrial policy: In the general context indicated, 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, also in the difficult overall conditions, were achieved in Italy, Greece and Turkey.

Structure and activities of the Group

The Interim Management Report includes the accounting situation of the companies of the Itway Group, which as of March 31, 2014 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	HEADQUARTERS	SHARE CAPITAL €	% Of direct ownership	% Of indirect ownership	% Of overall ownership
Itwayvad S.r.l.	Via L. Braille,15 48100 – Ravenna	10,000	100%	-	100%
Itway Iberica S.L.	Argenters 2, Cerdanyola del Vallès, Barcellona	560,040	100%	-	100%
Itway France S.A.S.	76, rue Thiers Paris	100,000	100%	-	100%
Itway Hellas S.A.	Atene Agiou Ioannou Str , 10 Halandri	846,368	100%	-	100%
Itway Turkiye Ltd.	Eski Uscudar Yolu NO. 8/18 – Istanbul	1,500,000*	0,07%	9.93%	100%
Itway Cube S.r.l.	Via L. Braille,15 48100 – Ravenna	10,000	100%	-	100%
Diogene S.r.l.	Via V. Mazzola, 66 00142- Rome	78,000	100%	-	100%
Business-e S.p.A.	Via L. Braille, 15 48100 – Ravenna	1,001,084	100%	-	100%
iNebula S.r.l.	Via L. Braille 15, Ravenna	10,000	75%	-	75%

*The value is expressed in 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 48100 – Ravenna	100,00 0	-	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%
Newtin Italia S.p.A.	Via Martiri Baffè 2/A – Sant'Agata sul Santerno (RA)	5,000,000	-	10%	10%

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 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 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.

Net Financial Position

Following is the net financial position as of March 31, 2014 compared with that as of December 31, 2013 and as of March 31, 2013 :

	31/03/2014	31/12/2013	31/03/2013
Cash on hand	3,614	3,738	4,636
Current financial liabilities	(19,137)	(20,342)	(27,254)
Current net financial position	**(15,523)**	**(16,604)**	**(22,618)**
Non-current financial liabilities	(2,509)	(2,631)	(2,435)
Total net financial position	**(18,032)**	**(19,235)**	**(25,053)**

The current net financial Position improved from December 31, 2013, confirming the process to contain working capital that has been carried out during the period as well as the effects of the reduction of volumes at the end of the fiscal period and the use of non-recourse factoring of trade receivables.

The non-current net financial position reflects the medium term debt towards a leasing company for the rent of the Milan offices, in addition to the debt related to the purchase of the stake in Dexit and to a new 24-month financing in the previous years.

Sector Performance: Value Added Distribution

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

The clients of the company are “System Integrators” and “Value Added Resellers” who sell products on the end market.

Following is the summary of the income statement of the VAD SBU compared with that of the previous period.

(Thousand of €uro)	**Quarter ending**	
	31/03/14	**31/03/13**
Revenues	16,870	19,137
EBITDA	(61)	56
EBIT	(155)	(57)
Result before taxes from recurring operations	(480)	(408)
Result before Taxes	(502)	(408)

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 taken by the Group allowed a recovery in the gross margin despite a decrease in volumes.

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 in the Turkish market that, being out of the Euro area, confirms having significant development prospects.

The performance of the Greek subsidiary, after the reorganization that was completed in the past fiscal periods, broke even despite the difficult situation of the Country, achieving positive results in the quarter.

The French subsidiary, which was subject to a further restructuring and focus on higher value added lines, reduced losses, but with a result that is still not positive.

The Iberian subsidiary is the one that most was most subject to the worsening of the macroeconomic situation with a contraction both in volumes and margins that brought to a result that is still not positive. The subsidiary in the quarter continued the restructuring that started in 2013, both in terms of focus on the lines being distributed and in terms of structure, the effects of which will be fully during 2014.

Performance by segment of business: Value Added Reseller SBU

Through the VAR 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 integrator and centralization of applications.

Following is the brief income statement, compared with that of the previous fiscal year:

(Thousand €uro)	**Quarter ending**	
	31/03/14	**31/03/13**
Revenues	3,202	4,555
EBITDA	406	302
EBIT	389	274
Result before Taxes	296	199

The first quarter of 2014 confirmed the trend that started in previous fiscal periods with the signing of some multi-year contracts that are important both in terms of volumes and in terms of the innovative technologies applied, consolidating therefore volumes and profitability.

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 defined as VAD and VAR. These sectors do not yet make a relevant contribution to quarter's 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, as an industrial partner, focuses only on the technological support in carrying out and managing the information network to connect the installed gaming machines with the Administration;
- Information Services "*in the cloud*": 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.

Subsequent events

There were no significant events after the end of the fiscal period.

Foreseeable evolution of operations

In addition to what was previously indicated, for the foreseeable evolution of operations please see the consolidated Financial Statements as of December 31, 2013.

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

During the period ending March 31, 2014 there were no significant and/or non-recurring, and/or atypical and/or unusual transactions with third parties or among the companies of the group, as defined by Consob Communication of July 28, 2006.

Relationships with related parties

During the fiscal year, the relationship between Itway and related parties were essentially comprised of ordinary commercial relationships, regulated at market conditions with a value that is in any case not relevant in terms of volumes of the activities of the Group.

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.

The parent company Itway and the Italian subsidiaries exercised the option for so-called domestic tax consolidation scheme.

Research and Development activity

In the period there were no significant investments in research and development.

Own shares

The parent company on March 31, 2014 owned No. 501,286 own shares (equal to 6.34% of share capital) for a nominal value of 250,643.00 Euro and a cost booked to the financial statement of some 191 thousand €uro; during the period there were purchases for 125,492 own shares (equal to 1.59% of share capital) for a nominal value of 62,746.00 Euro, as authorized by the Shareholders' meeting.

Ravenna, May 15, 2014
For the Board of Directors