

## **Interim Management Report of Itway Group as of September 30, 2014**

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

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### **Board of Directors**

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

<i><b>Name last name</b></i>	<i><b>Position</b></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><b>Name Last name</b></i>	<i><b>Position</b></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, 2014**

The Interim Management report for the quarter as of September 30, 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 November 14, 2014.

In the current interim management Report the analysis of the economic performance was carried out with reference to the nine months between January 1, 2014 and September 30, 2014 and in the quarter from July to September, 2014 compared with the equivalent periods of 2013.

The balance sheet information refers to September 30, 2014 and to June 30, 2014 and is compared with the consolidated Financial Statements as of December 31, 2013.

The accounting statements to September 30, 2014 were drafted before taxes.

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, 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.

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

The outlook for the economies where the Group operates is still not completely positive. The forecasts for Italy are still of a slight recession, while Spain and Greece post growth of over 2%. Turkey confirms to be once again a dynamic and expanding economy.

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

Obviously, the above mentioned macroeconomic situation continues to impact the performance of financial markets with tension, especially in terms of funding costs, that fortunately, to the date of the writing of the current report, have decreased since the beginning of the year to the writing of the current report even though they impact only marginally results.

For the Itway Group this translated into the need to support clients in a credit rationing situation with payments that tend to be 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 this situation the Group is continuing to take measures to contain payment conditions and to use more non-recourse factoring transactions. These measures have started to give some tangible results.

General context and performance of the ICT Market: Please refer to the considerations made in the Management Report in the consolidated financial statements to June 30, 2014. In the first nine months the slowdown in the ICT market of the Southern European countries persists.

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.

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	
	30/09/14	30/09/13	30/09/14	30/09/13
<b>Turnover</b>				
Revenues	55,955	64,996	19,173	17,324
Other operating revenues	1,540	1,109	223	277
<b>Total Turnover</b>	<b>57,495</b>	<b>66,105</b>	<b>19,396</b>	<b>17,601</b>
<b>Operating Costs</b>				
Cost of products	43,385	51,593	15,590	13,680
Personnel costs	7,760	8,215	2,353	2,631
Other costs and operating charges	5,648	6,136	1,705	2,097
<b>Total operating costs</b>	<b>56,793</b>	<b>65,944</b>	<b>19,648</b>	<b>18,408</b>
<b>Ebitda</b>	<b>702</b>	<b>161</b>	<b>(252)</b>	<b>(807)</b>
Amortizations	339	442	108	149
<b>Ebit</b>	<b>363</b>	<b>(281)</b>	<b>(360)</b>	<b>(956)</b>
Net financial charges	(1,121)	(1,237)	(282)	(419)
<b>Recurrent Pre-tax result</b>	<b>(758)</b>	<b>(1,518)</b>	<b>(642)</b>	<b>(1,375)</b>
Non-recurring charges	(175)	-	(132)	-
<b>Pre-tax Result</b>	<b>(933)</b>	<b>(1,518)</b>	<b>(774)</b>	<b>(1,375)</b>

In the nine months ended September 30, 2014 revenues fell some 13% compared with the same period in the prior year while Ebitda was of 702 thousand Euro from 161 thousand Euro in the same period of 2013. The pre-tax result is a negative 933 thousand Euros compared with a negative 1,51 thousand Euro in the same period a year ago.

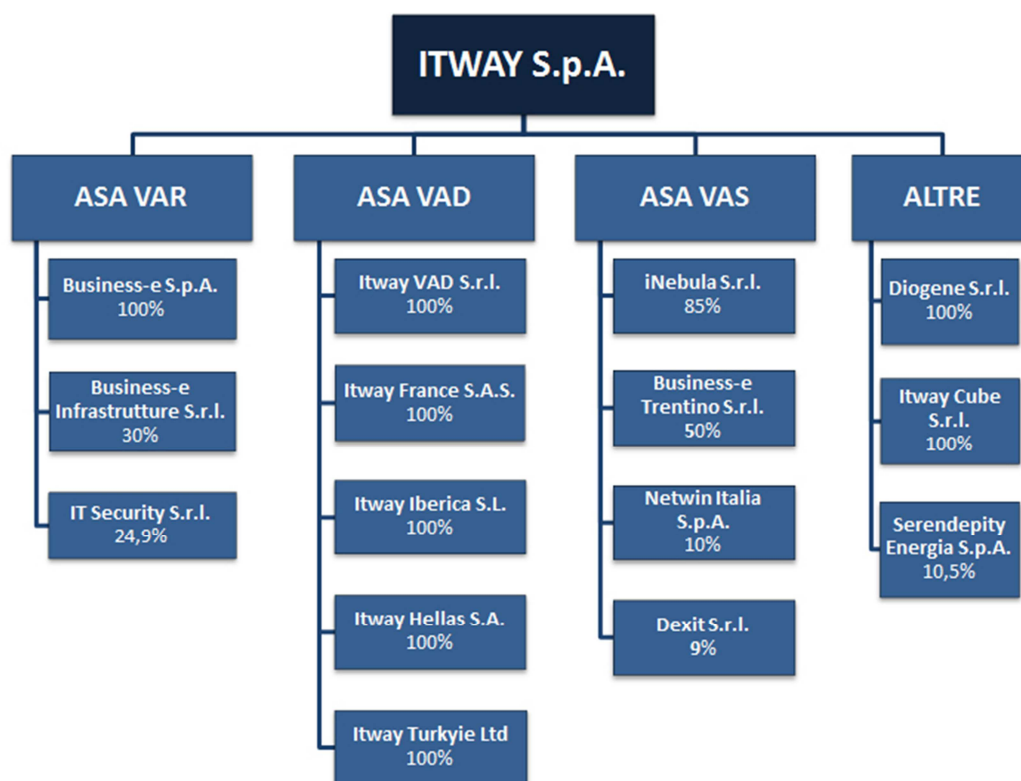
In the third quarter ended September 30, 2014 all main indicators posted a positive performance compared with the same period of the previous fiscal year, in particular revenues rose some 10% annually while Ebitda was a negative 252 thousand Euro compared with a negative 807 thousand Euro in the same period of 2013. Ebit and the pre-tax result were respectively at -360 thousand Euro and -

774 thousand Euro, improving compared with the same period of the previous fiscal year. The restructuring of the Iberian division continues with costs (non-recurring charges) in the period of 175 thousand Euro.

On July 30 2014, rating agency CERVED Rating Agency S.p.a. assigned to the Company a B1.2 (solvent) rating, equivalent to a BBB- by S&P and Baa3 by Moody's.

## 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, 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 - 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 - Parigi	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*	0,07%	99,93%	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%

\*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 - 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%
Netwin 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 detailed net financial position as of September 30, 2014 compared with that as of June 30, 2014 and December 31, 2013

	30/09/2014	30/06/2014	31/12/2013
Cash on hands	2,650	1,576	3,738
Bank overdraft and loans	(18,122)	(17,504)	(20,342)
<b>Net current financial position</b>	<b>(15,472)</b>	<b>(15,928)</b>	<b>(16,604)</b>
Non current financial liabilities	(2,281)	(2,384)	(2,631)
<b>Total net financial position</b>	<b>(17,753)</b>	<b>(18,312)</b>	<b>(19,235)</b>

The current net financial Position improved from June 30, 2014 and 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 sold during the period and the use of non-recourse factoring of part 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 in prior periods of the stake bought in Dexit and to a new 24-month financing taken out in the previous fiscal period.

### 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	
	30/09/14	30/09/13	30/09/14	30/09/13
Revenues	46,058	52,808	15,989	13,674
Ebitda	243	(62)	(115)	(534)
Ebit	(43)	(423)	(204)	(653)
Pre-tax result	(1,014)	(1,395)	(492)	(977)

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, despite a fall in volumes, an improvement of the gross margin.

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 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 years, broke even despite the difficult Country situation .

The restructuring of the French subsidiary continued prompting a further reduction in personnel that will eventually lead the elimination of all staff in the second half of 2014. During the period, the company conducted an active and proactive negotiation with two *vendors* to assign two distribution contracts, in the French territory, to Infinigate. Following these negotiations and thanks to the focus on other higher value added lines, through different commercial measures, the subsidiary is no longer expected to generate the same significant losses that characterized the past few fiscal periods.

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 is undergoing a restructuring, in terms of focus on the lines being distributed and in terms of structure, the positive effects of which will be fully seen during the last quarter of 2014 and in the 2015 fiscal year.

#### **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	
	30/09/14	30/09/13	30/09/14	30/09/13
Total turnover	11,437	13,297	3,407	3,927
Ebitda	459	223	(137)	(273)
Ebit	406	142	(156)	(303)
Pretax result	81	(123)	(282)	(398)

The first nine months of 2014 confirmed the trend that started in the 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 profitability levels.

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, tracking of people and things;
- **Assisted services in N+SOC and MSSP solutions** to check networks.

## Subsequent events

In October the Group decided to strengthen further in the Middle East and North Africa (the so-called MENA region – Middle East North Africa). Itway MENA was established in Dubai Sharjah, in the

United Arab Emirates along with the local partner Libanica, already a shareholder of Itway S.p.A. with a stake of 8.3%. Through the subsidiary Itwayvad S.r.l. the Group holds a 19% stake in the newly constituted company.

The new company is headed by an Italian-Lebanese engineer, Antoine Karam, who will be both CEO of Itway MENA and director of Business-e Spa (another subsidiary of the Group).

### **Foreseeable evolution of operations**

There are no substantial changes compared with what was forecast in August 2014, when half-year consolidated results to June 30, 2014 were drafted.

Despite some forecasts showed a timid recovery in 2014 in the Euro area, the latest estimates still indicate a substantial stagnation. For Italy and Spain a de facto recession in the target market is expected with a recovery only and possibly starting from 2015. For Turkey the estimates are very different: there we expect our subsidiary to continue to grow at double digit rates and to consolidate its leadership in the sector in the Country.

In Italy the Renzi Government announced a hoped for injection of liquidity in the system by the Public Administration that to date has still not taken place. In the current situation, institutional reforms that are certainly important for the country's government (but that are not enough) do not seem to be a priority for our Country. It is necessary that the Public Administration pays the 60 billion Euro of debt out of a total of 120 billion that it owes companies. Should this occur, it will certainly give a boost to the recovery. However, the Government continues not to invest in IT and innovation as they do in other European Countries. This would be very important as it would bring significant savings to the Current Public Spending in favour of the efficiency of services.

The Itway Group has been for some time now well positioned in value added markets like Security of information systems and Virtualization (VAD SBU, VAR SBU) and the new and emerging *Cloud Computing* (VAS SBU) and aims at continuing to operate in these sectors with a role of primary player in Southern Europe. Some markets like *Cloud Computing* are growing and the Group will act as a start-up player and as a concentrating element of initiatives underway through the growing VAS (Value Added Services) SBU.

In these markets we will work especially on increasing our market share also thanks to the introduction of new products and on recovering profitability. Along with these measures we will work on significantly containing net working capital.

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

In the period ended September 30, 2014 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 relationship between Itway Group and the related parties was essentially comprised of ordinary commercial relationships, regulated at market conditions, and other transactions with an overall value that in any case is 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 its Italian subsidiaries exercised the option for the so-called domestic tax consolidation scheme.

### **Research and Development activities**

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

### **Own shares**

The parent company at September 30, 2014 owned No. 650,020 own shares (equal to 8.22% of share capital) for a nominal value of 325,010 Euro and a cost of purchase of some 442 thousand Euro; During the period 274,226 own shares were purchased (equal to 3.47% of share capital) for a nominal value of 137,113 Euro, as authorized by the Shareholders meeting of Itway S.p.A.

Ravenna, November 14, 2014

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 14, 2014

The Mandated Manager  
Sonia Passatempi