Consolidated Financial Statements
for the year ended December 31, 2019

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Index:

Directors' report on operations for the fiscal year ended December 31, 2019

Social Bodies

Board of Directors

(Until the approval of the December31, 2019 Financial Statements)

Name and last name	*Position*
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 the approval of the December31, 2019 Financial Statements)

Name and Last name	*Position*
Daniele Chiari	President
Silvia Caporali	Member
Rita Santolini	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 company

Analisi S.p.A.

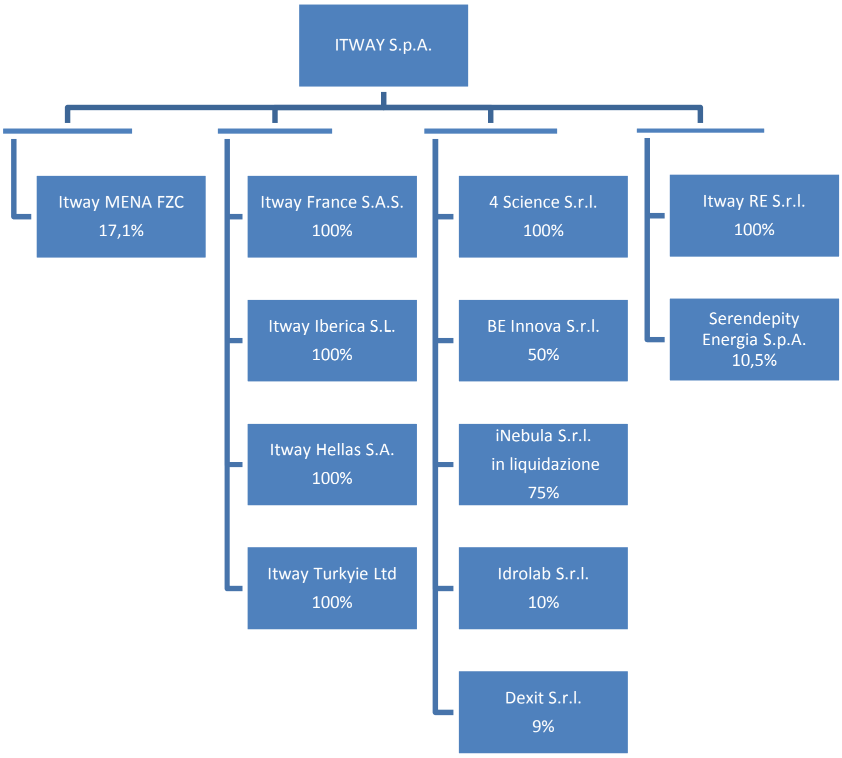
The General Meeting gave the mandate for the auditing on July 2, 2018 for a period of nine years until the approval of the financial statements for the year ending December 31, 2026 and, pursuant to the regulations in force, it cannot be renewed.

Report on the ownership and on corporate governance

In accordance to current laws, please note the Report on Ownership and Corporate Governance, approved by the Board of Directors of Itway S.p.A (hereinafter the "Company" or "Parent Company") is available for the public at the administrative headquarters in Ravenna, via Braille 15, and can be consulted on the Internet site www.itway.com in the Investor Relation section.

Activities and structure of the Group

Following is the structure of the Itway Group at December 31, 2019:



The Company has its legal headquarters in Milan in Viale Achille Papa, 30 and the administrative headquarters in Ravenna in Via L. Braille, 15.

Structure of the Management Report

The current management Report is drafted along with the financial statements and the consolidated financial statements of Itway S.p.A. Please note that the company took advantage of the broader 180 day deadline foreseen by the March 17, 2020 Decree with measures to enhance the national healthcare service and grant economic support for families, workers and companies in relation with the emergency from the Covid-19 pandemic.

Performance of the Group and the reference market

The accounting principles, the evaluation principles and the consolidation principles referred to in preparing the Financial Statements for the fiscal year ended December 31, 2019 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 possibly requiring revisions that today cannot be either estimated or forecasted.

On April 7, 2020, Itway took back full ownership of its Itway Hellas SA and Itway Turkiye Ltd subsidiaries, both operational as Value Added Distributors (VAD), following the serious and persistent breach by Cyber 1 AB (formerly Cognosec), listed on the Nasdaq First North (COGS OTC-Nasdaq Intl Designation: CYBNY), of the agreements signed to buy 100% of the shares of the Greek and Turkish subsidiaries.

The two subsidiaries, the shares of which, as part of the deal with Cyber 1, had been sold on May 28, 2019 to Credence Security Europe S.r.l. (95% owned by Cyber 1 and 5% by Itway), continued to be managed by Itway awaiting the implementation of the agreement that foresaw the right by Itway to buy the entire ownership of Credence Security Europe in case of breach of the payment obligations by Cyber 1 in favour of Itway.

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.

The existing agreements regarding the sale of the two subsidiaries therefore lapsed as Cyber 1 breached payment commitments of over Euro 12 million. Itway received the total amount of

Euro 2.6 million, in part during the 2018 fiscal year and in part in subsequent years, and will keep it as foreseen by contractual agreements for the violation of the obligations from Cyber 1.

Please note that Itway Hellas and Itway Turkiye were fully integrated in the Financial Statement as of December 31, 2019 since, pursuant to IFRS 10, as there were the prerequisites to define the control over them.

In 2019 the Group continued the repositioning that, following the sale of Business-e at the end of 2017, interrupted its activities in the security market that was in any case presided over through its 50%-owned BE Innova affiliate, which increased its market presence.

Digital Transformation brings to a new vision of corporate organization. The presence of digital products in high growth segments will mark the difference between successful and non-successful companies. Itway has developed, through significant investments in previous year, the culture of the product and the positioning of Itway evolves towards the Digital product-oriented model through the constitution of three business units:

- Cybersecurity
- Data Science
- Safety

Business unit areas:

- **Itway S.p.A**. returns to being an operational holding and deals with consultancy, planning and system integration 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. The IoT and Safety sectors are covered and approached with the iNebula brand of which Itway purchased, in the liquidation process underway, part of the products under development and the brand name.
- **4Science S.r.l.** offers services and solutions for Big Science and Data Management for the scientific research, cultural heritage and Big Data markets.
- **Be Innova S.r.l.** carries out Managed Security Services (MSS) with cyber security and network monitoring services through its NOC-SOC located in Trento. To date there are approximately 50,000 protected digital devices. The main client of Be Innova is the Province of Trento for which it handles 24/365 days/year Cybersecurity. Also worthy of mention is the strong partnership established with **IBM**, for which in March 2019 it became a Service Center for Information Security
- **Be Innova** also has in the commissioning phase with some Veneto region healthcare boards a product called Smartys, or the commercial name of the so-called ADAPT project co-financed with the Ministry of Education (MIUR). The product regards the management of bed space in hospitals, nursing and assisted homes and most importantly home care through the help of wearable IoT sensors and the integration recently developed with the **Bruno Kesler Foundation** of Trento of a **Covid-19 App**.

In the future, part of the activities will be allocated to services for the individual citizens, users of the services. The project was developed with a Security by design logic and using the experience in IoT that iNebula acquired.

General context and performance of the ICT Market: The forecasts for 2019 of the Italian digital market seem to be confirmed with an overall growth of 2.5% and with those segments tied to digital innovation, defined as Digital Enablers that continue with their double-digit rate increases [Assinform projections for 2019]: Cybersecurity (+12.2%), Cloud Computing (+23.6%), IoT (+19.2%), Big Data (+18.1%).

Market positioning: The Itway Group during the fiscal year continued to invest in Cybersecurity, IoT, Artificial Intelligence and Big Data, all of which are connected and correlated. Furthermore, the repositioning on new product 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: The industrial policy of the Group continued to focus on higher value added business lines represented by the new Business Unit described above.

Following is the consolidated condensed income statement at December 31, 2019 compared with that of the same period a year earlier:

(Thousands di Euro)	December 31, 2019 Itway Group	December 31, 2018 Itway Group
Turnover		
Sales revenue	31,219	28,941
Other operating revenue	4,125	4,115
Total revenue	**35,344**	**33,056**
Operating costs		
Cost of products	26,925	24,811
Cost of personnel	2,260	2,360
Other costs and operating charges	2,801	4,257
Total operating costs	**31,986**	**31,428**
EBITDA*	**3,358**	**1,628**
Amortization and writedowns	639	416
EBIT*	**2,719**	**1,212**
Net financial charges	(287)	(291)
Result before taxes	**2,432**	**921**
Income taxes	(395)	(567)
Net result	**2,037**	**354**

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

In the 2019 fiscal year Group revenue rose in volume terms by approximately 7% while Ebitda totalled Euro 3,358 thousand, more than double the Euro 1,628 thousand in 2018. The net result after taxes is of Euro 2,037 thousand, improving from the Euro 354 thousand in 2018. The results of the period were influenced by one-off proceeds deriving from the write off of financial and trade payables for over Euro 2.4 million and from the receipt of the down payment from Cyber 1 (the amount received in the fiscal year was of Euro 375 thousand). Non-recurring costs, linked to the restructuring underway related to the remodulation of financial debt and the management of extraordinary transaction, totalled Euro 460 thousand compared with almost Euro 600 thousand in 2018.

As previously described in light of the interesting double digit growth trend foreseen for emerging sectors of IoT, AI and Big Data, and the deep knowledge and reputation in Cybersecurity developed over almost 25 years, 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. Furthermore there were continued investments in the ICOY™ (I Care Of You) product that will position Itway as a leading company in the EHS sector.

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	**31/12/2019**	**31/12/2018**
Total Revenue	30,288	27,219
EBITDA*	1,551	1,352
EBIT*	1,449	1,299
Result before taxes	1,472	1,501
Result for the period	1,124	1,031

**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 once again confirmed the development prospects of the Country and ended the fiscal period with a net profit of over Euro 800 and with higher revenue volumes compared with the previous fiscal year. The results of the period are however influenced by the

performance of the Turkish Lira that lost approximately 10% of it value towards the Euro compared with 2018. Therefore, in local currencies, the results would show an almost 25% increase in sales.

The Greek subsidiary ended the fiscal year with revenue volumes and profitability up 8% compared with the previous fiscal year and an net result of almost Euro 300 thousand compared with Euro 170 thousand in the previous year. These results position the Group as the leading VAD in the security market in Greece.

As already announced, on April 7, 2020, Itway took back full control of the Itway Hellas SA and Itway Turkiye Ltd subsidiaries, both operating as Value Added Distributors (VAD), following a serious and persistent breach by Cyber 1 of agreements signed to buy the above 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.

Sector activity: ***Activities of the Parent Company and other business units***

Following the sale of the Italian distribution activities to Esprinet S.p.A, Itway assumed the role of 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, following the sale of Business-e, since mid-2018, Itway S.p.A. has become an operational holding company with production and system integration activities

- **Itway S.p.A.** returns to being an operational holding, dealing with consultancy, planning and system integration 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. The IoT and Safety sectors are covered and approached with the iNebula brand, of which Itway purchased, during the liquidation process, part of the products developed and the brand name
- **4Science S.r.l.** offers Data Science and Data Management services and solutions for the scientific and cultural heritage markets as well as Big Data.

Following is the condensed income statement, compared with the previous fiscal year including data from the ASA activities of the Parent Company and other sectors in the start-up phase:

(Thousands of €uro)	**31/12/19**	**31/12/18**
Revenue	5,056	5,837
Ebitda	1,807	276
Ebit	1,270	(87)
Result before taxes	960	(580)
Result for the period	914	(678)

Following is a brief comment on the performance of 4Science:

4Science S.r.l. in 2019 ended its third fiscal year; the company is now known as a reference player in the emerging market of Data Science, Data Management and Big Data (Data Curation) as well as Digital Repository and Preservation of the digital assets related to scientific research and Cultural and artistic assets, or the so-called Digital Libraries. 4Science developed two Open Source platforms, DSpace-CRIS and DSpace-GLAM in addition to five Add-On products, as in all software products they are in constant evolution and update.

- DSpace-CRIS (based on DSpace): information management aimed in particular at the research sector: acquisition, normalization, metadatation, classification, conservation, dissemination;
- DSpace-GLAM (based on DSpace): management of digital objects related to the world of cultural assets and cultural heritage: acquisition, normalization, metadatation, classification, conservation and dissemination;
- Image Viewer (add-on developed by 4Science based on IIPImage): image visualization: segmentation, zooming, resizing, rotation;
- CKAN (4Science integration): Interpretation and visualization of tabular data of research: grid, graph, map;
- Document viewer, OCR, Video and Audio streaming (add-ons developed by 4Science): text and multimedia content viewer, recognition and research of texts in multi-language mode.

The results of the period for the 4Science subsidiary, slightly less than budget, were in the black with an Ebitda of over Euro 540 thousand, representing 36% of revenues.

4Science posted a significant increase in the order portfolio compared with the 2018 fiscal year. 2019 for 4Science represented a strong consolidation on the international market with the acquisition of important and prestigious clients in the scientific and academic sectors. In this context, at the beginning of 2020 the Company won an important tender worth Euro 860 thousand with the Peruvian national consortium for research and science, Concytec, The Italian cultural and scientific assets sector, where 4Science boasts top-level references, still does not shine due to the lack of economic resources for national cultural bodies.

iNebula S.r.l. was liquidated in October 2018 and the process during 2019 led to a settlement agreement with the main creditors while all the assets related to iNebula Connect (IoT market and work safety solutions – safety ICOY) in addition to the brand name and the iNebula portal were sold to Itway for a value of Euro 1,198 thousand at the end of 2018. During the first months of 2019 other assets were sold including iNebula Vidio and other software assets for a total of Euro 50 thousand. There was also a writedown of Euro 53 thousand for iNebula assets.

Personnel

The average number of employees of the Group during the 2019 fiscal year was of 43 units while the punctual number at the end of the fiscal period was of 44 units.
Following is the breakdown by professional category compared with the same year earlier period:

	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
	Avg	*Avg*	*Punctual*	*Punctual*
Managers	2	3	2	3
Mid-managers	6	7	6	5
Employees	35	35	36	36
Total	**43**	**45**	**44**	**44**

Net financial position

Following is the detail of the net financial position:

Thousands of Euro	31/12/2019	31/12/2018
Cash on hand	608	951
Financial receivables	2,498	2,526
Current financial assets	1,210	1,268
Current financial liabilities	(7,985)	(9,247)
Current net financial position	**(3,669)**	**(4,502)**
Non-current financial assets	2,098	2,098
Non-current financial receivables	(1,785)	(1,862)
Non-current net financial position	**313**	**236**
Total net financial position	**(3,356)**	**(4,266)**

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 net financial position of the Group as of December 31, 2019 improved by over Euro 900 thousand compared with December 31, 2018 mainly due to the liquidation of some debt positions

Three banking institutions sold their respective receivables to related company Fartech S.r.l. which in turn settled with Itway for their definitive closing while the main financial institutions sold their positions to Mercatoria S.p.A. (a company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV S.r.l. (a company registered in the Bank of Italy's vehicle corporation register pursuant to the Bank of Italy's regulation dated October 1, 2014) that has financial receivables for approx. Euro 3.3 million towards Itway S.p.A. To date negotiations are still under way with some minor institutions while talks are underway with Mercatoria and Socrate to define the balance and liquidation of the acquired positions.

Current liabilities at the moment include two Iccrea medium-term loans, for a total of Euro 595 thousand, for which the covenants were breached and that are therefore currently classified as short term, even though the parameters are currently being redefined in order to maintain the original status of medium-term.

Net financial position of the Parent Company

Thousands of Euro	31/12/2019	31/12/2018
Cash on hand	21	468
Financial receivables	2,498	2,525
Current financial receivables	(7,161)	(7,835)
Current net financial position	**(4,642)**	**(4,842)**
Non-current financial position	2,098	2,098
Non-current financial liabilities	(1,830)	(1,862)
Non current net financial position	**268**	**236**
Total net financial position	**(4,374)**	**(4,606)**

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 net financial position of the Parent Company as at December 31, 2019 improved by some Euro 200 thousand compared with December 31, 2018. Current financial liabilities for the time being include a medium-term Iccrea financing for Euro 119 thousand, for which the terms of the covenants were not observed and is therefore classified as short term. Furthermore, non-current liabilities include Euro 97 thousand pursuant to the application of IFRS 16 “Leasing”, which became mandatory from January 1, 2019.

Reconciliation between Parent Company and Consolidated data

Following is the reconciliation sheet of the consolidated net equity and consolidated results with those of the parent company:

	2019			2018		
	Recurrent assets	Non-recurrent assets	Total	Recurrent assets	Non-recurrent assets	Total
Net result of the Parent Company	**2,036**		**2,036**	**172**	**-**	**172**
Results of subsidiaries	1,439		1,439	1,083	-	1,083
Adjustment to values already included in the consolidated financial statements	(1,439)		(1,439)	(901)	-	(901)
Consolidated net result	**2,036**		**2,036**	**354**	**-**	**354**

	2019			2018		
	Recurrent assets	Non-recurrent assets	Total	Recurrent assets	Non-recurrent assets	Total
Net equity of the Parent Company	**7,831**	**-**	**7,831**	**6,060**	**-**	**6,060**
Results achieved by subsidiaries	-	-	-	-	-	-
Other consolidated entries	(176)	-	(176)	(175)	-	(175)
Consolidated net equity	**8,007**	**-**	**8,007**	**6,235**	**-**	**6.235**

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 analyse the financial risk management we refer to the half-year consolidated Financial Statements Explanatory Notes.

Going concern assessment

The consolidated Financial Statements of the Group as of December 31, 2019 show a positive result of Euro 2,036 thousand while the Parent Company ended the period with a net profit of approx. Euro 600 thousand (net of the results of subsidiaries booked pursuant to IAS 27). From a financial point of view, as already described in previous fiscal years, the sale of the 20-year old distribution business by the Parent Company in 2016, due to delays with which it materialized, led the company in the month of December 2016 to a position of financial stress that while in the process of unwinding is still underway to the date of the writing of the current financial statements.

As of December 31, 2019, the Itway Group had a current net financial indebtedness of approximately Euro 7.98 million, of which Euro 7.0 million already expired at the date of writing of the balance sheet, an indebtedness towards tax authorities and social security institutions of Euro 426 thousand (which will be paid with the terms foreseen by regulations in force) and an expired indebtedness towards suppliers of approx. Euro 4.7 million (of which approx. Euro 0.7 million for amounts being contested, also through legal means and Euro 1.4 million of suppliers no longer present on the market but that for prudential reasons are still booked in the balance sheet).

To face this tension, after the interruption of collegiate talks with the banking world, negotiations continued on a bilateral basis with each institution. The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy's vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014) which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some banks. The Company reasonably believes it can conclude the talks with agreements on how to repay the debt.

In this context the Company deemed necessary to take back full ownership of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries due to their excellent profitability. This took pace following a serious and persistent breach by Cyber 1 of the agreements for the sale of the Greek and Turkish subsidiaries.

On the basis of this the Board of Directors approved the industrial plan for the 2020-2023 period. This plan foresees that the Group continues to specialize in the security sector but that it repositions based on investments that will be made by Itway S.p.A. that will be covered by the proceeds and financial flows from the Greek and Turkish subsidiaries as well as a greater focus on the Be Innova S.r.l. and 4Science S.r.l. subsidiaries. As soon as the general situation will allow it, there will be a continuation of the development of transactions abroad also in Africa and the Middle East where the Group is present through its share in Itway Mena FZC.

The plan therefore foresees a continuation of activities as previously configured and from a financial point of view it is based on two fundamental assumptions:

- The receipt of proceeds and cash flows deriving from the Itway Hellas SA, Itway Turkyie Ltd and BE Innova subsidiaries;
- The successful negotiation, as reported above, with the subjects that own the payables purchased from financial institutions so as to allow to remodulate debt maturities according to the forecasts of the plan and to pay expired debt towards suppliers.

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, in particular with regards to the continuing of the debt restructuring process but also supported by the positive results achieved in the past two years, drafted the balance sheet on a going concern basis.

Subsequent events

As reported in the previous paragraph “Going Concern Assessment”, please note that today Itway S.p.A. updated its industrial plan and the financial plan of Itway S.p.A. for all 2021 while from January to April 2020 it took back of the Itway Hellas and Itway Turkiye subsidiaries following the serious and persistent breach by Cyber 1 of the agreements signed to buy the shares of the Turkish and Greek subsidiaries.

Foreseeable evolution of operations

Following the sale of Business-e S.p.A., which took place in the 2017 fiscal year, the Group does not exit the security market, as seen in the 2020-2023 Industrial Plan: there is a repositioning underway that will see the full realization of investments that will be carried out by Itway S.p.A.as foreseen by the industrial plan.

Today the Board of Directors updated its industrial and the financial plan of Itway S.p.A. for all 2021.

As already stated, 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 possible impact on business performance deriving from the **Covid-19 pandemic**, it is difficult to assess whether there will be a relevant impact. 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 by 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 2020, 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 place 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.

The company, which returned to being an operational holding, will deal with consultancy, planning and system integration 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.

The IoT and Safety sectors are covered and approached with the iNebula brand, of which Itway purchased, during the liquidation process, part of the products developed and the brand name, as already commented and detailed previously.

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 +33% and in Turkey by +7%. 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.

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

In the period ended December 31, 2019 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 while the transactions related to the taking back of control of the Greek and Turkish subsidiary as well as liquidation of some debt positions were broadly described.

Relationship with related parties

In the 2019 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 €uro	**Receivables**	**Payables**	**Costs**	**Revenue**
Itway S.p.A. vs Giovanni Andrea Farina & Co. S.r.l.	331	-	198	2
Itway S.p.A. vs Be Innova S.r.l.	4,608	-	-	149
Itway S.p.A. vs Fartech S.r.l.	34	1,113	10	-
TOTAL	**4,973**	**1,113**	**208**	**151**

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

Research and Development activities

During the period a total of Euro 763 thousand (compared with Euro 319 thousand in the previous fiscal year) was invested in the development of new products and services in particular in the business units described above, which were capitalized in intangible assets.

Own shares

The Parent Company as of December 31, 2019 owned No. 853,043 own shares (equal to 10.79% of share capital) for a total nominal value of Euro 426,522 and an overall purchase cost of the shares held in the portfolio equal to Euro 1,346 thousand (equal to the amount reflected in the Own Share reserve deducted from net equity of the fiscal period and at a consolidated level).

Stakes held by the directors as per art. 79 and 126 reg. CONSOB 24/02/98

The following table sums up the information requested by the Consob regulation regarding the stakes in the parent company held by Directors, Auditors, Managing directors their spouses, minors, both directly or through controlling companies, trusts or delegated third parties. Please note that the data, are normally updated with communication carried out between the Shareholders and the Company

(*) Spouse of Farina G. Andrea

	Numero azioni			
Cognome e nome	**possedute al 31/12/2018**	**acquistate**	**vendute**	**possedute al 31/12/2019**
G.A. Farina & Co. S.r.l.	2.573.787	0	0	2.573.787
Gavioli Anna Rita (*)	179.412	0	0	179.412
Valenti Cesare	1.012.284	0	0	1.012.284
Totale	**3.765.483**	**0**	**0**	**3.765.483**

The only shareholder that exceeds 10% of share capital is the company G. Andrea Farina & Co. S.r.l. and Cesare Valenti (Director of the Parent Company).

Proposed allocation of the result of the fiscal period

In terms of the allocation of the result reported in the financial statements of the company, it has been proposed to allocate the Euro 2,036 thousand profit of the 2019 fiscal year to reserve.

Ravenna, April 15, 2020

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

ITWAY GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

CONSOLIDATED INCOME STATEMEMT

Thousand of Euro	*Notes*	*Fiscal year as of* 31 Dec 2019 Net amount Itway Group	31 Dec 2018 Net amount Itway Group
Revenues from sales	1	31,219	28,941
Other operating revenues	2	4,125	4,115
Products	3	(26,925)	(24,811)
Costs of services	4	(2,269)	(2,656)
Costs of personnel	5	(2,260)	(2,360)
Other operating expenses	6	(532)	(1,600)
EBITDA		**3,358**	**1,629**
Depreciations and amortisations	7	(639)	(416)
EBIT		**2,719**	**1,213**
Financial proceeds	8	22	94
Financial charges	8	(309)	(385)
Profit before taxes		**2,432**	**922**
Taxes	9	(395)	(567)
Result for the period		**2,037**	**355**
Attributable to:			
Sharedholders of parent company		2,041	520
Minorities		(4)	(165)
Result per share			
From operations:			
Basic	10	0.29	0.05
Diluted	10	0.29	0.05

* With regard to relations with related parties, please refer to Note 31

** The definition of EBITDA and EBIT is provided in the following paragraph "Presentation of the financial statements".

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

Thousand of Euro	*Fiscal year as of*	
	31 Dec 2018	***31 Dec 2017***
	Net amount Itway Group	***Net amount Itway Group***
Net result	2,037	355
Components that can be reclassified to the income statement:		
Profit/(Losses) from the conversion of the balance sheet of foreign subsidiaries	(265)	(778)
Components that cannot be reclassified to the income statement:		
Actuarial gain (losses) on defined-benefit plans	-	22
Comprehensive result	**1,772**	**(401)**
Attributable to:		
Sharedholders of parent company	1,776	(236)
Minorities	(4)	(165)

CONSOLIDATED FINANCIAL STATEMENT

Thousand of Euro		Notes	Fiscal year as of 31 Dec 19	31 Dec 18
ASSETS				
Net current assets				
Property, plans and machinery		11	991	3,719
Goodwill		12	1,852	1,853
Other intangible assets		13	2,319	1,894
Rights of use		14	2,801	-
Investments		15	1,765	3,141
Deferred tax assets		16	791	931
Non-current financial assets		33	2,098	2,098
Other non current assets		17	34	34
	Total		**12,651**	**13,670**
Current assets				
Inventories		18	653	464
Account receivables - Trade		19	19,203	17,834
Other current assets		20	1,051	1,812
Cash on hand		21	608	951
Other financial credits		33	2,498	2,526
Current financial assets		33	1,210	1,268
	Total		**25,223**	**24,855**
Total assets			**37,874**	**38,525**
NET EQUITY AND LIABILITIES				
Share capital and other reserves				
Share capital and reserves			6,323	6,067
Net result of the period			2,041	520
Total Net Equity		22	**8,364**	**6,587**
Share capital and reserves of minorities			(357)	(352)
Total Group Net Equity			**8,007**	**6,235**
Non current liabilities				
Severance indemnity		23	406	321
Provision for risks and charges		24	-	14
Deferred tax liabilities		16	516	785
Non current financial liabilities		25	1,785	1,862
	Total		**2,707**	**2,982**
Current liabilities				
Financial current liabilitites		26	7,985	9,247
Account payable – Trade		27	14,158	14,500
Tax payable		28	2,447	2,040
Other current liabilities		29	2,570	3,521
	Total		**27,160**	**29,308**
Total liabilities			**29,867**	**32,290**
Total Net Equity and Liabilities			**37,874**	**38,525**

* With regard to relations with related parties, please refer to Note 31

Consolidated statement of charges in equity

Thousand of Euro	Share capital	Own share reserve	Share premium reserve	Legal reserve	Voluntary reserve	Other reserve	Translation reserve	Result for the period	Net equity of Group	Minority interests	Total Net Equity
					Cumulated profit (loss)						
Balance at January 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	-	40	-	-	-	-	-	-	40	-	40
Total operations with shareholders	**-**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**40**	**-**	**40**
Allocation of the result for the year	-	-	-	-	-	(1,627)	-	1,627	-	-	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**520**	**520**	**(165)**	**355**
Other operations	-	-	-	-	-	-	-	-	-	-	-
Other components of comprehensive results at 31 Dec 2018:											
Gain/(Losses) on defined benefit plans	-	-	-	-	-	22	-	-	22	-	22
Overall result	-	-	-	-	-	-	(778)	-	(778)	-	(778)
Comprehensive result	**-**	**-**	**-**	**-**	**-**	**22**	**(778)**	**520**	**(236)**	**(165)**	**(401)**
Balance at December 31, 2018	**3,953**	**(1,346)**	**17,584**	**485**	**4,792**	**(16,691)**	**(2,710)**	**520**	**6,587**	**(352)**	**6,235**

Thousand of Euro	Share capital	Own share reserve	Share premium reserve	Legal reserve	Voluntary reserve	Other reserve	Translation reserve	Result for the period	Net equity of Group	Minority interests	Total Net Equity
					Cumulated profit (loss)						
Balance at January 1, 2019	**3,953**	**(1,346)**	**17,584**	**485**	**4,792**	**(16,691)**	**(2,710)**	**520**	**6,587**	**(352)**	**6,235**
Variation in own shares	-	-	-	-	-	-	-	-	-	-	-
Total operations with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Allocation of the result for the year	-	-	-	-	-	520	-	(520)	-	-	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,041**	**2,041**	**(4)**	**2,037**
Other operations	-	-	-	-	-	-	-	-	-	-	-
Other components of comprehensive results at 31 Dec 2019:											
Gain/(Losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Overall result	-	-	-	-	-	-	(265)	-	(265)	-	(265)
Comprehensive result	**-**	**-**	**-**	**-**	**-**	**-**	**(265)**	**2,041**	**1,776**	**(4)**	**1,772**
Balance at December 31, 2019	**3,953**	**(1,346)**	**17,584**	**485**	**4,792**	**(16,171)**	**(2,975)**	**2,041**	**8,363**	**(356)**	**8,007**

CONSOLIDATED STATEMENT OF CHARGES IN FINANCIAL POSITION

Thousand of Euro	**Fiscal year as of** **31 Dec 19**	**31 Dec 18**
Results for the period "Net ampunt Itway Group"	2,037	355
Adjustments of items not affecting liquiduty:		
Depeciations of tangible assets	168	210
Depeciations of intangible assets	326	206
Depreciations of intangible assets	99	-
Allowances for doubtful accounts	7	265
Provisions for severance indemnity, net of payments to social security bodies	60	69
Variation in non current assets/liabilitites	(141)	(35)
Cash flow from operating activities, gross of the variation in working capital	**2,558**	**1,070**
Payments of secerance indemnity	25	(114)
Variation in trade receivable and other current assets	(529)	725
Variation in inventories	(189)	607
Variation in trade payables and other current liabilities	(888)	1,009
Cash flow from operations generated/(absorbed)by changes in NWC	**(1,581)**	**2,227**
Cash flow from operations (A)	**977**	**3,297**
Additions in tangible assets (net of assets sold)	2,559	(21)
Rights of use	(2,900)	-
Variation in trade receivable and other current assets	(77)	(37)
Variation in trade payables and other current liabilities	625	(1,571)
Cash flow from investing activities (B)	**207**	**(1,629)**
Variation of onw shares	-	40
Cash flow from financial activities (C)	**-**	**40**
Net impact of the variation in translation of non euro exchange rates of cash on hand	(265)	(778)
Cash flow from asset sold (D)	-	-
Increase/(Decrease)cash available and cash equivalents (A+B+C+D)	**919**	**930**
Short term Net Financial Position at the beginning of the period	(8,297)	(9,227)
Short term Net Financial Position at the end of the period	(7,377)	(8,297)

The financial charges paid in the year amount to Euro 106 thousand (Euro 487 thousand in the previous year).

EXPLANATORY NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Itway S.p.A. (the "Company" or the "Parent Company") is a public limited company constituted in Italy. The Company moved its legal headquarter to Milan, in Viale Achille Papa, and its administrative headquarters in Ravenna in Via L. Braille 15.

Going concern assessment

The consolidated Financial Statements of the Itway Group as of December 31, 2019 show a positive result of Euro 2,037 thousand while the Parent Company ended the period with a net profit of approx. Euro 600 thousand (net of the results of subsidiaries booked pursuant to IAS 27). The consolidated net economic result includes non-recurring proceeds totalling euro 2,520 thousand related to the definition of debt positions that emerged in past years and other non-recurring proceeds. From a financial point of view, as already described in previous fiscal years, the sale of the 20-year old distribution business by the Parent Company in 2016, due to delays with which it materialized, led the company in the month of December 2016 to a position of financial stress that while in the process of unwinding is still underway to the date of the writing of the current financial statements.

As of December 31, 2019, the Itway Group had a current net financial indebtedness of approximately Euro 7.98 million, of which Euro 7.0 million already expired at the date of writing of the balance sheet, an indebtedness towards tax authorities and social security institutions of Euro 426 thousand (which will be paid with the terms foreseen by regulations in force) and an expired indebtedness towards suppliers of approx. Euro 4.7 million (of which approx. Euro 0.7 million for amounts being contested, also through legal means and Euro 1.4 million of suppliers no longer present on the market but that for prudential reasons are still booked in the balance sheet).

To face this tension, after the interruption of collegiate talks with the banking world, negotiations continued on a bilateral basis with each institution. The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy's vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some banks. The Company reasonably believes it can conclude the talks with agreements on how to repay the debt.

In this context the Company deemed necessary to take back full ownership of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries due to their excellent profitability. This took pace following a serious and persistent breach by Cyber 1 of the agreements for the sale of the Greek and Turkish subsidiaries.

On the basis of this the Board of Directors approved the industrial plan for the 2020-2023 period. This plan foresees that the Group continues to specialize in the security sector but that it repositions based on investments that will be made by Itway S.p.A. that will be covered by the proceeds and financial flows from the Greek and Turkish subsidiaries as well as a greater focus on the Be Innova S.r.l. and 4Science S.r.l. subsidiaries. As soon as the general situation will allow it, there will be a continuation of the development of transactions abroad also in Africa and the Middle East where the Group is present through its share in Itway Mena FZC.

The plan therefore foresees a continuation of activities as previously configured and from a financial point of view it is based on two fundamental assumptions:

- The receipt of proceeds and cash flows deriving from the Itway Hellas SA, Itway Turkyie Ltd and BE Innova subsidiaries;
- The successful negotiation, as reported above, with the subjects that own the payables purchased from financial institutions so as to allow to remodulate debt maturities according to the forecasts of the plan and to pay expired debt towards suppliers.

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, in particular with regards to the continuing of the debt restructuring process but also supported by the positive results achieved in the past two years, drafted the balance sheet on a going concern basis**.**

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 an 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 and, as those adopted in the drafting of the consolidated Financial Statements as of December 31, 2018, except the new accounting principles that entered into force in the current fiscal year, as better described hereinafter. These principles require estimates that, in the context of the current economic uncertainty, have for 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.

Presentation of the Financial Statements

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 financial statement, current and non-current assets are reported separately. The consolidated financial statement as at December 31, 2019 was compared with the balances of the previous fiscal year, which ended on December 31, 2018;
- In the income statement, the representation of the costs is carried out on the basis of their own nature. The income statement on December 31, 2019 was compared with that of the previous fiscal year;
- 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. It is defined as the Profit/Loss net of depreciation of material and immaterial assets and before 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 criteria

The Financial Statements include the Financial Statements of the parent company and of the companies that it controls as of December 31, 2019, 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 indicated later.

The accounting data of the subsidiaries purchased by the Group are booked with the acquisition 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 at the date of their purchase;
- 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 detailed subsequently, is periodically, at least once every fiscal year, reviewed to check if it can be recovered through future cash flows generated from the underlying investment.

The higher values of the acquired assets and liabilities, since booked at the fair value on the date of their purchase, compared with values recognized for fiscal purposes, are considered for the purpose of 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 the income statement items the average exchange rate of the period is used. The differences in exchange rate emerging from the conversion are booked to the translation reserve of the consolidated income statement.

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

	December 31, 2019		**December 31, 2018**	
	Avg	Punctual	Avg	Punctual
New Turkish Lira	6.3578	6.6843	5.707	6.058

Consolidation areas

The consolidated Financial Statements of the Itway Group include the results of the parent company Itway S.p.A and the companies it controls.

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

NAME	HEADQUARTERS	SHARE CAPITAL Euro	% 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 S.r.l. in liquidation	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)*

The following associates are valued with the net equity method:

NAME	HEADQUARTERS	SHARE CAPITAL Euro	% direct ownership
BE Innova S.r.l.	Via Cesare Battisti 26, Trento	20,000	50%
BE Infrastrutture S.r.l.	Via Trieste, 76, Ravenna	100,000	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	SHARE CAPITAL Euro	% direct ownership
Serendipity Energia S.p.A.	Piazza Bernini 2 – Ravenna	1,117,758	10,5%
Dexit S.r.l.	Via G. Gilli 2 – Trento	700,000	9%
Idrolab S.r.l.	Via dell'Arrigoni, 220 – Cesena (FC)	52,500	10%
Itway MENA FZC	PO Box 53314, HFZ, Sharjah, United Arab Emirates	35,000*	17.1%

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

Use of estimates

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

The Financial Statements item most subject to estimates is goodwill.

In a bid to verify whether there was a loss of value of the goodwill booked in the balance sheet, the Group adopted the methodology described in the Note on Impairment. The recoverable value was determined based on the calculation of the value in use. The cash flows of the cash generating units to which goodwill can be attributed were inferred from the Business Plan approved by the Board of Directors. A weighted average cost of capital (WACC) of 14.9% was punctually calculated as a discount rate, in line with previous fiscal years and with focus on risk factors and uncertainties related to the current market. Sensitivity analysis on this rate were carried out considering changes in interest rates and other financial parameters and the sustainability of the value of goodwill booked in the balance sheet at more prudential WACC rates was verified with a comparison, as always, with WACC levels used by analysts. The assessment of eventual loss of value of assets (goodwill), the conclusion of which can be seen in Note 12 “Goodwill”, was carried out with reference to December 31, 2019.

Following is the summary of the valuation processes and the estimate/assumptions deemed receptive, should the forecasted events not take place, in full or in part, of 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 seen paragraph “loss of value – impairment”).

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, of 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:

Plants	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 other operating expenses.

Leasing

Starting from January 1, 2019, following the first application of IFRS 16 – ‘Leases”, the Group recognizes for all leasing contracts, except short term ones, therefore within 12 months, and low-value ones, a right of use at the lease commencement date that corresponds to the date in which the underlying asset is available for use. The lease fee related to short-term contracts and low-value ones are booked as cost in the income statement throughout the lease term. The right of use is booked at cost, net of accrued depreciation and loss of value (impairment loss) and adjusted following each re-measurement of the lease liability. The value assigned to the right of use corresponds to the amount of the lease liability and it is amortized on a straight-line basis over the estimated useful life, or the term, of the contract, if lower. The financial lease liability is booked at the start of the contract for a value equal to the present value of the lease fee to be paid during the term of the contract, discounted using the incremental borrowing rate when the interest rate implicit in the leasing contract cannot be readily determined. Variable leasing costs are still booked to the income statement as a cost pertaining to the period. After the commencement date, the amount of liabilities for lease contracts increases to reflect the accrual of interest and decreases to reflect the payments made. Each lease payment is divided between repayment of principal portion of the liability and the financial cost. The financial cost is booked to the income statement for the term of the contract to reflect a constant interest rate on the residual debt of the liability for each period.

The lease term is calculated based on the non-cancellable lease term, as well as the periods covered by an extension option on the agreement if it is reasonably certain that it will be exercised, or any other period covered by an option to terminate the lease contract, if it is reasonably certain that i twill not be exercised. The contracts are included or excluded from the application of the principle on the basis of detailed analysis carried out on the individual agreements and in line with the regulations foreseen by the IFRS principles.

Goodwill

Goodwill 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". Eventual impairment losses are booked to the income statement and cannot be reversed successively.

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

Such goodwill is allocated, when an acquisition takes place, 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 form when they start producing economic benefits for the company.

The costs incurred to develop products are capitalized when the technical feasibility and the technical capability of the Group to complete the intangible asset are proven, when there is the intention to complete it for future use or sale and when there is the capability of using or selling the intangible asset.

Eventual incurred costs for intangible assets are booked to the income statement in the fiscal period when they are incurred, should they not satisfy the above-mentioned criteria.

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 years;
- Other intangible assets: 3 fiscal years.

Impairment

At least once per year, but at the end of each fiscal 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 the recoverable value of a single 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 independent 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

The Group's investments in minority interests or Joint Venture 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 in the consolidated income statement. 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 the purchase cost and presumable market value. Cost is determined, when possible, at the specific purchasing cost or otherwise, using the average weighted cost method. The purchase cost includes the additional charges incurred to bring the stock in the current place or in the current conditions. The net realized value 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

Trade receivables are recognized at the nominal value reduced by an adequate provision to reflect the estimate of the presumed losses on receivables, considering a punctual analysis of the expired positions. When due to the allowed terms of payment there is a financial transaction, the receivables are discounted at the current value, booking the discount on an accrual basis in the income statement. Sale of receivables transaction without recourse for which all risks and benefits are substantially transferred to the factor determines the elimination of the receivables from assets.

Contract works in progress

When the result of a multi-year order can be estimated with reason, the contract work in progress is assessed based on the earned revenue, according to the stage of completion measured trough the so-called cost to cost criteria, 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 to the income statement, through a specific provision.

Cash on hand

Cash on hand includes petty cash, checks and 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. It is recognized at its nominal value.

Own shares

Own shares owned by the Parent Company are stated at cost and reported debiting net equity, including ancillary expenses in buying and selling. The financial effects deriving from possible subsequent sales are recognized as a difference 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 Italian 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. When, owing to the agreed payment terms there is a financial transaction, then debts are booked at their current value, attributing the discount as financial cost on an accrual basis.

Other current liabilities

These refer 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 when 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.

Derecognition of financial assets and liabilities

A financial asset should be derecognized when:

- the entity's contractual rights to the asset's cash flows have expired;

- the asset has been transferred to a third party, namely:
  - Transfers the contractual rights to receive the cash flow of the financial assets (essentially all risks and reward of ownership of the financial asset are transferred or the control of the asset was not kept);
  - Or maintains the contractual rights to receive the cash flows from the financial asset but assumes the contractual obligation to pay the cash flows to one or more beneficiaries in an agreement whereby (i) the entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (ii) the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; (iii) the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

A financial liability is removed from the balance sheet when it is extinguished – that is, when the obligation is discharged, cancelled or has expired.
When an existing financial liability is replaced by a new one by the same lender with contractual terms that are substantially different, there is a derecognition of the original liability and the recognition of a new liability. In the same way a substantial modification of the terms of an existing financial liability or a part of it (whether or not it is attributable to the financial difficulties of the debtor) must be treated as a derecognition of the original liability and the recognition of a new one.

Revenue recognition

Sale of goods and services – pursuant to IFRS 15. This principle came into force for the fiscal years beginning from January 1, 2018 or subsequently and replaces the principles of IAS 18 – Revenue and IAS 11 – Work in Progress as well as the interpretations of IFRIC 13 (Customer Loyalty Programs), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfer of Assets from Customers) and SIC 31 (Revenue - barter transactions involving advertising services). IFRS 15 establishes a new model of revenue recognition that is applied to all contracts with customers except those regulated by the application of the IAS/IFRS principles including leasing, insurance contracts and financial instruments. The new model to recognize revenue foresees the following five steps:
1. Identify the contract with a customer.
2. Identify all the individual performance obligations within the contract.
3. Determine the transaction price.
4. Allocate the price to the performance obligations;
5. Recognize revenue as the performance obligations are fulfilled.

The principle was applied retroactively but no adjustments on the opening balances emerged considering that the contracts signed with clients are independent from one another and do not include multiple performance obligation nor do they include variable considerations. In terms of costs to obtain the contract, the analysis carried out highlighted that costs do not fall within the scope of "incremental cost" and therefore are not recognized as assets. The "practical expedient" in paragraph 63 of IFRS 15 was used. It allows to not adjust the promised consideration for the effects of a significant financing component since, considering sector practices for consolidated relationships with clients, the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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 its 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 consolidating companies and the subsidiaries are defined in the "regulation of the consolidation for the companies of the Itway Group".
Current income taxes are calculated based on the best estimate of the taxable income, in relation to current fiscal 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 possible 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 planning Budget and Business Plans used for the impairment tests it has been considered future taxable income

Deferred tax assets and liabilities are calculated based on the tax rates that are forecast to be used in the fiscal year in which such assets will be realized or liabilities extinguished, taking into account existing tax rates in force at the date of the Financial Statements.

Foreign currency transactions

The functional currency of the Itway Group is the 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 date 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 basic earnings per share are 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 issued accounting principles

The criteria used to draft the consolidated Financial Statements for the 2019 fiscal year are not different from those used for the Financial Statements at December 31, 2018, except for the accounting principles, amendments and interpretations applicable from January 1, 2019, which did not have significant impact on the Group's Financial Statements. These include:

IFRS 16 – 'Leases'

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes the principles to book, measure, present and disclose leasing contracts and requires lessees to recognize all leasing contracts along the lines of a single accounting model similar to the booking of financial leasing that was governed by IAS 17. Prior to January 1, 2019 the Group, pursuant to IAS 17, classified each agreement to use third party assets as financial leasing if it transferred all risks and rewards deriving from ownership of the leased asset or otherwise the agreement was classified as operational. Financial leasing was represented as investments at the start of the contract, for a value equal to the fair value of the leased asset or, if lower, equal to the minimum payments of the contract. For operational leasing, the leased asset was not capitalized as an investment and lease fees were booked in the income statement on a straight-line basis over the contract term. At the first application of the principle, the Group decided to adopt the modified retrospective approach. Therefore, the comparable data for the period were not restated and some simplifications and practical expedients were applied, as allowed by the principle at hand. The adoption of IFRS 16 did not have any impact on the initial net equity at January 1, 2019.

Following is a summary of the basic assumptions and the hypothesis used by the Group upon first application:

- Analysis of all agreements related to the use of third party assets that could potentially have an impact in light of the new provisions of the accounting principle;
- IFRS 16 was not applied to intangible assets, to contract expiring within 12 months from the initial application and to low-value contracts;

- The eventual component related to services rendered included in leasing fees is generally excluded from IFRS 16;
- The right of use is classified as a specific item of the balance sheet. Payables for rights of use are classified within financial liabilities in the balance sheet.
- Leasing contracts previously assessed as financial leasing pursuant to IAS 17 maintain their previously booked values with the exception of how they are classified in the financial statements, meaning that they are booked in the Right of Use category;
- For the leasing contracts that fall within the application of the new principle, right of use assets are booked, at the date of the first application on January 1, 2019, for a value equal to the estimated financial liability for the leasing, adjusted for the amounts of eventual prepaid payments or payments that have already been booked in the financial statements.

Following is a summary of the impacts on the consolidated financial statements from the first time application on January 1, 2019:
- Booking of non-current assets for Right of use totalling Euro 1,801 thousand;
- Booking of liabilities for long-term financial payables of Euro 54 thousand and short term for Euro 180 thousand.

Furthermore, the Group reclassified in Right of Use the value of leasing contracts in force at January 1, 2019 and booked pursuant to the previous IAS 17 principle in property in the 'property, plant and machinery' item.

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:

Amendments – 'References to the Conceptual Framework in IFRS Standards"
IASB publishes the revised version of the Conceptual Framework for Financial Reporting with first application foreseen for January 1, 2020. The objective of the amendment is to update the existing references in different standards and interpretations that have been overcome. The main amendments regard:
- A new chapter on measurement;
- Improvements in the definitions and guidance, in particular with referring to the definition of a liability;
- Clarification in important concepts like stewardship, prudence and uncertainty in measurement ;
- Clarification of definitions and criteria to recognize assets and liabilities.

Amendment 'Definition of material in IAS 1 and IAS 8'
IASB published the amendment on the definition of material in IAS 1 and IAS8 that has as an objective to clarify the definition of 'material' in order to help companies decide if information should or should not be included in the financial statements. Information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of readers of the financial statements. Changes will apply from January 1, 2020. Early application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to 'Interest Rate Benchmark Reform'

IASB published amendments to IFRS 9 and IFRS 7. These amendments foresee temporary benefits that allow to use again hedge accounting during periods of uncertainty that precede the reform related to the transition from the current benchmark interest rate to an alternative risk-free one. These amendments will come into force from January 1, 2020. Early application is permitted.

New accounting principles and amendments not yet endorsed by the European Union as of December 31, 2019

At the date of approval of the current Financial Statements, IASB issued, but the European Union has still not endorsed, some accounting principles, interpretations and amendments, some of which still in the consultation phase, including:

- IFRS 17 – Insurance Contracts – will replace the current IFRS 4 with the objective to increase the transparency on the sources of profit by introducing a single principle to recognize revenues reflecting the services rendered by the insurance company. It will come into force on January 1, 2021.
- IFRS 3 Business combination - IASB introduced a definition of business that is much narrower compared with the current one. The changes will be applicable for acquisitions subsequent to January 1, 2020.

Eventual impacts of the accounting principles, the amendments and interpretations that will soon be applicable on financial disclosure of the Company are currently being assessed and measured.

To the date of the writing of the current Annual Financial Report the accounting principles, interpretations and amendments listed above are not expected to have a significant impact on the economic and financial situation of the Company but an in-depth assessments in underway by the management.

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.

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

In the notes to the annual financial statements as at December 31, 2019 that follow in each paragraph the following further information is reported:

Note 33: the net financial position of the Parent Company and the Group that controls it, highlighting the short term components from the medium- and long-term ones

Notes 26-29 and 33: the expired debt positions of the Parent Company and the Group that control is, divided by nature (financial, trade, tax, social security and towards employees) and the eventual related reaction initiatives by creditors (reminders, injunctions, interruption of supply, etc.);

Note 31: the main changes that took place in relations with related parties of this Company compared with the previous annual or half-year financial statements pursuant to article 154-ter of the TUF;

Note 26: Eventual breaches of covenants, negative pledges and any other clause related to debt of the Company that limits the use of financial resources, with an updated indication of the level of compliance of these clauses;

Note 35: The state of implementation of eventual industrial and financial plans highlighting differences from the actual data from the budgeted ones.

1. Sales revenue

Sales revenue for the fiscal period ended December 31, 2019 totalled Euro 31,219 thousand and following is their breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Revenues from sale of products	21,655	20,207
Revenues from services	9,564	8,734
Total	**31,219**	**28,941**

The results show an increase in revenue of the Group of approx. Euro 2.3 million mainly driven the Turkish and Greek subsidiaries.
Revenues include Euro 46 thousand of changes booked in the period for proceeds on the measurement of work in progress and orders not yet completed (pursuant to the measurement criteria foreseen by IFRS 15) and not yet invoiced.

2. Other operating revenue

Other operating revenue for the period ended December 31, 2019 totalled Euros 4,125 thousand and following is the breakdown:

	Fiscal year ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Advertising and Marketing Contributions	111	124
Non-operating income	2,520	1,059
Other revenues and various proceeds	1,120	936
Proceeds from extraordinary transactions	375	1,996
Total	**4,125**	**4,115**

Non-operating income refers mainly to the liquidation of positions towards suppliers. In particular Euro 1,260 refers to the settlement with the supplier Cisco (see Note 27, Trade Payables), Euro 886 thousand to the liquidation of some positions towards financial institutions and Euro 374 thousand for several minor items.

Other revenue and proceeds include the increase in intangible assets for the product development for Euro 763 thousand and other minor items.

The proceeds from extraordinary transactions during the fiscal period refer to a non-recurring proceed in nature of Euro 375 thousand realized by the Parent Company following the collection of the guarantee deposit for the sale of the Greek and Turkish subsidiary that will not be returned after the transaction to buy back the subsidiaries that took place after the end of the period (see management report for further details).

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

Following is the breakdown:

	Fiscal year ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Purchase of products	26,846	24,745
Cost for resold services	30	18
Additional purchasing charges (transportation)	33	31
Other purchases	17	17
Total	**26,925**	**24,811**

The increase in costs is strictly related to the higher sales revenue.

4. Cost of services

Following is the breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Directors' remunerations of the parent company and social charges	427	444
Directors' remunerations of subsidiaries and social charges	-	57
Compensation for Statutory Auditors	69	69
Auditing company fees	101	134
Consultancy and collaborations	867	1.016
Commissions and agents' charges	22	20
Advertising and trade fairs	207	172
Services, courses and client assistance	2	17
Telecom expenses	44	53
Insurance	119	91
Electricity, water and gas	31	34
Travel and representation	105	152
Specialist costs, IR and securities services	61	121
Other expenses and services	213	276
Total	**2,269**	**2,656**

Please note that:

- Consultancy includes non-recurring charges related to the management of extraordinary transactions underway and the financial debt remodulation for approx. Euro 338 thousand;
- The table includes the compensation agreed by social bodies deliberated at the Annual General Meeting of the Company and the Group, including social security charges and related accessories.

5. Personnel costs

Following is the breakdown, compared with the previous period:

	Fiscal year ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Salaries	1,566	1,638
Social charges	467	461
Severance pay	50	67
Other personnel cost	176	194
Total	**2,260**	**2,360**

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:

	31/12/2019 *Avg*	**31/12/2018** *Avg*	**Variation**	**31/12/2019** *Punctual*	**31/12/2018** *Punctual*	**Variation**
Managers	2	3	(1)	2	3	(1)
Mid-managers	6	7	(1)	6	5	1
Employees	35	35	-	36	36	-
Total	**43**	**45**	**(2)**	**44**	**44**	**-**

The average number of employee of the Group during the fiscal period was of 43 units, compared with 45 units in the previous fiscal period. The punctual data at the end of the period is unchanged compared with 2019.

6. Other operating expenses

Following is a breakdown compared with the previous period:

Thousands of Euro	Fiscal period ended 31/12/2019	31/12/2018
Property lease, offices and vehicles	125	334
Writedowns of doubtful accounts	7	31
Extraordinary and contingent charges	304	732
Other charges	96	503
Total	**532**	**1,600**

The decrease in the "Property lease, offices and vehicles" item is due to the application of IFRS 16 regarding leasing according to which the amounts paid for leasing are not booked as costs in the fiscal period but as a reduction in financial liabilities estimated on the leasing and as financial charges. The rental cost booked in the 2019 fiscal year refers to short term leasing costs (excluded from IFRS 16 application) and variable leasing payments (indexing and similar).

7. Depreciation and Amortization

Following is a breakdown compared with the previous fiscal period:

Thousands of Euro	Fiscal period ended 31/12/2019	31/12/2018
Depreciation of tangible assets	168	210
Amortization of intangible assets	326	206
Amortization for right of use	99	-
Writedown of investment	45	-
Total	**639**	**416**

The amortization for the right of use are related to the application of IFRS 16 from January 1, 2019, as previously described.

8. Financial income and expenses

Following is a breakdown:

Thousands of Euro	Fiscal period ended 31/12/2019	31/12/2018
Financial income from financial institutions	5	12
Income from investments	15	48
Other income	2	34
Total financial income	**22**	**94**
Financial charges towards financial institutions	(253)	(652)
Bank commissions	(89)	(59)
Profit/(loss) on exchange rates	63	346
Other expenses	(30)	(20)
Total financial expenses	**(309)**	**(385)**
Total	**(287)**	**(291)**

9. Income taxes

Following is a breakdown:

Thousands of Euro	Fiscal period ended 31/12/2019	31/12/2018
Current taxes	(875)	(589)
Deferred (prepaid) taxes	479	47
Other taxes and fines	1	(25)
Total	**(395)**	**(567)**

As of December 31, 2019 unused tax losses carried forward totalled Euro 1,924 thousand that, as foreseen by the current fiscal regulation, can be used in an unlimited way over the subsequent fiscal period for up to 80% of taxable income.

The following table highlights the reconciliation of the theoretical fiscal charge and the effective fiscal charge relating to income taxes:

Thousands of Euro	Fiscal period ended 31/12/2019		31/12/2018	
	Taxable income	**Tax**	**Taxable income**	**Tax**
Result before taxes	**2,432**		**922**	
Theoretical tax rate (24%)		584		221
Temporary differences to be made in subsequent fiscal periods	173		352	97
Differences that will not be carried over to future years	223		776	213
Carry forwards of temporary differences from previous fiscal periods	546		158	43
Tax rate 24%	3,376		2,208	530
Current taxes for the period		**810**		**530**
Deferred tax net of the use of taxes allocated in previous years		(229)		230
Anticipated tax net of use of anticipated taxes allocated in previous years		(268)		(278)
Net tax for the period		**313**		**482**

The following table highlights the reconciliation of the theoretical fiscal charge and the effective fiscal charge relating to the Irap tax:

Thousands of Euro	Fiscal period ended 31/12/2019		31/12/2018	
	Taxable income	**Tax**	**Taxable income**	**Tax**
Result before taxes	**2,432**		**922**	
Results of foreign subsidiaries included in the consolidation perimeter not subject to IRAP	(1,476)		(1,336)	
Result subject to IRAP	957		(414)	
Undeductable costs for IRAP purposes	1,074		1,398	
Total	2,030		984	
Theoretical fiscal charge (3,9%)		79		38
Temporary differences to be realized in future years			-	
Differences that will not be carried forward to future years	75		(207)	
			-	
Taxable income	2,106		778	
Tax rate at 4,82%	155		21	1
Tax rate at 4,97%	-		-	-
Tax rate at 3,90%	1,951		1,503	59
IRAP current fiscal period		**84**		**60**
Deferred tax net of use of taxes allocated in previous fiscal period				-
Anticipated taxes net of use of taxes allocated in previous fiscal periods				-
Net IRAP for the fiscal period		**84**		**60**

10. Net result and earnings per share

The base result per share relative to the fiscal year that ended December 31, 2019 totalled Euro 0.29 and was determined dividing the result of the appropriate fiscal year of the Group by the average weighted number of outstanding Itway shares in the fiscal period, excluding own share

The weighted average number of outstanding shares is 7,052,275.

	Fiscal period ended	
	31/12/2019	**31/12/2018**
Group net result in thousands of Euro	2.039	355
Weighted average no. of shares outstanding	7,052,275	7,035,906
Net result per share in Euro:		
- basic	0.29	0.05
- diluted	0.29	0.05

There are no elements that entail a dilution of the number of outstanding shares and therefore the base result 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 in the last two fiscal years:

Thousands of Euro	**Property and offices**	**Equipment**	**Tools**	**Other goods**	**Total**
Purchase cost	4,233	242	13	4,247	8,735
Balance at 31.12.2017	**4,233**	**242**	**13**	**4,247**	**8,735**
Increases	-	-	27	4	32
Decreases	-	-	(6)	(3)	(9)
Balance at 31.12.2018	**4,233**	**242**	**34**	**4,248**	**8,758**
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	92	-	4	114	210
Balance of amortization as of 31.12.2018	**749**	**242**	**16**	**4,031**	**5,038**
Net value:					
At December 31, 2017	3,576	-	1	330	3,907
At December 31, 2018	**3,484**	**-**	**18**	**217**	**3,719**

Thousands of Euro	Property and offices	Equipment	Tools	Other goods	Total
Purchase cost	4,233	242	34	4,247	8,756
Balance at 31.12.2018	**4,233**	**242**	**34**	**4,247**	**8,756**
Increases	-	-	75	8	83
Decreases	-	-	-	(53)	(53)
IFRS 16 Leases reclassification	(2,589)	-	-	-	(2,589)
Balance at 31.12.2019	**1,644**	**242**	**109**	**4,202**	**6,197**
Accumulated depreciation	749	242	16	4.031	5.038
Balance at 31.12.2018	**749**	**242**	**16**	**4.031**	**5.038**
Amortization of the period	92	-	8	68	168
Amortization balance at 31.12.2019	**841**	**242**	**24**	**4,099**	**5,206**
Net value					
At December 31, 2018	3,484	-	18	217	3.719
At December 31, 2019	**803**	**-**	**85**	**103**	**991**

The reduction in the balance of the "property and offices" items reflects the reclassification to the item Right of Use of the book value of a property leasing, previously classified in "Property, plants and machinery" pursuant to previously effective regulation IAS 17, since classified as financial leasing. For further details please see what has been previously indicated regarding the application of IFRS 16 (leases).

The investments in the 'Other goods' item recorded in the 2019 fiscal period essentially refer to the purchase of computers and network servers.

12. Goodwill

The overall goodwill as of December 31, 2019 totalled Euro 1,852 thousand, broadly steady from the previous fiscal year. This goodwill is allocated to the units generating cash flows (Cash Generating Units), represented by the subsidiary Itway Hellas to which goodwill was allocated.

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Itway Hellas	1,843	1,843
Other minor	9	10
Total	**1,852**	**1,853**

The Group updated the review of the recoverability of goodwill. The recoverable value of the CGU to which goodwill is attributed to is determined by identifying the value in use.

In order to verify the possible impairment of goodwill, the “Discounted Cash Flow” (“DCF”) method was used. This method requires discounting cash flows on the basis of an interest rate that represents the specific risk of any Cash Generating Units (CGU).

The expected cash flows are taken from the Budgets of the identified CGU until December 31, 2023, approved by their respective Board of Directors, based on the performance expected of the market trends where the single CGU operate and acknowledged on the basis of the historical individual performances and the expected specificity. Perpetuity, which represents the Terminal Value, has to be added to the expected flows for the 2020-2023 period. The medium/long term growth rate is equal to the expected value of inflation in the reference country.

The discounted interest rate used (WACC – Weighted Average Cost of Capital) is of 14.9% for the country risk for Itway Hellas, the only CGU that to date has booked goodwill.

In this context, the situation caused by the current economic and financial crisis entailed the need to make assumptions regarding a future performance that were characterized by significant 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 review of the values as of December 31, 2019, also through the sensitivity analysis carried out, did not prompt the need to write-down goodwill reported in the consolidated financial statements. This recoverability is furthermore confirmed by the sale values described in the management report.

13. Other intangible assets

Following is the breakdown and variation of other intangible assets in the past two fiscal periods:

Thousands of Euro	Development costs	Patent rights	Other	Work in progress	Total
Purchase cost	1,947	1,556	4,366	425	8,294
Balance at 31.12.2017	**1,947**	**1,556**	**4,366**	**425**	**8,294**
Increases	319	19	1	329	668
Decreases	-	-	-	(319)	(319)
Decreases Inebula	(6)	(4)	(983)	(172)	(1,165)
Balance at 31.12.2018	**2,260**	**1,571**	**3,384**	**263**	**7,478**
Accumulated amortization	1,142	1,556	3,115	-	5,813
Balance at 31.12.2017	**1,142**	**1,556**	**3,115**	**-**	**5,813**
Amortization for the period	78	-	129	-	207
Decreases Inebula	(331)	(2)	(103)		(436)
Net value:					
At December 31, 2017	931	-	1,251	425	2,607
At December 31, 2018	**1,371**	**17**	**243**	**263**	**1.894**

Thousands of Euro	Development costs	Patent rights	Other	Work in progress	Total
Purchase cost	2,260	1,571	3,384	263	7,478
Balance at 31.12.2018	**2,260**	**1,571**	**3,384**	**263**	**7,478**
Increases	-	24	-	763	787
Decreases	-	-	-	-	-
Balance at 31.12.2019	**2,260**	**1,595**	**3,386**	**1,026**	**8,267**
Accumulated appreciation	889	1,554	3,141	-	5,584
Balance at 31.12.2018	**889**	**1,554**	**3,141**	**-**	**5,584**
Amortization for the period	256	12	94	-	362
Amortization balance at 31.12.2019	**1,145**	**1,566**	**3,235**	**-**	**5,946**
Net value:					
At December 31, 2018	1,371	17	243	263	1,894
At December 312019	**1,115**	**29**	**149**	**1,026**	**2.319**

The increase in "Work in Progress" refers to investments, the cost of which has been identified in a reliable manner, in the development and improvement of new products that began in the previous fiscal year and that required further investments for the Parent Company for the 4Science subsidiary, for which the Group expects significant economic returns in the near future. The Group deems that it is possible and capable, technically and economically, to complete these activities in subsequent fiscal years.

14. Right of use

Right of use, for the first time recorded in the financial statements following the application of IFRS 16 “Leases” as previously described, totalled Euro 2,801 thousand. The assets in question mainly comprise property and vehicles.
In particular, this amount includes the book value of the Milan headquarters, purchased in 2008 through an 18-year financial leasing contract (until the previous fiscal period recorded in the “Property, plants and machinery” according to the regulation previously in force IAS 17), booked at a value that includes directly booked accessory charges. It also includes the book value of a property in Ravenna (administrative headquarters of the Parent Company and the Italian companies of the Group), which was purchased in 2015.
The related residual debt for the purchase of the two properties are booked in the Non-current and current financial liabilities item (Note 25 and Note 26).

15. Investments

Following are the non-fully consolidated investments as at December 31, 2019:

- **BE Innova S.r.l.:** Itway S.p.A. controls 50% of BE Innova after purchasing the stake from Business-e S.p.A. before it was sold to Maticmind. 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 S.r.l.**, controlled by Cooperativa Muratori Cementisti CMC aims at supplying Information Technology services in the construction sector. As of December 31, 2019 this stake was written down since the results of the company are not positive and given the difficulties of the CMC Group it will likely be liquidated.

- **Dexit S.r.l.**, 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. purchased a 10.5% from Business-e S.p.A. before its sale to Maticmind with the aim of ensuring the development part of remote control over alternative energy plants that the subsidiary will build. Since the development is incurring delays compared with the initial plans of the company, the Group prudently wrote down the value of the investment as of December 31, 2017;

- **Itway Mena FZC:** The 4Science subsidiary owns a 17.1% stake. The situation in the Middle East with the continuation of the bloody war in Syria had repercussions also in Lebanon, which is the main headquarters of majority shareholder Libanica. Over three million Syrians migrated to Lebanon and social tensions have evolved into financial tension with Lebanon in default. The economy of the UAE suffered a slowdown in 2019 and due to Covid-19 the 2020 Expo in Dubai, on which the Emirates were counting on, was cancelled. During 2018 and 2019 different initiatives for a commercial expansion in West Africa (Nigeria) were launched with developments in Nigeria, Kenya and other neighbouring countries. The negotiations portfolio is interesting and the presence of **Itway Technologies LTD**, 49% controlled by Itway Mena, will ensure the continuity of operations in the Middle East and Africa regions.

- **Idrolab S.r.l.**, operates in data management 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.

Following is the book value posted in the financial statements of subsidiaries:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
BE Innova S.r.l.	409	409
Be Infrastrutture S.r.l.	-	46
Related investments consolidated at net equity	**409**	**455**
Dexit S.r.l.	374	374
Itway MENA FZC	29	29
Idrolab S.r.l.	195	195
Tiche Foundation	5	5
Other investments	753	2.083
Investments in other companies valued at cost	**1,356**	**2,686**
Total investments	**1,765**	**3,141**

Other investments include the shares received during the fiscal year from Cyber 1 for the sale of the Greek and Turkish subsidiaries valued at fair value.

The detail of total assets and liabilities, of revenues and of the result for the period of the investments is highlighted in the following table (data in thousands of Euro):

Associate Company	**Country**	**Assets**	**Liability**	**Revenue**	**Result of the period**
BE Innova S.r.l.*	Italy	5,696	3,278	1,354	3
Be Infrastrutture Srl*	Italy	1,182	1,292	886	(266)

** Refers to December31, 2018, the last available Financial Statements*

Other companies	Country	Assets	Liabilities	Revenue	Result of the period
Dexit srl*	Italy	3,966	1,434	5,735	271
Idrolab S.r.l.*	Italy	1,384	1,346	1,540	(3)
Itway MENA FZC**	United Arab Emirates	1,292	5,182	-	(54)

**Refers to December31, 2018, the last available Financial Statements*

***Refers to September 30, 2017, amounts in AED*

16. Prepaid taxes and deferred tax liabilities

Prepaid tax assets, net of deferred tax liabilities, as of December 31, 2019 totalled Euro 275 thousand (Euro 146 thousand as of December 31, 2018).
The prepaid taxes mainly represent deferred assets calculated on taxed accruals for Euro 518 thousand (Euro 464 as of December 31, 2018), and other temporary differences for Euro 273 thousand (Euro 445 thousand as of December 31, 2018) that the Group expects to recover in future fiscal years, based on the expected taxable income. These prepaid taxes will be booked in the next fiscal year for a total of Euro 45 thousand and in subsequent years for Euro 746 thousand.

Deferred tax liabilities are booked against temporary differences taxable in future fiscal periods and as of December 31, 2019 total Euro 516 thousand (Euro 785 as of December 31, 2018). These 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. These deferred taxes are booked in the next fiscal year for a total of Euro 204 thousand and in subsequent ones for Euro 312 thousand.

17. Other non current assets

Other non current assets as of December 31, 2019 total Euro 34 thousand (unchanged from December 31, 2018) and mainly refer to security deposits paid to clients/suppliers as collateral for services supplied.

18. Inventories

Inventories as of December 31, 2019 total Euro 653 thousand (Euro 464 thousand at December 31, 2018) net of an allowance for obsolete inventory of Euro 145 thousand (unchanged compared with December 31, 2018).

19. Account receivables – Trade

Trade receivables as at December 31, 2019, all short-term, totalled Euro 19,203 thousand (Euro 17,834 thousand at December 31, 2018). The value is expressed net of the allowance for doubtful accounts that as at December 31, 2019 stood at Euro 2,418 thousand (Euro 2,961 thousand at December 31, 2018). The allowances are deemed to be congruous compared with the insolvency risks of the existing receivable.

Account receivables also include work in progress on contracts for Euro 3,307 thousand (Euro 3,261 thousand at December 31, 2018).

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 that it was rejecting the amount requested by the Company based on the progress in the work carried out. Trade payables at December 31, 2019 include approximately Euro 1,300 thousand, for liabilities to suppliers related to this work in progress. In 2016, with the support of its legal advisers, the company started a legal procedure against this client in order obtain the consideration of this credit, filing a writ of summons with the Rome Court, the verdict of which in the first degree was not favourable to the Group. It was therefore decided to file an appeal with the Rome Appeals Court as there are ample elements to support what Itway S.p.A. claims that were not considered by the judge in the first degree.

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 December 31, 2019. Itway, 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, sees its demands founded and therefore did not make any writedown of this credit in the current financial statements.

Trade receivables also include Euro 1,570 thousand towards the Itway MENA FZC subsidiary company and Euro 843 thousand towards the affiliate BE Innova S.r.l.

Following are the movements in the allowance for doubtful accounts:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Initial allowance	**2,961**	**2,774**
Writedowns for the period	7	217
Utilization	(550)	(30)
Final allowance	**2,418**	**2,961**

Following is the breakdown of trade receivables as at December 31, 2019 classified by maturity:

Thousands of Euro	31/12/2019	31/12/2018
Maturing	11,974	10,696
Expired up to 30 days	777	1,326
Expired from 30 to 60 days	55	153
Expired > 60 days	8,815	8,620
Total gross receivables	**21,621**	**20,795**
Allowance for doubtful accounts	(2,418)	(2,961)
Total net receivables	**19,203**	**17,834**

20. Other current assets

Following is a breakdown

	Fiscal period ended		
Thousands of Euro	31/12/2019	31/12/2018	V ariation
Tax receivables	828	1,271	(443)
Other receivables	144	501	(357)
Accruals and deferrals	79	40	39
Total	**1,051**	**1,812**	**(761)**

The reduction in "Other receivables" is due to the closing of the receivable towards Maticmind for the sale of the Business-e subsidiary that was booked in the balance sheet for the year ended December 31, 2017 for Euro 3,016 thousand.

21. Cash on hand

Following is a breakdown:

	Fiscal period ended		
Thousands of Euro	31/12/2019	31/12/2018	Vari ation
Bank and postal deposits in Euro	224	248	(24)
Bank deposits in US Dollars	383	701	(318)
Money and petty cash	1	2	(1)
Total	**608**	**951**	**(343)**

Bank deposits in foreign exchange are valued at the exchange rate at the end of the period and generally are to make payments to suppliers in foreign currency (US Dollars) in the first days of the subsequent fiscal year.

The cash available is of a temporary nature as its origins lie in the normal short-term financial cycle that establishes a concentration of inflows from clients at the end of the month while payments to suppliers are less concentrated.

22. Net equity

Share capital

The share capital of the parent company on December 31, 2019, 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 recognizes the purchase/sale of own shares, including accessory charges, of own shares in the Parent Company's portfolio at the date of the current financial statements.
At December 31, 2019 the Group had No. 853,043 own shares, representing 10.79% of share capital, booked at an average cost of Euro 1.58 each.

Share premium

At December 31, 2019, it totalled Euro 17,584 thousand unchanged compared with the previous fiscal year.

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

Legal reserve

At December 31, 2019 it stands at Euro 485 thousand, unchanged from the previous fiscal period.

Voluntary reserve

At December 31, 2019, it stands at Euro 4,792 thousand, unchanged from the previous fiscal period.

Allowance for Retained earnings (losses)

This allowance, negative in sign, equal to Euro 19,146 thousand, comprises the reserve for results carried forward, the reserve generated from the first time 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.

23. Employee benefits

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

Following are the variations:

Thousands of Euro	31/12/2018	Financial proceeds/ (charges)	Increases	Actuarial (profit) loss	se	Payments pursuant Law No. 296/2006	31/12/2019
Employee benefits	321	50	60	(11)	(14)	-	406
Total	**321**	**50**	**60**	**(11)**	**(14)**	**-**	**406**

Following are the main assumptions used in the actuarial estimates of employee benefits:

Calculation date	**31/12/2019**
Mortality rate	IPS55 Tables
Invalidity rate	INPS-2000 Tables
Personnel rotation rate	3.00%
*Discount rate**	0.77%
Salary increase rate	3.00%
Rate of advances	2.00%
Inflation rate	1.20%

In particular, please not that:

- The **annual discount rate** used to determine the current value of the obligation was derived, pursuant to paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a 10+ duration at the date of measurement. Toward this end the yield was chosen with a duration that is comparable to the one of the collective of workers subject to the measurement;

- The **annual rate of increase in the severance pay** pursuant to article 2120 of the Civil Code is equal to 75% of inflation plus 1.5 percentage points.

The actuarial hypothesis include:

a) Demographic hypothesis on the future characteristics of employees who are entitled to benefits that include aspects like:
   - Mortality: mortality rate of employees (the probabilities of death are those included in every-day tables used by insurers);

- Inability of the active population: the probability of becoming invalid during work activity (the annual probabilities are those in every-day tables used by insurers and reinsurers);
- Turnover: is the probability of elimination due to reasons other than death, inability and retirement, therefore lay-offs or firing (the hypothesis used has to reflect the reality of the Company and therefore it has to be based on information received by the Company itself);

- Annual probability of requests for advances on the severance pay: the propensity to ask for an advanced payment of a part of the total accrued severance pay (the hypothesis derive from information received by the Company).

b) Financial hypothesis:
   - Discount rate: the interest rate used to bring to present value the liabilities related to after the end of the work relationship has to be calculated with reference to market returns at the reference date of the balance sheet; the medium-term average yield of high-quality corporate securities (those with at least a AA rating) is used, in line with the average duration of the services rendered;
   - Salary increase rate: it is an estimate of future salary lines; it considers inflation and professional title (the information derives from information received by the Company) and can only be applied to the Companies that had less than 50 employees as of 31/12/2006;
   - Expected inflation rate: the ISTAT long-term inflation rate is used.

Assuming a 25 basis point increase in the technical actuarial rate compared with the one effectively applied for assessments to December 31, 2019 and all other actuarial hypothesis being equal, the potential loss of current value of liabilities for defined benefit plans underway would total some Euro 11 thousand. At the same time, assuming a 25 basis point drop in the same interest rate, there would be a potential increase in the current value of the liability of some Euro 11 thousand.

The changes to the remaining actuarial hypothesis would generate a significantly lower impact on the current value of the liabilities for defined benefit plans booked in the balance sheet.

24. Accruals for risks and charges

Accruals for risks and charges are equal to zero at December 31, 2019 (Euro 14 thousand at December 31, 2018) as the fund for accruals for charges for liabilities related to the settlement of litigation of the Itway France subsidiary, was brought to zero as the dispute was definitively settled.

25. Non-current financial liabilities

Following is the breakdown:

	Fiscal period ended			
Thousands of Euro	**31/12/2019**	**31/12/2018**	**Variation**	**Maturity**
Non-current residual leasing debt	1,731	1,862	40	November 2026
Medium/Long term debt for right of use	54	-	321	-
Total	**1,785**	**1.862**	**407**	

This item represents:

- for Euro 1,731 thousand 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 bps) convertible into a fixed rate at any moment chosen by the lessee.
- for Euro 54 thousand the non-current portion of financial debt for right of use deriving from the application of IFRS 16.

Following is the detail of the residual non-current leasing debt broke down by maturity:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Residual non-current debt, net of interests:		
From 1 to 5 years	556	543
Over 5 years	1,175	1,319
Residual leasing debt, net of interests	**1,731**	**1,862**

26. Current financial liabilities

As at December 31, 2019 they total Euro 7,985 thousand (Euro 9,247 thousand at December 31, 2018) and are mainly represented by debt towards banks and unsecured loans. In addition, this item includes Euro 180 thousand of the short-term portion of debt for right of use debt, pursuant to IFRS 16, as per Note 25.

At the moment, current liabilities include two Iccrea medium-term financing totalling Euro 595 thousand the covenants of which 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 December 31, 2019, the Parent Company had expired positions totalling Euro 6.8 million. At the same date the expired positions of the Itway Group totalled euro 7.9 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 company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, which then settled with Itway for their definitive closing, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy’s vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020

To date negotiations are still under way for minor amounts with some banking institutions or Companies (art. 115 TULPS) that purchased the payables from some banks. The Company deems reasonable that it will be able to reach an agreement on the modalities to pay back the debt.

In terms of expired positions of Itway S.p.A. and the Itway Group, please note that to date there are legal disputes or judicial initiatives for Euro 339 thousand.

27. Trade payables

Trade payables, including invoices not yet received, amount to Euro 14,158 thousand at December 31, 2019 compared with Euro 14,500 thousand as of December 31, 2018. The balance at December 31, 2019 includes an expired debt towards suppliers of approximately Euro 4.7 million (of which approximately Euro 0.7 million for amounts being contested, possibly at court level).

With reference to the commercial expiration of Itway S.p.A. and of the Itway Group, it should be noted that to date, some reminders have been received from creditors and legal disputes or legal initiatives for 116 thousand euros exist, while no suspension of the related services has occurred.

Trade payables at the end of the previous fiscal periods included some Euro 1.5 million towards US company Cisco System Inc. with which a legal dispute was underway that ended with the signing in December 2019 of a settlement agreement with a full ad final settlement agreeing to pay in monthly instalments until May 2021 a total amount of USD 400 thousand of which USD 82 thousand were already paid in the fiscal period. This settlement has brought to a contingent asset for the Group equal to Euro 1,260 thousand.

28. Tax payables

Tax payables as of December 31, 2019 total Euro 2,447 thousand (Euro 2,040 thousand at December 31, 2018) and following is the breakdown:

	Fiscal period ended		
Thousands of Euro	**31/12/2019**	**31/12/2018**	**Variation**
Debt for income taxes	406	366	40
VAT	1,542	1,221	321
Withholding on personnel compensation	297	284	13
Other	202	169	33
Total	**2,447**	**2,040**	**407**

VAT payables as of December 31, 2019 for Euro 171 thousand are due to debts not paid at the natural maturity (compared with Euro 327 thousand as of December 31, 2018) and that Management expects to pay back within the terms foreseen by regulations in force.

The Group has expired debt towards tax authorities, including the expired VAT mentioned above, which at December 31, 2019 totalled approx. Euro 403 thousand and relates to debt not paid at their natural expiry and that are expected to be paid 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 considering also that the first degree were favourable to the Group but the State Attorney appealed the ruling of the Regional Tax Commission of Bologna to the Court of Cassation.

29. Other current liabilities

Other current liabilities as of December 31, 2019 total approximately Euro 2,570 thousand (Euro 3,521 thousand at December 31, 2018) with the following breakdown:

Thousands of Euro	Fiscal period ended 31/12/2019	31/12/2018	Variation
Debt towards personnel for remuneration	142	194	(52)
Other debt towards personnel	218	242	(24)
Debt towards directors and collaborators	544	519	25
Debt towards social security institutions	159	174	(15)
Accruals and deferrals	226	51	175
Advanced payments received and others	1,281	2,341	(1,060)
Total	**2,570**	**3,521**	**(951)**

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

Accruals and deferrals mainly include deferrals for services already invoiced, but relevant in the subsequent fiscal year.

The “Advanced payments and others” item includes Euro 753 thousand (compared with Euro 2,083 thousand at December 31, 2018) that is equal to the value of Cyber 1 shares owned by the Parent Company, for a total of 16,666,666 shares valued at fair value of Euro 0.0452.

30. Obligations and guarantees

Following are the obligations and guarantees as of December 31, 2019:

- Third party guarantees in our favour for Euro 700 thousand relative to bank guarantees on behalf of companies of the Group in favour of suppliers or to take part in public tenders.

31. Information on related parties

During the 2019 fiscal period, 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.	331	-	198	2
Itway S.p.A. vs Be Innova S.r.l.	4,608	-	-	149
Itway S.p.A. vs Fartech S.r.l.	34	1,113	10	-
TOTAL	**4,973**	**1,113**	**208**	**151**

The Group's relationship with its managers is summed up in the Remuneration Report of the Board of Directors.

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

32. Remuneration to Directors, Auditors, managing directors and managers with strategic Responsibility

Following the introduction of article 123 ter of the TUF, the data on these remunerations are reported analytically on the report on remuneration that will be made available to the public within the terms foreseen by law at the administrative headquarters. It will also be possible to consult them on the Internet site www.itway.com in the Investor Relation section.

33. 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	**31/12/2019**	**31/12/2018**
Cash on hand	608	951
Financial receivables	2.498	2.526
Current financial assets	1.210	1.268
Current financial liabilities	(7.985)	(9.247)
Net current financial position	**(3.669)**	**(4.502)**
Non-current financial assets	2.098	2.098
Non-current financial liabilities	(1.785)	(1.862)
Non-current net financial position	**313**	**236**
Total net financial position	**(3.356)**	**(4.266)**

The net financial position of the Group as of December 31, 2019 improved by approximately Euro 900 thousand compared with December 31, 2018 mainly due to the liquidation of some debt positions.

Three banking institutions sold their respective receivables to related company Fartech S.r.l. which in turn settled with Itway for their definitive closing while the main financial institutions sold their positions to Mercatoria S.p.A. (a company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV S.r.l. (a company registered in the Bank of Italy's vehicle corporation register pursuant to the Bank of Italy's regulation dated October 1, 2014) that has financial receivables for approx. Euro 3.3 million towards Itway S.p.A. To date negotiations are still under way with some minor institutions while talks are underway with Mercatoria and Socrate to define the balance and liquidation of the acquired positions.

Current liabilities at the moment include two Iccrea medium-term loans, for a total of Euro 595 thousand, for which the covenants were breached and that are therefore currently classified as short term, even though the parameters are currently being redefined in order to maintain the original status of medium-term.

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 31
- A receivable that Business-e S.p.A. had towards Be Innova and that has been transferred to Itway as a result of the sale of the subsidiary.

Current financial assets are represented by the cash collateral of Itway Turkey and Itway Greece for bank guarantees issued and maturing by 31/12/2019.

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

- Cash on hand 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; 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 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.;

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 25.

Net financial position of the Parent Company

Thousands of Euro	31/12/2019	31/12/2018
Cash on hand	21	468
Financial receivables	2.498	2,525
Current financial liabilities	(7,161)	(7,835)
Net current financial position	**(4,642)**	**(4,842)**
Non-current financial assets	2,098	2,098
Non-current financial liabilities	(1,830)	(1,862)
Non-current net financial position	**268**	**236**
Total net financial position	**(4,374)**	**(4,606)**

The net financial position of the Parent Company as at December 31, 2019 improved by some Euro 200 thousand compared with December 31, 2018 due to the effects described in the previous paragraph regarding the financial position of the Group. Current financial liabilities for the time being include a medium-term Iccrea financing for Euro 119 thousand, for which the terms of the covenants were not observed and is therefore classified as short term. The parameters are currently being redefined in order to maintain the original status of medium term.

34. 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, certification services on software technologies distributed 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 2019 fiscal period reported data is not material as still in the development phase and has therefore been aggregated, for the purpose of sector reporting, in VAD sector.

Through the “e-business Services and Security Management” 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 is the breakdown of the main economic data regarding the identified segments, in the fiscal year ending December 31, 2019:

Thousands of Euro	**Greece and Turkey transactions**	**Parent Company activity and other sectors**	**Total Consolidated**
Turnover			
Sales revenue	30,144	1,075	31,219
Other revenue and proceeds	144	3,981	4,125
Total revenue	**30,288**	**5,056**	**35,344**
Operating costs			
Costs for products	(26,759)	(166)	(26,925)
Costs for personnel	(1,081)	(1,179)	(2,260)
Other costs and operating expenses	(897)	(1,904)	(2,801)
Total operating costs	**(28,737)**	**(3,249)**	**(31,986)**
EBITDA	**1,551**	**1,807**	**3,358**
Amortization	(102)	(537)	(639)
EBIT	**1,449**	**1,270**	**2,719**
Financial income (charges)	23	(310)	(287)
Result before taxes	**1,472**	**960**	**2,432**
Income taxes	(348)	(47)	(395)
Net result	**1,124**	**914**	**2,037**

Following is the breakdown of the main economic data regarding the identified segments, in the fiscal year ending December 31, 2018:

Thousands of Euro	Greece and Turkey transactions	Parent Company activity and other sectors	Total Consolidated
Turnover			
Sales revenue	27,081	1,860	28,941
Other revenue	138	3,977	4,115
Total revenue	**27,219**	**5,837**	**33,056**
Operating costs			
Costs for products	(23,583)	(1,228)	(24,811)
Costs for personnel	(992)	(1,368)	(2,360)
Other costs and operating expenses	(1,292)	(2,965)	(4,257)
Total operating costs	**(25,867)**	**(5,561)**	**(31,428)**
EBITDA	**1,352**	**276**	**1,628**
Amortization	(53)	(363)	(416)
EBIT	**1,299**	**(87)**	**1,212**
Financial income (charges)	202	(493)	(291)
Result before taxes	**1,501**	**(580)**	**921**

Following is the balance sheet data regarding the identified segments for the fiscal year ended December 31, 2019:

Thousands of Euro		Greece and Turkey VAD transaction	Parent Company activity and other sectors	Total consolidated
Non-current assets				
Property, plants and equipment		105	886	991
Goodwill		9	1.843	1,852
Other intangible assets		313	2,006	2,319
Right of use		122	2,679	2,801
Prepaid taxes assets		-	791	791
Investments		-	1,765	1,765
Non-current financial assets		-	2,098	2,098
Other non-current assets		10	23	34
	Total	**559**	**12,091**	**12,650**
Current assets				
Inventories		653	-	653
Account receivable - Trade		11,626	7,578	19,203
Other current assets		281	770	1,051
Cash on hand		564	44	608
Financial receivables		-	2,498	2,498
Current financial assets		1,210	-	1,210
	Total	**14,333**	**10,890**	**25,224**
Total assets		**14,893**	**22,982**	**37,874**
Net equity		4,146	3,863	8,009
Non-current liabilities				
Employee benefits		-	406	406
Provision for risks and charges		-	516	516
Non-current financial liabilities		6	1,778	1,785
	Total	**6**	**2,701**	**2,707**
Current liabilities				
Current financial liabilities		46	7,939	7,985
Infra-sector payables/receivables		264	(264)	-
Account payables - Trade		7,808	6,350	14,158
Tax payables		2,013	434	2,447
Other current liabilities		609	1,959	2,568
	Total	**10,740**	**16,418**	**27,158**
Total liabilities		**14,893**	**22,982**	**37,874**

Following is the balance sheet data regarding the identified segments for the fiscal year ended December 31, 2018:

Thousands of Euro	**Greece and Turkey VAD transaction**	**Parent Company activity and other sectors**	**Total consolidated**
Non-current assets			
Property, plants and equipment	44	3,675	3,719
Goodwill	10	1,843	1,853
Other intangible assets	371	1523	1,894
Prepaid taxes assets (net of deferred tax liabilities)	-	146	146
Investments	-	3,141	3,141
Non-current financial assets	-	2,098	2,098
Other non-current assets	10	24	34
Total	**435**	**12,450**	**12,885**
Current assets			
Inventories	460	4	464
Account receivable - Trade	10,258	7,576	17,834
Other current assets	357	1,455	1,812
Cash on hand	420	531	951
Other financial receivables	-	2,526	2,526
Current financial assets	1,268	-	1,268
Total	**12,763**	**12,092**	**24,855**
Total assets	**13,198**	**24,542**	**37,740**
Net equity	3,502	2,733	6,235
Non-current liabilities			
Employee benefits	-	321	321
Provision for risks and charges	-	14	14
Non current financial liabilities	-	1,862	1,862
Total	**-**	**2,197**	**2,197**
Current liabilities			
Current financial liabilities	-	9,247	9,247
Infra-sector payables/receivables	1,000	(1,000)	-
Account payables - Trade	6,799	7,701	14,500
Tax payables	1,612	428	2,040
Other current liabilities	285	3236	3521
Total	**9,696**	**19,612**	**29,308**
Total liabilities	**13,198**	**24,542**	**37,740**

35. Subsequent events

As already commented in the previous paragraphs “Going Concern”, please note that today Itway S.p.A. updated its industrial and financial to all of 2021 and in April 2020 it took back full control of the Itway Hellas and Itway Turkiye subsidiaries following a serious and persistent breach by Cyber 1 of the agreements signed for the purchase of the Greek and Turkish subsidiaries.

In light of the current complex situation related to the possible impact on business performance deriving from the **Covid-19 pandemic**, it is difficult to assess whether there will be a relevant impact. 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 by 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.

36. 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 24.

37. Non-recurrent, atypical and/or unusual transactions

During the fiscal year that ended on December 31, 2019, 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 while the previous paragraph widely described the missed sale of the Greek and Turkish transaction as well as the liquidation of some debt positions.

38. 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.

Account receivables, cash and cash on hand that directly derives from the operating activity represent the main financial activities of the Group. 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 IFRS 9:

ASSETS		**December 31, 2019**		
Thousands of Euro	***Carrying value***	***Financial instruments at amortized cost***	***Financial instruments at FVTPL (*)***	***Financial instruments at FVTOCI (**)***
Other non-current assets	34	34	-	-
Non-current financial assets	2,098	2,098		
Non-recurrent assets	**2,132**	**2,132**	**-**	**-**
Trade receivables	19,203	19,203	-	-
Other current assets	1,051	1,051	-	-
Other financial assets	2,498	2,498		
Cash on hand	608	608	-	-
Current assets	**23,360**	**23,360**	**-**	**-**

ASSETS		**December 31, 2018**		
Thousands of Euro	***Carrying value***	***Financial instruments at amortized cost***	***Financial instruments at FVTPL (*)***	***Financial instruments at FVTOCI (**)***
Other non-current assets	34	34	-	-
Non-current assets	**34**	**34**	**-**	**-**
Trade receivables	17,834	17,834	-	-
Other current assets	1,812	1,812	-	-
Cash on hand	951	951	-	-
Current assets	**20,597**	**20,597**	**-**	**-**

LIABILITIES		**December 31, 2019**		
Thousands of Euro	***Carrying value***	***Derivative liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives for hedging***
Non-current financial liabilities	1,785	-	1,785	-
Non-current liabilities	**1,785**	**-**	**1,785**	**-**
Current financial liabilities	7,985	-	7,985	-
Trade payables	14,158	-	14,158	-
Tax payables	2,447		2,447	
Other current liabilities	2,570	-	2,570	-
Current liabilities	**27,160**	**-**	**27,160**	**-**

LIABILITIES		**December 31, 2018**		
Thousands of Euro	***Carrying value***	***Derivative liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives for hedging***
Non-current financial liabilities	1,862	-	1,862	-
Non-current liabilities	**1,862**	**-**	**1,862**	**-**
Current financial liabilities	9,247	-	9,247	-
Trade payables	14,500	-	14,500	-
Other current liabilities	3,521	-	3,521	-
Current liabilities	**27,268**	**-**	**27,268**	**-**

** Fair Value Trough Profit and Loss*

*** Fair Value Trough Other Comprehensive Income*

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

The Investment items includes Cyber 1 shares booked at fair value for Euro 753 thousand, matching Other Current Liabilities booked and described in Note 29.

Interest rate risk

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

Total 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 80 thousand per fiscal period. On non-current financial liabilities a 1-percentage point fluctuation in interest rates would entail a variation of +/- of interests of some Euro 18 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 opportune to highlight quantitative and detailed information, except for the details regarding account receivables per expiration breakdown in Note 19. In order to check such risk the Group implemented procedures and measures to assess the clientele and the possible recovery measures. Regarding other financial assets, 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 pre-set 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 started in past fiscal periods talks with banking institutions aimed at defining the terms and conditions to remodulate financial indebtedness. These talks are continuing on a bilateral basis with each individual banking institution following the termination of collegiate negotiations.

The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, which then settled with Itway for their definitive closing, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy's vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some bank. The company reasonably believes it can conclude the talks with agreements on how to repay the debt.

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 analyses the Group's non-current liabilities, grouped together on the basis of the contract expiration compared with the balance sheet date.

Thousands of Euro	*31/12/2019*	*Contractual cash-flows*	*1-2 years*	*2-5 years*	*Over*
Non-current financial liabilities	1,785	1,785	188	422	1,175
Non-current liabilities	**1,785**	**1,785**	**188**	**422**	**1,175**

Thousands of Euro	*31/12/2018*	*Contractual cash-flows*	*1-2 years*	*2-5 years*	*Over*
Non-current financial liabilities	1,862	1,862	131	412	1,319
Non-current liabilities	**1,862**	**1,862**	**131**	**412**	**1,319**

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 maximize value for shareholders. We feel the best assessment of capital indicators can be seen in the s financial prospectus above.

39. Financial instruments

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

40. Compensation for the auditing firm - Art. 149 duodecies of Issuers Regulations - Prospectus

Description	Thousands of Euro
Compensation for HLB Analisi for the auditing of the financial statements of the fiscal year at a consolidated and Itway SpA level	55
Compensation to HLB Analisi for other services	-
Compensation to Network HLB for auditing activities of the financial statements of subsidiaries	20
Compensation to other auditors for auditing activities of the financial statements of subsidiaries	26
Total	**101**

In addition to the compensation mentioned above, no other mandates were given to the auditing firm or other companies of its network.

41. Publication of the Financial Statements

The financial statements were approved by the Board of Directors of Itway S.p.A. at the April 15, 2020 meeting in which the mandate was given to the President to carry out formal fine tuning amendments or integrations should they be necessary or opportune for a better drafting and a more complete text, in all its elements.

42. Companies of the Itway S.p.A. Group

Following is the list of companies and relevant investments of the Group, pursuant to Consob Deliberation No. 11971 of May 14 1999 and successive modification and Consob communication No. DEM/6064293 of July 28 2006.

In the list that follows the companies are divided by type of control and consolidation method. For each company the following is highlighted: name, headquarters, country affiliation, share capital in the original currency. Furthermore, also listed are the shareholdings, voting rights in ordinary shareholders meeting, if different from the stake of the capital and the controlling companies.

PARENT COMPANY	HEADQUARTERS	SHARE CAPITAL Euro
Itway S.p.A.	Milano	3.,952,659

SUBSIDIARY CONSOLIDATED WITH FULL METHOD	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
Itway Iberica S.L.	Barcelona	560,040	100%	Itway S.p.A
Itway France S.A.S.	Paris	100,000	100%	Itway S.p.A
Itway Hellas S.A.	Athens	846,368	100%	Itway S.p.A
Itway Turkiye Ltd.	Istanbul	1,500,000 *	100%	Itway S.p.A. .
iNebula S.r.l. in liquidation	Milan	10,000	75%	Itway S.p.A
4Science S.r.l.	Milan	10,000	100%	Itway S.p.A
Itway RE S.r.l.	Ravenna	10,000	100%	Itway S.p.A.

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

ASSOCIATE COMPANY VALUED WITH EQUITY METHOD	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
BE Infrastrutture S.r.l.	Ravenna	100,000	30%	Itway S.p.A.
BE Innova S.r.l.	Trento	20,000	50%	Itway S.p.A.

OTHER COMPANIES	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
Dexit S.r.l.	Trento	700,000	9%	Itway S.p.A
Itway MENA FZC	Saudi Arabia	35,000*	17.1%	4Science S.r.l.
Idrolab S.r.l.	Cesena	52,500	10%	Itway S.p.A.
Serendipity Energia SpA	Ravenna	1,117,758	10.5%	Itway S.p.A.

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

Ravenna, April 15, 2020

FOR THE BOARD OF DIRECTORS

President and Chief Executive
G. Andrea Farina

SEPARATE FINANCIAL STATEMENT OF ITWAY S.P.A.
FOR THE PERIOD ENDED DECEMER 31, 2019

SEPARATED INCOME STATEMENT

Euro	Notes	Fiscal year as of	
		31 Dec 2019	**31 Dec 2018**
Revenues from sales	1	358,945	1,161,160
of which to Group companies		*127,263*	*403,127*
Other operating revenues	2	3,428,874	3,863,137
of which to Group companies		*279,300*	*480,999*
Products	3	(117,653)	(1,156,150)
Costs of services	4	(1,707,805)	(1,976,719)
of which to Group companies		*(80,000)*	*(84,453)*
Costs of personnel	5	(410,060)	(435,698)
Other operating expenses	6	(299,848)	(330,869)
of which to Group companies		*(59,622)*	*(59,622)*
EBITDA		**1,252,453**	**1,124,861**
Depreciations and amortisations	7	(501,472)	(254,058)
EBIT		**750,981**	**870,803**
Financial proceeds	8	17,168	87,702
of which to Group companies		*407*	*18,021*
Financial charges	8	(279,030)	(580,320)
Result of subsidiaries evaluated using the equity method	8	1,438,748	900,258
Adjustment of subsidiary company assets		-	(851,299)
Profit before taxes		**1,927,867**	**427,144**
Taxes	9	108,398	(255,170)
Result for the period		**2,036,265**	**171,974**

** for a description of relations with related parties, see Note 31.*
*** the definition of Ebitda and Ebit is provided in the paragraph "Presentation of the financial statements" of the Notes.*

COMPREHENSIVE SEPARATED INCOME STATEMENT

Euro	**31 Dec 2019**	**31 Dec 2018**
Net result	2,036,265	171,974
Components that cannot be reclassified to the income statement:		
Actuarial gain (losses) on defined-benefit plans	-	2,954
Components that can be reclassified to the income statement:		
Profits/(Losses) comprensive from evaluated using the equity method	(264,780)	(778,379)
Result of the period	**1,771,485**	**(603,451)**

SEPARATED FINANCIAL STATEMENT

Euro	Notes	31 Dec 19	31 Dec 18
ASSETS			
Net current assets			
Property, plans and machinery	10	76,253	2,786,088
Other intangible assets	11	1,284,307	1,307,400
Rights of use	12	2,778,132	-
Investments	13	7,874,403	8,275,733
Deferred tax assets	14	418,884	293,009
Non-current financial assets	15	7,002	7,002
Other non current assets	16	2,098,000	2,098,000
Total		**14,536,981**	**14,767,232**
Current assets			
Account receivables - Trade	17	5,964,122	5,816,444
Financial receivables from subsidiaries of a financial	18	9,731,454	8,610,261
Commercial receivables from subsidiaries of a financial	32	424,619	518,254
Other current assets	19	630,849	1,051,107
Other financial credits	20	2,498,398	2,525,818
Cash on hand	21	21,097	468,125
Total		**19,270,539**	**18,990,009**
Total assets		**33,807,520**	**33,757,241**
NET EQUITY AND LIABILITIES			
Share capital and other reserves			
Share capital		3,952,659	3,952,659
Own share reserve		(1,347,103)	(1,347,103)
Share premium reserve		17,583,874	17,583,874
Legal reserve		484,904	484,904
Retained earnings / (losses) reserve		(14,879,124)	(14,786,318)
Other reserves		2,036,265	171,974
Total Net Equity	22	**7,831,475**	**6,059,990**
Non current liabilities			
Severance indemnity	23	265,943	218,860
Provision for risks and charges	24	8,172,875	8,157,842
Non current financial liabilities	25	1,830,226	1,861,803
Total		**10,269,044**	**10,238,505**
Current liabilities			
Financial current liabilitites	26	7,160,802	7,835,096
Account payable – Trade	27	5,263,538	4,748,469
Payables to subsidiaries	32	1,457,648	1,748,856
Tax payable	28	27,903	69,779
Other current liabilities	29	1,797,110	3,056,549
Total		**15,707,001**	**17,458,746**
Total liabilities		**25,976,045**	**27,697,521**
Total Net Equity and Liabilities		**33,807,520**	**33,757,241**

** for relations with "Related Parties" and "Group Companies", please refer respectively to Notes 31 and 32.*

SEPARATED STATEMENT OF CHARGES IN EQUITY

The following table summarizes the changes in the Company's equity:

Euro	Share capital	Own share reserve	Share premium reserve	Cumulated profit (loss) Legal reserve	Cumulated profit (loss) Retained earning/losses reserve	Result of the period	Net equity
Balance at January 1, 2018	**3,952,659**	**(1,386,937)**	**17,583,874**	**484,904**	**(12,227,753)**	**(1,783,139)**	**6,623,608**
Variations in own share	-	39.834	-	-	-	-	39.834
Total operations with shareholders	**-**	**39.834**	**-**	**-**	**-**	**-**	**39.834**
Allocation of the result for the year	-	-	-	-	(1,783,139)	1,783,139	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**171,974**	**171,974**
Other components of comprehensive results at 31 Dec 2018:							
Total profits / (losses) deriving from the application of IAS 27	-	-	-	-	(778,379)	-	(778,379)
Gain/(Losses) on defined benefit plan	-	-	-	-	2,954	-	2,954
Comprehensive result	**-**	**-**	**-**	**-**	**(775,426)**	**171,974**	**(603,452)**
Balance at December 31, 2018	**3,952,659**	**(1,347,103)**	**17,583,874**	**484,904**	**(14,786,318)**	**171,974**	**6,059,990**

1 the retained earnings / (losses) reserve incorporates the effects of the transition to IAS / IFRS international accounting standards.

Euro	Share capital	Own share reserve	Share premium reserve	Cumulated profit (loss) Legal reserve	Cumulated profit (loss) Retained earning/losses reserve	Result of the period	Net equity
Balance at January 1, 2019	**3,952,659**	**(1,347,103)**	**17,583,874**	**484,904**	**(14,786,318)**	**171,974**	**6,059,990**
Variations in own share	-	-	-	-	-	-	-
Total operations with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Allocation of the result for the year	-	-	-	-	171,974	(171,974)	-
Result of the period	**-**	**-**	**-**	**-**	**-**	**2,036,265**	**2,036,265**
Other components of comprehensive results at 31 Dec 2019:							
Total profits / (losses) deriving from the application of IAS 27	-	-	-	-	(264,780)	-	(264,780)
Gain/(Losses) on defined benefit plan	-	-	-	-	-	-	-
Comprehensive result	**-**	**-**	**-**	**-**	**(264,780)**	**2,036,265**	**1,771,485**
Balance at December 31, 2019	**3,952,659**	**(1,347,103)**	**17,583,874**	**484,904**	**(14,879,124)**	**2,036,265**	**7,831,475**

1 the retained earnings / (losses) reserve incorporates the effects of the transition to IAS / IFRS international accounting standards.

SEPARATED STATEMENT OF CHARGES IN FINANCIAL POSITION

The table below summarizes the trend of the Company's cash flows:

Thousand of Euro	**Fiscal year as of 31 Dec 2019**	**Fiscal year as of 31 Dec 2019**
Results for the period before taxes	1.928	427
Adjustments of items not affecting liquiduty:		
Depeciations of tangible assets	128	143
Depeciations of intangible assets	226	111
Allowances for doubtful accounts	-	-
Provisions for severance indemnity, net of payments to social security bodies	21	28
Controlled results evaluated with the PN method	(1.439)	(900)
Write-downs of participation	45	852
Cash flow from operating activities, gross of the variation in working capital	**909**	**661**
Payments of secerance indemnity	11	(92)
Variation in trade receivable and other current assets	(148)	(663)
Change in financial and trade receivables from subsidiaries	(1.028)	1.341
Variation in inventories	-	-
Change in other current assets and liabilities	557	2.917
Change in trade payables	224	(888)
Cash flow from operations generated/(absorbed)by changes in NWC	**(384)**	**2.615**
Cash flow from operations (A)	**525**	**3.276**
Change in non-current assets / liabilities to subsidiaries and others	(2.921)	(61)
Additions in tangible assets (net of assets sold)	2.582	(1)
Change in financial receivables	27	(1.714)
Payments in equity capital	-	-
Dividends collected	215	325
Investment in other intangible assets (net of divestments)	(203)	(1.193)
Cash flow from investing activities (B)	**(299)**	**(2.644)**
IAS 19 revised	-	3
Variation of onw shares	-	40
Cash flow from financial activities (C)	**-**	**43**
Cash flow from asset sold (D)	**-**	**-**
Increase/(Decrease)cash available and cash equivalents (A+B+C+D)	**227**	**675**
Short term Net Financial Position at the beginning of the period	(7.367)	(8.042)
Short term Net Financial Position at the end of the period	(7.140)	(7.367)

The financial charges paid during the year amount to 63 thousand Euros (370 thousand Euros in the previous year).

EXPLANATORY NOTES OF THE SEPARATE FINANCIAL STATEMENTS AS OF DECEMBER 31 2019

General Information

Itway S.p.A. (the “Company” or the “Parent Company”) is a public limited company constituted in Italy. The Company moved its legal headquarter to Milan, in Viale Achille Papa, 30 keeping its administrative headquarters in Ravenna and it is active with commercial office in Rome at the following address:

- Rome - Via Edoardo D'Onofrio 304.

Going concern assessment

The consolidated Financial Statements of the Parent Company as of December 31, 2019 ended with a profit of approx. Euro 600 thousand, net of the results of subsidiaries booked pursuant to IAS 27. This result includes non-recurring proceeds of Euro 2,354 thousand related to the definition of debt positions that emerged in past years and Euro 375 thousand related to other non-recurring proceeds. From a financial point of view, as already described in previous fiscal years, the sale of the 20-year old distribution business by the Parent Company in 2016, due to delays with which it materialized, led the company in the month of December 2016 to a position of financial stress that while in the process of unwinding is still underway to the date of the writing of the current financial statements.

As of December 31, 2019, the Itway Group had a current net financial indebtedness of approximately Euro 7.98 million, of which Euro 7.0 million already expired at the date of writing of the balance sheet, an indebtedness towards tax authorities and social security institutions of Euro 426 thousand (which will be paid with the terms foreseen by regulations in force) and an expired indebtedness towards suppliers of approx. Euro 4.7 million (of which approx. Euro 0.7 million for amounts being contested, also through legal means and Euro 1.4 million of suppliers no longer present on the market but that for prudential reasons are still booked in the balance sheet).

The Separate financial statements of Itway S.p.A. at December 31, 2019 had net financial indebtedness equal to approx. 7.12 million of which Euro 6.76 million already expired at the writing of the balance sheet, an indebtedness towards tax authorities and social security bodies equal to approx. Euro 49 thousand (that will be paid within the terms foreseen by the regulations in force) and an expired indebtedness towards suppliers totalling approx. Euro 3.2 million (of which however Euro 0.5 million for amounts being contested, also through legal means, and approx. Euro 1.4 million towards suppliers that are no longer on the market but that for prudential reasons are still booked in the balance sheet.

To face this tension, after the interruption of collegiate talks with the banking world, negotiations continued on a bilateral basis with each institution. The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, which then settled with Itway for their definitive closing, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy’s vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some bank. The company reasonably believes it can conclude the talks with agreements on how to repay the debt.

In this context the Company deemed necessary to take back full ownership of the Itway Hellas SA and Itway Turkyie Ltd subsidiaries due to their excellent profitability. This took pace following a serious and persistent breach by Cyber 1 of the agreements for the sale of the Greek and Turkish subsidiaries.

On the basis of this the Board of Directors approved the industrial plan for the 2020-2023 period. This plan foresees that the Group continues to specialize in the security sector but that it repositions based on investments that will be made by Itway S.p.A. that will be covered by the proceeds and financial flows from the Greek and Turkish subsidiaries as well as a greater focus on the Be Innova S.r.l. and 4Science S.r.l. subsidiaries. As soon as the general situation will allow it, there will be a continuation of the development of transactions abroad also in Africa and the Middle East where the Group is present through its share in Itway Mena FZC.

The plan therefore foresees a continuation of activities as previously configured and from a financial point of view it is based on two fundamental assumptions:

- Receipt of proceeds and cash flows deriving from the Itway Hellas SA, Itway Turkyie Ltd and BE Innova subsidiaries;
- The successful negotiation, as reported above, with the subjects that own the payables purchased from financial institutions so as to allow to remodulate debt maturities according to the forecasts of the plan and to pay expired debt towards suppliers.

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, in particular with regards to the continuing of the debt restructuring process but also supported by the positive results achieved in the past two years, drafted the balance sheet on a going concern basis.

SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING PRINCIPLES

General principles

For a better reading, the presentation of the financial statement, the income statement, the statement of comprehensive income, and the statement of changes in net equity are drafted in units of Euro and the data inserted in the notes are all expressed in thousands of Euro, unless otherwise indicated.

The Financial Statements are drafted in the following way:

- In the financial statement, current and non-current assets are reported separately. The financial statement as at December 31, 2019 was compared with the balances of the previous fiscal year, which ended on December 31, 2018;
- In the income statement, the representation of the costs is carried out on the basis of their own nature. The balances of the income statement on December 31, 2019 were compared with that of the previous fiscal year ended December 31, 2018;
- The indirect method was used for the 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. Management uses Ebitda to monitor and assess the operational performance of the Company. Management considers Ebitda an important parameter to measure the performance of the Company, 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, provision and writedowns, depreciation of fixed and intangible assets, provisions to cover losses of investments, 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. It is defined as the Profit/Loss net of depreciation of material and immaterial assets, provisions to cover losses of investments, 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.

Financial Statements and in the comparative data the Company 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 Company.

The Financial Statements items were assessed based on an 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 and, as those adopted in the drafting of the Financial Statements as of December 31, 2019. These principles require estimates that, in the context of the current economic uncertainty, have for 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.

Use of Estimates

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

The Financial Statements item most subject to estimates is “Investments in subsidiaries”.

The Company, when it identifies impairment indicators, carries out an impairment test on the book value of the investments pursuant to what is described in the next Note “Impairments”. As of December 31, 2019, the Company did not reveal impairment indicators on the values of the investments held.

Property, plant and equipment

Tangible assets are recognized at the purchase or production 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 seen Note “loss of value – impairment”).

Depreciation begins when assets are ready to be used. Property, plants and equipment are systematically depreciated in each fiscal period based on the economic-technical rates deemed representative of the residual possibility of using the asset. 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, of significant amounts, with different useful lives are considered separately when determining depreciation.

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

Plants	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 other operating expenses

Leasing

Starting from January 1, 2019, following the first application of IFRS 16 – 'Leases", the Group recognizes for all leasing contracts, except short term ones, therefore within 12 months, and low-value ones, a right of use at the lease commencement date that corresponds to the date in which the underlying asset is available for use. The lease fee related to short-term contracts and low-value ones are booked as cost in the income statement throughout the lease term. The right of use is booked at cost, net of accrued depreciation and loss of value (impairment loss) and adjusted following each re-measurement of the lease liability. The value assigned to the right of use corresponds to the amount of the lease liability and it is amortized on a straight-line basis over the estimated useful life, or the term, of the contract, if lower. The financial lease liability is booked at the start of the contract for a value equal to the present value of the lease fee to be paid during the term of the contract, discounted using the incremental borrowing rate when the interest rate implicit in the leasing contract cannot be readily determined. Variable leasing costs are still booked to the income statement as a cost pertaining to the period. After the commencement date, the amount of liabilities for lease contracts increases to reflect the accrual of interest and decreases to reflect the payments made. Each lease payment is divided between repayment of principal portion of the liability and the financial cost. The financial cost is booked to the income statement for the term of the contract to reflect a constant interest rate on the residual debt of the liability for each period.

The lease term is calculated based on the non-cancellable lease term, as well as the periods covered by an extension option on the agreement if it is reasonably certain that it will be exercised, or any other period covered by an option to terminate the lease contract, if it is reasonably certain that it will not be exercised. The contracts are included or excluded from the application of the principle on the basis of detailed analysis carried out on the individual agreements and in line with the regulations foreseen by the IFRS principles.

Goodwill

Goodwill deriving from the purchase of a company represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities of the acquired company 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". Eventual impairment losses are booked to the income statement and cannot be reversed successively.

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

Intangible assets

An intangible asset is booked only if it can be identified, if subjected to the control of the Company, 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 form when they start producing economic benefits for the company.

Following is the useful life usually attributed to the different categories:

- Software licenses and similar rights: on the basis of the duration of the license and/or right;
- Other intangible assets: 3 fiscal years.

Investments in subsidiaries, associates or joint ventures

The Company adopted the Amendment to IAS 27 that allows to measure, in the separate financial statements, investments in subsidiaries, associates and joint ventures, respectively at cost, pursuant to IFRS 9 o with the net equity method pursuant to IAS 28. The Company, in particular, chose to use the fair value criteria to measure minority investments and the net equity method to measure investments in subsidiaries and associates.

Therefore, investments in subsidiaries and affiliates are initially booked at cost and, after the acquisition, are adjusted based on the share that the controlling company has in the net equity of the controlled company. The investor’s profit or loss reflects its attributable interest in the profit (loss) in the fiscal period of the subsidiary and the investor’s other comprehensive income reflects its share of the subsidiary’s other comprehensive income.

Impairment

At least once per year, but at the end of each fiscal year, the Company 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 the recoverable value of a single asset, the Company 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 subsidiaries, as homogeneous groupings that autonomously generate independent 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.

Deferred tax assets

Deferred tax assets are booked at their nominal value. They are booked when their recovery is deemed probable. See also the subsequent comment on “Income Taxes”.

Inventories

Inventories are recognized as the lower of the purchase cost and presumable market value. Cost is determined, when possible, at the specific purchasing cost or otherwise, using the average weighted cost method. The purchase cost includes the additional charges incurred to bring the stock in the current place or in the current conditions. The net realized value 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

Trade receivables are recognized at the nominal value reduced by an adequate provision to reflect the estimate of the presumed losses on receivables, considering a punctual analysis of the expired positions. When due to the allowed terms of payment there is a financial transaction, the receivables are discounted at the current value, booking the discount on an accrual basis in the income statement.

Sale of receivables transaction without recourse for which all risks and benefits are substantially transferred to the factor determines the elimination of the receivables from assets.

Contract works in progress

When the result of a multi-year order can be estimated with reason, the contract work in progress is assessed based on the earned revenue, according to the stage of completion measured trough the so-called cost to cost criteria, 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.

Cash on hand

Cash on hand includes petty cash, checks and 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. It is recognized at its nominal value.

Own shares

Own shares are stated at cost and reported debiting net equity, including ancillary expenses in buying and selling. The financial effects deriving from possible subsequent sales are recognized as a difference 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 Italian 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 Company 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 nominal value. When, owing to the agreed payment terms there is a financial transaction, then debts are booked at their current value, attributing the discount as financial cost on an accrual basis.

Other current liabilities

These refer to relationships of different nature and are booked at the nominal value.

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 when 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.

Derecognition of financial assets and liabilities

A financial asset should be derecognized when:

- the entity's contractual rights to the asset's cash flows have expired;
- the asset has been transferred to a third party, namely:
    - Transfers the contractual rights to receive the cash flow of the financial assets (essentially all risks and reward of ownership of the financial asset are transferred or the control of the asset was not kept);
    - Or maintains the contractual rights to receive the cash flows from the financial asset but assumes the contractual obligation to pay the cash flows to one or more beneficiaries in an agreement whereby (i) the entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (ii) the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; (iii) the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

A financial liability is removed from the balance sheet when it is extinguished or when the obligation is discharged, cancelled or has expired.

When an existing financial liability is replaced by a new one by the same lender with contractual terms that are substantially different, there is a derecognition of the original liability and the recognition of a new liability. In the same way a substantial modification of the terms of an existing financial liability or a part of it (whether or not it is attributable to the financial difficulties of the debtor) must be treated as a derecognition of the original liability and the recognition of a new one.

Revenue recognition

Revenues are recognized as follows:

Sale of goods and services – pursuant to IFRS 15. This principle came into force for the fiscal years beginning from January 1, 2018 or subsequently and replaces the principles of IAS 18 – Revenue and IAS 11 – Work in Progress as well as the interpretations of IFRIC 13 (Customer Loyalty Programs), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfer of Assets from Customers) and SIC 31 (Revenue - barter transactions involving advertising services). IFRS 15 establishes a new model of revenue recognition that is applied to all contracts with customers except those regulated by the application of the IAS/IFRS principles including leasing, insurance contracts and financial instruments. The new model to recognize revenue foresees the following five steps:

1. Identify the contract with a customer.
2. Identify all the individual performance obligations within the contract.
3. Determine the transaction price.
4. Allocate the price to the performance obligations;
5. Recognize revenue as the performance obligations are fulfilled.

The principle was applied retroactively but no adjustments on the opening balances emerged considering that the contracts signed with clients are independent from one another and do not include multiple performance obligation nor do they include variable considerations. In terms of costs to obtain the contract, the analysis carried out highlighted that costs do not fall within the scope of “incremental cost” and therefore are not recognized as assets. The “practical expedient” in paragraph 63 of IFRS 15 was used. It allows to not adjust the promised consideration for the effects of a significant financing component since, considering sector practices for consolidated relationships with clients, the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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

Itway S.p.A. (the consolidating company) and its 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 consolidating companies and the subsidiaries are defined in the “regulation of the consolidation for the companies of the Itway Group”.

Current income taxes are calculated based on the best estimate of the taxable income, in relation to fiscal legislation in force.

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 possible 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. Active deferred taxes that are not recognized are assessed annually at the closing of the financial statements and are booked in the amount in which it has become probable that the fiscal income is sufficient to allow that these active deferred taxes be recovered.

Deferred tax assets and liabilities are calculated based on the tax rates that are forecast to be used in the fiscal year in which such assets will be realized or liabilities extinguished, taking into account existing tax rates in force at the date of the Financial Statements.

Foreign currency transactions

The functional currency of Itway S.p.A. is the 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 date and the relative profits and losses are booked in the Income Statement**.**

Recently issued accounting principles

The criteria used to draft the Financial Statements for the 2019 fiscal year are not different from those used for the Financial Statements at December 31, 2018, except for the accounting principles, amendments and interpretations applicable from January 1, 2019, including :

IFRS 16 – 'Leases'
IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes the principles to book, measure, present and disclose leasing contracts and requires lessees to recognize all leasing contracts along the lines of a single accounting model similar to the booking of financial leasing that was governed by IAS 17.
Prior to January 1, 2019 the Group, pursuant to IAS 17, classified each agreement to use third party assets as financial leasing if it transferred all risks and rewards deriving from ownership of the leased asset or otherwise the agreement was classified as operational. Financial leasing was represented as investments at the start of the contract, for a value equal to the fair value of the leased asset or, if lower, equal to the minimum payments of the contract. For operational leasing, the leased asset was not capitalized as an investment and lease fees were booked in the income statement on a straight-line basis over the contract term. At the first application of the principle, the Group decided to adopt the modified retrospective approach. Therefore, the comparable data for the period were not restated and some simplifications and practical expedients were applied, as allowed by the principle at hand. The adoption of IFRS 16 did not have any impact on the initial net equity at January 1, 2019.

Following is a summary of the basic assumptions and the hypothesis used by the Group upon first application:

- Analysis of all agreements related to the use of third party assets that could potentially have an impact in light of the new provisions of the accounting principle;
- IFRS 16 was not applied to intangible assets, to contract expiring within 12 months from the initial application and to low-value contracts;
- The eventual component related to services rendered included in leasing fees is generally excluded from IFRS 16;
- The right of use is classified as a specific item of the balance sheet. Payables for rights of use are classified within financial liabilities in the balance sheet.

- Leasing contracts previously assessed as financial leasing pursuant to IAS 17 maintain their previously booked values with the exception of how they are classified in the financial statements, meaning that they are booked in the Right of Use category;

- For the leasing contracts that fall within the application of the new principle, right of use assets are booked, at the date of the first application on January 1, 2019, for a value equal to the estimated financial liability for the leasing, adjusted for the amounts of eventual prepaid payments or payments that have already been booked in the financial statements.

Impact from the first time application on January 1, 2019:
Following is a summary:
- Booking of non-current assets for Right of use totalling Euro 2,778 thousand;
- Booking of liabilities for long-term financial payables of Euro 99 thousand and short term for Euro 228 thousand.

Furthermore, the Company reclassified in Right of Use the value of leasing contracts in force at January 1, 2019 and booked pursuant to the previous IAS 17 principle in property in the ‘property, plant and machinery’ item.

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

Amendments – ‘References to the Conceptual Framework in IFRS Standards”
IASB publishes the revised version of the Conceptual Framework for Financial Reporting with first application foreseen for January 1, 2020. The objective of the amendment is to update the existing references in different standards and interpretations that have been overcome. The main amendments regard:
- A new chapter on measurement;
- Improvements in the definitions and guidance, in particular with referring to the definition of a liability;
- Clarification in important concepts like stewardship, prudence and uncertainty in measurement ;
- Clarification of definitions and criteria to recognize assets and liabilities.

Amendment ‘Definition of material in IAS 1 and IAS 8’
IASB published the amendment on the definition of material in IAS 1 and IAS 8 that has as an objective to clarify the definition of ‘material’ in order to help companies decide if information should or should not be included in the financial statements. Information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of readers of the financial statements. Changes will apply from January 1, 2020. Early application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to ‘Interest Rate Benchmark Reform’
IASB published amendments to IFRS 9 and IFRS 7. These amendments foresee temporary benefits that allow to use again hedge accounting during periods of uncertainty that precede the reform related to the transition from the current benchmark interest rate to an alternative risk-free one. These amendments will come into force from January 1, 2020. Early application is permitted.

New accounting principles and amendments not yet endorsed by the European Union as of December 31, 2019

At the date of approval of the current Financial Statements, IASB issued, but the European Union has still not endorsed, some accounting principles, interpretations and amendments, some of which still in the consultation phase, including:

- IFRS 17 – Insurance Contracts – will replace the current IFRS 4 with the objective to increase the transparency on the sources of profit by introducing a single principle to recognize revenues reflecting the services rendered by the insurance company. It will come into force on January 1, 2021.
- IFRS 3 Business combination - IASB introduced a definition of business that is much narrower compared with the current one. The changes will be applicable for acquisitions subsequent to January 1, 2020.

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.

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

In the notes to the annual financial statements as at December 31, 2019 that follow in each paragraph the following further information is reported.

Note 34: the net financial position of the Parent Company, highlighting the short term components from the medium- and long-term ones

Notes 26-29: the expired debt positions of the Parent Company divided by nature (financial, trade, tax, social security and towards employees) and the eventual related reaction initiatives by creditors (reminders, injunctions, interruption of supply, etc.);

Note 31: the main changes that took place in relations with related parties of this Company compared with the previous annual or half-year financial statements pursuant to article 154-ter of the TUF;

Note 26: Eventual breaches of covenants, negative pledges and any other clause related to debt of the Company that limits the use of financial resources, with an updated indication of the level of compliance of these clauses;

Note 35: The state of implementation of eventual industrial and financial plans highlighting differences from the actual data from the budgeted ones.

1. Sales revenue

Sales revenue for the fiscal period ended December 31, 2019 totalled Euro 359 thousand and following is their breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Revenues from sale of products	117	1,118
Revenues from services	242	43
Total	**359**	**1,161**

The drop in revenue in 2019 reflects mainly the repositioning of the Company underway already commented in the Management Report.

2. Other operating revenue

Other operating revenue for the period ended December 31, 2019 totalled Euros 3,429 thousand and following is the breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Non-operating income	2,354	925
Other revenues and various proceeds	700	942
Proceeds from extraordinary transactions	375	1,996
Total	**3,429**	**3,863**

Non-operating income refers mainly to the liquidation of both trade and financial payables. In particular Euro 1,260 thousand refers to the settlement with the supplier Cisco that the Company took on from the Itway France subsidiary as it was the guarantor, Euro 886 thousand to the liquidation of some positions towards financial institutions and Euro 374 thousand for several minor items.

Other revenue and proceeds include the charging of services to subsidiary companies regulated by specific contracts.

The proceeds from extraordinary transactions during the fiscal period refer to a non-recurring proceed in nature of Euro 375 thousand realized by the Parent Company following the collection of the guarantee deposit for sale of the Greek and Turkish subsidiary that will not be returned after the transaction to buy back the subsidiaries that took place after the end of the period (see management report for further details).

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

Following is the breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Purchase of products	85	1,144
Cost for resold services	22	-
Other purchases	11	12
Total	**118**	**1,156**

4. Cost of services

Following is the breakdown:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Directors' remunerations of the parent company and social charges	427	444
Compensation for Statutory Auditors	69	69
Auditing company fees	55	55
Consultancy and collaborations	648	753
Advertising and trade fairs	38	30
Telecom expenses	27	33
Insurance	112	75
Electricity, water and gas	27	30
Travel and representation	40	101
Specialist costs, IR and securities services	61	121
Other expenses and services	204	266
Total	**1,708**	**1,977**

Please note that:

- Consultancy includes non-recurring charges related to the management of extraordinary transactions underway and the financial debt remodulation for approx. Euro 338 thousand;

- The table includes the compensation agreed by social bodies deliberated at the Annual General Meeting of the Company, including social security charges and related accessories.

5. Personnel costs

Following is the breakdown, compared with the previous period:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Salaries	263	306
Social charges	125	112
Severance pay	22	17
Other personnel cost	-	1
Total	**410**	**436**

Following is the detail of the number of employees both average and punctual:

	31/12/2019 *Avg*	31/12/2018 *Avg*	Variation	31/12/2019 *Punctual*	31/12/2018 *Punctual*	Variation
Managers	1	1	-	1	1	-
Mid-managers	-	1	(1)	-	-	-
Employees	3	4	(1)	5	4	1
Total	**4**	**6**	**(2)**	**6**	**5**	**1**

6. Other operating expenses

Following is a breakdown compared with the previous fiscal period:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Property lease, offices and vehicles	69	191
Extraordinary and contingent charges	231	140
Total	**300**	**331**

The decrease in the “Property lease, offices and vehicles” item is due to the application of IFRS 16 regarding leasing according to which the amounts paid for leasing are not booked as costs in the fiscal period but as a reduction in financial liabilities estimated on the leasing and as financial charges. The rental cost booked in the 2019 fiscal year refers to short term leasing costs (excluded from IFRS 16 application) and variable leasing payments (indexing and similar).

Extraordinary and contingent charges are non-recurring in nature.

7. Amortization

Following is a breakdown compared with the previous fiscal period:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Depreciation of tangible assets	128	143
Amortization of intangible assets	226	111
Amortization for right of use	102	-
Writedown of investment	45	-
Total	**501**	**254**

The amortization for the right of use are related to the application of IFRS 16 from January 1, 2019, as previously described.

8. Financial income and expenses

Following is a breakdown compared with the previous fiscal period:

	Fiscal period ended	
Thousands of Euro	**31/12/19**	**31/12/18**
Financial income from financial institutions	-	18
Income from investments	15	48
Other income	2	22
Total financial income	**17**	**88**
Financial charges towards financial institutions	(184)	(552)
Bank commissions	(24)	(41)
Profit/(loss) on exchange rates	(55)	28
Other expenses	(16)	(15)
Total financial expenses	**(279)**	**(580)**
Result subsidiaries with equity method	**1,439**	**900**
Writedown on investments	-	(851)
Total	**1,177**	**(443)**

Financial proceeds refer mainly to dividends cashed in by the Dexit S.r.l. subsidiary. Please see Note 13 “Investments” for eventual details of the result of subsidiaries valued with the equity method.

9. Income taxes

Following is the breakdown compared with the previous fiscal period:

Thousands of Euro	**31/12/2019**	**31/12/2018**	**Variation**
Current income taxes (Ires)	(331)	(242)	(89)
IRAP	(57)	(55)	(2)
Deferred (prepaid) taxes	495	67	428
Other taxes and fines	1	(25)	26
Total	**108**	**(255)**	**363**

Other taxes include contingent liabilities related to withholdings incurred on the payment of services by the Turkish subsidiary that, being in loss for the sake of the Ires tax in the consolidated results of the Group, are deemed unlikely to be recovered.

The following table highlights the reconciliation of the theoretical fiscal charge and the effective fiscal charge relating to income taxes (IRES):

Thousands of Euro	Fiscal period ended 31/12/2019		31/12/2018	
	Taxable income	**Tax**	**Taxable income**	**Tax**
Result before taxes	**1,928**		**427**	
Theoretical tax rate (24%)		463		102
Temporary differences to be made in successive fiscal periods	165		339	
Differences that will not be carried over to future years	(1,260)		86	
Carry forwards of temporary differences from previous fiscal periods	546		158	
Tax rate 24%	1,379		1,010	
Current tax (IRES) for the period		**331**		**242**
Deferred tax net of the use of taxes allocated in previous years		(227)		212
Anticipated tax net of use of anticipated taxes allocated in previous years		(269)		(278)
Net IRES tax for the period		**(164)**		**176**

The following table highlights the reconciliation of the theoretical fiscal charge and the effective fiscal charge relating to the Irap tax:

Thousands of Euro	Fiscal period ended			
	31/12/2019		**31/12/2018**	
	Taxable income	**Tax**	**Taxable income**	**Tax**
Result before taxes	**1,928**		**427**	
Costs that are not relevant for IRAP purposes	(421)		1,065	
Total	1,506		1,492	
Theoretical fiscal charge (3.9%)		59		58
Temporary differences to be realized in future years	-		-	
Differences that will not be carried forward to future years	(37)		(80)	
Carry forward of temporary differences from previous years	-		-	
Taxable income	1,469		1,412	
Taxable at (4.90%)	-	-	-	
Taxable at (3.90%)	1,469	57	55	
Current IRAP for the period		**57**		**55**
Deferred tax net of use of taxes allocated in previous fiscal period		-		-
Anticipated taxes net of use of taxes allocated in previous fiscal periods		-		-
Net IRAP for the fiscal period		**57**		**55**

10. Property, plant and equipment

Property, plants and equipment are expressed net of accumulated depreciation and have the following composition and variation in the last two fiscal years:

Thousands of Euro	Property and offices	Other goods	Total
Purchase cost	3,330	1,684	5,014
Balance at 31.12.2017	**3,330**	**1,684**	**5,014**
Increases	-	-	-
Balance at 31.12.2018	**-**	**-**	**-**
Decreases	-	-	-
Balance at 31.12.2018	**-**	**-**	**-**
Accrued depreciation	607	1,479	2,086
Balance at 31.12.2017	**607**	**1.,79**	**2,086**
Amortization for the period	69	74	143
Balance at 31.12.2018	**69**	**74**	**143**
Net book value			
At December 31, 2017	2,723	205	2,928
At December 31, 2018	**2,654**	**131**	**2,785**

Thousands of Euro	Property and offices	Other goods	Total
Acquisition costs	3,330	1,684	5,014
Balance at 31.12.2018	**3.330**	**1,684**	**5,014**
Increases	-	4	4
Decreases	-	-	-
Reclassification IFRS16 "*Leases*"	(2,586)	-	(2,586)
Balance at 31.12.2019	**744**	**1.688**	**2.432**
Accrued depreciation	676	1,553	2,229
Balance at 31.12.2018	**676**	**1,553**	**2,229**
Amortization for the period	69	59	128
Balance at 31.12.2019	**745**	**1.612**	**2,357**
Net book value			
At December 31, 2018	2,654	131	2,785
At December 31, 2019	**-**	**76**	**76**

The reduction in the balance of the "property and offices" items reflects the reclassification to the item Right of Use of the book value of a property leasing, previously classified in "Property, plants and machinery" pursuant to previously effective regulation IAS 17, since classified as financial leasing. For further details please see what has been previously indicated regarding the application of IFRS 16 (leases).

The investments in the ‘Other goods’ item recorded in the 2019 fiscal period essentially refer to the purchase of computers and network servers.

11. Other intangible assets

Following is the breakdown and variation of other intangible assets in the past two fiscal periods:

Thousands of Euro	**Development costs**	**Software licences and patent rights**	**Other**	**Total**
Purchase cost	-	1,455	1,699	3,154
Balance at 31.12.2017	**-**	**1,455**	**1,699**	**3,154**
Increases	1,198	-	-	1,198
Balance at 31.12.2018	**1,198**	**-**	**-**	**1,198**
Decreases	-	-	-	-
Balance at 31.12.2018	**-**	**-**	**-**	**-**
Accrued amortization	-	1,359	1,574	2,933
Balance at 31.12.2017	**-**	**1,359**	**1,574**	**2,933**
Amortization for the period	-	-	111	111
Balance at 31.12.2018	**-**	**-**	**-**	**-**
Net value				
At December 31, 2017	-	96	125	221
At December 21, 2018	**1,198**	**96**	**14**	**1,308**

Thousands of Euro	**Development costs**	**Software licences and patent rights**	**Other**	**Total**
Purchase cost	1,198	1,455	1,699	4,352
Balance at 31.12.2017	**1,198**	**1,455**	**1,699**	**4,352**
Increases	-	1	2	203
Balance at 31.12.2018	-	-	-	-
Decreases	**1,198**	**1,456**	**1,701**	**4,555**
Balance at 31.12.2018	-	1,359	1,685	3,044
Accrued amortization	**-**	**1,359**	**1,685**	**3,044**
Balance at 31.12.2017	150	-	76	226
Amortization for the period	**150**	**1,359**	**1,761**	**3,270**
Balance at 31.12.2018				
Net value	1,198	96	14	1,308
At December 31, 2017	1,048	97	60	1,285
At December 21, 2018	**1,198**	**1,455**	**1,699**	**4,352**

The increase in “Work in progress” refers to investments, the cost of which has been identified in a reliable manner, for the development and improvement of new products that began in the past fiscal year and that required further investments for the Parent Company. The Company deems that it is possible and capable, technically and economically, to complete these activities in subsequent fiscal years.

12. Right of Use

Right of use, for the first time recorded in the financial statements following the application of IFRS 16 “Leases” as previously described, totalled Euro 2,778 thousand. The assets in question mainly comprise property and vehicles.
In particular, this amount includes the book value of the Milan headquarters, purchased in 2008 through an 18-year financial leasing contract (until the previous fiscal period recorded in the “Property, plants and machinery” according to the regulation previously in force IAS 17), booked at a value that includes directly booked accessory charges. It also includes the book value of a property in Ravenna (administrative headquarters of the Parent Company and the Italian companies of the Group), which was purchased in 2015.

The related residual debt for the purchase of the two properties are booked in the Non-current and current financial liabilities item (Note 25 and Note 26).

13. Investments

Following is some information regarding the investments of the Company:

Name	Headquarters	Share capital in Euro	Direct ownership %	Value at 31/12/19	Value at 31/12/18
Subsidiary					
Itway Iberica S.L.	Argenters 2, Cerdanyola del Vallès, Barcelona	560,040	100%	-	-
Itway Turkiye Ltd.	Eski Uscudar Yolu NO. 8/18 – Istanbul	1,500,000 *	100%	2,622	2,273
Itway Hellas S.A.	Ag. Ioannu Str. 10, Athens	846,368	100%	2,978	2,682
4Science S.r.l.	Viale A. Papa, 30 Milan	10,000	100%	544	214
Other companies:					
Dexit S.r.l.	Via G. Gilli 2, Trento	700,000	9%	374	374
Be Infrastrutture S.r.l.	Via Trieste, 76 Ravenna	100,000	30%		45
Be Innova S.r.l.	Piazza C. Battisti, 26 Trento	20,000	50%	409	409
Idrolab S.r.l.	Via Dell’Arrigoni, 120 Cesena	52,500	10%	195	195
Cyber Security 1 AB	E145NR, Floor 19, 40 Bank Street, London	77,332	5.64%	753	2,083
Total				**7,875**	**8,275**

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

The data on Net Equity and Net Result of the subsidiaries, detailed in the following table, are taken from the financial statements for the fiscal year ending December 31, 2019 approved by the respective Board of Directors and rectified, where necessary, to adjust them to the accounting principles adopted by the Company.

		At 31 December 2019				
Company (Euro)	**%**	**Net Equity**	**of which Result of the period**	**Net Equity Share of relevance**	**Valuation with the equity method**	**Balance sheet value**
Itway Iberica S.L.	100%	(57.401)	2.203	(57.401)		-
Itway France S.A.S.	100%	(7.925.762)	2.488	(7.925.762)		-
Itway Hellas S.A.	100%	1.120.026	295.480	1.120.026		2.977.930
Itway Turkiye Ltd.	100%	3.026.446	828.238	3.026.446		2.621.686
iNebula S.r.l.	75%	74.842	(16.319)	56.132		-
4Science S.r.l.	100%	534.232	330.063	534.232		544.175
Itway RE S.r.l.	100%	11.953	(3.406)	11.953		-
Dexit S.r.l. (*)	9,00%	2.532.079	270.809	227.887		373.544
Be Infrastrutture S.r.l. (*)	30,00%	(110.431)	(265.565)	(33.129)		-
Be Innova S.r.l. (*) (**)	50,00%	2.417.632	2.502	1.208.816		408.718
Idrolab S.r.l. (*)	10,00%	37.846	(2.892)	3.785		195.000
Other equity investments						753.350
Total Investments						**7.874.403**

(*)Financial statements at December 31, 2018
(**) Net equity includes Euro 1,598 thousand as a fund for future capital increases paid by shareholder Itway S.p.A.. Please note that in the Separate financial statements of Itway S.p.A. this amount is booked in the Non-Current financial assets in the balance sheet.

For a better understanding of the activities carried out by the subsidiaries, please see the consolidated financial statements, drafted by the Board of Directors along with the current separate financial statements.

The Turkish subsidiary once again confirmed the development prospects of the Country and ended the fiscal period with a net profit of over Euro 800 and with higher revenue volumes compared with the previous fiscal year. The results of the period are however influenced by the performance of the Turkish Lira that lost approximately 10% of it value towards the Euro compared with 2018. Therefore, in local currencies, the results would show an approx. 25% increase in sales.

The Greek subsidiary ended the fiscal year with revenue volumes and profitability up 8% compared with 2018 and an net result of almost Euro 300 thousand compared with Euro 170 thousand in the previous year. These results position the Group as the leading VAD in the security market in Greece.

The Other Investment line includes shares received during the fiscal period from Cyber 1 for the sale of the Greek and Turkish subsidiaries valued at fair value.

Developments in 2019

On April 7, 2020, Itway took back full ownership of its Itway Hellas SA and Itway Turkiye Ltd subsidiaries, both operational as Value Added Distributors (VAD), following the serious and persistent breach by Cyber 1

AB (formerly Cognosec), listed on the Nasdaq First North (COGS OTC-Nasdaq Intl Designation: CYBNY), of the agreements signed to buy 100% of the shares of the Greek and Turkish subsidiaries.

The two subsidiaries, the shares of which, as part of the deal with Cyber 1, had been sold on May 28, 2019 to Credence Security Europe S.r.l. (95% owned by Cyber 1 and 5% by Itway), continued to be managed by Itway awaiting the implementation of the agreement that foresaw the right by Itway to buy the entire ownership of Credence Security Europe in case of breach of the payment obligations by Cyber 1 in favour of Itway.

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.

The existing agreements regarding the sale of the two subsidiaries therefore lapsed as Cyber 1 breached payment commitments of over Euro 12 million. Itway received the total amount of Euro 2.6 million, in part during the 2018 fiscal year and in part in 2019, and will keep it as foreseen by contractual agreements for the violation of the obligations from Cyber 1.

The Spanish and Iberian subsidiaries, following the termination in past fiscal years of the VAD business in the countries where they operate, are no longer operational and ended the fiscal period broadly at breakeven.

4Science S.r.l. in 2019 ended its third fiscal year; the company is now known as a reference player in the emerging market of Data Science, Data Management and Big Data (Data Curation) as well as Digital Repository and Preservation of the digital assets related to scientific research and Cultural and artistic assets, or the so-called Digital Libraries. 4Science developed two Open Source platforms, DSpace-CRIS and DSpace-GLAM in addition to five Add-On products, as in all software products they are in constant evolution and update.

The results of the period for the 4Science subsidiary, slightly less than budget, were in the black with an Ebitda of over Euro 540 thousand, representing 36% of revenues.

4Science posted a significant increase in the order portfolio compared with the 2018 fiscal year. 2019 for 4Science represented a strong consolidation on the international market with the acquisition of important and prestigious clients in the scientific and academic sectors. In this context, at the beginning of 2020 the Company won an important tender worth Euro 860 thousand with the Peruvian national consortium for research and science, Concytec. The Italian cultural and scientific assets sector, where 4Science boasts top-level references, still does not shine due to the lack of economic resources for national cultural bodies.

iNebula S.r.l. was liquidated in October 2018 and the process during 2019 led to a settlement agreement with the main creditors while all the assets related to iNebula Connect (IoT market and work safety solutions – safety ICOY) in addition to the brand name and the iNebula portal were sold to Itway for a value of Euro 1,198 thousand at the end of 2018. During the first months of 2019 other assets were sold including iNebula Vidio and other software assets for a total of Euro 50 thousand. There was also a writedown of Euro 53 thousand for iNebula assets.

Following is a brief comment on the other subsidiaries:

- The Itway Re S.r.l. subsidiary charged the Parent Company for the rent of the Ravenna headquarters;

- The associated company Dexit S.r.l continued its activities mainly in the Autonomous Province of Trento with a profit in the period ended December 31, 2018 of Euro 271 thousand. The results as of December 31, 2019 are still not available and will be approved within the terms foreseen by regulations;

- BE Innova S.r.l. (50% ownership) 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. (30% ownership) is controlled by Cooperativa Muratori Cementisti CMC aims at supplying Information Technology services in the construction sector. As of December 31, 2019 this stake was written down since the results of the company are not positive and given the difficulties of the CMC Group it will likely be liquidated.

- Serendipity Energia S.p.A (10.5% ownership) aims at ensuring the development part of remote control over alternative energy plants that the subsidiary will build. Since the development is incurring delays compared with the initial plans of the company, a writedown on the investment was booked.

- Idrolab S.r.l (10% ownership) operates in the management of data in the plumbing and sanitary sector.

Following the adoption of the Amendment to IAS 27, as described above, the book value of investments are not subject to impairment tests as of December 31, 2019 as no impairment indicators were detected.

Following is a summary of the economic and financial data of associate companies:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/loss of the fiscal period	Comprehensive income
Dexit S.r.l.*	3.804	162	1,088	346	5,735	271	271
Be Infrastrutture S.r.l.*	1,182	-	1,178	115	886	(266)	(266)
Be Innova S.r.l.*	738	4,958	3,231	47	1,354	3	3
Idrolab S.r.l.*	987	398	1,072	275	1,540	(3)	(3)

refers to the fiscal period ended December 31, 2018, the last one available

14. Prepaid taxes assets and deferred tax liabilities

Prepaid tax assets, net of deferred tax liabilities, as of December 31, 2019 totalled Euro 419 thousand (Euro 293 thousand as of December 31, 2018). The Company expects to recover in future fiscal years based on the expected taxable income and the use of above-mentioned taxed funds.

Deferred tax liabilities are booked against temporary differences taxable in future fiscal periods and as of December 31, 2019 total Euro 325 thousand (Euro 628 thousand as of December 31, 2018). These 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.

The following table highlights the variations in the period:

Thousands of Euro	31/12/2019 Amount	 Prepaid taxes	31/12/2018 Amount	 Prepaid taxes	Variation deferred taxes
Taxed provision for bad debts	2,160	518	2,197	527	(9)
Losses	-	-	61	15	(15)
Non-deductible interest	892	214	1.468	352	(138)
Other	188	45	110	27	18
Total prepaid tax receivables	**3,240**	**777**	**3,836**	**921**	**(144)**

Thousands of Euro	31/12/2019 Amount	 Deferred taxes	31/12/2018 Amount	 Deferred taxes	Variation deferred taxes
Capital gains on disposals	1,446	347	2,594	623	(276)
Discounting severance pay	49	11	21	5	6
Total deferred tax payables	**1,495**	**358**	**2,615**	**628**	**(270)**

15. Other non-current assets

Other non current assets as of December 31, 2019 refer to security deposits paid.

16. Non-current financial assets

Other noncurrent financial assets, totalling Euro 2,098 thousand as of December 31, 2019 and unchanged compared with the previous fiscal period, refer to:

- Euro 500 thousand of cash on hand on a checking account with Cassa di Risparmio di Ravenna as collateral of a banking guarantee issued in favour of Esprinet with a five year duration; 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. and purchased from Business-e, aimed at finalizing the “Adapt project”. The contract was signed by the minority interest in January 2017 and it should allow the subsidiary 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.

17. Account receivables – Trade

Trade receivables as at December 31, 2019, all short-term, totalled Euro 5,964 thousand (Euro 5,816 thousand at December 31, 2018). The value is expressed net of the allowance for doubtful accounts that as at December 31, 2019 stood at Euro 2,160 thousand (Euro 2,229 thousand at December 31, 2018). The allowances are deemed to be congruous compared with the insolvency risks of the existing receivable

Trade receivables include also Euro 2,770 thousand of work in progress, of which Euro 2,750 relating to a contract in progress to order allocated in past fiscal years for which the client notified the Business-e S.p.A subsidiary, from which the receivable was purchased before its sale to Maticmind, that it was rejecting the amount requested by the Company based on the progress in the work carried out. Trade payables at December 31, 2019 include approximately Euro 1,300 thousand, for liabilities to suppliers related to this work in progress. In 2016, with the support of its legal advisers, the company started a legal procedure against this client in order obtain the consideration of this credit, filing a writ of summons with the Rome Court, the verdict of which in the first degree was not favourable to the Group. It was therefore decided to file an appeal with the Rome Appeals Court as there are ample elements to support what Itway S.p.A. claims that were not considered by the judge in the first degree.

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 December 31, 2019. Itway, 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, sees its demands founded and therefore did not make any writedown of this credit in the current financial statements.

Trade receivables also include Euro 1,509 thousand towards the Itway MENA FZC subsidiary company and Euro 843 thousand towards the affiliate BE Innova S.r.l.

Following are the movements in the allowance for doubtful accounts:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Initial allowance	2,229	2,229
Writedown for the period	-	-
Utilization	(69)	-
Final allowance	**2,160**	**2,229**

Following is the breakdown of trade receivables as at December 31, 2019 classified by maturity:

	Fiscal period ended	
Thousands of Euro	**31/12/2019**	**31/12/2018**
Maturing	990	1,630
Expired up to 30 days	14	33
Expired from 30 to 60 days	-	6
Expired > 60 days	7,120	6,376
Total gross receivables	**8,124**	**8,045**
Allowance for doubtful accounts	(2,160)	(2,229)
Total net receivables	**5,964**	**5,816**

18. Financing towards subsidiaries

In order to centralize and optimize its treasury operations, the Company has current financial relationships, regulated at market rates, with its subsidiaries for an overall Euro 9,731 thousand as of December 31, 2019 (Euro 8,610 thousand as of December 31, 2018).

19. Other current assets

Following is a breakdown:

	Fiscal period ended		
Thousands of Euro	**31/12/2019**	**31/12/2018**	**Variation**
Tax receivables	557	692	(135)
Other receivables	26	319	(293)
Accruals and deferrals	48	40	8
Total	**631**	**1.051**	**(420)**

The reduction in "Other receivables" reflects the receipt of the residual receivable towards Maticmind for the sale of the Business-e subsidiary that was fully cashed in during the month of February 2019.

20. Other financial receivables

The item "other financial receivables reflects:
- A receivable from the partner company Giovanni Andrea Farina & Co S.r.l that as of December 31, 2019 totalled Euro 331 thousand (Euro 377 thousand as of December 31, 2018);
- An interest-free receivable towards Be Innova initially purchased with the subsidiary and totalling as of December 31, 2019 Euro 2,167 thousand (Euro 2,149 thousand as at December 31, 2018).

21. Cash on hand

Following is the breakdown:

	Fiscal period ended		
Thousands of Euro	**31/12/2019**	**31/12/2018**	**Variation**
Bank and postal deposits in Euro	20	50	(30)
Bank deposits in Dollars	-	417	(417)
Money and petty cash	1	1	-
Total	**21**	**468**	**(447)**

22. Net Equity

Share capital

The share capital of the parent company on December 31, 2019, 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 recognizes the purchase/sale of own shares at the date of the current financial statements. At December 31, 2019 the Group had No. 853,043 own shares, representing 10.79% of share capital, booked at an average cost of Euro 1.58 each.

Share premium

At December 31, 2019, it totalled Euro 17,584 thousand unchanged compared with the previous fiscal year.

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

Legal reserve

At December 31, 2019 it stands at Euro 485 thousand, unchanged from the previous fiscal period.

Allowance for profit/(losses) carried forward

As of December 31, 2019, it was negative for losses carried forward totalling Euro 14,789 thousand (Euro 14,786 thousand at December 31, 2018); in 2019 it increased by Euro 93 thousand due to the net impact of the result of the previous fiscal year and due to the valuation of the results of subsidiaries with the net equity method.

The reserve includes the effects on net equity deriving from the transition to international accounting standards carried as at September 30, 2004 as well as the exchange rate movements with regards to the stake owned in Itway Turkiye; the amount referred to the 2019 fiscal year included in the OIC (Italian Accounting Standard Setter) is Euro 265 thousand.

23. Employee benefits

This item highlights the provisions in favour of personnel for the severance indemnity due pursuant to the law, net of the advances given to employees.

Following are the changes in the 2019 fiscal period:

Thousand of Euro	**31/12/18**	**Financial charges**	**Increases**	**Actuarial profit (Loss)**	**Use**	**31/12/19**
Severance pay	219	29	21	-	(2)	266
Total	**219**	**29**	**21**	**-**	**(2)**	**266**

Following are the main assumptions used in the actuarial estimates of employee benefits:

Calculation date	**31/12/2019**
Mortality rate	IPS55 Tables
Invalidity rate	INPS-2000 Tables
Personnel rotation rate	3.00%
*Discount rate**	0.77%
Salary increase rate	3.00%
Rate of advances	2.00%
Inflation rate	1.20%

In particular, please not that:

- The **annual discount rate** used to determine the current value of the obligation was derived, pursuant to paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a 10+ duration at the date of measurement. Toward this end the yield was chosen with a duration that is comparable to the one of the collective of workers subject to the measurement;

- The **annual rate of increase in the severance pay** pursuant to article 2120 of the Civil Code is equal to 75% of inflation plus 1.5 percentage points.

The actuarial hypothesis include:

a) Demographic hypothesis on the future characteristics of employees who are entitled to benefits that include aspects like:
   - Mortality: mortality rate of employees (the probabilities of death are those included in every-day tables used by insurers);
   - Inability of the active population: the probability of becoming invalid during work activity (the annual probabilities are those in every-day tables used by insurers and reinsurers);
   - Turnover: is the probability of elimination due to reasons other than death, inability and retirement, therefore lay-offs or firing (the hypothesis used has to reflect the reality of the Company and therefore it has to be based on information received by the Company itself);
   - Annual probability of requests for advances on the severance pay: the propensity to ask for an advanced payment of a part of the total accrued severance pay (the hypothesis derive from information received by the Company).

b) Financial hypothesis:
   - Discount rate: the interest rate used to bring to present value the liabilities related to after the end of the work relationship has to be calculated with reference to market returns at the reference date of the balance sheet; the medium-term average yield of high-quality corporate securities (those with at least a AA rating) is used, in line with the average duration of the services rendered;
   - Salary increase rate: it is an estimate of future salary lines; it considers inflation and professional title (the information derives from information received by the Company) and can only be applied to the Companies that had less than 50 employees as of 31/12/2006;
   - Expected inflation rate: the ISTAT long-term inflation rate is used.

Assuming a 25 basis point increase in the technical actuarial rate compared with the one effectively applied for assessments to December 31, 2019 and all other actuarial hypothesis being equal, the potential loss of current value of liabilities for defined benefit plans underway would total some Euro 11 thousand. At the same time, assuming a 25 basis point drop in the same interest rate, there would be a potential increase in the current value of the liability of some Euro 11 thousand.

The changes to the remaining actuarial hypothesis would generate a significantly lower impact on the current value of the liabilities for defined benefit plans booked in the balance sheet.

24. Accruals for risks and charges

Following is a breakdown:

Thousands of Euro	31/12/2018	Amortization	Use	31/12/2019
Investment loss provision	8,158	20	(5)	8,173
Total	**8,158**	**20**	**(5)**	**8,173**

The investment loss provision reflects mainly for Euro 7,927,528, the negative net equity of the French subsidiary at December 31, 2019 for which – to date - there are no legal obligations to recapitalize. This loss coverage fund constitutes an indirect write-down of all trade and financial receivables vested in Itway S.p.A. towards the French subsidiary, as shown in note 34 below, and iNebula S.r.l., under liquidation.

25. Non-current financial liabilities

Following is the breakdown:

	Fiscal period ended			
Thousands of Euro	31/12/2019	31/12/2018	Variation	Maturity
Non-current residual leasing debt	1,731	1,862	(131)	November 2026
Medium/Long term debt for right of use	99	-	99	
Total	**1,830**	**1,862**	**(32)**	

This item represents for Euro 1,731 thousand the non-current quota of the residual debt towards a leasing Institute for the offices in Milan as previously commented (Note 12) 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 bps) convertible into a fixed rate at any moment chosen by the lessee. This item includes also non-current liabilities for other right of use recognized from January 1, 2019, pursuant to IFRS 16.

Following is the detail of the residual non-current leasing debt broke down by maturity:

	Fiscal period ended	
Thousands of Euro	31/12/2019	31/12/2018
Residual non-current debt, net of interests:		
From 1 to 5 years	556	543
Over 5 years	1,175	1,319
Residual leasing debt, net of interests	**1,731**	**1,862**

26. Current financial liabilities

As at December 31, 2019 they total Euro 7,161 thousand (Euro 7,835 thousand at December 31, 2018) and are mainly represented by debt towards banks and unsecured loans. In addition, this item includes Euro 228 thousand of the short-term portion of debt for right of use debt, pursuant to IFRS 16, as per Note 25.

At the moment, current liabilities include two Iccrea medium-term financing totalling Euro 119 thousand the covenants of which 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 December 31, 2019, the Parent Company had expired positions totalling Euro 6.8 million. At the same date the expired positions of the Itway Group totalled euro 7.9 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.

After the interruption of collegiate talks with the banking world, negotiations continued on a bilateral basis with each institution. The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, which then settled with Itway for their definitive closing, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy's vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some bank. The company reasonably believes it can conclude the talks with agreements on how to repay the debt.

In terms of expired positions of the Company, please note that to date there are legal disputes or judicial initiatives for Euro 339 thousand.

27. Trade payables

Trade payables, including invoices not yet received, amount to Euro 5,264 thousand at December 31, 2019 compared with Euro 4,748 thousand as of December 31, 2018. The balance at December 31, 2019 includes an expired debt towards suppliers of approximately Euro 3.2 million (of which approximately Euro 0.4 million for amounts being contested, possibly at court level).

With reference to the commercial expiration of the Company, it should be noted that to date, some reminders have been received from creditors and legal disputes or legal initiatives for 116 thousand euros exist, while no suspension of the related services has occurred.

28. Tax payables

Tax payables as of December 31, 2019 total Euro 28 thousand (Euro 70 thousand at December 31, 2018) and following is the breakdown:

	Fiscal period ended		
Thousands of Euro	31/12/2019	31/12/2018	Variation
VAT	-	-	-
Withholding on personnel compensation	28	70	(42)
Total	**28**	**70**	**(42)**

29. Other current liabilities

Other current liabilities as of December 31, 2019 total approximately Euro 1,797 thousand (Euro 3,057 thousand at December 31, 2018) with the following breakdown:

	Fiscal period ended		
Thousands of Euro	31/12/2019	31/12/2018	Variation
Debt towards personnel for remuneration	9	16	(7)
Other debt towards personnel	122	114	8
Debt towards directors and collaborators	544	515	29
Debt towards social security institutions	55	60	(5)
Accruals and deferrals	90	50	40
Advanced payments received and others	977	2.302	(1,325)
Total	**1,797**	**3,057**	**(1,260)**

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

The “Advanced payments and others” item includes Euro 753 thousand that is equal to the value of Cyber 1 shares owned by the Parent Company, for a total of 16,666,666 shares valued at fair value of Euro 0.0452.

30. Obligations and guarantees

Following are the obligations and guarantees as of December 31, 2019:

- Third party guarantees in favour of the Company for Euro 700 thousand relative to bank guarantees on behalf the Company towards suppliers;

- Company guarantees for Euro 1,200 thousand in favour of the Iway Re S.r.l. subsidiary as a collateral for a mortgage.

31. Information on related parties

During the 2019 fiscal period, the Company 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.	331	-	198	2
Itway S.p.A. vs Be Innova S.r.l.	4,608	-	-	149
Itway S.p.A. vs Fartech S.r.l.	34	1,113	10	-
TOTAL	**4,973**	**1,113**	**208**	**151**

The Group's relationship with its managers is summed up in the Remuneration Report of the Board of Directors.

32. Infra-group relationships

The following table sums up the relationship of the Company with the subsidiaries of the Itway Group:

Thousands of Euro	Trade receivables	Financial receivables	Financial payables (*)	Trade payables (*)	Operating and financial costs	Revenue, other revenue and financial proceeds
Itway Iberica S.L.	115	-	74	42	-	-
Itway France S.A.S.	-	7,885	-	-	-	-
Itway RE S.r.l.	15	-	-	(33)	60	-
Inebula S.r.l. in liquidation	13	14	-	166	-	31
4Science S.r.l.	17	1,833	-	1,209	80	13
Itway Hellas S.A.	166	-	-	-	-	49
Itway Turkiye Ltd.	99	-	-	-	-	313
Total	**425**	**9,732**	**74**	**1,384**	**140**	**406**

(*) These amounts are classified at the "Payables towards subsidiaries" item of the balance sheet.

Commercial relationships

The company is not in a situation of being dependent or controlled by other companies. Itway S.p.A carries out commercial sales and purchase transactions of products and services with subsidiaries, within the normal management of the Company.

Financial relationships

The Company, in order to centralize and optimize treasury services, has current account financial relationships with subsidiaries, regulated at market rates, highlighted in the previous table, for an overall Euro 9,732 thousand as of December 31, 2019.

33. Remuneration to Directors, Auditors, managing directors and managers with strategic Responsibility

Following the introduction of article 123 ter of the TUF, the data on these remunerations are reported analytically on the report on remuneration that will be made available to the public within the terms foreseen by law at the administrative headquarters. It will also be possible to consult them on the Internet site www.itway.com in the Investor Relation section.

34. Net financial position

Pursuant to Consob Communication No. 6064293 of July 28 2006, following is the breakdown of the Company's net financial position (NFP), not inclusive of intercompany loans towards subsidiaries previously disclosed

Thousands of Euro	31/12/2019	31/12/2018
Cash on hand	21	468
Financial receivables	2,498	2,525
Current financial liabilities	(7,161)	(7,835)
Current net financial position	**(4,642)**	**(4,842)**
Non-current financial assets	2,098	2,098
Non-current financial liabilities	(1,830)	(1,862)
Non-current net financial position	**268**	**236**
Total net financial position	**(4,374)**	**(4.606)**

Please see the Cash Flow Statement for the details of the movements that generated the variation in the Net Financial Position.
The non-current net financial position reflects financings detailed in Note 25; the variation in the fiscal year reflects the drop in expiring quotas beyond the fiscal year of the financing granted in past fiscal years.

35. Subsequent events

As already commented in the previous paragraphs "Going Concern", please note that today Itway S.p.A. updated its industrial and financial plan to all of 2021 and in April 2020 it took back full control of the Itway Hellas and Itway Turkiye subsidiaries following a serious and persistent breach by Cyber 1 of the agreements signed for the purchase of the Greek and Turkish subsidiaries.

In light of the current situation related to the possible impact on business performance deriving from the Covid-19 pandemic, it is difficult to assess whether there will be a relevant impact. 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 by 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.

36. Non-recurrent, atypical and/or unusual transactions

During the fiscal year that ended on December 31, 2019, 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 while the previous paragraph widely described the missed sale of the Greek and Turkish transaction as well as the liquidation of some debt positions.

37. 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 the income statement;

- The nature and entity of risks arising from financial instruments to which the Company 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 separate 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 Company to the different categories of risks identified are reported hereinafter.

Account and trade receivables, cash and cash on hand that directly derives from the operating activity represent the main financial activities of the Company. Financial liabilities are made up of short- term debt towards major credit institutes and medium- and long-term debt towards leasing companies.

ASSETS	**December 31, 2019**					
Thousands of Euro	***Carrying value***	***Assets for derivatives at FVTPL (*)***	***Financial instruments at amortized cost***	***Derivatives used for hedging***	***Financial instruments at FVTPL (*)***	***Financial instruments at FVTOCI (**)***
Other non-current assets	7	-	7	-	-	-
Non-current financial assets	2,098		2,098			
Non-current assets	**2,105**	**-**	**2,105**	**-**	**-**	**-**
Trade receivables	5,964	-	5,964	-	-	-
Financial receivables towards subsidiaries	9,731	-	9,731	-	-	-
Trade receivables towards subsidiaries	425	-	425	-	-	-
Other current assets	631	-	631	-	-	-
Cash on hand	21	-	21	-	-	-
Current assets	**16,772**	**-**	**16,772**	**-**	**-**	**-**

ASSETS	**December 31, 2018**					
Thousands of Euro	***Carrying value***	***Assets for derivatives at FVTPL (*)***	***Financial instruments at amortized cost***	***Derivatives used for hedging***	***Financial instruments at FVTPL (*)***	***Financial instruments at FVTOCI (**)***
Other non-current assets	7	-	7	-	-	-
Non-current assets	**7**	**-**	**7**	**-**	**-**	**-**
Trade receivables	5,816	-	5,816	-	-	-
Financial receivables towards subsidiaries	8,610	-	8,610	-	-	-
Trade receivables towards subsidiaries	518	-	518	-	-	-
Other current assets	1,051	-	1,051	-	-	-
Cash on hand	468	-	468	-	-	-
Current assets	**16,463**	**-**	**16,463**	**-**	**-**	**-**

LIABILITIES	**December 31, 2019**			
Thousands of Euro	***Carrying value***	***Derivatives liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives used for hedging***
Non-current financial liabilities	1,830	-	1,830	-
Non-current liabilities	**1,830**	**-**	**1,830**	**-**
Current financial liabilities	7,161	-	7,161	-
Trade payables	5,264	-	5,264	-
Payables towards subsidiaries	1,458	-	1,458	-
Other current liabilities	1,797	-	1,797	-
Tax payables	28		28	
Current liabilities	**15,708**	**-**	**15,708**	**-**

LIABILITIES	**December 31, 2018**			
Thousands of Euro	***Carrying value***	***Derivatives liabilities at FVTPL (*)***	***Other financial liabilities***	***Derivatives used for hedging***
Non-current financial liabilities	1,862	-	1,899	-
Non-current liabilities	**1,899**	**-**	**1,899**	**-**
Current financial liabilities	7,835	-	8,171	-
Trade payables	4,748	-	5,504	-
Payables towards subsidiaries	1,749	-	1,045	-
Other current liabilities	3,057	-	696	-
Current liabilities	**17,389**	**-**	**15,417**	**-**

**Fair Value Trough Profit and Loss*

***Fair Value Trough Other Comprehensive Income*

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

Following are the main risks for the activities of the company:

Interest rate risk

The financial instruments of the Company include anticipated credits by banking institutes and sight deposits. Such instruments finance the Company's activities.

Total loans obtained by the group foresee variable interest rates (generally 1-3 month Euribor). Therefore the interest rate risk is represented by the exposure of cash flows to interest rate fluctuations. The current policy 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 72 thousand per fiscal period. On non-current financial liabilities a 1-percentage point fluctuation in interest rates would entail a variation of +/- of interests of some Euro 18 thousand per fiscal year.

Foreign exchange risk

The Company 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.
In order to reduce the foreign exchange risk deriving from expected assets, liabilities cash flows in foreign currency hedging contracts are used.

Credit risk

The credit risk represents the Company's potential exposure to losses deriving from counterparties not fulfilling their obligations. The Company does not have significant concentrations of credit risk therefore it isn't deemed opportune to highlight quantitative and detailed information, except for the details regarding account receivables per expiration breakdown in Note 17. In order to check such risk the Group implemented procedures and measures to assess the clientele and the possible recovery measures. Regarding other financial assets, 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 pre-set 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. Banking indebtedness and liquidity management is managed centrally with the aim of optimizing the financial resources of the Group. In this context the Company and the Group started in past fiscal periods talks with banking institutions aimed at defining the terms and conditions to remodulate financial indebtedness.

After the interruption of collegiate talks with the banking world, negotiations continued on a bilateral basis with each institution. The company has progressively remodulated debt (over 90%) with most lenders and during the fiscal period this led to define positions with three banking institutions that sold their receivables to related company Fartech, which then settled with Itway for their definitive closing, while the main financial institutions sold their positions to Mercatoria S.p.A. (company that has a credit recovery license pursuant to article 115 of the TULPS) that has Euro 2.1 million of financial receivables towards Itway S.p.A. and to Socrate SPV (a company included in the Bank of Italy's vehicle corporations register pursuant to Bank of Italy regulation dated October 1, 2014), which has financial receivables totalling approx. Euro 3.3 million towards Itway S.p.A. With these companies (Marcatoria S.p.A. and Socrate SPV S.r.l.), which belong to the same shareholder, negotiations are in an advanced stage to pay back the debt with its reduction by 67% in 36 instalments starting from the month of June 2020.

To date talks are in still underway for minor amounts with some financial institution or Companies (art. 115 TULPS) that purchased payables from some bank. The company reasonably believes it can conclude the talks with agreements on how to repay the debt.

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 analyses the Group's non-current liabilities, grouped together on the basis of the contract expiration compared with the balance sheet date.

Thousands of Euro	*31/12/2019*	*Contractual cash-flows*	*1-2 years*	*2-5 years*	*Over*
Non-current financial liabilities	1,830	1,830	188	422	1,221
Non-current liabilities	**1,830**	**1,830**	**188**	**422**	**1,221**

Thousands of Euro	*31/12/2018*	*Contractual cash-flows*	*1-2 years*	*2-5 years*	*Over*
Non-current financial liabilities	1,862	1,862	131	412	1,319
Non-current liabilities	**1,862**	**1,862**	**131**	**412**	**1.319**

Capital management

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

38. Other information

Regarding the information Consob requested regarding transactions and significant balances with related parties and infra group, it should be underlined that these, in addition to being commented in an ad hoc Note, were separately indicated in the financial statements.

39. Compensation for the auditing firm - Art. 149 duodecies of Issuers Regulations - Prospectus

Description	**Thousands of Euro**
Compensation for Analisi for the auditing of the financial statements of the fiscal year at a consolidated and Itway SpA level	55
Compensation to Analisi for other services	-
Total	**55**

In addition to the compensation mentioned above, Itway S.p.A. gave no other mandates to the auditing firm or other companies of its network.

40. Publication of the Financial Statements

The financial statements were approved by the Board of Directors of Itway S.p.A., which approved its publication, at the April 15, 2020 meeting in which the mandate was given to the President to carry out formal fine tuning amendments or integrations should they be necessary or opportune for a better drafting and a more complete text, in all its elements

41. The companies of the Itway S.p.A. Group

Following is the list of companies and relevant investments of the Group, pursuant to Consob Deliberation No. 11971 of May 14 1999 and successive modification and Consob communication No. DEM/6064293 of July 28 2006.

In the list that follows the companies are divided by type of control and consolidation method as well as sector activity. For each company the following is highlighted: name, headquarters, country affiliation, share capital in the original currency. Furthermore, also listed are the shareholdings, voting rights in ordinary shareholders meeting, if different from the stake of the capital and the controlling companies.

PARENT COMPANY	HEADQUARTERS	SHARE CAPITAL Euro
Itway S.p.A.	Milan	3,952,659

SUBSIDIARY	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
Itway Iberica S.L.	Barcelona	560,040	100%	Itway S.p.A
Itway France S.A.S.	Paris	100,000	100%	Itway S.p.A
Itway Hellas S.A.	Athens	846,368	100%	Itway S.p.A
Itway Turkiye Ltd.	Istanbul	1,500,000 *	100%	Itway S.p.A.
iNebula S.r.l. in liquidation	Milan	10,000	75%	Itway S.p.A
Itway RE S.r.l.	Ravenna	10,000	100%	Itway S.p.A.
4Science S.r.l.	Milan	10,000	100%	Itway S.p.A

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

ASSOCIATE COMPANY	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
BE Infrastrutture S.r.l.	Ravenna	100,000	30%	Itway S.p.A
BE Innova S.r.l.	Trento	20,000	50%	Itway S.p.A

OTHER COMPANIES	HEADQUARTERS	SHARE CAPITAL Euro	% OWNERSHIP	CONTROLLING COMPANY
Dexit S.r.l.	Trento	700,000	9%	Itway S.p.A
Itway MENA FZC	Saudi Arabia	35,000*	17.1%	4Science S.r.l.
Idrolab S.r.l.	Cesena	52.500	10%	Itway S.p.A
Serendipity Energia SpA	Ravenna	1,117,758	10.5%	Itway S.p.A

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

Ravenna, April 15, 2020

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